

The Value of the Minimum Wage – or Lack of It

On March 11, 2021, President Biden signed a \$1.9 trillion “rescue plan” to help Americans and the economy recover after a year of pandemic.

While many who had been calling for a substantial aid package were happy with the scale of the bill, one thing was noticeably absent: a provision that would raise the federal minimum wage from the present \$7.25 per hour to \$15 per hour by the year 2025. The version of the passed by the House of Representatives had included this raise. But when the bill got to the Senate, it was removed.

The first minimum wage, established during the Great Depression, was 25 cents per hour. That’s probably not as low as it sounds. At that time, you could buy a house for under \$4000. A loaf of bread cost 9 cents and tuition at Harvard was \$420 a year. As we look at the increases in the minimum wage over the past eight decades, we also have to notice the increase in prices.

[Business Insider](#) provides a handy comparison of the minimum wage standards in today’s dollars—taking into account that everyday expenses also usually rise in price.

- That 25 cents per hour in 1938 would be the equivalent of \$4.60 today. As the minimum wage rose, the buying power of that wage rose even higher.
- When it was raised to one dollar in 1956, that was the equivalent of \$9.62 an hour in today’s dollars.
- By 1968, when the minimum was \$1.60 per hour, that wage would be worth \$12.06 per hour today.
- It’s been downhill ever since. The last time the minimum wage was raised, in 2009, the wage per hour became \$7.25. Median house prices had risen to \$214,000; (white) bread to \$1.37; and Harvard, \$32,557.

Beginning in 2012, groups of workers and their allies started pushing hard for a significant rise in the federal minimum wage, to \$15 an hour: the “Fight for 15.” At the time, leaders of both major political parties – and much of the public – viewed this demand as extreme, or at least politically out of reach.

But the movement persisted. Workers and unions organized strikes by childcare and homecare workers, fast food workers, and others, demanding increased wages and also the right to form a union. The movement helped win minimum wage increases at the state and local level, with California, Massachusetts, Maryland, New Jersey, Illinois, Connecticut, and Florida all passing laws that gradually raise their state minimum wage to at least \$15 per hour. The Democratic Party adopted the \$15 minimum wage as part of its platform in 2016.

How Much is A Billion – and Why Should We Care?

While the minimum wage has been losing value, the income of the wealthiest Americans has risen steeply in the past decade.

In 2009, the annual income someone would need to be part of the top one percent in income was \$343,000. In 2019, the minimum income to be included in that top one percent was \$422,000.

By comparison, people earning the federal minimum wage of \$7.25 make about \$15,000 a year – less than 4 percent of what one percenters make.

When discussing the minimum wage, it's pretty easy to imagine the dollar amounts. We know what \$7 looks and feels like and we know about how much it will buy. But when numbers get really large, they tend to get beyond our grasp.

When we first learn about numbers, we rely on our fingers. They're handy: they're always around, they come in bunches of the very useful "five," they require the memorization of only ten numbers, they can be used for addition and subtraction (and even multiplication and division). As we get older, we use other everyday objects to learn mathematical concepts – weight, distance, jellybeans, time, blocks, and money. Money is an especially good way to learn and practice math because its practical value is obvious.

But all the learning devices for math somehow seem inadequate for really huge numbers. We can be told that there are a trillion stars or a million stars, how could we know the difference? Things that come in such numbers—stars, cells, atoms, or grains of sand—are not humanly countable.

Here are some ways to visualize millions and billions:

- Tap a pencil on your desk, once each second. If you continued the tapping without stopping for 12 days, you'd get to a million.
- If you had nothing else to do with your life and didn't need to eat or sleep, you could tap your poor pencil every second for 31 years to get to one billion.
- Take a walk for exactly one mile. Now walk around the earth 40 times to approximate one million miles. Some quick math: how many times around the earth for one billion miles?

Let's get back to money and one of the possible answers to the question about why we should learn math. What effect does math literacy have on our society as a whole?

Think about how much of our lives depend on how the government taxes and spends. When we earn money working at a job, we pay taxes on that income. The amount we pay depends on how much we earn, but also on the tax rate set by our representatives. That rate is not fixed. Congress sets the tax rates, and they change frequently.

Similarly, the amount of money allocated for education, or housing or food stamps, or military hardware and operations is also not fixed. Legislatures at all levels of government are constantly

changing their budgets. These, and thousands of other money decisions that affect almost every aspect of our lives are made by the people we elect to lead us. Understanding math might well help us decide which candidates will make money decisions that improve our lives and the quality of life for everyone.

Jeff Bezos, the founder and CEO of Amazon, has immense wealth—estimated at around \$184 billion dollars as of March 2021.

Note: It's important to consider and distinguish between income (which includes wages or salaries as well as investment income per year) and wealth, which is the total value of all a person's assets minus their liabilities.

Bezos' mind-boggling fortune invites frequent comparisons and equivalencies, as well as ammunition in fight against wealth and income inequality in the U.S. But can we really grasp just how much money he, and other billionaires, have?

Here are some measures of the value of the estimated \$150 billion in wealth Bezos possessed last year (his wealth has jumped since then):

- That \$150 billion could buy 17 of the U.S.'s Fortune 500 companies, or the financial giant Goldman Sachs. It's equal to the GDP of Ukraine's entire economy.
- In the two months from mid-March to mid-May 2020, Bezos increased his wealth by \$34 billion. That's the equivalent of the annual salaries of about 850,000 elementary school teachers.
- Bezos, along with two other billionaires, own as much wealth as the bottom one half of the American population (about 160 million people).
- On days when Amazon stock goes up and Bezos makes \$1.5 billion, that amounts to \$17,000 every second of the day.

Because of the staggering numbers, the philanthropic giving of billionaires may seem more generous than it actually is. When Jeff Bezos gave \$15 million to the Museum of History and Industry in Seattle, that charity was about equivalent to that of a \$10 gift from an American with the median household wealth of \$100,000. Bezos buying a private jet would be like that median-wealth American buying a fitbit.

If it's hard to conceive of Bezos's billions, is a trillion beyond our grasp entirely? One trillion dollar bills arranged end-to-end would stretch to the sun and back. And Jeff Bezos probably won't become a trillionaire for another six years.