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# The chicken or the egg?

**Today we have an economic conundrum to deal with. Which should we do first: solve the true issues with our cost of living, or just throw money at the lowest level?**



Leigh Geschwill  
OAN PRESIDENT

Like the chicken-and-egg riddle, the answer depends on your worldview.

If you know me you're probably aware that I am an unabashed capitalist. I believe in the law of supply and demand. Our modified system of capitalism has created a tremendous amount of opportunity for individuals to innovate, to fill market needs and to improve their lives.

In our current labor market, there is a severe labor shortage — especially in the agriculture sector. This labor shortage spans entry-level, manual labor positions, all the way through technical and managerial staff. Oregon's recent anti-immigration ballot activity and high cost of living further shrinks supply. The response to these conditions has been to raise wage and compensation levels — classic supply-and-demand leveling.

Given this scenario, wouldn't raising the minimum wage fix the issue? Actually, no.

Raising wages for entry and low-level jobs just artificially inflates their value, and does not proportionately increase the wages at other levels. In fact, it creates wage compression, where there is less difference between the highest and the lowest paid employee. That would work great in a communist system, where being an individual is not valued or prized, and hard work is not rewarded. But in our country, most folks like to be rewarded for their efforts.

Raising the minimum wage also does not encourage your average American to go out into the fields and do manual labor. Let's face it folks, this country was built on the backs of immigrants doing manual labor. Furthermore, a higher minimum wage does not address the issue of technical training and/or higher education that are needed for higher-paying positions.

By simply raising the minimum wage, we fail to address the more pressing issue of adequate labor supply for each level of worker our industry needs.

The second supply issue we face is a lack of housing. We have tasked our governments with managing our lands. State and local governments control zoning (where building takes place), density (how much building takes place) and, directly or indirectly, costs (what additional requirements or fees are required for building).

In a housing market such as the Portland metro area, where the average home price is upwards of \$345,000, there is plenty of demand to encourage market activity. The argument could be well made that homes are overvalued — close to 70 percent of the housing stock under Metro's jurisdiction is over 40 years old and in need of weatherization, efficiency and seismic upgrades. These houses should not merit full market value.

The need and desire for improving existing stock and creating new stock is real, but desirable units for rent or ownership are not available. The demand exceeding supply is rising at a rate that existing wage levels cannot sustain.

Again, wouldn't raising minimum wage fix the issue? The answer is, temporarily.

Current wage policies do not address creating more supply, but simply act as an income subsidy. History has shown subsidies can be used as a short-term fix, but a higher minimum wage does not solve long-term needs. Nor does it ease government regulation and bureaucracy, which slow the development of an adequate, affordable supply of labor and housing.

In the long run, we need to address the bigger issues in our state that will improve the economic reality for everyone — not just take the easy way out with a temporary fix that leaves the real work undone. ☺

*Leigh*