Capitalism Under Attack in West Virginia

Both the West Virginia State Senate and House recently introduced the Fair Share Health Care Act, a measure that would require companies with 10,000 or more employees to spend at least 8 percent of wages on health care. The bill mirrors a similar law recently passed in Maryland over a gubernatorial veto. In a nutshell, this legislation is an outright attack on Wal-Mart (the only firm in the state with more than 10,000 employees). Hopefully, West Virginia won't make the same mistake as Maryland by enacting this law.

This legislation is an attempt by our state government to control the form of employee compensation for a single, private firm. Not only is this at odds with the entire philosophy of the role of government in a free-market economy, but it also has the result of putting one private firm at a serious cost disadvantage relative to its competitors.

More importantly, however, is the impression we will make on other large firms who might be considering locating or opening in West Virginia. Why would a large company move here given the immediate cost-disadvantage this legislation would create? What incentive remains for growing companies within the state to expand past 10,000 employees? Are other businesses whose names arbitrarily start with the letter Q next?

In addition to the legislation's complete economic nonsense, it raises the larger question of how big a role the state government should play in controlling and regulating the private sector of West Virginia's economy. The Fraser Institute's 'index of economic freedom' analyzes the degree to which states do this. We rank 50th—no state government interferes with its own economy more than West Virginia's—and it's no coincidence that West Virginia also ranks near the bottom in terms of wealth and income. Fraser estimates that West Virginia's anti-free-market policies cost every man, woman, and child in the state almost $6,000 a year in reduced income. This legislation by itself will assure our persistence at the bottom of the rankings for economic freedom.

The government's primary role in a free-market economy should be to protect the property rights of its citizens (workers and business owners alike), and provide broad rules, regulations, and taxes that apply equally to all. By doing so, the government causes the least distortions to the private sector of the state's economy. This in turn creates the most favorable conditions for economic growth and the creation of wealth and income.

This is not to imply that health care isn't an important issue. But if health care were the real issue here, why require it only for Wal-Mart? Why has the health of Wal-Mart employees suddenly gained special privilege with the state Legislature?

Legislation such as this is nothing more than an attempt by our state Legislature to single out a private firm and control its employee compensation decisions. It does not pass even a simple cost-benefit test. Basic Economics 101 tells us Wal-Mart will cut employment when faced with higher labor costs. Wal-Mart employees who lose their jobs, incomes, and current benefits certainly won't be helped. Those employees that keep their jobs will get paid lower hourly wages (or lose other benefits), and any remaining labor cost increases will be reflected in higher prices for everyone at Wal-Mart. Once these economic impacts are accounted for, it's unclear if there is any benefit from this legislation, and certainly not enough to offset the enormous economic cost to the state's business climate.

There is no room for legislation like this in a free-market economy. Particularly in a state trying to make itself known for being "open for business."

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