Addenda #12 – January 2024, UPDATE – March 2026
Re: Ch. 9 Modern Monetary Theory – Fueling Unlimited Debt and Dependency, and Control: Income Inequality and Redistribution of Wealth / MMT Summary
Ref: Addenda #12 – January 2024, Update June-2024, Update July-2025

Big push by lawmakers to increase Maryland's minimum wage — again
CBS Baltimore, March 1, 2026

A proposed plan by Maryland lawmakers could raise the minimum wage up to $25, up from $15.

The Living Wage For All Act would increase the pay by 2030. It would also eliminate the tip credit starting in 2031 and automatically increase wages with inflation starting in 2033.

The bill's wage schedule shows a 67% increase in the span of a few years:

- *$17 — Jan. 1, 2027*
- *$20 — Jan. 1, 2028*
- *$22.50 — Jan. 1, 2029*
- *$25 — Jan.1, 2030.*

Democrat and District 19 Delegate Vaughn Stewart is one of the sponsors who spoke at a Thursday committee meeting in support of the bill.

"A wage floor should be a floor," he said. "Employers must pay the full minimum wage directly, and so tips remain on top of whatever the minimum wage is, and that's phased in, again, gradually over an almost decade-long time horizon."

Steward said he believes it would help with inflation.

Vaughan Stewart, age 37 (a millennial, go figure), member of the Democrat Socialists of America, has been a member of the Maryland General Assembly representing Montgomery County, is a suburb of Washington D.C., since January 2019. It's population of 1.082 million people is 57% white, with a median income of $132,450 in 2024 and 60.6% of county residents age 25 and older have a bachelor's degree or higher. Only 7.5% of Montgomery County residents live in poverty. This county is populated by well educated, progressive liberal workers in professional careers, 75% of which voted for Kamala Harris in 2024 and 79% voted for Joe Biden in 2020. Vaughan Stewart, who earned a bachelor's degree in political science and a Juris Doctor degree, is a composite of his constituents.

The state of Maryland has a total civilian labor force of 3.232 million workers at the end of 2025, 95.7% of which were employed. The average income for state residents was $63,133 in 2025, with a median household income of $101,652 and a poverty rate of 9.35%.
The *One Fair Wage Act*, proposed by Governor Wes Moore and voted into law by the General Assembly in 2024, set a $15 minimum wage statewide target by 2025, with higher wages paid by employers based on the size of their businesses. "Tipped employees" (food and beverage service, hospitality, personal care, transportation, etc.) must earn at least the state minimum wage rate by lower base rate paid plus tips. The minimum wage also differs by county, with more expensive counties having a higher wage rate.

EPI Debunks One Fair Wage In Maryland Hearing
Employment Policies Institute – MinimumWage.com, March 13, 2026

This week, EPI testified on the harmful economic impacts of Maryland's proposed $25 minimum wage bill – which would also end the current tip credit system for tipped restaurant workers.

While bill proponents from One Fair Wage touted a "success story" of their tip credit elimination law in the District of Columbia – EPI brought federal government data to explain how the bill actually harmed the city's restaurants and workers, arguing Maryland would not be immune to the same impacts.

When pressed by the committee about how a similar policy affected neighboring Washington, D.C., One Fair Wage claimed there had been no negative impact on businesses, jobs, or tips.

But the data tells a different story – and should be a warning to Maryland.

Rebekah Paxton testified before Maryland lawmakers about a similar experiment titled Initiative 82, that nearly 74% of District of Columbia voters supported in November 2022. The "District of Columbia Tip Credit Elimination Act" would gradually eliminate the use of the tip credit in setting wages for tipped workers by 2027. Instead of a low minimum wage, which would be supplemented by tips to reach at least the $16.10–per-hour minimum wage in D.C., voters approved raising the minimum wage for tipped workers and phasing out the tip credit. Critics at that time, said Initiative 82 placed too heavy a burden on restaurants across the nation's capital who were already struggling with growing operating and supply costs, higher rent and labor challenges. Business owners paid tipped workers a subminimum wage of $5.35 per hour, with the expectation that customers' tips will cover the difference so that the worker would earn *at least* the $16.10 per-hour minimum wage. Paxton told Maryland lawmakers that full-service bars and restaurants ended up losing 5% of their employees, and servers and bartenders who stayed said they earned less in tips, reducing their overall income.

At a January 2025 hearing on the "successful" implementation of Initiative 82 before the District of Columbia City Council Committee on Executive Administration and Labor, bartender Laura Pacholkiw reported that she made up to 50% less in tip income once Initiative 82 was implemented. Rachel Giordano, server, told council members, "I can go to Maryland and make at least $200, oven $300 or more, for five hours of work, or work double those hours and only make $150 in DC." Yana Tarakanova, server, told the council, "Here we are now suffering the consequences. My working hours were cut by 5-10 hours per week, and service charges decreased my average tip percentage from 23-25% to 18-20%. I barely have any support staff now…I have to do everything myself to be on the floor, with the support of only one person in the whole dining room."
Dennis Brooks, server, said, "A lot of people see the service fee, which is not a gratuity, and decide not to tip at all." In the first two years that Initiative 82 was in effect, The Bureau of Labor Statistics reported payroll data that showed a loss of $11.8 million in wage earnings by workers and data from the U.S. Census Bureau showed weekly pay, including tips, dropped by 5%, representing a loss in earnings of more than $1,800 per employee per year. For workers in the lower income bracket, the same people politicians claimed Initiative 82 was supposed to help, saw their pay decrease by 14% or as much as $3,400 per year.

D.C.'s Democratic Mayor Muriel Bowser and City Council voted to undo the remaining path to full tip credit elimination two years into the failed Socialist program. I find it hilarious that only Progressive Democrats and Living Wage advocates were stunned (and embarrassed) by the results: they were entirely predictable. I wrote about this very situation that Progressive-Marxist lawmakers tried in California (Addenda #12 – January 2024 & Update June-2024), and in Seattle and New York City (Addenda #12 – Update June-2024). In each case, employers cut hours or eliminated jobs and new hiring, workers suffered a loss in income, business owners raised prices to cover their loss of profit, and customers cut back on to-go and takeout orders because of higher prices. Huh…..

Six policies to reduce economic inequality
The Othering & Belonging Institute at the University of California, Berkeley; September 10, 2014

1. Increase the minimum wage.

Research shows that higher wages for the lowest-paid workers has the potential to help nearly 4.6 million people out of poverty and add approximately $2 billion to the nation's overall real income. Additionally, increasing the minimum wage does not hurt employment nor does it retard economic growth

Words come a dime a dozen, and most people will just skim over the words I've written on this subject; it will have no effect on them. So, here is what it will look like for you, the working employee, when Maryland politicians pass the Living Wage Act…
Note: Democrats hold a 63-vote supermajority in the House of Delegates (102-39), a 21-vote supermajority in the Senate (34-13), and Democrat Wes Moore sits above all those Progressive-Marxist-Democrats in the governor's mansion.

Meet twenty-two year old Paul Forbes, a recent graduate of the Community College of Baltimore County. Paul received an Associate of Art degree in Anthropology, Humanities and Social Sciences, because he wants to study cultures around the world and how they interact with each other. Paul comes from a liberal, middle-class family that expresses strong opinions about global issues and economic and social inequality. With this AA degree, Paul hopes to transfer to The University of Maryland, Baltimore to earn a Bachelor of Arts in Anthropology. He wants to learn more about "how culture intersects with meaning-making and societal influences like politics and economics."

During his "gap year" (a planned break from formal education), Paul is working at Smith's Drug Store in an effort to save money for fees, books and supplies if accepted at UMB next fall. He is only making $15.00/hour minimum wage because he has no previous job experience or life experience and has a number of tattoos and body piercings including stainless steel plugs in each ear lobe. (His mom, a social worker and volunteer for Kamala Harris' presidential campaign paid for them)

This is what Paul's weekly paycheck looks like, with total earnings shown for calendar year 2026, right before Maryland's *Living Wage Act* is scheduled to go into effect.

Smiths Hardware Store
7552 S.W. 8th Street
Baltimore, MD 21211

Earnings Statement

Period Ending: 12/22/2026
Pay Date: 12/25/2026

Paul Forbes
3648 Hickory Ave.
Baltimore, MD 21211

Earnings	rate	hours	this period	year to date
Regular	15.00	32.00	480.00	24,960.00
Overtime	22.50	0.00	0.00	0.00
Holiday	15.00	0.00	0.00	150.00
Gross Pay			**$480.00**	25,110.00

Other Benefits	
Vacation Hours	32.00
Sick Hours	6.00
Family Leave Hours	0.00

Deductions		this period	year to date
Federal income tax withholdin	5.00%	-24.00	-1,255.50
State income tax withholding	1.50%	-7.20	-376.65
Local income tax withholding	3.20%	-15.36	-803.52
Social Security tax withheld [1]	6.20%	-29.76	-1,556.82
Medicare tax withheld [2]	1.45%	-6.96	-364.10
Paid Family Medical Leave [3]	0.45%	-2.16	-113.00

Other	
401 (k)	0.00
Health Insurance	0.00
Savings Plan	0.00

Net Pay **$394.56**

Working just 32 hours a week, there are no "full-time" employee benefits available to Paul, but he can still be covered under his parents health insurance plan for another four years. Paul can't afford an apartment of his own in an expensive city like Baltimore, so he lives with his parents rent free. Paul is struggling to save enough money to return to college and complete a degree, which he hopes will help him earn substantially more in the future. It's debatable if this degree will provide him with enough job opportunities or income to support himself, but Paul and his mother are very happy he has found an area of study he passionately believes in.

Paul is especially excited about the fact that his wage will increase in the coming year, due to Maryland's *Living Wage Act.* He feels that 2027 is going to be the start of the life he's always dreamed of having…
One month into the new year, and Paul is ecstatic about how much more money he is making. He's bringing home $53 more each week than he did the previous year and has been accepted into the University of Maryland, Baltimore for the fall semester to pursue that BA in Anthropology. Paul is thinking that now he may even be able to afford to find an apartment near the campus as long as he can find roommates to share the rent and utilities with him. Paul thinks he's really turned the corner financially and things are looking up!

Smiths Hardware Store
7552 S.W. 8th Street
Baltimore, MD 21211

Earnings Statement

Period Ending:	1/26/2027
Pay Date:	1/29/2027

Paul Forbes
3648 Hickory Ave.
Baltimore, MD 21211

Earnings	rate	hours	this period	year to date
Regular	17.00	32.00	544.00	2,720.00
Overtime	25.50	0.00	0.00	0.00
Holiday	17.00	0.00	0.00	0.00
Gross Pay			**$544.00**	2,720.00

Other Benefits	
Vacation Hours	32.00
Sick Hours	6.00
Family Leave Hours	0.00

Deductions		this period	year to date
Federal income tax withholdin	5.00%	-27.20	-136.00
State income tax withholding	1.50%	-8.16	-40.80
Local income tax withholding	3.20%	-17.41	-87.04
Social Security tax withheld [1]	6.20%	-33.73	-168.64
Medicare tax withheld [2]	1.45%	-7.89	-39.44
Paid Family Medical Leave [3]	0.45%	-2.45	-12.24
Other			
401 (k)			0.00
Health Insurance			0.00
Savings Plan			0.00
Net Pay		**$447.17**	

But in early February, there are rumors going around at work that the owners are having problems meeting the new payroll and may have to raise prices and cut hours to compensate for the increased wage costs they are now paying due to the *Living Wage For All Act.*

Last year, Smiths Hardware Store had a good year. Sales were up and employees overheard the owners saying that expenses were under control and the business' profits were good. Business owners Richard and Stacey Smith even gave all the employees a nice cash bonus (under the table) at the end of the year to show their appreciation for all their employees hard work and efforts.

Payroll Report

Smiths Hardware Store
7552 S.W. 8th Street
Baltimore, MD 21211

Pay Period Start:	12/16/2026
Pay Period End:	12/22/2026
Pay Date:	12/25/2026

Employee	Wages Paid				Withholding				
	Rate	Hours	O.T. Hours	Gross Pay	SS Tax	Medicare Tax	SUTA	FUTA	Totals
Susan Jones	18.00	40.00	0.00	720.00	44.64	10.44	25.20	43.20	123.48
Clayton Jones	17.50	40.00	0.00	700.00	43.40	10.15	24.50	42.00	120.05
Kenrick Platt	17.00	40.00	0.00	680.00	42.16	9.86	23.80	40.80	116.62
Felicia Phillips	15.75	32.00	0.00	504.00	31.25	7.31	17.64	30.24	86.44
Brenda Lamar	15.50	32.00	0.00	496.00	30.75	7.19	17.36	29.76	85.06
Nelson Rodriguez	15.50	32.00	0.00	496.00	30.75	7.19	17.36	29.76	85.06
Paul Forbes	15.00	32.00	0.00	480.00	29.76	6.96	16.80	28.80	82.32
Linda Vernon	15.50	32.00	0.00	496.00	30.75	7.19	17.36	29.76	85.06
Sylvia Watt	15.25	32.00	0.00	488.00	30.26	7.08	17.08	29.28	83.69
Rachel Kozub	15.00	24.00	0.00	360.00	22.32	5.22	12.60	21.60	61.74
Cherrae Lynch	15.00	24.00	0.00	360.00	22.32	5.22	12.60	21.60	61.74
Pay Period Totals		360.00	0.00	5,780.00	358.36	83.81	202.30	346.80	991.27
Year Totals		18,720.00	40.00	300,560.00	18,224.95	4,274.31	10,317.30	4,620.00	37,436.56

Total Employer Cost of Labor

1. Wages	**$300,560.00**
2. Payroll taxes	**$37,436.56**
3. Total Labor Cost	**$337,996.56**

Paul's bosses were able to give his employees enough hours to keep the store shelves well stocked, serve customers and make everyone happy with the paychecks they brought home each week.

But on January 1, 2027, everything changed. Maryland's new minimum wage standard forced the owners to increase the wage of their lowest paid (minimum wage) employees from $15 per hour to $17 per hour. The owners also had to increase wages for the other employees, in order to keep everyone satisfied that they too were benefiting from the *Living Wage For All Act* and not being passed over by employees who *had* to have their wage increased by law but were not as experienced as they were or weren't as hard working and dedicated to their jobs.

Payroll Report

Smiths Hardware Store
7552 S.W. 8th Street
Baltimore, MD 21211

Pay Period Start:	1/20/2027
Period Ending:	1/26/2027
Pay Date:	1/29/2027

Employee	Wages Paid				Withholding				
	Rate	Hours	O.T. Hours	Gross Pay	SS Tax	Medicare Tax	SUTA	FUTA	Totals
Susan Jones	20.00	40.00	0.00	800.00	49.60	11.60	28.00	48.00	137.20
Clayton Jones	19.50	40.00	0.00	780.00	48.36	11.31	27.30	46.80	133.77
Kenrick Platt	19.00	40.00	0.00	760.00	47.12	11.02	26.60	45.60	130.34
Felicia Phillips	17.75	32.00	0.00	568.00	35.22	8.24	19.88	34.08	97.41
Brenda Lamar	17.50	32.00	0.00	560.00	34.72	8.12	19.60	33.60	96.04
Nelson Rodriguez	17.50	32.00	0.00	560.00	34.72	8.12	19.60	33.60	96.04
Paul Forbes	17.00	32.00	0.00	544.00	33.73	7.89	19.04	32.64	93.30
Linda Vernon	17.50	32.00	0.00	560.00	34.72	8.12	19.60	33.60	96.04
Sylvia Watt	17.25	32.00	0.00	552.00	34.22	8.00	19.32	33.12	94.67
Rachel Kozub	17.00	24.00	0.00	408.00	25.30	5.92	14.28	24.48	69.97
Cherrae Lynch	17.00	24.00	0.00	408.00	25.30	5.92	14.28	24.48	69.97
Pay Period Totals	18.06	360.00	0.00	6,500.00	403.00	94.25	227.50	390.00	1114.75
Year Totals		1,800.00	0.00	32,500.00	2,015.00	471.25	1,137.50	1,950.00	5,573.75

Total Employer Cost of Labor, Current Year		Total Employer Cost of Labor, Previous Year	Change
1. Wages	$32,500.00	$28,900.00	$3,600.00
2. Payroll taxes	$5,573.75	$3,330.35	$2,243.40
3. Total Labor Cost	$38,073.75	$32,230.35	$5,843.40
			18.13%

In the space of just one month, the owner of Smiths Drug Store saw the following increases,

- Total gross wages paid by the owners increased by $3,600
- Total payroll taxes paid by the owners increased by $2,243

The businesses total labor cost increased by $5,843 in the *first month* of the year.

Progressive-Marxist Democrats like Vaughan Stewart only see the increased wages of the workers like Paul, who is now taking home an additional $50 per week. They can take credit for the "pay increase," and brag about how they helped make a lot of families better off.
Note: All 47 seats in the Maryland Senate and 141 seats in the Maryland House of Delegates are up for election in 2026. This is why Stewart and his Democrat colleagues are pushing for the increase.

Stewart knows but refuses to acknowledge that business owners like Richard and Stacey Smith are individuals and a household too. For them and their family (they have two teenage daughters) the minimum wage increase *adversely* impacts them. Stewart would argue that business owners will just have to accept the reduced profit, it's the cost of their employees achieving a measure of "social justice." But the cost of living is not unique to just the workers. Small business owners are especially affected by price inflation.

If the Smiths choose to accept the increased cost of doing business in Maryland and do nothing to compensate for the increased cost of labor, their labor adjusted profit will decrease by 10.4%, or $35,086 for the full year. But labor costs are not the only thing that will increase. Rental on the building they're located in will increase. County property taxes and school taxes will increase. Electricity, gas and water prices will increase. Maintenance and repair costs for their building and equipment will increase. Business property & casualty and business liability insurance will increase. Advertising costs will increase. The cost of the merchandise Richard and Stacey sell in their store will increase as well.
Note: The average net profit for a small business is 10-15%.

The average annual inflation rate in the Baltimore area is currently 2.4%. When Maryland's minimum wage increase goes into effect, the annual labor cost increase for this business will be 10.4%. If Richard and Stacey choose to accept the increased cost of doing business in Maryland and do nothing to compensate for the increased cost of labor, their annual income will decrease 9.7%, even as their own household expenses continue to increase. But Richard and Stacey cannot afford to accept that significant loss of income; they have two teenage daughters who are active in sports and social activities. The Smiths are also saving for their own daughters college education, just like Paul Forbes and his parents are trying to do. So Richard and Stacey come to a decision on how to minimize that lost income.

The first thing they decide to do is increase the markup on their inventory by 1%, to make up some of the difference. They're smart enough to know that they can't increase prices too much or their customers will look for other places to shop. They can cut costs on some of their other business expenses, but there's only so much they can reduce there. The only other area that the Smiths can reduce overall expenses is to reduce the cost of labor. They hate to take this step because they have come to know and like the people who work for them: they are almost like family to Richard and Stacey. The Smiths figure that they will need to cut about $10,000 in labor costs for the year, to maintain the profitability of their business and their own income. They really can't afford to lay off any of their workers, because that would have an adverse impact on the state unemployment tax they pay. Instead, they decide to reduce the hours their employees work. Employees like Paul Forbes.

Before the D.C. City Council voted to end Initiative 82, a survey by the Restaurant Association of Metropolitan Washington found that new restaurant openings fell 17% year-over-year in 2025 and 900 hospitality jobs were lost as restaurants shut down. In the first half of 2025 alone, more than 50 restaurants closed, double the rate of the previous year, as the phasing out of the tipped minimum wage took full effect. But it wasn't just restaurant workers that were affected, as the payroll statements of Paul Forbes and Richard and Stacey Smith show. Everyone is affected from significant wages increases, because the price of every product and service we pay for depends on the cost of labor.

> After California raised the minimum wage to $20/hour for the food service industry in April of 2024, the National Bureau of Economic Research found that the fast-food industry lost 18,000 in the first year after the increase, more than 1,000 fast-food restaurants closed their doors in the first six months after the increase and menu prices in California rose by 13.1%.
> Healthcare workers in California that received the same hike in wages suffered from job cuts as well, as employers 'outsourced' numerous jobs that had been previously performed by company employees. (Firms that the work was outsourced to were not subjected to the wage increase.)
> After the Seattle City Council passed PayUp law guaranteeing app-based workers a minimum wage in 2023, rideshare and delivery drivers saw their incomes fall as people no longer felt the need to tip them. They now made a guaranteed rate, not a potentially larger rate based on performance. Delivery companies also added a $5.00 fee to every customer order to offset the additional labor costs PayUp had imposed on them, making deliveries more expensive for customers.
> After New York City also guaranteed a minimum wage for app-based delivery drivers in 2023, they also saw tips decrease and a large number of drivers left the industry because they were actually making less money overall after the wage increase. Delivery companies in NYC increased their delivery fees to counter what they now had to pay their drivers.
See: Addenda #12 – January 2024, and Addenda #12 Update June 2024 and July 2025

Increasing the minimum wage for lower income workers always guarantees votes for politicians. But eventually then those workers find out the real cost of wage increases: reduced hours, businesses closures, raise prices on their goods and services to compensate. Paul Forbes had his hours reduced from 32 to 24 hours per week as a result of the Smiths labor cost reduction plan.

Paul now brings home less money than before the minimum wage increase took effect. He is uncertain if he will be able to attend The University of Maryland, Baltimore in the fall and he knows there is no way he could afford his own apartment now.

Paul found out the hard way the meaning of the old proverb, "if it sounds too good to be true, it probably is."