



Written by [William P. Hoar](#) on October 22, 2018

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Correction Please

Minimum-wage Hikes Maximize Economic Woes

Item: *“Connecticut needs to make policy changes to climb out of its quagmire of stagnant wages and other economic woes, a study by the nonprofit advocacy group Connecticut Voices for Children says,” reported the Journal Inquirer, a tabloid published in Manchester, Connecticut, on September 3. “A small start, the study concluded, would be to raise the state’s current \$10.10 per hour minimum wage to \$15 an hour in stages over the next three years.”*



Item: *In New Mexico, an analyst for that state’s “Voices for Children” made the case on August 29 for “Why New Mexicans Need a Higher Minimum Wage.” Sarah Hyde called for “incrementally increasing the state minimum wage to \$12 by 2022, protecting workers by prohibiting training wages, and giving counties and cities the freedom to raise their minimum wages even higher. If the Legislature enacted such a proposal, \$204.8 million a year would be added to the paychecks of New Mexican workers.” The “research and policy analyst at NM Voices for Children” maintained that, in addition to helping the workers, “Local economies will reap the benefits, as well. Minimum wage increases help small businesses.”*

Item: *The website of the National Employment Law Project (NELP), an organized labor group that supports “progressive” Democrat policies, asserts, “Stagnant income is the crisis of our time.” NELP also insists: “Raising the minimum wage is one of the best tools we have to lift incomes and grow our consumer-driven economy,” bemoaning that “the federal minimum wage” has been “stuck at \$7.25 since 2009.”*

Item: *A distraught Vox — a leftist website owned by Vox Media — reported on September 18: “Lawmakers in the District of Columbia are preparing to overturn a ballot measure that voters passed in June to raise wages for [tipped] restaurant workers.” During a hearing on “Initiative 77,” the D.C. councilors signaled “that they are getting ready to vote on the repeal bill.”*

Item: *The “liberal” Washington Post, in its September 17 issue, reported that Venezuelan President Nicolás Maduro, “a former union leader and the successor to populist president Hugo Chávez, who died in 2013, has sought to stabilize the economy by slashing five zeros from the currency — the bolívar — as well as raising the value-added tax and adopting a 30-fold hike in the monthly minimum wage.”*

Correction: Raising minimum wages does bump up paychecks for some; others — and this part generally is ignored or downplayed — get “protected” right out of jobs altogether.

Passing measures professing to boost the value of employees, be they votes at the federal, state, or local



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level, is worth as much as wishes that the sky always stays blue. Such longing, even when accompanied by good intentions, does not make it so.

A minimum wage cannot ensure that everyone will earn a living; indeed, it makes it certain that many will not earn anything. Nor does its existence guarantee a “fair” wage; rather, it means that both employers and workers are unfairly denied the freedom to decide what level of pay should be offered or accepted.

Low-skilled would-be workers — many young — who find the bottom rung of the career ladder being removed are less likely to succeed in finding a position if a mandatory minimum wage is placed too high. Such a wage would be greater than the value of the extra output such a worker could produce.

The result? Those who cannot find a job will have an income of zero — even if the legislative gurus in Washington, state capitals, or city governments have pledged them \$12 an hour, or \$15 an hour, or some other minimum. Not only that, they will be unable to acquire the job skills needed to make them worth more to employers.

Even tyrannical dictators can’t fend off ineluctable economic laws. President Maduro, the authoritarian head of Venezuela — who threatens jail sentences for those not following his edicts on prices and salaries — has boosted the minimum wage an astounding 24 times since taking in office in 2013. After years of socialist solutions being inflicted on that once-prosperous country, businesses in Venezuela are wracked with hyperinflation, depression, and devaluation.

The most recent nationwide Venezuelan rescue effort, as we write, included a hike in the minimum wage of nearly 3,500 percent. How is that going? Here’s the short answer from a headline in the Florida-based *El Nuevo Herald*: “Maduro’s huge salary increases force 40% percent of Venezuelan stores to close.” Businesses are telling workers they cannot afford them; more jobs are being lost.

This is predictable, and not just in a failing South American nation. Below is some simple economic wisdom, from a couple of real authorities and one that might startle you. Here is what economist Henry Hazlitt might say if the government told employers that they were forbidden to pay workers less than, say, \$15 an hour. As he put it (in *Economics in One Lesson*, first published in 1946): “You cannot make a man worth a given amount by making it illegal for anyone to offer him anything less. You merely deprive him of the right to earn the amount that his abilities and situation would permit him to earn.... In brief, for a low wage you substitute unemployment. You do harm all around, with no comparable compensation.”

Worried about the poor? Well, heed esteemed economist Milton Friedman. “Minimum wage laws are about as clear a case as one can find of a measure the effects of which are precisely the opposite of those intended,” Friedman wrote in his 1962 book *Capitalism and Freedom*. “In fact, insofar as minimum wage laws have any effect at all, their effect is clearly to increase poverty.”

And then there is this following editorial counseling from an unexpected authority. (Don’t peek. See if you can guess.) These editors took note of the fact that the federal minimum wage had been frozen for many years. An increase in the minimum wage, however, “would be a mistake” even though organized labor was pushing that action on the new chairman of the Senate Labor Committee, they said adamantly.

Importantly, said the editors, “it would increase unemployment: Raise the legal minimum price of labor



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above the productivity of the least skilled workers and fewer will be hired.” Sure, as they acknowledged, “a higher minimum would undoubtedly raise the living standard of the majority of low-wage workers who could keep their jobs.”

“That gain, it is argued, would justify the sacrifice of the minority who became unemployable,” continued the editors. “The argument isn’t convincing. Those at greatest risk from a higher minimum would be young, poor workers, who already face formidable barriers to getting and keeping jobs.”

Who is providing this sagacious insight?

Incredibly, that appeared in print on January 14, 1987, in the leftist *New York Times*, in an editorial with the headline: “The Right Minimum Wage: \$0.00.” At the time, Ted Kennedy had just become chairman of the Senate Labor Committee.

Yet these days, to show the degree of economic irrationality that has been attained, the editors of the same *New York Times* promote the imposition of a nationwide \$15 hourly minimum wage.

Meanwhile, New York Governor Andrew Cuomo also has pushed legislation raising the minimum wage to \$15 an hour for so-called big businesses (meaning, in this case, those who employ 11 or more in the Big Apple). That move has also led to the recently announced closing of a well-known New York City coffee shop that formerly employed the newest star in the “democratic socialist” firmament, Alexandria Ocasio-Cortez, the young woman widely expected to win in November in New York’s 14th Congressional District.

In August, as several media outlets noted, she was publicly grieving about the closing of the establishment where she once worked. What she didn’t say, pointed out *Investor’s Business Daily*, is that the shop is closing in large part “because the owners can’t afford New York City’s soon-to-be \$15 minimum wage — the very job-killing policy Ocasio-Cortez and her fellow Democrats” would foist on the whole country.

When that left-wing luminary was asked by a TV host if such a \$15 per hour minimum wage would stifle economic growth in the country, she responded: “Raising the minimum wage to a living wage will expand the economy. It will create wealth in our economy. And it will increase economic activity in this country.”

In actuality, what drives the economy is the raising of productivity. The “economic pie” is not enlarged by boosting the minimum wage; that action just redistributes the pie, helping some at the expense of others.

In recent years, there have also been debates involving subsets of the minimum wage earned by those workers who receive tips as a major part of their income. This has been an issue in Alaska, California, Maine, Massachusetts, Minnesota, Nevada, New York, Oregon, Washington State, and Washington, D.C., among other places.

That potential change was eventually reversed in Maine, even after a referendum was passed in its favor. And such a move seems about to be overturned in the District of Columbia, with many workers being key in the fight *against* a higher minimum.

This past summer, when the matter was hot in D.C., researchers from the Heritage Foundation pointed out that a modest-sized restaurant in the federal district might have six servers waiting tables. The new wage then being debated (one that was approved in a ballot initiative) would



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drive up their employment costs by about \$240,000 per year. Those cost increases will cause restaurants to lay off workers and raise prices.

A Heritage Foundation study that looked at the effect of a \$15 minimum wage on the fast food industry found that it would increase prices by 38 percent and reduce employment by 36 percent.

Also pertinent: A Census Bureau study in 2016 (“Measuring the Effects of the Tipped Minimum Wage Using W-2 Data”) revealed the higher-tipped wages do not generally result in higher pay for such workers because the higher wages are offset by lower tips.

There are always tradeoffs, though the left-wing media tend to ignore those when propagandizing for a higher minimum. They tend to trot out a sympathetic example (one favorite is a single mother making minimum wage who can’t afford to rent a mid-income two-bedroom apartment).

Nonetheless, when the minimum wage gets jacked up, that additional money has to come from somewhere. A loss of hours worked is common. A study by Ryan Young and Iain Murray for the Competitive Enterprise Institute mentions several benefits that also disappear, noting “on-the-job perks such as complimentary meals and parking become less common, and employers may be less inclined to offer other non-wage benefits such as generous leave policies or insurance. This has the unintended consequence of increasing taxes on some of the poor.”

That study referred to what happened in SeaTac, Washington, after a \$15 per hour minimum wage was implemented in 2014. A reporter from *Northwest Asian Weekly* interviewed two local workers in SeaTac:

“Are you happy with the \$15 wage?” I asked the full-time cleaning lady. “It sounds good, but it’s not good,” the woman said. “Why?” I asked. “I lost my 401(k), health insurance, paid holiday, and vacation,” she responded. “No more free food,” she added.

A part-time waitress similarly acknowledged that she did get \$15 an hour, but “all my tips are now much less,” she said. She also lost her formerly free food and parking.

In Maine, there was backlash after a referendum passed, with workers lobbying state legislators to overrule the change. Many servers told legislators that their tipping had already dropped off, even before the move was implemented, because customers were confused. One Kennebunk bartender (cited by the *Washington Post* in June 2017) reported that her hourly tips had dropped by more than \$2 per hour, from the \$20 to \$30 per hour she previously made. The *Post* quoted her: “I don’t need to be ‘saved,’ and I’ll be d*mned if small groups of uninformed people are voting on my livelihood,” she said. “You can’t cut someone off at the knees like that.”

According to research published by the American Action Forum and the Manhattan Institute, the institution of a \$15 per hour federal minimum wage would likely be at the cost of 6.6 million jobs. Meanwhile, the analysis shows that just 6.7 percent of that increase in earnings would go to workers considered to be in poverty.

And the *New York Times*, we predict, will not rerun its editorial about how the right minimum wage would be zero. That rare spell of sanity has fled.

— William P. Hoar

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