Michigan Joins Other States in Raising Minimum Wage

Seemingly determined to keep the state of Michigan near the bottom in employment rates among the 50 states, Republican Governor Rick Snyder signed into law Tuesday a bill to raise the state's minimum wage by 25 percent. Snyder rejoiced that this was a good thing:

> This is something that is good for Michigan. It's good for the hard-working people of Michigan and I believe it is economically sound….
>
> I commend my [Republican] partners in the legislature for finding common ground on a bill that will help Michigan workers and protect our state's growing economy.

At present Michigan ranks 46th among the 50 states with an unemployment rate of nearly nine percent. By preventing employers from employing those willing to work for less than the state's new minimum wage, those willing workers won't be employed. It's the iron law of economics: When the price of something goes up, less of it will be demanded. No legislative body, including that located in Lansing, Michigan, can repeal it, despite their best efforts to do so.

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At present Michigan's minimum wage is $7.40 an hour for "non-tipped" workers and $2.65 per hour for tipped workers. Over the next four years, the minimum wage will rise to $9.25 an hour and $3.52 an hour for those individuals respectively.

Michigan is not the only state to attempt to vote against that iron law: Connecticut, Delaware, Hawaii, Maryland, Minnesota, and West Virginia have already raised their minimum wages, and Vermont is about to.

It was all about political expediency. An anti-economic group called Raise Michigan obtained more than 300,000 signatures on a petition to put raising the state's minimum wage onto the ballot in November. The petition pushes for raising the minimum wage even higher, to $10.10 an hour.

Seeking the lesser of two evils, Republican Representative Peter Pettalia from Presque Isle decided to hold his nose and vote "yes" on a bill he abhorred:

> I'm going to [vote for] this with a heavy heart because I don't believe government has a place adjusting wages in our society.
>
> I step up and support this bill [however] because the alternative is terrible.

Business owners, especially those in the food service industry, will adjust in various non-monetary ways to the new interventionist reality. They will reduce hiring low-paid people, expect more from those they do hire, cut the hours of workers, and reduce non-monetary fringe benefits, such as time off and on-the-job training. Where possible, business owners will do what they can to replace workers altogether with automation. In the meantime, many will be forced to raise menu prices in order to stay in business.

For instance, the owner of two pretzel stores in San Jose, California, was forced to raise her pretzel prices by a nickel to maintain profitability. She gives her employees 20 percent of her stores' profits each year but predicts that those bonuses this year will shrink significantly.

Woody DeMayo, the owner of 16 Carl's Jr. restaurants in northern California, charges $6.19 for a burger, fries, and a drink, but in order to maintain profitability he would have to charge $6.75, but "that would chase off a large percentage of my customers," he said. Instead, he has reduced the hours worked by some of his employees, has cut back on some daily maintenance, and is closing two of his stores altogether. That will put about 30 employees who did have jobs into the unemployment line.

White Castle operates two restaurants just 16 miles apart, but in separate states. Because the minimum wage in Illinois is $8.25 an hour, a dollar higher than in Indiana, the company just eliminated two positions in its Illinois store. This is a trend that has been in place at least since 2006 when the average fast food establishment employed more than 17 people. The most current data shows that number at 15 and declining.

And then there's the damage that freedom will suffer in raising the minimum wage: Every minimum wage law is, according to economist Mark Perry, "a coercive government-mandated price control which prevents private citizens from engaging in mutually-beneficial exchanges [of their labor for money], enforced by the threat of fines or jail." Because of minimum wage laws, he adds, "we're all a little bit less free."

A graduate of Cornell University and a former investment advisor, Bob is a regular contributor to The New American *magazine and blogs frequently at www.LightFromTheRight.com, primarily on economics and politics. He can be reached at badelmann@thenewamerican.com.*