



Written by [Bob Adelman](#) on June 4, 2014

Seattle Goes for Broke: Raises Minimum Wage to \$15 an Hour

Monday's [announcement](#) that the Seattle City Council had voted 9-0 to raise the city's minimum wage to \$15 an hour was much more about advancing a political agenda than about improving economic conditions of the working poor. It also revealed extraordinary economic ignorance among those supporting the measure.

City Councilman Nick Licata insisted, "By significantly raising the minimum wage, Seattle's prosperity will be shared by more people and create a sustainable model for continued growth."



SEIU Local 775 President David Rolf expanded on the economic nonsense: "[The new law] will pump nearly \$500 million into Washington's economy, proving that a higher minimum wage fuels business and job growth."

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It's a good thing the council didn't decide to repeal the law of gravity at the same time. The iron law of economics says simply that when the price of something goes up, less of it will be demanded. The only redeeming feature is that the damage to the economy will be applied slowly, over time, giving the hapless small business owners most affected by the measure more time either to adjust or get out of town.

The suffering will be spread across four different groups of businesses, as well as being spread over time. Large employers, with 500 workers or more, will need to start paying their employees \$15 an hour by no later than 2017. But if they also provide health insurance for them, that deadline is pushed out to 2018.

Small businesses, employing fewer than 500 people, won't have to start meeting the new rule until 2021, but restaurant owners will have to begin paying their people \$15 an hour including tips by 2019. By 2025, however, all businesses will be treated — or mistreated — the same: Every worker must be paid at the rate of \$15 an hour, whether they're worth it or not.

And that's the rub. More than 100,000 workers in the Seattle area are currently being paid less than \$15 an hour. When the new law kicks in, so does the iron law: Workers will have to produce at a rate that justifies their new higher wage, or they will be out of work. Some estimates place those affected adversely at almost 30,000 workers.

Some businesses will not hire, or they will put expansion plans on hold. Hazel Roos, the owner of Paint Away, a pottery painting and glass-fusing studio, was planning to open a second store — selling specialty toys — and had even drawn up a business plan. She had arranged the financing as well and had hoped to open it later this summer. She just told KUOW News in Seattle: "Now I see how fortuitous



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it was that I didn't." Part of her business plan was the hiring of at least two and more likely three employees in her new business.

Then there's Angela and Ethan Stowell, who employ about 225 people in 10 neighborhood restaurants around Seattle. They were negotiating to open two more, but they've put those plans on hold: "Now we are having to draw back and say: Well, can we actually do that? Should we be signing leases and proceeding with development?"

The phase in of the new law doesn't begin until April of 2015, giving those small business owners time to adjust to the new reality. Some will follow the lead of the Clarion Hotel in SeaTac, which closed its full-service dining room there when that city raised its minimum wage last year, laying off 15 people. Some will move out of the city altogether, just as the Services Group of America did when it moved to Scottsdale, Arizona. Boeing moved its headquarters from Seattle to Chicago and there are rumors that Microsoft may be leaving as well.

For some fast-food places, the owners will expand the use of robots to make hamburgers and replace order takers with touch-screen digital kiosks. This will displace many who will have no other option but to go on welfare — another cost to taxpayers.

Consumers will begin to see menu prices increase as well, with estimates approaching 10 percent. Once again, the iron law will apply: Higher prices will result in fewer customers.

Politically, however, the unanimous vote by the city council was a huge victory for totalitarians. Driven by city council member and hard-core Marxist Kshama Sawant, and aided by the city's left-wing mayor, Ed Murray, this completes the first step in turning Seattle into Marxist hell. Sawant was the first fully-disclosed socialist to win a city-wide election in Seattle since 1916. A native of India, in her run for city council Sawant represented the Socialist Alternative party, the United States' section of the British-based Trotskyite Committee for a Workers' International.

In her campaign she called for the unionization of local Seattle companies such as Starbucks and Amazon, along with the nationalization of Boeing, Microsoft, and Amazon. She said in numerous speeches that if Boeing continued to move its employees out of the city, then workers should physically attack their plants, take them over, and turn them over to the city. She has plans: Those buildings would be converted into multiple-use public facilities to be operated by the city.

For the socialists, Monday's announcement was an unalloyed victory. For taxpayers and consumers and especially small business owners and low-income workers, it's a poison pill. That the poison will be administered in small doses over several years is small comfort.

With this victory behind her, Sawant can hardly wait to take the next step.

Photo of Council member Kshama Sawant (right) at a May Day rally in Seattle: AP Images

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 badelman@thenewamerican.com.



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