

Seattle do-gooders just shot themselves in the foot

Michael R. Strain | The Washington Post

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Reuters

Labor activists Ginger Jentzen (C) and Jeremy Thornes (L) listen during a Seattle City Council meeting in which the council voted on raising the minimum wage to \$15 per hour in Seattle, Washington June 2, 2014.



Article Highlights

- Seattle's new \$15 minimum wage is a whole lot more than \$9 or \$10.10 and therefore offers more reason to be concerned for low-wage workers trying to find jobs.

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- A city-specific \$15 per hour minimum wage is simply reckless.

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- It is very hard to imagine that a Seattle-specific minimum wage of such generosity won't noticeably hurt the very people its authors are trying to help.

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The Seattle City Council is very pleased with itself. Answering President Obama's call to address what he has decided is "the defining issue of our time" – income inequality – the council [voted unanimously](#) last week to raise Seattle's minimum wage to \$15 per hour. "This is a victory for our movement," said council member Kshama Sawant, a [socialist](#). "Fifteen in Seattle is just the beginning."

For the sake of low-wage workers, I hope not.

Increasing the minimum wage increases the cost of employing minimum-wage workers. Because of this, many economists worry that a higher minimum wage will translate into fewer jobs for these workers, as businesses take steps to keep their payroll costs down.

This debate usually takes place at the federal level. A recent poll of elite economics professors [asked whether raising](#) the federal minimum to \$9 from its current value, \$7.25, "would make it noticeably harder for low-skilled workers to find employment." Thirty-four percent of the professors agreed with the statement, 32 percent disagreed, and 24 percent were uncertain. The nonpartisan Congressional Budget Office weighed in with [arecent study of the effects](#) of raising the federal minimum from its current value to \$10.10 – as Obama and congressional Democrats want to do — and concluded that it would probably cost hundreds of thousands of jobs.

Seattle's new \$15 minimum wage is a whole lot more than \$9 or \$10, and therefore offers more reason to be concerned for low-wage workers trying to find jobs.

It's not just the high dollar value of Seattle's new minimum that is troubling. The current minimum wage in the state of Washington is [\\$9.32 per hour](#), so Seattle's new minimum represents a whopping 61 percent increase.

Roughly [one-quarter of all Seattle workers](#) earn less than \$15 per hour. So what we're talking about is a very large increase in the minimum price of labor for a very large share of Seattle's existing workforce. This isn't small beer.

It is true that the new minimum will be [slowly phased in](#) — depending on the size of the business, the period will range from three to seven years. But wages for low-skilled workers [have been stagnant or falling for years](#), so the long phase-in period probably won't mitigate much of the bite.

Another major source of concern is that only Seattle-based firms are affected. Because it will cost firms located outside the city about 60 percent less to employ minimum-wage workers, fast-food restaurants, retail and grocery stores and other businesses in the Seattle suburbs will be able to offer lower prices than competitors inside the city limits. That is likely to translate into fewer jobs for low-wage workers in Seattle.

In some cases, a policy that (may) make sense at the federal or state level doesn't make sense at the local level. Would a \$15 minimum wage that applied only to four blocks in downtown Seattle make sense? Eight blocks? You get the point.

The Council summoned the left's hero *du jour* in its ordinance: "Whereas, the noted economist Thomas Piketty wrote in his landmark book *Capital in the 21st Century*, the need to act on income inequality is profound."

Like many who call upon Dr. Piketty, the council seems not to have read his book. Here is what [Piketty says about the minimum wage](#): "It seems likely that the increase in the minimum wage of nearly 25 percent (from \$7.25 to \$9 an hour) currently envisaged by the Obama administration will have little or no effect on the number of jobs. Obviously, raising the minimum wage cannot continue indefinitely: as the minimum wage increases, the negative effects on the level of employment eventually win out. If the minimum wage were doubled or tripled, it would be surprising if the negative impact were not dominant."

Indeed, it would.

Many economists and policymakers favor modest increases from time to time in the federal minimum wage, with modestly higher state minimums as circumstances dictate, judging that the reduction in employment is worth the increase in earnings accruing to low-wage workers. In addition, many economists believe that a modest increase in the federal or state minimum wage will be associated with negligible employment losses. But Seattle's increase is far from modest, and it applies only to one city. It is very hard to imagine that a Seattle-specific minimum wage of such generosity won't noticeably hurt the very people its authors are trying to help.

The council is correct to worry about the economic condition of the working class. American workers have been suffering for many years now, and the perception that "the top 1 percent" is doing great is widespread and correct. It is natural and commendable for policymakers to want to take steps to help workers. But even a modest increase in the minimum wage [isn't the answer](#).

And a city-specific \$15 per hour minimum wage is simply reckless.

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