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Minimum Wage Is Bad Policy Even Before Increasing It

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Hiking the federal minimum wage to \$10.10 has become a favorite Democrat cause this election year. In February, Barack Obama said that raising the minimum wage “is not just good policy; it also happens to be good politics, because the truth of the matter is the overwhelming majority of Americans think that raising the minimum wage is a good idea.” He's right that increasing the size of people's paychecks does tend to poll well, but as Nobel Prize-winning economist Milton Friedman once said, “one of the great mistakes is to judge policies and programs by their intentions rather than their results.”

Let's just say for the sake of argument that Democrats' intentions in raising the minimum wage are good. There's plenty of reason to think that's not the case, but again, for the sake of argument. The economic result of raising the cost of low-skilled labor is clearly negative, as the only true minimum wage is \$0 per hour.

Evidence abounds on the devastating effects of increasing the minimum wage; here are but three examples. Express Employment Professionals surveyed over 1,200 business owners who currently pay workers minimum wage asking them how they would handle the proposed hike. They found that 65% of employers would raise prices on their goods and services, 54% would reduce hiring and 38% would lay off workers.

A recent [Cato Institute bulletin](#)¹ by San Diego State University economics professor Joseph Sabia notes research that “a 10 percent increase in the minimum wage reduces low-skilled employment by 1 to 3 percent.” Obama seeks a 40% raise.

And don't forget the recent Congressional Budget Office report estimating that the proposed hike would eliminate 500,000 jobs, and maybe as many as one million. This is what Obama calls “good policy”?

The only reason that it's “good politics,” as he put it, is that he and his fellow Democrats lie about the results. It's not a simple proposition of mandating that employers pay more for low-skilled labor, after which employees get a bigger paycheck and everyone is happy. Raising the minimum wage will hurt the very constituents Democrats claim to care about – teens and

minorities – because they will be priced out of the labor market. That's why running on intentions and obscuring results is in Democrats' best electoral interest.

Links: http://object.cato.org/sites/cato.org/files/pubs/pdf/tbb_70.pdf