



Leftists in Congress want a \$10.10 minimum wage

by Jason Pye March 1, 2013

During his State of the Union address, President Barack Obama called on Congress to raise the minimum wage to \$9 an hour. Not to be out done, however, leftists in Washington have introduced legislation to raise the minimum wage to \$10.10:

Sen. Tom Harkin (D-Iowa) argues President Obama “missed the mark” in calling to raise the minimum wage to \$9 in his State of the Union address, and his staff met with White House staff last week to argue for a higher number.

The veteran senator, who will retire at the end of this Congress, is working with Rep. George Miller (D-Calif.) on legislation that would raise the minimum wage to \$10.10 over three years and then index future increases to inflation.

“Well, we’re going to introduce our own bill on it,” Harkin told The Hill on Tuesday. “I’m going to be in discussions with them because I think they missed the mark, but people make mistakes.”

While this proposal may make some people feel warm and fuzzy, it comes with real world consequences for those who it’s intended to help, including teens, entry-level, and unskilled workers. Veronique de Rugy recently pointed to a couple of different studies showing that the minimum wage the various effects the policy has on these workers. According to a study by three economists — David Neumark, William Wascher, and Mark Schweitzer — the minimum wage actually has the adverse effect of increasing poverty.

“Although minimum wages do increase the incomes of some poor families, the evidence indicates that their net effect is, if anything, to increase the proportions of families with incomes below or near the poverty line,” wrote the trio in a paper published by the Federal Reserve of Cleveland. “Thus, it would

appear that reductions in the proportions of families that are poor or near-poor should not be counted among the potential benefits of minimum wages.”

In a policy analysis published last year by the Cato Institute, Mark Wilson explained that the impact of the minimum wage on employment has been documented by economists for decades. The evidence all says the same thing.

“The main finding of economic theory and empirical research over the past 70 years is that minimum wage increases tend to reduce employment,” noted Wilson. “The higher the minimum wage relative to competitive-market wage levels, the greater the employment loss that occurs.”

Wilson made several other specific points about the impact of the policy on workers and employment, explaining that increases in the minimum wage increases the duration of unemployment for low-wage workers, cuts to employee training, hurting the availability of part-time jobs, and increasing teen crime rates due to the lack of available jobs.

Or we can just break it down this way, as my colleague Travis Thornton explains it — an employer with \$500,000 for annual labor can employ 34 full-time workers for 50 weeks at \$7.25 an hour. At \$9 an hour, which is what President Obama wants, he can only employ 27 workers. If the minimum wage is \$10.10 an hour, the number of workers an employer can afford drops to 24.

In other words, this isn't how you raise the standard of living — this is how you push more people into the unemployments lines. Math is apparently too hard for leftists.