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Minimum wage hike would add to unemployment

At election time, many economists feel like they are trapped in the movie "Groundhog Day."



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Campaign promises and ballot initiatives ignore the laws of economics election after election. No matter how many times economists explain the negative consequences of some policies, we are forced to do so again and again. Nowhere is this more evident than with minimum wage laws.

In a poll, 90 percent of economists agreed that minimum wage laws increase unemployment among low-skilled workers. Yet in the current election proposals to increase the minimum wage abound.

John Kerry favors hiking the federal minimum wage by more than 35 percent. He wants to raise the hourly minimum from the current \$5.15 to \$7 by 2007 and mandate yearly increases at the rate of inflation thereafter.

Bush has not been as specific, but a campaign spokesman told the Washington Post "the president supports a reasonable proposal that would increase the minimum wage over an extended period of time." If most economists were called

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would lose our jobs. Unfortunately, some low-skill workers who are less productive face exactly this same problem when minimum wages are at their current levels.

Fortunately, the vast majority of minimum-wage workers

on to define "reasonable," it could mean nothing short of "zero increase and repeal the existing requirement." I doubt that is Bush's definition.

Economists oppose minimum wage laws because these laws hurt many of the very people they are intended to help: low-skilled workers.

A worker's wage is limited by his productivity. Anytime a law mandates a wage higher than an individual worker's productivity, his employer must lay the worker off or suffer losses. We all understand that if the minimum wage were \$100 many of us

are not trapped at low wages forever. More than half of minimum-wage earners are under the age of 25. About 500,000 of the 2.1 million minimum wage workers are only 16 to 19 years old. Many of these young people work at entry-level jobs, often only part time. As they build skills and gain experience, their wages will rise.

Unfortunately, when minimum wage laws are passed they un-employ part-time and entry-level workers, cutting short their process of building the skills that can command higher wages and making them more likely to be stuck at lower incomes.

Schwarzenegger, a former economics major, had the good sense to veto a California bill that would have increased the minimum wage. Hopefully our presidential candidates and the voters of Nevada and Florida will learn the same lessons Schwarzenegger learned in econ 101 so long ago.

Perhaps, if they do, economists will not have to wake up to the same "Groundhog Day" alarm clock after this election. Benjamin Powell is the director of the Center for Entrepreneurial Innovation at the Independent Institute in Oakland and a professor of economics at San Jose State University.