

ECONOMICS & INSTITUTIONS

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SEATTLE'S NEW MINIMUM WAGE LAW

ADAMU KOFI SHAUKU | JUNE 3, 2014

The Seattle City Council recently [unanimously voted to raise](#) the city's minimum wage to \$15 an hour, the highest in the nation. The law also contains a provision exempting minors from the new minimum. It is a stylized fact in economics that higher minimum wage mandates lead to increased unemployment as the marginal worker (the worker not quite productive enough to make such a wage cost-effective for his/her employer) is displaced. Since the marginal worker is the worker most likely to be stuck at the lowest end of the pay scale and thus the intended beneficiary of such a policy, the fact that this is the worker most likely to be out of a job following a wage rate hike is somewhat perverse.

On the other hand, many proponents of the minimum wage (and advocates for much higher minimums) argue that most workers *will keep* their jobs at a higher wage rate which will improve the quality of their lives. They cite studies that show that the displacement effect is minimal and eclipsed by the overall benefits of paying a "fair wage" or "[living wage](#)."

The Seattle experiment in wage rate regulation should provide yet another opportunity to test the effects of this type of labor market policy. In the meantime, I leave you with this informative [Intelligence Squared](#) debate on the motion "Abolish the Minimum Wage":

The first attempt at establishing a national minimum wage, a part of 1933's sweeping National Industrial Recovery Act, was struck down by the Supreme Court in 1935. But in 1938, under the Fair Labor

Standards Act, President Franklin D. Roosevelt signed into law a minimum hourly wage of 25 cents—\$4.07 in today's dollars. Three-quarters of a century later, we are still debating the merits of this cornerstone of the New Deal. Do we need government to ensure a decent paycheck, or would low-wage workers and the economy be better off without its intervention?

For: James A. Dorn

For: Russell Roberts

Against: James Bernstein

Against: Karen Kornbluh