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COMPETITIVE ENTERPRISE INSTITUTE
Advancing Liberty from the Economy to Ecology

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Dear Members of Congress:

The undersigned organizations urge you to oppose the Raise the Wage Act (H.R. 582), which would set a $15 federal minimum wage by 2024. Alleviating poverty and raising the standard of living for all Americans is a laudable effort, but study and experience have shown that government-mandated minimum wages are inferior to market-determined wages and cause more harm than good.

A one-size-fits-all approach to setting a uniform, federal minimum wage will have disastrous effects on many workers and local and state economies, especially as earnings vary greatly geographically and from urban areas to non-urban.

As American Enterprise Institute scholar Mark Perry aptly states, a national minimum wage is really a "one-size-fits-none approach" because a $15 minimum wage would be harmful in expensive urban areas and smaller communities alike. However, the negative impacts felt in urban, high income areas would be even more pronounced in lower income and non-metro areas that have drastically different costs of living. For instance, in Fairfax and Loudoun County, Virginia, the median household income is over $110,000, but in Lincoln County, Montana, the median household income is only slightly above $35,000. Given the differing economic conditions between these areas, a federally-mandated minimum wage could create additional economic problems for people living in and moving across this areas.

A $15 minimum wage is a poor mechanism to lift the poor out of poverty. There are tradeoffs to raising the minimum wage, many of which do more harm to low-skilled workers than help. Unskilled or inexperienced workers are less attractive to businesses to hire when the minimum wage is set at a high level. Worse, a minimum wage that prices low-skilled workers out of a job has long-lasting effects by depriving them the opportunity to attain skills and increase their productivity by gaining on-the-job experience.

A study that examined data from the National Longitudinal Survey of Youth, which spans three decades, measures the benefit of getting an early start in the workforce. The findings show the importance of early work experience, which a $15 minimum wage would stunt. Young adults who merely took on part-time work during high school saw a wage premium over their unemployed peers. More importantly, the wage premium held over time: "Checking in when the respondents were in their 40s or 50s, the wage premium held up: The people who held a job in high school were still earning 9.4 percent more per hour."

High minimum wages negatively impact employment. In a comprehensive review of credible minimum wage research produced over the past several decades, two economists, one from the Federal Reserve Board and one from University of California-Irvine, found that 85 percent of the analyses determined it had negative employment effects.

Recent analysis conducted by the Congressional Budget Office (CBO) on a $15 minimum wage that is phased-in by 2025 reinforces the above conclusion. In the worst-case scenario, 3.7 million workers would become jobless. According to the CBO's median estimate, 1.3 million workers would lose their jobs. In addition, the CBO estimates a $15 minimum wage would ultimately "reduce total real income by about $9 billion in 2025." In other words, total income in the United States would be greater without a minimum wage hike.

And, importantly, raising the minimum wage comes at an expense of the unemployed, businesses, and higher prices for consumers. A $15 minimum wage results in business owners' income decreasing by $14 billion, earnings of unemployed individuals would decrease by $20 billion, and income of consumers would decrease by $39 billion, according to CBO estimates.

The undersigned organizations urge members of Congress to oppose the Raise the Wage Act and instead work to remove needless tax and regulatory barriers to work and cut red tape that makes it difficult to start a business.

Sincerely,

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