D.C. Council
1350 Pennsylvania Avenue, NW
Washington, DC 20004

November 26, 2013

Dear D.C. Councilmembers,

We -- the undersigned economists, academics, scholars and public interest advocates -- call upon you to support the Minimum Wage Amendment Act of 2013, which raises the District minimum wage to $11.50 over three years and indexes it to inflation. This bill would:

- Catch the District minimum wage up to the peak federal minimum wage in 1968, which adjusted for inflation, would be $10.74 today.
- Set the minimum wage at 40% of the District median wage, which is much closer to both: (1) the "half the median wage" benchmark that most OECD countries which have a minimum wage use to set their minimum wage value; and (2) the minimum-to-median wage ratio that the United States itself had during the 1960s and 1970s, which set the minimum wage at, on average, 48% of the median wage.
- Be 86% of the District living wage of $13.40 set by the D.C. Living Wage Act of 2006, which ensures a living wage for employees of firms that have contracts with the city.
- Index the minimum wage to inflation, so that this issue need not be re-legislated every few years.

In the coming weeks, opponents of minimum wage increases will throw the same broken record arguments at you that industry lobbyists have been harping since the federal minimum wage was established in 1938. We are writing to ensure that you have the facts before their deluge of spin:

1. Increases in the minimum wage have little to no negative employment impact:

> Rising wages lead to rising purchases which lead to rising employment. As Henry Ford wrote: "If an employer does not share prosperity with those who make them prosperous, then pretty soon there will be no prosperity to share."
>
> The weight of evidence from the extensive professional literature has, for decades, consistently found that no significant effects on employment opportunities result when the minimum wage rises in reasonable increments. This is because the increases in overall business costs resulting from a minimum wage increase are modest and can be absorbed by slight price increases, lower turnover costs, and more equal distribution of companies' total revenues. In fact, two recent meta-studies of economic research over the past decades have concluded strongly that there is

"little or no significant impact of minimum wage increases on employment." The conservative minimum wage research of David Neumark, who the industry has paid to study the minimum wage in the District, has been corrected by Michael Reich, Arin Dube, and Sylvia Allegretto, who found no employment effect. Their findings have been replicated in 4 papers using 5 datasets and 6 different methods of showing that cross-border differences in the minimum wage do not lead to greater cross-border employment discrepancies.

Moreover, the overwhelming factor determining employment opportunities for low-wage workers is macro-economic conditions -- whether the economy is growing or in a recession. Thus, in 1968, when the U.S. minimum wage reached $10.74 in real dollars, the overall unemployment rate was 3.6% percent. By contrast, during the depths of the 1982 recession, the real value of the minimum wage had fallen to $8.05 while unemployment peaked at 10.8 percent.

2. Increases in the minimum wage can help the economy overall:

The economy overall will benefit from the gains in equality tied to the minimum wage increase and related policy initiatives. Greater equality means working people have more spending power, which in turn supports greater overall demand in the economy.

3. Indexing the minimum wage to inflation is key:

If you do not index the minimum wage to inflation, its real value will deflate each year, necessitating continued debate of the issue every few years. For example, if the Minimum Wage Amendment Act did not index, its real value would erode each year until it is, only sixteen years later, lower than the real value of today's minimum wage.

Failing to index the minimum wage hurts the business community as well as workers. The D.C. Chamber of Commerce has even come out in favor of indexing, writing that it would "lead to predictable wage gains." In the study they commissioned on the minimum wage, David Neumark argued that indexing creates a steady, predictable wage increase and eliminates the economic shock that comes with sporadic bumps in the minimum wage.

4. An adequate minimum wage is not just a worker issue... it's a taxpayer issue!

If large, profitable corporations do not pay a living wage, low-wage workers become more reliant on public programs to get by and taxpayers end up footing the bill. McDonald's' "McResource" help line, for example, advises workers who cannot make ends meet from their wages to sign up for government food stamps and home heating assistance. As a result, the low wages paid by McDonald's cost taxpayers nationwide $1.2 billion a year. Taxpayers need protection from this corruption of capitalism.

It is for these reasons that we support and encourage you to support the Minimum Wage Amendment Act of 2013. I hope you can play your part in ensuring low-wage District workers the respectable wages they long have earned. If you stand up for low wage workers, we will stand behind you!

Onward,

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