



July 23, 2012

The Honorable Barack Obama
President of the United States
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

The Honorable John Boehner
Speaker
United States House of Representatives
Washington, D.C. 20515

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, D.C. 20515

The Honorable Eric Cantor
Majority Leader
United States House of Representatives
Washington, D.C. 20515

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20515

The Honorable Nancy Pelosi
Minority Leader
United States House of Representatives
Washington, D.C. 20515

Dear Mr. President, Speaker Boehner, Majority Leader Reid, Congressman Cantor, Senator McConnell, and Congresswoman Pelosi:

As the three-year mark since the federal minimum wage was last raised approaches, we urge you to once again raise the federal minimum wage. A three-step raise of 85 cents a year for three years—which would mean a minimum wage of \$9.80 by 2014—and then indexing to protect against inflation (corresponding to the legislation proposed by Senator Tom Harkin and Representative George Miller) would be a reasonable approach. The increase to \$9.80 would mean that minimum wage workers who work full-time, full-year would see a raise from their current salary of roughly \$15,000 to roughly \$20,000. These proposals also usefully raise the tipped minimum wage to 70% of the regular minimum.

This policy would directly provide higher wages for close to 20 million workers by 2014. Furthermore, another nearly 9 million workers whose wages are just above the new minimum would likely see a wage increase through “spillover” effects, as employers adjust their internal wage ladders. The vast majority of employees who would benefit are adults in working families, disproportionately women, who work at least 20 hours a week and depend on these earnings to make ends meet. At a time when persistent high unemployment is putting enormous downward pressure on wages, such a minimum wage increase would provide a much-needed boost to the earnings of low-wage workers.

In recent years there have been important developments in the academic literature on the effect of increases in the minimum wage on employment, with the weight of evidence now showing that increases in the minimum wage have had little or no negative effect on the employment of minimum wage workers, even during times of weakness in the labor market. A minimum wage increase can also serve to stimulate the economy as low-wage workers spend their additional earnings potentially raising demand and job growth. Therefore, pursuing a higher minimum wage at this juncture will not only provide raises for low-wage workers but would provide some help on the jobs front as well.

Sincerely,

Daron Acemoglu, Elizabeth and James Killian Professor of Economics, Massachusetts Institute of Technology

Robert Frank, H.J. Louis Professor of Management and Professor of Economics, Cornell University

Richard Freeman, Herbert Ascherman Professor of Economics, Harvard University, Department of Economics

Lawrence Katz, Elisabeth Allison Professor of Economics, Harvard University, Department of Economics

Lawrence Mishel, President, Economic Policy Institute

Michael Reich, Professor of Economics, Director, Institute for Research on Labor and Employment, University of California at Berkeley

Robert Reich, Chancellor’s Professor of Public Policy at the University of California at Berkeley, Former Secretary of Labor

Jeffrey Sachs, Director, The Earth Institute, Columbia University

Joseph Stiglitz, Nobel Laureate, Professor of Economics, Columbia University

Laura Tyson, Professor of Global Management, Haas School of Business, University of California at Berkeley