

Minimum Shock

May 26, 2017

Ranked “Three restaurants vacated the Bay this week, with Berkeley’s Bistro Liaison getting the most attention,” the San Francisco edition of *Eater* informs us. “It’s a bittersweet exit for the owners, who plan to start new careers.”



The week in question was in February. But this was not an isolated event. Sixty-four Bay-area restaurants and fast food joints closed their doors this last winter.

That is a lot of closures.

Why?

Every eatery has a different story, but the entry December 17* provides a big clue: minimum wage hikes.

And the thing about minimum wage laws is that they do *not* — either by magic or by law — *directly raise any wages*.

Citizens should hardly be surprised. They got what they asked for. The minimum wage went up to \$13.00 per hour last July, and will go up another two bucks next year. And this was the result of a citizen initiative. “On November 4, 2014, San Francisco voters passed Proposition J, raising the minimum wage to \$15.00 by 2018,” the City Office of Labor Standards and Enforcement tells us.

And the thing about minimum wage laws is that they do *not* — either by magic or by law — *directly raise any wages*. They, by law and quite directly, *prohibit* wage contracts below the minimum established.

Businesses then react, struggling to accommodate the newly imposed costs. Sometimes they keep all their employees and economize on other inputs, but often they must re-arrange hours and workers and whole production schemes.

If hemmed in elsewhere, they just go out of business.

Just as one should expect, according to the law of supply and demand.**

Citizens might wish to reconsider. That is, initiate a measure to repeal a previously successful initiative... that gave us this unsuccessful policy.

This is Common Sense. I’m Paul Jacob.

* The entry reads thusly: “OAKLAND — *alaMar Kitchen and Bar* as you know it is shuttering on December 17, but will reopen in the new year with a fast casual format. The owner points to minimum wage raises and the cost of doing business in the Bay Area as the reasons cited for the closure/change.”

** It is often said that businesses just “raise prices” and “pass along the costs” to consumers in general, but, for reasons of supply and demand, they cannot do this without decreasing sales and thus revenue.