We, the undersigned professional economists, favor an increase in the federal minimum wage to $15 an hour as of 2020. The federal minimum wage is presently $7.25, and was most recently increased in 2009. We also support intermediate increases over the current federal minimum between now and 2020, such as a first-step raise to $10.50 an hour as of 2016.

The real, inflation-adjusted, value of the federal minimum wage has fallen dramatically over time. The real value of the federal minimum wage peaked in 1968 at 10.85 an hour, 50 percent above the current level. Moreover, since 1968, average U.S. labor productivity has risen by roughly 140 percent. This means that, if the federal minimum wage had risen in step with both inflation and average labor productivity since 1968, the federal minimum wage today would be $26.00 an hour. (References for all data cited in this petition can be found here: http://www.peri.umass.edu/fileadmin/pdf/resources/Technical_Appendix_15_Minimum.pdf)

If a worker today is employed full time for a full 52-week year at a minimum wage job today, she or he is making $15,080. This is 21 percent below the official poverty line for a family of three. Raising the minimum wage to $15 an hour would deliver much needed living standard improvements to 76 million U.S. workers and their families. The average age for these workers is 36 years old and they have been in the labor force for an average of 17 years. Only 6 percent of the workers who would benefit from this minimum wage increase are teenagers; i.e., 94 percent are adults.

Numerous states and municipalities throughout the United States are already operating with minimum wage standards above the $7.25 federal minimum. Thus, 29 states plus Washington, DC maintain minimum wages between $7.50 and $9.50. These measures cover 61 percent of the U.S. population. The cities of Los Angeles, Seattle, and San Francisco have all established $15 minimum wage standards that, for all three cases, will be fully phased in as of 2021. A $13 minimum wage will be operating in Chicago as of 2019. Other cities, including New York and Washington, DC, are presently considering similar measures. The State of New York is also examining a $15 minimum wage proposal for the fast-food industry.

Opponents of minimum wage increases frequently argue that such measures will mean fewer employment opportunities for low-wage workers because businesses will be less willing to hire workers at the increased wage level. But 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, for the most part, modest.

We recognize that raising the federal minimum wage to $15 an hour as of 2020 would entail an increase that is significantly above the typical pattern with federal minimum wage increases. Nevertheless, through a well-designed four-year phase-in process, businesses will be able to absorb the cost increases through modest increases in prices and productivity as well as enabling low-wage workers to receive a slightly larger share of businesses’ total revenues. On average, even fast-food restaurants, which employ a disproportionate share of minimum wage workers, are likely to see their overall business costs increase by only about 2.8 percent per year.

ECONOMISTS IN SUPPORT OF A $15 U.S. MINIMUM WAGE AS OF 2020
through a four-year phase in to a $15 federal minimum wage by 2020. That means, for example, that McDonalds could cover fully half of the cost increase by raising the price of a Big Mac, on average, by 7 cents per year for four years—i.e. from $4.80 to $5.08. The remaining half of the adjustment could come through small productivity gains or a modestly more equal distribution of the increase in revenues generated by the U.S. economy’s overall rate of economic growth.

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. Greater equality also means less money is available to flow into the types of hyper-speculative financial practices that led to the 2008-09 Wall Street crash and subsequent Great Recession.

Moreover, the overwhelming factor determining employment opportunities for low-wage workers is macroeconomic conditions—whether the economy is growing or in a recession. Thus, in 1968, when the U.S. minimum wage reached $10.85 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 $8.22 while unemployment peaked at 10.8 percent.

In short, raising the federal minimum to $15 an hour by 2020 will be an effective means of improving living standards for low-wage workers and their families and will help stabilize the economy. The costs to other groups in society will be modest and readily absorbed.

Signers (Institutional listing for identification purposes only):

1. Randy Albelda, Ph.D., University of Massachusetts, Boston
2. Lluis Rodriguez Algans, CNT Trade Union
3. Peter Arno, Ph.D., University of Massachusetts-Amherst and Lehman College, City University of New York
4. Michael Ash, Ph.D., University of Massachusetts-Amherst
5. M.V. Lee Badget, Ph.D., University of Massachusetts-Amherst
6. Brook K. Baker, J.D., Northeastern University School of Law
7. Nesecan Balkan, Ph.D., Hamilton College
8. Avraham Baranes, Ph.D., Rollins College
9. David Barkin, Ph.D., Universidad Autonoma Metropolitana-Xochimilco
10. Deepankar Basu, Ph.D., University of Massachusetts-Amherst
11. Lourdes Benería, Ph.D., Cornell University
12. Peter H. Bent, University of Massachusetts-Amherst and University of Oxford
13. Cyrus Bina, Ph.D., University of Minnesota
15. Marc Blecher, Ph.D., Oberlin College (Department of Politics)
16. Eileen Boris, Ph.D., University of California-Santa Barbara (Feminist Studies)
17. Howard Botwinick, Ph.D., State University of New York-Cortland
18. Roger Even Bove, Ph.D., West Chester University
19. James K. Boyce, Ph.D., University of Massachusetts-Amherst
20. Michael Brün, Ph.D., Illinois State University
21. Robert Buchele, Ph.D., Smith College
22. Antonio Callari, Ph.D., Franklin and Marshall College
23. Al Campbell, Ph.D., University of Utah
24. Jim Campen, Ph.D., University of Massachusetts, Boston
25. Michael Carter, Ph.D., University of Massachusetts, Lowell
26. Scott Carter, Ph.D., The University of Tulsa
27. Shouvik Chakraborty, Ph.D., University of Massachusetts-Amherst
28. John Chasse, Ph.D., State University of New York, Brockport
29. Ying Chen, University of Massachusetts-Amherst
30. Robert Chernomas, Ph.D., University of Manitoba
31. Kimberly Christensen, Ph.D., Sarah Lawrence College
32. Alan B. Ciblis, Ph.D., Universidad Nacional de General Sarmiento
33. Peter Cole, Ph.D., Western Illinois University
34. Bruce E. Collier, Ph.D., Association for Social Economics
35. James Crotty, Ph.D., University of Massachusetts-Amherst
36. Jane D’Arista, Political Economy Research Institute
37. Flavia Dantas, Ph.D., SUNY-Cortland
38. Paul Davidson, Ph.D., University of Tennessee
39. Erik Dean, Ph.D., Portland Community College
40. Carmen Diana Deere, Ph.D., University of Florida
41. George DeMartino, Ph.D., University of Denver
42. Gregory DeFreitas, Ph.D., Hofstra University
43. Alan Derickson, Ph.D., Pennsylvania State University (Professor of Labor Studies and History)
44. James G. Devine, Ph.D., Loyola Marymount University
45. G. William Domhoff, Ph.D., University of California, Santa Cruz
46. Peter Dreier, Ph.D., Occidental College (Distinguished Professor of Politics)
47. Thomas L. Dublin, Ph.D., State University of New York, Binghampton
   (Distinguished Professor of History)
48. Gary Dymski, Ph.D., Leeds University Business School
49. Peter Dorman, Ph.D., Evergreen State College
50. Veronika V. Eberharter, Ph.D., University of Innsbruck
51. Barry Eldin, Ph.D., McGill University (Department of Sociology)
52. Gerald Epstein, Ph.D., University of Massachusetts-Amherst
53. Rudy Fichtenbaum, Ph.D., Wright State University
54. Deborah M. Figart, Ph.D., Stockton University
55. Alfredo Saad Filho, Ph.D., University of London
56. Andrew M. Fischer, Ph.D., Institute of Social Studies of Erasmus University
   Rotterdam
57. Nancy Folbre, Ph.D., University of Massachusetts-Amherst
58. Gerald Friedman, Ph.D., University of Massachusetts-Amherst
59. Kevin Furey, Chemeketa Community College
60. John Luke Gallup, Ph.D., Portland State University
61. Ina Ganguli, Ph.D., University of Massachusetts-Amherst
62. Jorge Garcia-Arias, Ph.D., University of Leon
63. Heidi Garrett-Peltier, Ph.D., University of Massachusetts-Amherst
64. Armağan Gezici, Ph.D., Keene State College
65. G. Reza Ghorashi, Ph.D., Stockton University
66. Helen Lachs Ginsburg, Ph.D., Brooklyn College – City University of New York
67. Jonathan P. Goldstein, Ph.D., Bowdoin College
68. April Gordon, Winthrop University
69. Ilene Grabel, Ph.D., University of Denver
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71. Josh Greenstein, Ph.D., Hobart and William Smith Colleges
72. Daphne Greenwood, Ph.D., University of Colorado-Colorado Springs
74. Winston Griffith, Ph.D., Howard University
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79. Martin Hart-Landsberg, Ph.D., Lewis and Clark College
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82. Arturo Hermann, Italian National Institute of Statistics
83. Joan Hoffman, Ph.D., John Jay College of Criminal Justice
84. Candace Howes, Ph.D., Connecticut College
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87. Tae-Hee Jo, Ph.D., State University of New York, Buffalo State
88. Laurie Johnson, Ph.D., New York University
89. Fadhel Kaboub, Ph.D., Denison University
90. Rebecca E. Karl, Ph.D., History Department, New York University
91. Mousa H. Kassis, Youngstown State University
92. Farida C. Khan, Ph.D., University of Wisconsin-Parkside
93. Mary C. King, Ph.D., Portland State University
94. Tim Koechlin, Ph.D., Vassar College
95. David Laibman, Ph.D., Brooklyn College and Graduate School, City University of New York
96. Thomas Lambert, Ph.D., Northern Kentucky University
97. Margaret Levenstein, Ph.D., University of Michigan
98. Oren M. Levin-Waldman, Ph.D., Metropolitan College of New York
99. Ariana R. Levinson, Ph.D., University of Louisville (Labor and Employment Law Professor)
100. Victor D. Lippit, Ph.D., University of California, Riverside
101. Paul Lockard, Ph.D., Black Hawk College
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103. Allan MacNeill, Ph.D., Webster University
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105. Arthur MacEwan, Ph.D., University of Massachusetts Boston
106. Ann Markusen, Ph.D., University of Minnesota
107. J.W. Mason, Ph.D., John Jay College, City University of New York and Roosevelt Institute
108. Patrick Mason, Ph.D., Florida State University
109. Peter Hans Matthews, Ph.D., Middlebury College
110. Peter B. Mayer, Ph.D., University of Louisville
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112. Michael Meeropol, Ph.D., Western New England University
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114. Dennis Merrill, Ph.D., University of Missouri-Kansas City
115. Thomas Michl, Ph.D., Colgate University
116. Marcelo Milan, Ph.D., Federal University of Rio Grade do Sul
117. William Milberg, Ph.D., New School for Social Research
118. John Miller, Ph.D., Wheaton College
119. Paul Morse, University of Massachusetts Lowell
120. Fred Moseley, Ph.D., Mount Holyoke College
121. Philip I. Moss, Ph.D., University of Massachusetts Lowell
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123. Michael J. Murray, Ph.D., Bemidji State University
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125. Don Negri, Ph.D., Willamette University
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127. Reynold F. Nesiba, Ph.D., Augustana College, Sioux Falls
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129. Michael Nuwer, Ph.D., State University of New York, Potsdam
130. Erik Olsen, Ph.D., University of Missouri Kansas City
131. Spencer J. Pack, Ph.D., Connecticut College
132. Aaron Pacitti, Ph.D., Siena College
133. Zhaochang Peng, Ph.D., Rollins College
134. Kenneth R. Peres, Ph.D., retired, Communications Workers of America
135. Joseph Persky, Ph.D., University of Illinois at Chicago
136. Karen Pfeifer, Ph.D., Smith College
137. Xuan Pham, Ph.D., Rockhurst University
138. Bruce Pietrykowski, Ph.D., University of Michigan-Dearborn
139. Frances Fox Piven, Ph.D., Graduate Center, City University of New York
140. Robert Pollin, Ph.D., University of Massachusetts-Amherst
141. Mary Louise Pratt, Ph.D., New York University (Department of Social and Cultural Analysis)
142. Paddy Quick, Ph.D., St. Francis College
143. Devin T. Rafferty, Ph.D., St. Peter’s University
144. Laura Reed, Ph.D., University of Massachusetts, Amherst
145. Robert Reich, University of California Berkeley
146. Felipe Rezende, Ph.D., Hobart and William Smith Colleges
147. Carl Riskin, Ph.D., Queens College, City University of New York
148. Judith Robinson, Ph.D., Castleton State College
149. Sergio Romero, PhD, Department of Sociology, Boise State University
150. Andrew Ross, Ph.D., New York University
151. Robert J.S. Ross, Ph.D., Clark University (Department of Sociology)
152. Mario Seccareccia, Ph.D., University of Ottawa
153. Malcolm Sawyer, Ph.D., University of Leeds
154. Mattias Scaglione, Ph.D., University of Wisconsin-Madison (Department of Sociology)
155. Helen Scharber, Ph.D., Hampshire College
156. Geoff Schneider, Ph.D., Bucknell University
157. Juliet B. Schor, Ph.D., Boston College
158. Elliot Sclar, Ph.D., Columbia University
159. Carol Scotton, Ph.D., Knox College
160. Stephanie Seguino, Ph.D., University of Vermont
161. Alla Semenova, Ph.D., State University of New York - Potsdam
162. Anwar Shaikh, Ph.D., New School for Social Research
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172. Donald Tomaskovic-Devey, Ph.D., University of Massachusetts-Amherst
173. E. Ahmet Tonak, Ph.D., Istanbul Bilgi University, Turkey
174. Mayo C. Toruño, Ph.D., California State University, San Bernadino
175. Eric Tymoigne, Ph.D., Lewis & Clark College
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178. Irene van Staveren, Ph.D., Erasmus University Rotterdam
179. Roberto Veneziani, Ph.D., Queen Mary University of London
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181. Matías Vernengo, Ph.D., Bucknell University
182. Stephen Viederman, Consultant
183. William T. Waller, Ph.D., Hobart and William Smith Colleges
184. John P. Watkins, Ph.D., Westminster College
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187. Jeannette Wicks-Lim, Ph.D., University of Massachusetts-Amherst
188. John Willoughby, Ph.D., American University
189. Tamar Diana Wilson, Ph.D., University of Missouri, St. Louis
190. Jon D. Wisman, Ph.D., American University
191. Judith Wittner, Ph.D., Loyola University (Emeritus Professor of Sociology)
192. Michael Wolff, Ph.D., University of Massachusetts-Amherst (Victorian Studies)
193. Martin Wolfson, Ph.D., University of Notre Dame
194. L. Randy Wray, Ph.D., Bard College and University of Missouri-Kansas City
195. Zhun Xu, Ph.D., Howard University
196. Ben Young, Ph.D., University of Missouri at Kansas City
197. June Zaccone, Ph.D., Hofstra University
198. David Zalewski, Ph.D., Providence College
199. Roland Zullo, Ph.D., University of Michigan
200. Alex Binder, Franklin & Marshall College
201. Yan Liang, Ph.D., Willamette University
202. Scott McConnell, Ph.D., Eastern Oregon University
203. Stephen Cullenberg, Ph.D., University of California-Riverside
204. Thomas Weisskopf, University of Michigan
205. James Heintz, Ph.D., University of Massachusetts-Amherst

To add your name to this letter, please send an email with your name and institutional affiliation to ebloch@peri.umass.edu