Department of Economics
University of Toronto
Summer 2017

ECO 209
Macroeconomic Theory and Policy

Case Study No. 7

Case Study No. 7 on ***The Minimum Wage Debate*** will be discussed in class on Thursday, July 27. The required short-readings have been posted on the course website. Read these articles and come to class ready for the discussion. The following questions will help you in your preparation:

1) What are the reasons for setting a minimum wage? Who are usually in favour of raising the minimum wage? Who are usually against such an increase? What particular argument is usually put forward by those who oppose raising the minimum wage?
2) Ontario's minimum wage will be increased from the current $11.40 to $14 in January 2018, and to $15 the following year. What might be the most likely impact of such an increase in the minimum wage? What would happen to the level of unemployment? What would be the likely impact on aggregate demand?
3) Many American cities — most notably Seattle — and some states have recently increased the minimum wage significantly. Seattle increased the minimum wage from $9.32 to $11 in April 2015, to $13 in January 2016, and to $15 in January of this year. What has been the overall impact of this minimum wage increase on the Seattle economy?
4) The food-services industry is characterized by paying minimum wage to most of its employees. What was the impact of the minimum wage increase on Seattle's food-services industry? What was the conclusion of the University of California at Berkeley's research team? And of the University of Washington's research team?
5) What was the reaction of the economics profession to the conclusions of the University of Washington's research team? What were the main points of criticism?
6) Bill Emmott, former editor-in-chief of The Economist, argues that at the present time a higher minimum wage "has become essential, if not inevitable"? Why does he think so? What is the view of most economists nowadays? How relevant was the research of Card & Krueger in the 1990s?