



Incentivizing Unemployment

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Automation is likely to become more and more prevalent as [time goes on](#), and the fast-food industry is likely to be part of this trend. So it shouldn't be surprising that McDonald's is jumping aboard the [automation train](#). If state and local governments mandate higher minimum wages, many more restaurants might be following McDonald's on the automation express.

McDonald's' "Create Your Taste" kiosk allows customers to fully customize their burgers by selecting different buns, cheeses, and toppings without having to interact with a real person. The automation occurring in [McDonald's and other places](#) might be an inevitable feature of the the 21st-century economy, and this has the potential to put many people out of work.

In a purely free market, this is creative destruction. Some jobs are destroyed in the process of delivering increased efficiency. That's not to diminish the pain of those now out of work; however, it is necessary for the economy to grow. Even though some job losses are inevitable, government should not be expediting the process through regulations. Mandating increased labor costs through a higher minimum wage will encourage [employers](#) to use less labor. They instead will substitute other inputs, such as capital, that may have a lower relative cost because of the increase in wages. In other words, if you make labor more expensive, you give employers an incentive to invest in ways to cut down on labor. Forcing employers to pay their lowest-skilled employees more is such an incentive.

Many businesses already have a financial incentive for installing more kiosks like the ones McDonald's is introducing. According to the [Harvard Business Review](#), "Taco Bell recently announced that orders made via their new digital app are 20% pricier than those taken by human cashiers, largely because people select additional ingredients. Chili's, after installing self-service tablets, reported a similar increase in dessert orders. Cinemark theater's new self-service kiosks have 'had concession spending per person climb for 32 straight quarters.'"

The intention behind raising the minimum wage is presumably to help low-wage workers make more money. However, with this oncoming wave of automation, policymakers might just put these people out of work altogether. Government should encourage work, not mandate that people lose it.

About the Author



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Michael Rathbone was a policy researcher at the Show-Me Institute. He is a native of Saint Louis and a 2008 graduate of Saint Louis University, where he earned a bachelor of science degree in biomedical engineering.

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