



White House Defends Minimum Wage Increase

By: Sahil Kapur - February 13, 2013

House Speaker John Boehner's (R-OH) swift rejection of President Obama's proposal during the State of the Union to raise the federal minimum wage from \$7.25 to \$9 has reignited a long running, contentious battle over the economic consequences of a price floor for labor. Perhaps predictably the latest skirmish has begun with a salvo of economic studies from each side.

"[W]hen you raise the price of employment, guess what happens? You get less of it," Boehner told reporters Wednesday morning during a Capitol Hill press conference with the House GOP leadership. "And what happens when you take away the first couple of rungs on the economic ladder? You make it harder for people to get on the ladder. Our goal is to get people on the ladder and help them climb that ladder so they can live the American dream."

The White House shot back against Boehner's claim that the policy would lead to job losses and particularly harm low-skilled workers.

"We have a lot of empirical evidence on this question, and the best studies consistently find that the minimum wage has no adverse effect on unemployment," a senior administration official told TPM on Wednesday afternoon.

The official said Boehner's hypothesis is based on the theory that when the cost of employment goes up, business want to hire fewer people. But that's only part of what happens, the official said, arguing that studies find that it is offset by reduced turnover, more motivated workers and a more productive workforce. The official said studies find that the second effect tends to be about the same as the first effect when it comes to employment.

The official also cited a statistic by the liberal Economic Policy Institute that raising the minimum wage would give some 20 million American workers a raise, which would substantially improve labor markets and boost consumer demand. EPI, which has strong ties to the labor movement, has been pushing for an increase in the minimum wage.

The administration official cited three research papers as the best, most recent studies that inform the White House's views: a 2010 paper in the Review of Economics and Statistics, a 2012 paper in the British Journal of Industrial Relations, and a 2011 paper in Industrial Relations.

To back up Boehner's argument, spokesman Michael Steel pointed TPM to a 2012 paper by the libertarian Cato Institute, a 2009 paper by the conservative Heritage Foundation, and two

opinion pieces published last year by Michael Saltsman, a researcher for the industry-backed Employment Policies Institute: a letter published in the New York Times and an op-ed for the New Jersey Daily Record. Separately, Steel also cited a statement by the National Federation of Independent Business, a Republican-aligned group, and an article in Forbes by NFIB's chief economist William Dunkelberg.

Obama explained his objective on Tuesday night: "Tonight, let's declare that in the wealthiest nation on Earth, no one who works full-time should have to live in poverty, and raise the federal minimum wage to \$9.00 an hour."

Slamming the door on a minimum wage increase may be bad politics for the GOP, argues longtime Republican strategist Ed Rogers.

"I worry that being too anti minimum wage plays to the Republican negative stereotype," Rogers told TPM in an email. "The commonsensical appeal of there being a minimum wage and having occasional raises is powerful. Plus I think we could argue for some good policy, like a youth exception, if we did something other than just slammed the door."