

Biden and Krugman Are Misleading the Public about Minimum Wage

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February 8, 2021 6:06 PM

During his Super Bowl interview on *CBS Evening News*, President Joe Biden declared that “all the economics” of a \$15 minimum-wage hike were good. What he meant to say was, all the politics of a \$15 minimum wage are good. The economics are highly debatable.

A minimum-wage hike quenches the populist appetite of many voters. After all, it seemingly costs them nothing to compel greedy big business CEOs to pay the proletariat fairer wages. The problem is that a minimum wage *is* a tax on goods and services, and it’s not the big businesses that suffer, but small ones who can’t afford it. Nor are minimum-wage workers a static group of poor Americans. In fact, 58 percent of them are young workers. Minimum-wage policy marginally improves the lives of Americans working their way up the ladder, and in the meantime destroys millions of entry-level jobs. Even the CBO says that while a \$15 minimum wage would lift 900,000 out of poverty, it would eliminate 1.4 million jobs.

It should also be remembered that minimum-wage policy is not a federal concern. Treating the wages of those who live in NYC as you would those in Alabama is simply bad policy. Though Democrats, of course, want a national minimum wage to create a hard floor so they can keep spiking it locally.

There’s very little real debate on the topic in major media. Biden’s “all the economics” comment is reminiscent of Barack Obama’s absurd claim that “every economist” believed in his stimulus plan. Such declarations are meant to create the veneer of scientific consensus and certitude, a myth that the media is almost always happy to advance. When the Cato Institute found 200 economists to counter Obama’s claim, three of them Nobel laureates — James Buchanan, Edward Prescott, and Vernon Smith — they had to take out a full-page ad in the *New York Times* to be heard.

It was not true then, and is not true now, that “all the economics” of the minimum wage, or much else, is settled. As *New York Times* columnist Paul Krugman once noted, any “Econ 101 student can tell you” that “higher wage reduces the quantity of labor demanded, and hence leads to unemployment.” Indeed, for a long time, there was a strong consensus on the matter.

Fast-food Employees Will Strike Friday to Demand a Higher National Minimum Wage

Today, Krugman, who has seen the light, uses unconvincing argumentum ad populum to bolster his case for raising the minimum wage, as it “is immensely popular; it’s supported by around 70 percent of voters, including a substantial majority of self-identified Republicans.” Even those extremists, strewn across the wastelands of middle America, get it, I guess.

And though Krugman doesn't mention his own expedient partisan conversion on the issue, he notes:

It's true that once upon a time there was a near-consensus among economists that minimum wages substantially reduced employment. But that was long ago. These days only a minority of economists think raising the minimum to \$15 would have large employment costs, and a strong plurality believe that a significant rise — although maybe not all the way to \$15 — would be a good idea.

Anyone who bothers clicking on the hyperlinks offered by Krugman will quickly find out they are being misled. The Initiative on Global Markets (IGM) at the University of Chicago's Booth School of Business link, for instance, does not show resounding majority support for a federal Biden-style minimum wage. Claims of a "strong plurality" also appear to be a stretch, while discounting the large cross-section of economists who are undecided.

Krugman fails to mention that in the 2015 survey he hyperlinks, 26 percent of economists believe a flat \$15 federal minimum wage would lower employment for low-wage workers, while 24 percent said otherwise, and 38 percent weren't sure. As for whether doing so would "substantially increase aggregate output" in the economy, just 2 percent agreed.

Krugman fails to mention that the 2013 survey he links to, for even a \$9 federal minimum wage, shows 34 percent agreed that it would cost jobs, 24 percent were uncertain, and 32 percent disagreed. A plurality indicated that there could be net benefits to a \$9 wage indexed to inflation, which, of course, isn't the Biden plan.

In the *2021* survey, conducted just this month, a panel of over 80 economic experts were queried on the subject of the \$15 minimum wage, and the results do not suggest any consensus.

When IGM posed this statement, "A federal minimum wage of \$15 per hour would lower employment for low-wage workers in many states," 45 percent agreed, and 33 percent were unsure. Only 14 percent disagreed.

When presented with the statement, "A federal minimum wage that is pegged to state and/or local conditions such as the cost of living would be preferable to the current arrangements that give states a role in setting the policy," 42 percent either strongly agreed or agreed, another 42 percent were uncertain, and only 9 percent disagreed.

Biden's plan is to federalize minimum-wage laws. Many economists like the idea in theory, but many are still unsure, and just as many see the downside for employment. But Krugman — and Biden — are merely trying to shut down debate. And they have plenty of help.