



The Daily Dish

Trump and the Minimum Wage

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Yesterday [the Federal Reserve announced](#) that after its two day July meeting, it had decided against raising interest rates for the time being but left the door open to raising rates at a later date. The decision comes in the face of a more optimistic economic outlook than previously expected. The Federal Reserve stated despite job gains in June and a growth in household spending, business investment remains soft. The decision to not raise interest rates was approved with only one dissent.

[New data shows home sales in June remained flat](#), increasing only 0.2 percent. Increases were likely hampered by rising prices and a shortage of homes on the market. While the housing market continues to slowly recover over the past year, this month's numbers are still down from the market's 2016 high, which occurred in April. According to housing experts, an increase in inventory is needed to boost the housing market.

Eakinomics: Trump and the Minimum Wage

Donald Trump is the Goldilocks of the minimum wage debate: wages have been too high, too low, but now we understand that [\\$10 is just right](#). Of course, even \$10 will harm some individuals. Based on [previous AAF work](#), a \$10 minimum wage would likely affect something in the neighborhood of 22 million workers and reduce employment by around 2.2 million. As with other sharp (and sharper) minimum wage hikes, the increase will likely reduce hiring of those least attached to the labor force, redistribute income away from the unemployed jobseekers to those who have and hold jobs, and be very poorly targeted on poverty. None of this is new.

The Trump position does come with two seemingly important caveats. The first is that he thinks that the minimum wage job should simply be a first rung on the career ladder: "I don't want people to be in that \$10 category for very long." Good. This is the traditional view of the minimum wage job — a good place to get experience that qualifies one for another step

up the labor market value chain. The minimum wage debate really began to veer off course when the left decided that people should be stuck in these jobs for life. (This is consistent with their unwillingness to generate any real pro-growth policies, but instead rely on redistribution as the sole source of low-income economic improvement.) Unfortunately, raising the minimum wage to \$10 will likely disadvantage exactly those low-skill, little-experienced workers that need their first job.

The second is that he seemingly does not want to raise the federal minimum wage; rather the decision should be made by individual states: “But the thing is, Bill, let the states make the deal.” This is a bit more complicated. For starters, \$10 might not be the right level for every state — a fact that they will individually quickly recognize as they assess their labor markets. Moreover, it is also something states already have the capacity to do; indeed 32 states already have a minimum wage in excess of the federal \$7.25.

The debate over the minimum wage is a political staple. But it has morphed from a small-bore issue for geeks to a central aspect of the presidential debate due to the poor performance of the Obama-era labor market. Only with better productivity growth, economic growth, and rising wages will it be returned to its former self.