



Insight

3 Key Takeaways From AAF's #MinWageChat

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On Thursday January 30, the American Action Forum and the Employment Policies Institute cosponsored an event on the impact of an increase in the minimum wage and how best to help those in poverty.

The briefing featured a dynamic discussion from minimum wage scholar Joe Sabia of San Diego State University, who presented new research on increases in the minimum wage throughout the business cycle. Then James Politi of the Financial Times moderated a balanced panel discussion with William Galston, Douglas Holtz-Eakin, Adriana Kugler, and Michael Strain. Here are three main takeaways from the conversation.

- 1. Poverty:** While there was strong consensus among the speakers that the minimum wage alone is not an effective tool to fight poverty, the panelists strongly disagreed on whether an increase in the federal minimum wage should be included in a more comprehensive approach to helping those most in need. Douglas Holtz-Eakin pointed out, "We are interested in the work aspect because the dividing line between poverty and non-poverty revolves around work. If you are working your chances of being in poverty are much, much lower." Adriana Kugler agreed that it's not that many people we're talking about. According to Holtz-Eakin and Strain, increasing the minimum wage should not be a part of any anti-poverty effort because it is ineffective and would potentially reduce employment and job growth for the low-skilled workers that the minimum wage is intended to help. Kugler and Galston, however, both asserted that minimum wage should still be a part of the solution. As Galston put it, minimum wage is not *the* answer but it is *an* answer amongst many.
- 2. Comprehensive approach:** Despite disagreeing on whether to increase the minimum wage, all speakers agreed that combating poverty and income inequality requires a

comprehensive approach with a multitude of policies aimed at helping those in need. The panelists introduced ideas such as improving the Earned Income Tax Credit. While the Earned Income Tax Credit already effectively targets people in poverty, it is currently designed to almost exclusively benefit married couples with children. Douglas Holtz-Eakin pointed out that single and childless workers in poverty do not benefit much from the Earned Income Tax Credit, only receiving small fractions of those workers with children enjoy. Introducing wage subsidies is another option the panelists thought was worth exploring.

3. **A common goal:** There was no doubt that the panelists shared the same societal goals. All believed that it is unacceptable for the wealthiest nation on earth to have so many people in poverty and economic mobility that has been stagnant for half a century. Yet they heavily disagree on the role that minimum wage should play when trying to solve the problem. “If there is agreement across partisan and ideological lines on moral principles and goals then we are already playing the right game. All we are arguing about right now is the optimal mix of means for getting there; I view this as a positive development. I’m delighted to hear in these quarters that this is a social issue. It’s government’s principle responsibility to discharge this social norm. If I were convinced of the means other than the minimum wage, that the Bill Clinton goal would be achieved throughout the country then I would stand down. I care about ends not means,” said Galston. Michael Strain, however, does not want to see the minimum wage go up because he believes “it is wrong to make businesses and their consumers individually responsible for ensuring their employees are not in poverty.” Instead, we all as a society should take responsibility and design programs that improve day-to-day welfare, education, and incomes to pull families out of poverty.

The national debate over whether to raise the minimum wage will not die down anytime soon. In fact, Senate Majority Leader Harry Reid recently told reporters that the Senate will take up a minimum wage bill in March. Yesterday’s #MinWageChat provided a thorough discussion in which all pro and con arguments were vetted.