



The Daily Dish

Minimum (Wage) Logic

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Eakinomics: Minimum (Wage) Logic

Good morning. Had a couple of sips (cups, pots) of coffee? Good. Now, stop shaving, end any pursuit of personal hygiene that involves sharp edges, and put down any lethal breakfast utensils. Good. I want to talk about the federal minimum wage. Sorry.

You are sick of the minimum wage. I am sick of the minimum wage. But somebody is not sick of the minimum wage because they are always trying to raise it (proof, I suspect, that it is not really a minimum). And sure enough, just like February 2, here it is again – this time as part of the president’s proposed economic response to the COVID-19 recession. That’s right, minimum wage hikes cum stimulus.

This is either hopelessly muddled economic thinking, or political opportunism, or both. So let us be clear, more than doubling the federal minimum wage from \$7.25 to \$15 will not “create jobs” or speed the recovery. No, as AAF’s Isabel Soto [puts it](#): “The consequences of rapid, large increases to the federal minimum wage are well documented, with much of the [research](#) finding negative employment effects. The [Congressional Budget Office](#), for example, projected that an increase to a \$15 minimum wage by 2025 could mean a median of 1.3 million jobs lost, a fall in business revenues leading to a \$9 billion drop in real income, and increases in the prices of goods and services across the economy.”

Not exactly the recipe to speed any recovery. Indeed, this is an especially perverse time to propose raising the minimum wage. Who is most likely to get hurt by a minimum wage hike? The relatively inexperienced and least educated who have the weakest skills and lowest pay. By the way, who is currently most likely to be unemployed and for a long time? Same folks. Where do they normally work? America’s small businesses. By the way, roughly 40 percent of those have closed since the coronavirus landed.

None of this should be a bit surprising. If the president were to sign into law a \$15 minimum wage, how much more income would be available to pay it? None, nada, zippo. That means to pay the higher wages (for the entry level and those above them who will also get a raise), the money will have to be taken from someone else. If you are the small business owner who now cannot afford to re-open, the money has been taken from you who are out of business and given to someone who has a job. If you are the waiter who did not get recalled because the restaurant decides to re-open with a smaller staff, it is taken from you who are out of work and given to someone who has a job.

From a policy perspective, the proposed minimum wage hike is a job killer dressed up as stimulus and a font of inequity advertised as fairness. Or, to boil it down to the day-to-day, the idea is to make it the law of the land that for you to decouple your teenage son and the PlayStation 2 he has inhabited since the pandemic hit, Jack’s Flippin’ Burger has to fork over \$30,000 a year.

Good luck with that.