



The Daily Dish

The More Things Change...

DOUGLAS HOLTZ-EAKIN | DECEMBER 21, 2023

Remember the “Fight for \$15”? Remember how a higher federal minimum wage would bestow dignity and justice on everyone within six degrees of Bernie Sanders? Remember how opponents raised the specter of Depression-era unemployment? Remember how moot this all became when the labor market started to deliver real wage gains?

I’m glad you remember because...it’s baaaaack!

Specifically, the Congressional Budget Office (CBO) recently released its [analysis](#) of Senator Sanders’ Raise the Wage Act of 2023. The key part of the legislation is to raise the federal minimum wage from its current \$7.25 to \$9.50 on July 1, 2024, with raises every July 1 until it reaches \$17 (hurray! A prime number!) on July 1, 2029, and this then would be indexed to the median hourly wage and rise automatically thereafter.

Now from the Groundhog-Day-like loop of previous minimum wage analysis, we know a few things. First, overall employment would decline because it will make employees more expensive. That decline in employment would be concentrated among the least skilled and experienced of the workers and would occur as much from reduced hiring over time as actual layoffs.

Second, those who manage to keep their jobs would make a lot more money, and those who used to be paid just a bit more than them would also get raises. The combination would be a hefty price tag for employers, which is why overall employment would decline.

Third, in the process, income would effectively be redistributed from those who don’t get a job to those who do. This is a perverse and abhorrent feature of minimum wage policies and reveals clearly that any claim that they are an instrument of justice is as compelling as the Jets’ offense.

Finally, raising the minimum wage would do little about poverty in the United States. Relatively few minimum-wage workers live in poverty and many affluent households have members working at minimum wage (e.g., at summer jobs). It is simply not targeted at the working poor.

Right on schedule, the CBO has (re)discovered these inevitable findings. “In an average week in 2029, the year when the minimum wage would reach \$17 per hour, 8.9 million workers whose wages would otherwise be below \$17 per hour would be directly affected; many of the 9.7 million workers whose wages would otherwise be slightly above that wage rate would also be affected.” As a result, businesses would pay a cumulative increase of \$151 billion over the period to 2029, leading to lower employment by 700,000 jobs. (That is about 0.4 percent of the labor force.) Finally, the minimum wage flunks as an anti-poverty program; only 400,000 more Americans would be lifted out of poverty.