



Insight

Does Raising the Minimum Wage Increase Happiness?

BEN GITIS | MAY 16, 2014

The Washington Post recently ran an article by [Michael Krassa and Benjamin Radcliff](#), who argue that developed countries with higher minimum wages are happier. Specifically, Krassa and Radcliff analyze the relationship between real minimum wage levels and life satisfaction in OECD countries during 2005. Their conclusion that minimum wage increases happiness is illustrated in the following graph, which was originally in the Washington Post.

Description: Macintosh HD:Users:benjamingitis:Desktop:krassa_radcliff_TMC_graph-e1399998952468.jpg

What they don't tell you, however, is that Krassa and Radcliff only examine the relationship between minimum wage level and life satisfaction among OECD members that actually had a minimum wage in 2005, leaving out about 25 percent of countries. Meanwhile, Krassa and Radcliff's narrow data selection methods lead them to exclude some of the wealthiest and happiest nations on earth, including Denmark, Finland, Germany, Iceland, Norway, Sweden, and Switzerland, all of which have a minimum wage equal to \$0. As illustrated by the graph below, when one follows Krassa and Radcliff's methods but takes all OECD countries into account, there is actually no clear relationship between minimum wage and life satisfaction. If anything, the relationship may be negative.

Description: Macintosh HD:Users:benjamingitis:Desktop:All OECD Countries life satisfaction.png

Having (and raising) a minimum wage is far from a panacea. In fact, it fails to assist those in poverty, increases the cost of labor, and is [shown to reduce job creation](#). The minimum wage can put more money in the pockets of teenagers of wealthy families, but it doesn't do a thing for overall happiness.