

In the Minimum Wage Debate,
Both Sides Make Valid Points

REX HUPPKE



AFTER TWO WEEKS OF DETAILING THE ARGUMENTS for and against raising the federal minimum wage—interviewing economists and policy experts, poring over a flood of emails from workers and business owners, reading scads of papers pro and con—I've reached an important conclusion: This issue is really complicated.

I realize that doesn't sound important, but in the context of our current national debate over the minimum wage, it's actually quite fundamental.

As I began this series of columns, my gut feeling was: RAISE IT! And if you look at the polling numbers, a sizable majority of Americans share that feeling. That's why Democrats, from President Barack Obama on down, are pushing hard on this issue—it appeals to people, and it sounds like the right thing to do.

But setting emotions aside to look objectively at both sides of the argument takes some of the shine off the idea.

Opponents of boosting the minimum wage focus mainly on the potentially detrimental side effects, like job reduction, and a rise in the cost of consumer goods and services. Some academic studies have confirmed those negative effects; others have shown they don't happen.

REX HUPPKE is a columnist for the *Chicago Tribune*. His writing often takes up social and political issues, sometimes humorously. This column appeared in March 2014, in the heat of the debate over raising the federal minimum wage.

Vage Debate, Valid Points

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ARGUMENTS for and against raising the minimum wage. Interviewing economists and policy makers, as well as workers and business owners, each reached an important conclusion:

But in the context of our current economic situation, it's actually quite fundamental. The feeling was: RAISE IT! And if you think of Americans share that feeling. To knock Obama on down, are pushing for a raise sounds like the right thing to do. The feeling is at both sides of the argument.

The focus mainly on the potentially negative effects of a rise in the cost of consumer goods have confirmed those negative effects.

ne. His writing often takes up so much space. This column appeared in March of last year, before the federal minimum wage.

You can easily battle to a draw on those issues. I think the truth is that it's wildly difficult to predict exactly how increasing the base wage from \$7.25 per hour to \$10.10 per hour would play out. Some markets might be able to absorb the change, while others might struggle. Some companies will be able to absorb the increased labor costs, while others with thin profit margins might cut their workforce or raise prices.

But the point that opponents of a minimum wage increase make that strikes me as the most compelling is this: Raising the minimum wage is not a very effective means of addressing poverty. For starters, I had never considered the diversity of minimum wage earners—this swath of the workforce is made up of teenagers working first jobs, older workers supplementing their income and, yes, people who are truly struggling to make ends meet.

It's that latter group that most needs the help, but by raising the minimum wage, you're not targeting those workers alone; you're targeting everyone who happens to get paid minimum wage. And you do so with some level of risk, as detailed in the Congressional Budget Office report that showed a wage increase could lead to the loss of 500,000 jobs. (The report also found that higher wages could push 900,000 people above the poverty line, an unquestionably good outcome.)

Jonathan Guryan, an economist at Northwestern University's Institute for Policy Research, is a neutral observer in this debate, seeing the reasonable arguments on each side.

"The pro argument would be that it's potentially a policy to stem the increases in income inequality that we've seen in the U.S. in the past 30 to 40 years," he said. "The con to that is, if you're trying to reduce income inequality, this is a pretty blunt instrument to do it. It's not helping as many or as large a portion of the labor market as you probably would like. And it has some unintended consequences, potentially."

Opponents of the increase say time and money would be better spent improving education and job training programs that will give people a better shot at getting out of minimum wage jobs and into better-paying careers. They also say they would combat poverty using programs like the Earned Income Tax Credit (EITC), a federal wage subsidy for low-income people that directly benefits those who most need help.

I think the EITC and education are two pragmatic tools that are being overshadowed by our focus on the politically attractive minimum wage. (To be fair, a more generous EITC is part of Obama's new budget plan, and it's an issue both sides seem to agree on.)

Guryan said: "If the goal is to reduce inequality or improve the well-being of people currently living in poverty, there are other policies that the evidence suggests would be much more cost-effective in the long run, like investing in education, improving funding for things like food stamps and expanding the EITC."

So, does this mean I think it would be bad to raise the minimum wage? No. I hear experts opposed to raising the minimum wage talk about education and the EITC. But I don't see Republican lawmakers who oppose raising the minimum wage rallying too hard to promote those ideas—many of them just say "no" to a wage increase and leave it at that.

On the flip side, Democratic lawmakers seem laser-focused on only the increase itself.

The debate we're having right now is: "It's a minimum wage increase or nothing." That's too simplistic an approach for such a complex problem.

If we claim to be concerned about the working poor in this country, then let's demand more of our lawmakers than empty "Raise the Wage!" or "Let the Market Decide!" slogans.

I think our current federal minimum wage, which hasn't been raised since 2009, seems unreasonably low, but I also wonder if a nearly 40 percent increase isn't asking a bit much. If it's going to be raised, it should be tied to inflation so it exists as part of our economic philosophy and can't be used as a political cudgel.

I realize this is impractical in an era of partisan politics, but what I'm in favor of is a comprehensive approach to making life better for American workers. And that will require both sides to compromise.

If the minimum wage is raised, I'll be happy for the working people who benefit and hopeful that the outcomes will be as good as promised. But if all we do is raise the minimum wage, I'll worry we're missing a chance to lift people out of poverty for good, and that a few years from now, we'll be having this same conversation—again.

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