Concerns loom in the fight for a $15 minimum wage

The minimum wage is again a hot topic. The federal minimum is still $7.25 per hour, and Congress shows no signs of changing that. But this fall the minimum wage has come up in both Republican and Democratic presidential debates. Progressive groups, buoyed by favorable opinion polls, are calling for a national minimum of $15 per hour. They call their campaign the Fight for $15.

From an economics standpoint, that might be one fight too far.

A little review is in order. Last year’s debate was over President Obama’s proposal for a national minimum wage of $10.10 per hour. The Congressional Budget Office released an important study that summarized the state of economic research and applied it to the president’s proposal. It concluded that job losses resulting from the increase would fall somewhere in a range from zero to 1 million, reflecting great uncertainty in the profession on that point.

Therefore, when business groups claimed that the increase could lead to a million lost jobs, they weren’t wrong, according to the CBO study. But it was equally correct to say that no jobs would be lost at all.

There was much less uncertainty in the CBO’s conclusions regarding the benefits of an increase to $10.10. Nearly a million people would be lifted out of poverty, and 16.5 million people would get a raise. On balance, the benefits looked pretty good relative to the costs.

The CBO study reflected the economics profession’s evolving view of minimum wages. It used to be that most economists opposed them because of their expected effect on employment. But now, most support moderate increases in the minimum wage, because even with some job losses, the benefits are believed to outweigh the costs.

However, raising the federal minimum wage to $15 wouldn’t be a moderate increase. It would more than double the current wage. Economics has little to say about an increase of that size, as it’s outside the scope of our models and our data.

No less an authority than Alan Krueger has expressed misgivings about $15. It was Krueger’s 1994 study with David Card that forced economists to question their views on job losses resulting from minimum wages. That study is often cited by supporters of the Fight for $15. But recently, Krueger wrote that such a large increase would put us in “uncharted waters” and would “risk undesirable and unintended consequences.”

He recommended that the minimum wage go no higher than $12 per hour. Krueger also noted that while some high-cost cities such as New York and San Francisco could raise the minimum wage to $15 with little or no job loss, the same couldn’t be said for other parts of the country. And the larger the increase, the more pronounced these differences are.

For example, the cost of living in San Francisco is 40 percent higher than the average of North Carolina’s largest cities. A $15 minimum wage in San Francisco would correspond to one of nearly $26 in North Carolina.

Over the years, some conservatives have argued against minimum wages by asking, half-sarcastically, that if $10 is so great, why not $50 or $100? The economist’s response is that when it comes to prices, “some is good” does not imply “more is better.” There are limits.

And that’s precisely why liberals may find that after finally gaining the support of economists in their campaign for a higher minimum wage, they may be on their own if they insist on fighting for $15.

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