

## Is There An Economic Consensus In Favor of Wage Mandates?

### Introduction

In debates over whether to raise the minimum wage, proponents often try to boost their credibility by referencing a group of 15 prominent economists who support a minimum wage increase, as well as approximately 650 additional economists in agreement. This list, first compiled and released by the Economic Policy Institute (a labor-backed organization), is still cited frequently to counter the claims of labor economists who argue that raising the minimum wage could cause job loss.<sup>1</sup> The list was even inserted into the Congressional Record by Congressman George Miller (D-CA) during the last debate over raising the United States federal minimum wage.

But a closer examination of the list by the Employment Policies Institute (EPI) reveals that nearly 60 percent of the economists studied don't specialize in labor economics—and some aren't even economists at all.

At best, this list from the Economic Policy Institute represents the opinion of roughly 20 percent of the country's labor economists—a fitting reality, given that an earlier survey of the country's labor economists from the University of New Hampshire found 73 percent in agreement that a mandated wage increase would *decrease* entry-level employment.<sup>2</sup>

### Findings

The Economic Policy Institute's list gives no indication of qualifications or research specialties. As a consequence, EPI used a standard set of search tools to locate and identify information for each signer. Of the approximately 665 signers on the Economic Policy Institute's list, EPI was able to find sufficient documentation for 545 of them (see **Research Methods** for more detail).

- **Of the economists studied with Ph.D.s, approximately 60 percent of them were not labor economists.**<sup>3</sup> Other specialties on this list include: Feminist Economics, Health Economics, Gender Economics, International Development, Economics of Religion, Economics of Prison, Environmental Economics, Marxian Economics, Agricultural Economics, or Middle Eastern Economics.

Why is a focus in labor economics important to understanding the effects of the minimum wage? Consider this example: An economist based at the Mayo Clinic that researches health care (as one of the signatories did) has little or no occasion to study—or remain current on the research for—the impact of a wage mandate on the labor markets. He or she might favor an increase in the minimum wage for ideological reasons, but the decision isn't being made due to any particular expertise on the topic.

- **Of all the economists studied, 39 of them either had a Ph.D. that wasn't specifically in economics, or they had no Ph.D. at all.** For instance, one of the signers was an administrative assistant in the economics and sociology departments at their affiliated university. Examples of other Ph.D. topics include Geography, Political Science, Sociology, and Urban Planning.

Also included on the list are a number of economists who work for or have close ties to labor unions like the AFL-CIO, the Teamsters, UNITE HERE, United Auto Workers, International Association of Machinists, and the labor union-backed Economic Policy Institute. The list includes members of the Union of Radical Political Economists (a group once described as supporting an “American version of socialism”).

<sup>1</sup>List available at <http://www.epi.org/publications/entry/minwagestmt2006>

<sup>2</sup>The Survey Center, University of New Hampshire. “EPI Minimum Wage Survey of Labor Economists.” July 2007.

<sup>3</sup>Subtracting from 545 total signers the 39 signers who don't have a PhD in economics, that leaves 506 economists with PhDs. EPI found that 292 (or 57.7 percent) of those economists did not specialize in labor economics.

## A Better Alternative

In a comprehensive survey of two decades of minimum wage research, labor economists David Neumark and William Wascher found that 85 percent of the best studies on the subject pointed to employment losses following an increase in the minimum wage.<sup>4</sup>

Neumark and Wascher have no partisan axe to grind in the minimum wage fight, and they're not pushing an ideological agenda. Rather, they are respected labor economists chronicling economic research on the minimum wage—the overwhelming majority of which shows that a higher minimum wage reduces employment.

Eighty-five percent of the best studies, and 73 percent of labor economists: it is to this consensus that policymakers should turn their attention, and not to a selectively compiled list.

### Research Methods

In general, EPI identified a signer as a labor economist if he or she self-identified it as a primary or secondary specialty. EPI also accepted identification from the signer's school, or from an affiliated professional or academic organization.

- In those cases where a specialty similar to labor economics was listed (e.g. “jobs” or “employment”), EPI counted the signer as having experience in labor economics.
- In the case of a non-specific indication of interest (e.g. “macroeconomics”) EPI searched the signer's curriculum vitae or other available records at his or her school or institution to determine whether the signer possessed relevant experience (e.g. empirical work related to the minimum wage or living wage).
- In some cases, EPI was unable to identify a specialty for a signer. The reasons for specialty unavailability vary: Some of the signers have since retired, others have passed on. Some worked behind the scenes for labor unions and others for research groups or smaller colleges for which little information was available. In other cases, a curriculum vitae and/or biography was available, but without a clear indication of specialty; EPI did not count these economists toward either the labor or non-labor economist category.
- For the purposes of this report, EPI included only those signers whose PhD was in Economics (or economics with a specialty, such as mathematical economics or agricultural economics). For instance, EPI did not consider PhDs in topics like Economic Geography or Political Economy as equivalent to a PhD in economics. If there was clear indication that a signer had a PhD and taught in an economic-related field, but no evidence was available to determine whether the PhD was in economics, EPI gave the signer the benefit of the doubt.

<sup>4</sup>David Neumark and William Wascher. *Minimum Wages*. MIT Press (2008).