

## Better pay now

By Paul Krugman

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'Tis the season to be jolly — or, at any rate, to spend a lot of time in shopping malls. It is also, traditionally, a time to reflect on the plight of those less fortunate than oneself — for example, the person on the other side of that cash register.

The last few decades have been tough for many American workers, but especially hard on those employed in retail trade — a category that includes both the sales clerks at your local Walmart and the staff at your local McDonald's. Despite the lingering effects of the financial crisis, America is a much richer country than it was 40 years ago. But the inflation-adjusted wages of nonsupervisory workers in retail trade — who weren't particularly well paid to begin with — have fallen almost 30 percent since 1973.

So can anything be done to help these workers, many of whom depend on food stamps — if they can get them — to feed their families, and who depend on Medicaid — again, if they can get it — to provide essential health care? Yes. We can preserve and expand food stamps, not slash the program the way Republicans want. We can make health reform work, despite right-wing efforts to undermine the program.

And we can raise the minimum wage.

First, a few facts. Although the national minimum wage was raised a few years ago, it's still very low by historical standards, having consistently lagged behind both inflation and average wage levels. Who gets paid this low minimum? By and large, it's the man or woman behind the cash register: almost 60 percent of U.S. minimum-wage workers are in either food service or sales. This means, by the way, that one argument often invoked against any attempt to raise wages — the threat of foreign competition — won't wash here: Americans

won't drive to China to pick up their burgers and fries.

Still, even if international competition isn't an issue, can we really help workers simply by legislating a higher wage? Doesn't that violate the law of supply and demand? Won't the market gods smite us with their invisible hand? The answer is that we have a lot of evidence on what happens when you raise the minimum wage. And the evidence is overwhelmingly positive: hiking the minimum wage has little or no adverse effect on employment, while significantly increasing workers' earnings.

It's important to understand how good this evidence is. Normally, economic analysis is handicapped by the absence of controlled experiments. For example, we can look at what happened to the U.S. economy after the Obama stimulus went into effect, but we can't observe an alternative universe in which there was no stimulus, and compare the results.

When it comes to the minimum wage, however, we have a number of cases in which a state raised its own minimum wage while a neighboring state did not. If there were anything to the notion that minimum wage increases have big negative effects on employment, that result should show up in state-to-state comparisons. It doesn't.

So a minimum-wage increase would help low-paid workers, with few adverse side effects. And we're talking about a lot of people. Early this year the Economic Policy Institute estimated that an increase in the national minimum wage to \$10.10 from its current \$7.25 would benefit 30 million workers. Most would benefit directly, because they are currently earning less than \$10.10 an hour, but others would benefit indirectly, because their pay is in effect pegged to the minimum — for

example, fast-food store managers who are paid slightly (but only slightly) more than the workers they manage.

Now, many economists have a visceral dislike of anything that sounds like price-fixing, even if the evidence strongly indicates that it would have positive effects. Some of these skeptics oppose doing anything to help low-wage workers. Others argue that we should subsidize, not regulate — in particular, that we should expand the Earned Income Tax Credit (E.I.T.C.), an existing program that does indeed provide significant aid to low-income working families. And for the record, I'm all for an expanded E.I.T.C.

But there are, it turns out, good technical reasons to regard the minimum wage and the

E.I.T.C. as complements — mutually supportive policies, not substitutes. Both should be increased. Unfortunately, given the political realities, there is no chance whatsoever that a bill increasing aid to the working poor would pass Congress.

An increase in the minimum wage, on the other hand, just might happen, thanks to overwhelming public support. This support doesn't come just from Democrats or even independents; strong majorities of Republicans (57 percent) and self-identified conservatives (59 percent) favor an increase.

In short, raising the minimum wage would help many Americans, and might actually be politically possible. Let's give it a try.