L.A. labor leaders seek minimum wage exemption for firms with union workers

Rusty Hicks

Wow. “L.A. labor leaders seek minimum wage exemption for firms with union workers.” **That’s the headline in the L.A. Now section of the Los Angeles Times website**. The law in question would **raise the Los Angeles minimum wage to $15 by 2020**. There would be step increases during the next five years.

Unions have opposed all requests by business owners for exemptions from this minimum wage. Restaurant owners, particularly those with slim profit margins, will be hit especially hard since tip income cannot be included when measuring the wage rate for a worker.

Why, then, does the union want an exemption for businesses whose employees are unionized? Simply stated, this is a recruiting tactic. Rusty Hicks, head of the Los Angeles County Federation of Labor, will visit a restaurant owner struggling to make ends meet with the higher minimum wage. Mr. Hicks will point out that he can get the owner out from under the minimum wage by simply unionizing the workforce. And, of course, once union membership has increased, the union will negotiate a wage below the minimum wage.

I am as opposed to the minimum wage as anyone. But Mr. Hicks's proposal almost makes me favor the Los Angeles law. His idea represents the very worst kind of rent seeking behavior. He is essentially proposing to sell out groups of workers in exchange for more union members – and, of course, more union dues.

The Minimum Wage Kills Twelve More Jobs

Tastes of Life Chipotle Burger

The [January 5 Wall Street Journal features an op-ed by Michael]

Saltsman. He describes **the impact of the minimum wage on a small not-for-profit business in Michigan**. Michigan's minimum wage **was $7.40 per hour**. **In September, 2014 it increased to $8.15**. The minimum wage will **continue to rise** until it reaches the legal maximum (under current law) of **$9.25 in January, 2018**. The **minimum wage for employees who receive tips rose from $2.65 to $3.10, an increase of 17 percent. This is the story of how the minimum wage kills twelve more jobs.**

The business in question is **Tastes of Life in Hillsdale, Michigan**. This small restaurant **employs people**


OUR STORY

Tastes of Life is a non-profit restaurant that is a part of Life Challenge of Michigan.

Life Challenge of Michigan provides participants with a faith-based personal development program designed to help participants return to a healthy physical, emotional, and spiritual well-being through individual attention and prayer.

After extensive remodeling, we re-opened our doors in August of 2012, focusing on serving the community through service and outreach.

Here at Tastes of Life, we uphold the key beliefs of Life Challenge of Michigan by allowing all of our profits going to support the participants enrolled in the Life Challenge of Michigan program.

To learn more about Life Challenge of Michigan or to donate, visit lifechallengeofmichigan.org

Tastes of Life is a restaurant, a cafe, and an ice cream parlor. We focus on providing a relaxed family atmosphere and a place in where you can stay, relax, and mingle over a delicious meal, or a sundae with Mackinac Island Creamery ice cream. Every day is sweet at Tastes of Life!

We also provide in-house catering and a Banquet Hall for special occasions. Call today to book a reservation!

CONTACT US

Tastes of Life Mission Statement (click image for larger version)

enrolled in the Life Challenge of Michigan, a "Christ-Centered non-denominational organization" offering a 13 month residential alcohol and drug rehabilitation program. (Tastes of Life's partner organization, Sweets for Life, offers dessert options.) Pastor Jack Mosley manages these enterprises.

Tastes of Life is not expensive. Here are the breakfast, lunch, and dinner menus. (Click an image to see a larger version.) **With prices like this, the restaurant must operate**

on a very narrow profit margin. Any increase in cost will be almost entirely passed along to the customers as higher prices.

[portfolio_slideshow include="9826,9827,9828" size=large autoplay=true]

The problem, as described by Mr. Saltsman and Rev. Mosley, is

> ***Handling this one-two punch of new costs presented Mr. Mosley with conflicting goals: raising prices and boosting customer traffic. "If we had a $10 menu item, it would have to be $14," Mr. Mosley said. The restaurant's customer base of seniors on a fixed income and Hillsdale locals made this option a nonstarter. The restaurant also had to find roughly 250 new customers a month, unrealistic in a small town of about 8,300.[1]***

In other words, **demand is elastic. Raising prices would cause total revenue to fall**. Faced with all this, Rev. Mosley decided the only option was to close the business.

This is not just another training program. **A newly-hired floor employee at any restaurant is likely to be fired on the spot for many mistakes** (such as dropping a tray of dirty dishes). **At Tastes of Life trainees are given second, third, and more chances to learn**. Think of it as pre-on-the-job-training.

Our Mission

Mission Statement

Our Mission is to provide a faith-based personal development program to individuals addicted to alcohol and or life controlling substances. We believe that in order for an individual with alcohol or drug problems to find sobriety the following must be achieved: Correction of distorted thinking and breakdown of denial system; recognition of the need for change; acceptance of the tools for change; and motivation to utilize these tools on a daily basis.

We offer 13-month live-in programs for adults 18 and older struggling with alcohol and substance abuse addictions. The programs are structured in such a way that students learn to refocus on matters important to personal and spiritual development. Our goal is to help students establish chemical and alcohol free life-styles.

Our students not only come from Michigan but also across the nation. We work with the judicial systems for alternative sentencing. If you or anyone you know need help, call us at 517 437-0077. Our students come from various socio-economic backgrounds, ethnicity and religious affiliations. We have a dedicated staff to help you re-focus your life at all levels: relationally, mentally, physically and spiritually.

Life Challenge of Michigan Mission Statement (click for larger image)

Who raised the minimum wage? The Republican Michigan legislature and the state's Republican governor were the responsible parties. They did this to **head off a more radical proposal** that activists were trying to place on the November ballot. **But that doesn't matter to Rev. Mosley and his (now former) trainees.** The restaurant is being converted into a women's rehabilitation center. **And another batch of entry-level jobs is killed by the minimum wage.**

I invite all those who claim increasing the minimum wage has no impact to visit Life Challenge of Michigan and tell them what you think. The organization is faith-based, so you will probably be treated cordially. But at least have the courage of your convictions. Tell these folks that you're glad the higher minimum wage put one of their programs out of business.

[1] Michael Saltsman, "A Nonprofit Restaurant Falls to the Minimum Wage." Wall Street Journal, January 5, 2015, p. A15. http://www.wsj.com/articles/michael-saltsman-a-nonprofit-restaurant-falls-to-the-minimum-wage-1420412563 accessed January 5, 2015.

Hypocrisy at the New York Times

Over the past few years, the editors at the New York Times have, on numerous occasions, supported increasing the minimum wage. So I was surprised by **today's editorial that apparently ignores a group being paid well below any minimum wage in U.S. history. AmeriCorps volunteers ("members" in Times parlance) are paid $5,645 per year. With about 2,000 work hours in a year, the implied wage is $2.8225 per hour. This is yet another example of hypocrisy at the New York Times.**

But that's the nominal minimum wage. We need to correct for inflation. Luckily (for me) I compiled that data for another project. Here's the short version.

The real minimum wage paid to AmeriCorps workers is $1.21. The lowest real minimum wage in the history of the U.S. minimum wage was $1.70 – in 1944. (As always, my data and methods are transparent. Click here for the Excel workbook.)

For the record, the above graph shows the real minimum wage from 1938 to the present. I've omitted data for some years in which the nominal minimum wage did not change. I did add the data from 1939 through 1944 to my original dataset, correcting one error in that process.

So when will the Times editors come clean and admit that they are being hypocritical about the minimum wage? I'm not holding my breath and you probably shouldn't either.

Who Really Gets the Minimum Wage

The July 7 Wall Street Journal features an op-ed by Prof. William Neumark of U.C. Irvine. Regular readers will recognize Prof. Neumark as a leading researcher on the impacts of the minimum wage. Today's column addresses the issue of how much impact increasing the minimum wage is likely to have on poverty.

The short answer is, "not much." The problem is noted in the headline: who really gets the minimum wage.

Low-Wage Does Not Equal Low-Income

In other words, for every poor minimum-wage worker who might directly benefit from the minimum wage, two workers in families with incomes more than three times the poverty line would benefit.

Start with the difference between low-wage workers and low-income households. According to Richard Burkhauser and Joseph Sabia, only about 17% of low-wage workers were members of a low-income household.[1] By contrast, 34% of low-wage workers were in families that had total income more than three times the official poverty level. As Prof. Neumark puts it →

Prof. Neumark's graduate assistant **Sam Lundstrom has calculated that if the federal minimum wage was raised to $10.10, just 18% of the benefits would flow to poor families, with 29% going to households with total income over three times the federal poverty line. And Lundstrom's calculations**

assume no impact on employment. (An equivalent assumption is that the impacts on employment are randomly distributed among recipients, so the employment impacts are spread proportionally across the various income groups. That, of course, would keep the income distribution constant.)

According to Burkhauser and Sabia (2010) the U.S. poverty line for a family of four in 2007 was $20,650. Three times this level of income is $61,950 per year. In most of the U.S. a family of four can live comfortably on that income. **One common measure used in this literature is the "income-to-needs" ratio, actual household income divided by the poverty line. Thus our household that earned three times the poverty rate would have an income-to-needs ratio of 3.0. Households below the poverty line will have income-to-needs ratios less than 1.0.**

What About Even Higher Minimum Wages?

Mr. Lundstrom repeated his calculations for a minimum wage of $15 per hour (the soon-to-be minimum wage in Seattle). This minimum wage will affect more workers because the number of workers who earn $15 or less is greater than the number who earn $10.10 or less. But workers who earn between $10.10 and $15 per hour are also less likely to be in low-income families. At a $15 minimum wage, the percentage of benefits flowing to low-income households declines to 12% and the percentage flowing to families with income greater than three times the poverty line rises to 36%.

Characteristics of Poor Families

To understand how this works, it's helpful to consider the characteristics of poor families. **About half of poor families have *no* household members that are employed. Changes in the minimum wage, by definition, cannot help or hurt this group.** Thus, off the top, **half of those at or below the poverty line**

will not be directly affected by changing the minimum wage.[2]

A second characteristic is the household income of low-wage workers. As noted above, **about 1/3 of low-wage workers are in fairly high-income households.**

Among the employed, the number of persons working part time for economic reasons rose by 275,000 to 7.5 million in June. (These individuals would have preferred full-time employment, but had their hours cut or were unable to find full-time work.) The number of these workers is down over the year but has shown no clear trend in recent months.

Third, **some poor household earn a wage higher than the minimum wage, but do not work enough hours to generate the income to get above the poverty line.** In this regard, Obamacare's incentive for shifting full-time workers to part-time jobs is instructive – and destructive as well. I**n the most recent jobs report (for June, 2014), the commissioner's statement** included this paragraph →

Government Policies That Increase Poverty

There are many explanations for poverty in the U.S. But it's clear that some government policies have increased the percentage of households in poverty. **Obamacare and the shift to part-time employment is one example of such a policy. To give an example, suppose an employee is making $15 per hour and working 30 hours per week. Weekly income is $450, about $22,500 per year. [3] To avoid Obamacare penalties, the firm reduces the workweek to 20 hours. Bingo – the worker is now making $300 per week, about $15,000 per year. Remember the statistic cited earlier: the U.S. poverty line for a family of four in 2007 was $20,650. Our hypothetical worker has moved into poverty *even though the wage rate has not changed*.**

The central point of this literature is simple. Income equals the hourly wage rate times hours worked. Thus, if wages

increase by 10% and hours decrease by 10%, income will be unchanged.[4]

Now About That Second Burkhauser-Sabia Paper

This is where it gets scary. **The 2010 Burkhauser-Sabia paper updates both the methodology and the data. First, the federal minimum wage was increased from $5.15 to $7.25 in 2007. Proposals are floating around Washington, D.C., for a second increase, to $9.50. Burkhauser and Sabia look at both these scenarios. Rather than look at history, I'll only discuss the current proposal to raise the minimum wage to $9.50.**

Burkhauser and Sabia begin by assuming there is no impact on employment. Regular readers will immediately realize that I'm not going to discuss that part of their paper. But then they do something unusual. **Rather than statistically testing the impact of the minimum wage on employment, they simply do their calculations for several values of the elasticity of demand for labor. They subsume the "no employment impact" model by including an elasticity of zero. Using "consensus" estimates from the literature. Columns (1) and (2) show the distribution of benefits assuming no employment response to the higher minimum wage. Columns (3) through (5) assume elasticities of -0.1, -0.3, and -0.6. Column (6) assumes an elasticity of -0.86, near the "breakeven" elasticity of -0.863. At that elasticity, the sum of dollar benefits equals zero.** Elasticity estimates are from Neumark and Wascher (2007).[5] and Burkhauser and Sabia (2007) among others.

Finally, column (8) calculates benefits for each group assuming a -0.6 elasticity for younger dropouts and -0.2 for all other workers. This is the authors' "preferred" elasticity combination.

And the Results are In

Before digging into the numbers, let me make a couple of disclaimers. Numbers in the following table are based on Table 7 from Burkhauser and Sabia (2010). I have recalculated many of the percentages to check that they add up to 100%. When the sum was not equal to 100%, I added up the individual dollar benefits in each column that uses dollar benefits, then used that calculated total as the denominator in the percentage calculations. My percentages do not exactly match those in the original article. But the discrepancy is minor. (Those who want to do a comparison can download the Excel workbook by clicking here. The first tab, Table7all, is the data copied from Table 7 as accurately as I can. If you want your own copy of Table 7, e-mail me and I'll send it to you. But you'll be better off – and more comfortable – just tracking down the article and reading it for yourself.

When Elasticity Equals 0

Each of the following tables can be enlarged by clicking the image. These are picture files, not Excel worksheets. Click the above link if you want a "live" Excel workbook.

The first set of results assume no employment response to the higher minimum wage.

Income-to-Needs Ratio	Net Benefits in Billions$ (e = 0) (1)	% Net Benefits (e = 0) Calculated (2)	% Net Benefits (e = 0) As in original (2)
Less than 1.00	0.439	10.90%	10.90%
1.00 to 1.24	0.282	7.00%	7%
1.25 to 1.49	0.27	6.70%	6.70%
1.50 to 1.99	0.566	14.05%	14%
2.00 to 2.99	0.832	20.65%	20.60%
3.00 or above	1.64	40.70%	40.70%
Total	4.029	100.00%	100%

Only **10.9% of total benefits flow to families below the poverty line. By contrast, 40.7% flow to households with income at or above three times the poverty level.**

To draw an even sharper contrast, **consider an income of 1.5**

times the poverty level, $30,975 per year. Over three-fourths (75.4%) of benefits from raising the minimum wage would flow to this group. Are these really the folks we want to help?

When Elasticity is Low

The two low elasticities are -0.1 and -0.3. Remember, the interpretation is that a 10% increase in the minimum wage causes job losses of 1% and 3% respectively. These are fairly small effects. And, as it happens, it doesn't matter much. Excerpted from Table 7 with sums and percentages recalculated by me:

Income-to-Needs Ratio	Net Benefits in Billions$ (e = -0.1) (3)	% Net Benefits (e = -0.1) (3a)	Net Benefits in Billions$ (e = -0.3) (4)	% Net Benefits (e = -0.3) (4a)
Less than 1.00	0.389	10.92%	0.287	10.91%
1.00 to 1.24	0.249	6.99%	0.184	6.99%
1.25 to 1.49	0.239	6.71%	0.177	6.73%
1.50 to 1.99	0.502	14.09%	0.374	14.22%
2.00 to 2.99	0.734	20.60%	0.539	20.49%
3.00 or above	1.45	40.70%	1.07	40.67%
Total	3.563	100.00%	2.631	100.00%

Once again, we see that about **75% of net benefits flow to those with family incomes of 1.5 times the poverty rate or higher. And, as before, the percentage going to those actually in poverty is 10.9%.**

When Elasticity Is Higher

With an elasticity of -0.6, the distribution of net benefits changes slightly.

Income-to-Needs Ratio	Net Benefits in Billions$ (e = -0.6) (5)	Net Benefits in Billions$ (e = -0.86) (6)	% Net Benefits Calculated from column (5). (7b)
Less than 1.00	0.135	0.001	10.99%
1.00 to 1.24	0.086	0	7.00%
1.25 to 1.49	0.084	0.003	6.84%
1.50 to 1.99	0.183	0.014	14.90%
2.00 to 2.99	0.245	-0.012	19.95%
3.00 or above	0.495	-0.006	40.31%
Total	1.228	0	100.00%

Net benefits flowing to those below the poverty line rise by a bit less than one percentage point. Benefits to those at 1.5 times the poverty line or higher remain at 75%.

Note that there are no percentages calculated for *e* = -0.86. That calculation becomes difficult when the denominator is zero. Recall that *e* = -0.863 is the elasticity at which total net benefits in dollars are zero (the authors refer to this with the entertaining name "breakeven elasticity.")

When Elasticities Differ

The final calculation undertaken by Burkhauser and Sabia **uses an elasticity of -0.6 for dropouts between ages 16 and 29, with *e* = -0.2 for everyone else.** This is the authors' preferred model. Regardless, the results do not change much:

Income-to-Needs Ratio	Net Benefits in Billions$ (e = -0.6 for 16-29-Year-Oid Dropouts; e = -0.2 for Others) (8)	% Net Benefits (calculated)* (9a)
Less than 1.00	0.298	10.49%
1.00 to 1.24	0.201	7.07%
1.25 to 1.49	0.195	6.86%
1.50 to 1.99	0.413	14.53%
2.00 to 2.99	0.565	19.88%
3.00 or above	1.17	41.17%
Total	2.842	100.00%

Once again, **the share of net benefits flowing to the truly poor is about 10.5%. Those at or above 1.5 times the poverty line get 75.6%.**

Conclusion

Every reputable economist who has studied the minimum wage has concluded it is a bad way to fight poverty. Far better is the earned income tax credit. However, that program will also not affect people living in households where no one works. Perhaps restoring the Clinton-era "welfare to work" programs would be helpful.

[1] This is from Prof. Neumark's article. Many of the facts in his op-ed are from Burkhauser, Richard V. and Joseph J. Sabia (2007). "The Effectiveness Of Minimum-Wage Increases In Reducing Poverty: Past, Present, and Future" Contemporary Economic Policy 25:2 April 2007, pp. 262-281. However, a bit of online research revealed the existence of a more recent work: Burkhauser, Richard V. and Joseph J. Sabia (2010). "Minimum Wages and Poverty: Will a $9.50 Federal Minimum Wage Really Help the Working Poor?" Southern Economic Journal, 76:3, pp. 592-623. I will speculate on the implications of this later publication toward the end of this article.

[2] Indirect effects include greater difficulty getting a job in the future because of the increased competition for jobs created when the higher minimum wage creates more unemployment.

[3] A useful rule of thumb is that there are about 2,000 work hours per year made up of 50 weeks and 40 hours per week. Thus, someone working 30 hours per week would work (30/40) x 2,000 – 1,500 hours per year. Multiply that by $15 per hour to get annual income of $22,500 per year. The exercise for 20 hours per week is left as an exercise for readers with too much time on their hands.

[4] This is an approximation often used by economists. When one variable (Y) is the product of two other variables (U, X), the percentage change in Y will roughly equal the sum of the percentage changes in U and X.

[5] Cited in Burkhauser and Sabia (2010) as Neumark, David, and William Wascher (2007). "Minimum Wages and Employment." Foundations and Trends in Microeconomics 3(1-2) pp. 1-182. Substantially identical to Neumark, David, and William Wascher (2006). "Minimum Wages and Employment: A Review of Evidence from the New Minimum Wage Research." NBER Working Paper 12663. National Bureau of Economic Research, Inc,, Cambridge, MA. Available at http://www.nber.org/papers/w12663.pdf

Intellectual Dishonesty at the New York Times

The February 28, 2014 New York Times included **yet another editorial favoring an increase in the minimum wage**. **But the Times's editors have no excuse this time. By publishing this editorial they have proved that they are intellectually dishonest. This from the editorial:**

> *One **2013 study** by three economists – Arindrajit Dube, T. William Lester and Michael Reich – compared the experiences of businesses in neighboring counties in different states and found less turnover in states that had raised the minimum wage. Workers were less likely to leave on their own, and managers were more likely to keep the workers they had on staff to avoid the cost of recruiting and training replacements.*

There's only one slight, minor problem. After their previous February 9 editorial on the same subject I sent the editors a long e-mail citing the Neumark, Salas, and Wascher paper and pointing out that this paper refutes both of the studies cited by the Times editors.

Are the Times editors willfully ignorant, or are they just plain stupid? I just report. You decide.

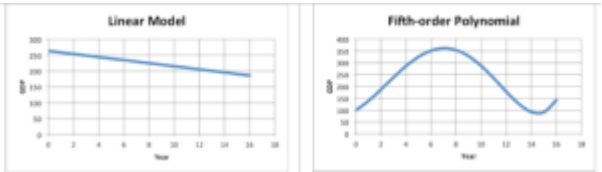
Want to Know Why the U.S. Economy is a Wreck? Watch This Video

Want to know why the U.S. economy is a wreck? Watch this video. Gene Sperling is the chief White House economic adviser. I've long suspected that people who go to work in Washington, D.C., are required to have half their brains removed when they cross the beltway. This pretty much confirms that hypothesis.

The Minimum Wage Yet Again

Executive Summary

The New York Times editorial board favors raising the minimum wage to $11 per hour. To support their position that this increase will not kill jobs, they cite one published paper by Dube, Lester, and Reich. This paper has now been thoroughly debunked in recent work by Neumark, Salas, and Wascher. Raising the minimum wage reduces employment, especially among unskilled workers. Period. Prof. Reich should go back to his day job shilling for labor unions.



Which Looks More Like a Business Cycle?

The New York Times Editorial

The New York Times has raised the subject of the minimum wage yet again. In a long editorial February 9, 2014, the editors argue in favor of a higher minimum wage. I encourage everyone to read this editorial, as it serves as a substitute for the Times's failure to include a comics section in their newspaper. Among the many hilarious statements made, this section stands out:

HOW HIGH SHOULD IT BE? There's no perfect way to set the minimum wage, but the most important benchmarks — purchasing power, wage growth and productivity growth — demonstrate that the current $7.25 an hour is far too low. They also show that the proposed increase to $10.10 by 2016 is too modest.

The Times editors have unknowingly opened a can of worms with this argument. **How high, indeed? Why not $25, $50, or even $100 per hour? Without some sort of model of the way labor markets work, the Times editors are left pulling numbers out of … the air.** They proceed to do this, finally arriving at $11. Even this is not enough by historical standards. According to the Times, the minimum wage should be half the average wage after adjusting the average for productivity increases in excess of wage increases. **That brings them to $18 per hour, a figure that gives them pause. They're pretty sure $18 is too high, but don't exactly know why.**

Which is, after all, the main question. If you have no model of how labor markets and the economy work, you are left making up numbers. Perhaps there's a better way to approach this problem.

To add one technical note, **the Times editors apparently used the average (mean) wage rate. They should have used the median.** The income distribution is not a normal distribution which means the median is a better measure of its midpoint

than the mean.

"Does It Kill Jobs?"

The Times editors proceed to attempt some economic modeling. **The final section of their editorial is titled "Does It Kill Jobs?" I was pretty sure I knew their answer already, but pushed bravely ahead. What I found was this:**

> ***The minimum wage is one of the most thoroughly researched issues in economics. Studies in the last 20 years have been especially informative, as economists have been able to compare states that raised the wage above the federal level with those that did not.***
>
> ***The weight of the evidence shows that increases in the minimum wage have lifted pay without hurting employment, a point that was driven home in a recent letter to Mr. Obama and congressional leaders, signed by more than 600 economists, among them Nobel laureates and past presidents of the American Economic Association.***
>
> ***That economic conclusion dovetails with a recent comprehensive study, which found that minimum wage increases resulted in "strong earnings effects" – that is, higher pay – "and no employment effects" – that is, zero job loss."***

The Times thus manages to both credit and discredit the economics profession in three short paragraphs. First, the editors do not understand the difference between positive economics (economics as a science) and normative economics (favoring or opposing specific economic policies). Positive economics is a matter of facts. Economists use mathematics to develop their models and hypotheses. We then turn to real-world data and statistical tools to test those hypotheses. Hypotheses that have been confirmed[1] by many different tests become accepted as theories. **That is the scientific method**

used in many other fields as well as economics. It describes positive economics.

The Times did not bother to ask those economists who signed that petition one simple question: Do they believe that raising the minimum wage will have no impact on employment? That's very different from the petition which merely supports increasing the minimum wage. The language of the petition moves the debate out of positive economic analysis and into the opinions and wrangling of normative economics.

It does not surprise me that the Times editors fail to understand this distinction. They are, after all, locked in the ivory tower of journalism with walls designed to prevent inconvenient facts from getting in their way. And the Times is located in one of the most left-leaning cities in the U.S. What could be more fertile ground for the weeds of belief to overrun the grain of science?

The Research Supporting the Times's Position

The paper cited by the times is "Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties" by Arindrajit Dube, T. William Lester, and Michael Reich was published in the Review of Economics and Statistics in the November, 2010 issue. Following the lead set by Neumark, Salas and Wascher, **I will refer to this work as DLR**. **The authors compare adjacent counties separated by a state line. They then look at periods during which one state's minimum wage changed while the other's stayed the same. They found no impact on employment. I won't bother to describe the details of their methodology for two reasons. First, it's wrong. Second, you can find their paper online easily. Prof. Reich has it posted on his website.**

It happens that there is a second paper using pretty much the same techniques and sharing two of the three co-authors. The

paper is **"Do Minimum Wages Really Reduce Teen Employment? Accounting for Heterogeneity and Selectivity in State Panel Data" by Sylvia A. Allegretto, Arindrajit Dube, and Michael Reich in the April, 2011 issue of Industrial Relations. I'll call this paper ADR.** The conclusions are identical, although the methodology differs a bit.

If you're curious about the co-authors, I have a biographical sketch of Michael Reich toward the end of this piece.

Neumark, Salas, and Wascher Respond

David Neumark, J.M. Ian Salas, and William Wascher (NSW) used the same data that both ADR and DLR used. Their paper "Revisiting the Minimum Wage – Employment Debate: Throwing Out the Baby With the Bathwater?" (January, 2013. National Bureau of Economic Research Working Paper 18681). In fact, the title is too kind. ADR and DLR have apparently thrown out the baby and kept (and published) the bathwater.

I'm going to include three paragraphs from their paper, but here's the summary. (Note that this is my interpretation of their findings. Errors are mine.) First, ADR and DLR cherry-picked the time period they used to produce their results. Using different time periods invalidates their results. **Second, both papers use a linear trend to remove influences specific to each state. But a linear trend cannot, by definition, model, say, a business cycle. In order to model nonlinearity a second-order term must be included. To get points of inflection you must include a third-order term. (Examples are in the Excel workbook.) NSW find statistically significant coefficients for the second, third, fourth, and fifth order terms.**

And guess what? Using the correct methodology and time period, there are, in fact, significant effects on employment. NSW slice and dice this about as finely as is possible.

Here are three relevant paragraphs from their paper. Note that the paper is copyright © 2014 by David Neumark, J.M. Ian Salas, and William Wascher. I have included these quotations with explicit permission of the authors. *You may not copy any of the next three paragraphs without their permission.* I have edited the material slightly, removing footnote numbers.

> *In each column, we tested the statistical significance of the higher-order terms added relative to the previous column (in column (1) we tested the significance of the squared time interactions). These were significant for the 2nd-, 3rd-, 4th- and 5th-order terms (p-values < 0.001). Thus, linear state-specific trends are too restrictive. (p. 12)*
>
> *…*
>
> *As reported in column (5) of Table 2, when the panel data model with state-specific trends is estimated in this way the estimated effects of minimum wages are much more strongly negative and are statistically significant: The estimated minimum wage effect is –0.178, compared with –0.165 in Table 1 without the state-specific linear trends and –0.074 (and insignificant) with them. Thus, removing the state-specific trends in a way that excludes the recessions at the beginning and end of the sample leads to stronger evidence of disemployment effects. (p. 13)*
>
> *…*
>
> *Thus, among the analyses we have carried out, the only way to generate the results in ADR (2011) – that inclusion of state-specific time trends eliminates the negative effects of minimum wages – is to include in the sample period the recessionary period of the early 1990s or the recent Great Recession, and to let these periods have a strong influence on the estimated trends by use of a highly restrictive specification for those trends. Moreover, the evidence suggests that the linear state-specific trends used by ADR*

> *for these sample periods are influenced by the recessions in ways that apparently contaminate their estimates of minimum wage effects on teen employment. More generally, our evidence shows that the estimated effects of minimum wages on teen employment are negative and significant with or without the inclusion of controls for long-term trends in teen employment when those long-term trends are estimated in ways that are not highly sensitive to the business cycle. This evidence invalidates ADR's (2011) conclusion that "Lack of controls for spatial heterogeneity in employment trends generates biases toward negative employment elasticities in national minimum wage studies" (p. 206). (p. 14)*

If you don't understand the previous three paragraphs, then re-read my summary above them. Or take a look at the graphs at the beginning of this article. Comparing a linear model with a fifth-order polynomial shows clearly that **you can't model a business cycle with a straight line**. (The parameters of each model were estimated using regression analysis on a single data set.

Michael Reich

We've encountered Prof. Reich before. He is the director of the Institute for Research on Labor and Employment at U.C. Berkeley. T**he IRLE is a well-known home for union shills.** But this time Prof. Reich has gone too far. **The two papers discussed here are, at best, misleading. At worst they are outright academic fraud.**

A few decades back, Prof. Reich was co-author of *The Capitalist System: A Radical Analysis of American Society* (cited in the references at the end of this piece). The late Evsey Domar reviewed this book in the Journal of Political Economy in 1974. His review, titled "Poor Old Capitalism: A

Review Article," is scathing. (Full citation in the References below.) Here are two paragraphs from page 1312:

> *So the end result is just another utopia, recognized by the authors as such (pp. 392, 530). It is an old-fashioned anarchist utopia that would delight Kropotkin and Proudhon (and Furier), but hardly please Marx, if he remained true to his own spirit. In its treatment of economic problems, it is not superior to Thomas More's original creation, and it is greatly inferior to Edward Bellamy's Looking Backward ([1888] 1960), now nearly 100 years old. And Bellamy was not even an economist!*

> *There is no harm in describing utopias if one does not take them seriously. But what is the use of criticizing capitalism, or any other existing economic system, in a supposedly scholarly and analytical manner, by comparing it with an ideal, which can be made as wonderful as the authors' imagination allows? Surely more effective methods can be found. The ineptitude shown by the contributors and the editors (well-trained young economists of known ability) merely damages their own cause: it makes capitalism look better than it is. Instead of winning converts, they are more likely to repel even those who have no love for capitalism and are searching for better alternatives.*

Conclusion

Once you do the analysis correctly, raising the minimum wage reduces employment. Period. Will this end the debate? Of course not. Low-information individuals are globally abundant today. These folks won't let facts get in the way of their beliefs.

The Times editorial board already had their collective mind made up before they wrote this editorial. Frankly, their attempt to justify their conclusion with economic analysis is

a complete failure. Call them low-information editors.

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[1] Technically, classical hypothesis testing cannot confirm a hypothesis. Hypotheses can only be rejected or not rejected.

Shout out to Prof. Michael Hurd who drummed this into my head quite a few decades back.

The Minimum Wage Again

In today's New York Times Magazine (December 22, 2013) **author Annie Lowrey argues in favor of raising the minimum wage. I will present fairly detailed rebuttals shortly, but one paragraph can save you a bit of reading:**

The Times is just plain wrong. The true minimum wage is zero. That's what you make when you lose your job because the minimum wage was raised.

Raise the minimum wage to $50!

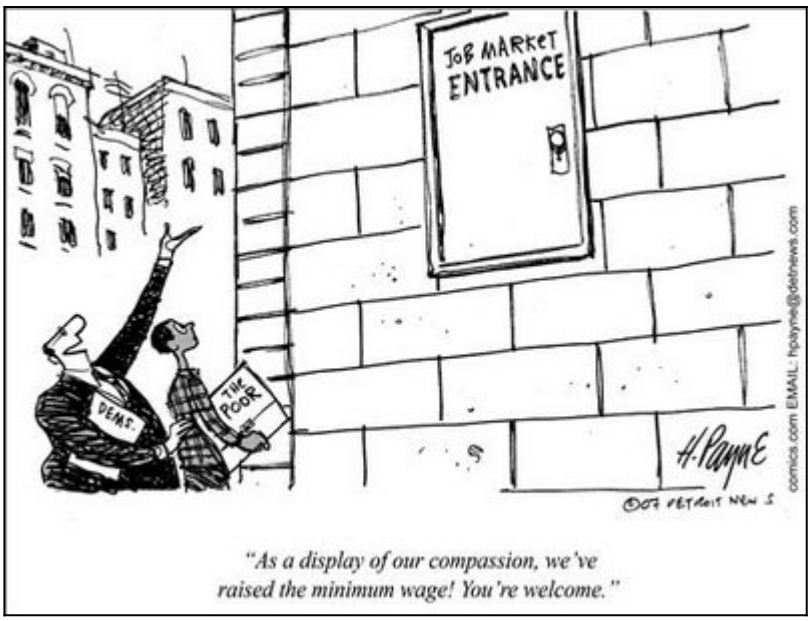
Work Cited by Ms. Lowrey

Ms.Lowrey refers to a single paper, **the infamous "study" done by Alan Krueger and David Card when both were at Princeton. That work has been discredited almost since the moment it appeared.**

She also quotes **Michael Reich**, a "professor of economics at the University of California, Berkeley." She failed to add that **Dr. Reich is also the Director of the Institute for Research on Labor and Employment, a well-known organization that shills for unions. He is a co-author of *The Capitalist System: A Radical Analysis of American Society.* His partners in this project were Richard C. Edwards (Author) and Thomas E. Weisskopf (Editor)**.

Prof. Evsey Domar of M.I.T. published a scathing review of this work in the Journal of Political Economy (Vol. 82, No. 6, Nov. – Dec., 1974, pages 1301-1313). An excerpt from that review is at the end of this article. I will just add that, if anything, citing Krueger, Card, and Michael Reich makes me *more* likely to believe raising the minimum wage reduces employment.

One of the most difficult facts of life for people to accept is that demand curves slope downward. When you raise the price of something, a smaller quantity will be purchased. This has been confirmed in millions of empirical studies. Yet when it comes to the labor market some economists – albeit self-styled economists – throw out centuries of economics research and engage in magical thinking.



How the Minimum Wage Actually Works

Review of My Previous Articles

I've written about the minimum wage before (click here and here). I'll just repeat a few facts here.

Raising the minimum wage reduces employment. In a survey article, David Neumark and William Wascher (National Bureau of Economic Research, Inc, NBER Working Papers: 12663, 2006) **summarize the results of 102 empirical studies of the impact of the minimum wage on employment.** These studies were all done after 1990. To economists that means the studies were done carefully and correctly using the appropriate statistical techniques. **Of the 33 studies the authors selected as being the "most credible" 85 percent found a significant negative impact of a higher minimum wage on employment. William Even and David Macpherson have also published an extensive study that focuses on the impact on members of the labor force between 18 and 24 who are not high school graduates. They looked at a sample of about 600,000 males between 16 and 24 years old without a high school diploma.** They examine the impact on three groups: whites, Hispanic, and black. Among white males in this group, the authors find that **each 10 percent increase in a federal or state minimum wage decreased**

employment by 2.5 percent; for Hispanic males, the figure is 1.2 percent. But among black males in this group, each 10 percent increase in the minimum wage decreased employment by 6.5 percent. (No, this is not evidence of racism. The job choices made by each of the groups account for most of the differences.)

Conclusion

Perhaps the Times should talk to some real economists the next time they decide to write about economics. Instead, they persist in finding economists with views that match the writers' and editors' world views. Which makes the Times even more of a joke than it is already.

Excerpt from Prof. Domar's Review

This is from pages 1302-1303:

"An analysis of capitalism, like any analysis, can be expected to consist of two parts: first, a logical formulation of a hypothesis showing how this or that evil is caused by capitalism; and, second, an empirical testing of the hypothesis against the reality of capitalist and noncapitalist systems. There is no shortage of logical formulations, of different degrees of plausibility, in the book. But there is almost a complete absence of empirical verification. Since the evils are both complex and not easily quantifiable, the authors (that is, the editors and the contributors) could not be required, at least at this stage, to come forth with a battery of regression equations, but surely, as a first step, they could have made an attempt to examine historical trends and to establish the presence or absence of each evil in other capitalist and noncapitalist countries. In particular-most fortunate for this attempt-there are now several socialist countries, some of them quite advanced and most of them sharing our common cui tural background. On one of them-the Soviet Union-there exists a large literature in English, while

the others have not been neglected either.

But no comparisons of any importance are made in the book. We discover that there is not a single socialist country in the world! The Soviet Union and the other East European countries are referred to as "state socialism" (pp. 4, 277, 281, 362, 524-25) or as "so-called socialist" (p. 277). They are treated with disdain and together with the state-capitalist countries (England, France, or Sweden) are declared not to be "model societies of socialism to be emulated" (p. 4). Worse than that, "The state socialist countries of the Soviet Union and Eastern Europe are to true socialism what 'the monsters of the paleolithic era are to present animal species: clumsy, abortive, prototypes"' (p. 4).

If countries which have been regarded by themselves and by others to be socialist have turned out to be so1nething else, surely an explanation is in order. Since none is provided in the book, let me suggest two alternatives. Lenin, Stalin, and, by implication, all other socialist leaders-including Tito and Mao—never intended to build socialism. (2) They did try, but failed miserably, ending up with "Paleolithic monsters," in fact.

I will leave the choice and the consideration of the sad implications of each alternative to the reader."

More Data on the Minimum Wage

[Updated Feb. 15 5:30 pm GMT-7 to add material from the paper by William Even and David Macpherson.]
A few days ago **I wrote a long piece about the minimum wage. In it I summarized the findings of about half a dozen articles.** Today's Wall Street Journal ("The Minority Youth

Unemployment Act," Feb. 16) points to several more comprehensive studies. **This article will attempt to summarize and cite those studies with appropriate links where required.** Here's some more data on the minimum wage.

> *The damage from a minimum wage hike depends on the overall labor market. If the job market is buoyant, as it is in the fracking boomtown of Williston, N.D., fast-food workers may already make more than $9 an hour. But when the jobless rate is high, as it still is in California and New York, the increase punishes minority youth in particular.*
>
> *That is what happened during the last series of wage hikes to $7.25 from $5.15 that started in July 2007 as the economy was headed toward recession. The last increase hit in July 2009 just after the recession ended, and as the nearby chart shows, the jobless rate jumped for teens and black teens especially. For black teens, the rate has remained close to 40% and was still 37.8% in January.*
>
> *A study by economists William Even of Miami University and David Macpherson of Trinity University concludes that in the 21 states where the full 40% wage increase took effect, "the consequences of the minimum wage for black young adults without a diploma were actually worse than the consequences of the Great Recession."*

The Neumark-Wascher Meta-Analysis

The first paper, by David Neumark and William Wascher (National Bureau of Economic Research, Inc, NBER Working Papers: 12663, 2006) **summarizes the results of 102 empirical studies of the impact of the minimum wage on employment**. These studies were all done after 1990. To economists that means the studies were done carefully and correctly using the appropriate statistical techniques. **Of the 33 studies the authors selected as being the "most credible" 85 percent found a significant negative impact of a**

higher minimum wage on employment. Raise the minimum wage and unemployment increases. (Using all 102 studies, "only eight give a relatively consistent indication of positive employment effects." (Neumark and Wascher, p. 121). In other words, about 92% of the studies found a negative or ambiguous impact on employment. The authors also state that about 2/3 of the 102 studies find unambiguous negative impacts on employment when the minimum wage rises.

Prof. Neumark has written extensively on this subject, including an intriguing article on the interaction between the minimum wage and the earned income tax credit (EITC). In "Does a Higher Minimum Wage Enhance the Effectiveness of the Earned Income Tax Credit?" (Industrial and Labor Relations Review, July 2011, v. 64, iss. 4, pp. 712-46). Summarizing their results, they find that the EITC is a far more effective tool for raising income without negative impacts on employment. They also found that a higher minimum wage has virtually no impact on poverty.

The Wall Street Journal article also cites two other studies. Here's a pullquote from the Wall Street Journal editorial →.

The Even-Macpherson Micro Study

Even and Macpherson ("Unequal Harm: Racial Disparities in the Employment Consequences of Minimum Wage Increases." Employment Policies Institute, May, 2011. This is the summary page. Scroll to the bottom to find the links to a longer summary and the full text.) look at a sample of about 600,000 males between 16 and 24 years old without a high school diploma. They examine the impact on three groups: whites, Hispanic, and black. Their results are pretty incredible. Rather than try to summarize a long, detailed and very specific study, let me just quote from the Executive Summary:

> *In this new study, labor economists William Even (Miami University) and David Macpherson (Trinity University)*

overcome this problem by amassing a dataset from the years 1994 to 2010 that includes over 600,000 data observations—including a robust sample of minority young adults unprecedented in previous studies on the minimum wage.

By taking advantage of the "natural experiment" created by the substantial interstate variation in the minimum wage between 1994 and 2010, and carefully controlling for labor market and demographic differences, the authors provide conclusive answers to the crucial policy question of whether wage mandates have a disparate impact on minority groups.

Drs. Even and Macpherson focus on 16-to-24 year-old males without a high school diploma, a group that previous studies suggest are particularly susceptible to wage mandates. Among white males in this group, the authors find that each 10 percent increase in a federal or state minimum wage decreased employment by 2.5 percent; for Hispanic males, the figure is 1.2 percent. But among black males in this group, each 10 percent increase in the minimum wage decreased employment by 6.5 percent.

The effect is similar for hours worked: each 10 percent increase reduced hours worked by 3 percent among white males, 1.7 percent for Hispanic males, and by 6.6 percent for black males.

But the picture grows even more troubling when the authors focus just on the 21 states fully affected by the federal minimum wage increases in 2007, 2008, and 2009. Approximately 13,200 black young adults in these states lost their job as a direct result of the recession; 18,500 lost their job as a result of the federal wage mandate—nearly 40 percent more than the recession. In other words, the consequences of the minimum wage for this subgroup were more harmful than the consequences of the recession.

The substantial disemployment effects that emerge from the

data raise an important question: Why do black males suffer more harm from wage mandates than their white or Hispanic counterparts?

The authors find that they're more likely to be employed in eating and drinking places—nearly one out of three black young adults without a high school diploma works in the industry. Businesses in this industry generally have narrow profit margins and are more likely to be adversely impacted by a wage mandate. There's also substantial variation in regional location, as black young adults are overwhelmingly located in the South and in urban areas.

Conclusion

Those who believe that increases in the minimum wage do not reduce employment are simply in denial. Economists have a mountain of evidence in support of this proposition. You are free to believe what you like, but please don't call yourself an economist if you choose to deny the facts.

The Minimum Wage

Introduction

This brief survey article will look at the various impacts of changes in the minimum wage. All abstracts and citations are from EBSCO, specifically the EconLit database.

Economists recognize three main impacts of the minimum wage. The two I will be concerned with here are impacts on employment and impacts on income distribution. The third effect, the impact on total income, I'll deal with in a cursory fashion.

Impacts on Employment

The most recent paper is by Jeremy R. Magruder (Journal of Development Economics, January 2013, v. 100, iss. 1, pp. 48-62), Using a two-sector model of the labor market in Indonesia, Magruder finds that an increase in the minimum wage increases employment in the formal sector and decreases employment in the informal sector. (The formal sector is covered by the minimum wage. The informal sector operates outside the law. Workers in this group are either avoiding taxes or willing to work for less than the minimum wage with wages usually paid in cash.) The net impact on unemployment is uncertain. The following paragraph is from the conclusion of the paper (pp. 61-62):

> *This big push discussion recalls much older economic thought which has been widely discredited within the profession. Few economists today argue as 1920s and 1930s economists did, that increasing wages and local demand could be a motor for economic growth. One reason is the limited (and potentially negative) effect these policies had on depression-era America. There are of course many differences between 1990s Indonesia and 1930s America. One, as a less-developed country receiving substantial foreign investment, Indonesia may have had new access to potential, unadopted, and profitable technologies that simply needed a market. A second is that much of the 1990s were a time of growth in Indonesia, when sticky wages may have limited wage growth (the opposite of conditions in the depression). Finally, Harrison and Scorse (2010) show that anti-sweatshop activism also raised labor standards in foreign firms without an accompanying drop in*

employment. This indicates that wages may have indeed been below marginal products in the 1990s, reducing coordination and creating an opening for policy. Of course, the analysis employed in this paper cannot determine whether any of these conditions were important for these results. Further research, both empirical and theoretical is needed in considering the role of labor standards throughout the business cycle in modern less developed countries.

Translation: Indonesia's economy was in exceptional circumstances during this period. It's a mistake to generalize this to developed economies. Abstract:

Big push models suggest that local product demand can create multiple labor market equilibria: one featuring high wages, formalization, and high demand and one with low wages, informality, and low demand. I demonstrate that minimum wages may coordinate development at the high wage equilibrium. Using data from 1990s Indonesia, where minimum wages increased in a varied way, I develop a difference in spatial differences estimator which weakens the common trend assumption of difference in differences. Estimation reveals strong trends in support of a big push: formal employment increases and informal employment decreases in response to the minimum wage. Local product demand also increases, and this formalization occurs only in the non-tradable, industrializable industries suggested by the model (while employment in tradable and non-industrializable industries also conforms to model predictions).

Another relatively new work is by David Lee and Emmanuel Saez (Journal of Public Economics, October 2012, v. 96, iss. 9-10, pp. 739-49), The authors make some heroic assumptions to show that there is an optimal minimum wage. But at the beginning they acknowledge that a higher minimum wage increases unemployment. They then to on to assume that government values

redistribution toward low wage workers and unemployment hits the lowest surplus workers first. The first assumption implies a social welfare function for the government. In other words, the government is making rational decisions to transfer income. The "lowest surplus" workers are, roughly, those with the smallest difference between the lowest wage they would accept to work and the minimum wage. This assumption seems reasonable. But the authors never deal with the incentive effects of redistribution policies. Higher-income individuals are likely to act to reduce their tax payments when confronted with redistribution. That, in turn, will reduce overall social welfare. Abstract:

> *This paper provides a theoretical analysis of optimal minimum wage policy in a perfectly competitive labor market and obtains two key results. First, we show that a binding minimum wage—while leading to unemployment—is nevertheless desirable if the government values redistribution toward low wage workers and if unemployment induced by the minimum wage hits the lowest surplus workers first. Importantly, this result remains true in the presence of optimal nonlinear taxes and transfers. In that context, a binding minimum wage enhances the effectiveness of transfers to low-skilled workers as it prevents low-skilled wages from falling through incidence effects. Second, when labor supply responses are along the extensive margin only, which is the empirically relevant case, the co-existence of a minimum wage with a positive tax rate on low-skilled work is always (second-best) Pareto inefficient. A Pareto improving policy consists of reducing the pre-tax minimum wage while keeping constant the post-tax minimum wage by increasing transfers to low-skilled workers, and financing this reform by increasing taxes on higher paid workers. Those results imply that the minimum wage and subsidies for low-skilled workers are complementary policies.*

John T. Addison, McKinley L. Blackburn, and Chad D. Cotti

looked at county-level employment data in the U.S. restaurant-and-bar sector (British Journal of Industrial Relations, September 2012, v. 50, iss. 3, pp. 412-35). They found that **what matters is not the level of the minimum wage, but the minimum wage relative to other states or localities. This is, of course, consistent with the well-known proposition that relative prices and wages are important while absolute price and wage levels are not.** Abstract:

> *We use US county-level data on employment and earnings in the restaurant-and-bar sector to evaluate the impact of minimum-wage changes in low-wage labour markets. Our estimated models are consistent with a simple competitive model in which supply-and-demand factors affect both the equilibrium outcome and the probability of the minimum wage being binding. Our evidence does not suggest that minimum wages reduce employment once controls for trends in county-level sectoral employment are incorporated. Rather, employment appears to exhibit an independent downward trend in states that have increased their minimum wages relative to states that have not, thereby predisposing estimates towards reporting negative outcomes.*

Impacts on Income Distribution

The most recent study is by Mark B. Stewart (Oxford Economic Papers, October 2012, v. 64, iss. 4, pp. 616-34). In “Wage Inequality, Minimum Wage Effects, and Spillovers” the paper finds that changes in the minimum wage in the U.K. have no discernable impact on the upper half of the wage distribution. Abstract:

> *This paper investigates possible spillover effects of the UK minimum wage. The halt in the growth in inequality in the lower half of the wage distribution (as measured by the 50:10 percentile ratio) since the mid-1990s, in contrast to the continued inequality growth in the upper half of the*

distribution, suggests the possibility of a minimum wage effect and spillover effects on wages above the minimum. This paper analyses individual wage changes, using both a difference-in-differences estimator and a specification involving comparisons across minimum wage upratings, and concludes that there have not been minimum wage spillovers. Since the UK minimum wage has always been below the 10th percentile, this lack of spillovers implies that minimum wage changes have not had an effect on the 50:10 percentile ratio measure of inequality in the lower half of the wage distribution.

Our results highlight that, political rhetoric not-withstanding, minimum wages are poorly targeted as an anti-poverty device and are at best an exceedingly blunt instrument for dealing with poverty.

Michele Campolieti, Morley Gunderson and Byron Lee (Journal of Labor Research, September 2012, v. 33, iss. 3, pp. 287-302) find that raising the minimum wage has little impact on employment among the poor. Specifically, the poor get about 30% of the earnings gain (non-poor get the other 70%) and the poor bear the brunt of job losses. As the authors so eloquently put it,

Abstract:

We estimate the effect of minimum wages on poverty for Canada using data from the Survey of Labour and Income Dynamics (SLID) for 1997 to 2007 and find that minimum wages do not have a statistically significant effect on poverty and this finding is robust across a number of specifications. Our simulation results, based on the March 2008 Labour Force Survey (LFS), find that only about 30% of the net earnings gain from minimum wage increases goes to the poor while about 70% "spill over" into the hands of the non-poor. Furthermore, we find that job losses are disproportionately concentrated

> *on the poor. Our results highlight that, political rhetoric not-withstanding, minimum wages are poorly targeted as an anti-poverty device and are at best an exceedingly blunt instrument for dealing with poverty.*

Impact on Total Income

Total income is the product of the number of hours worked per year and the wage rate per hour. If the number of hours worked does not change, any increase in the wage must cause total income to rise. However, demand curves slope downward. We can be certain that the number of hours worked will fall. Thus the wage rises and hours worked fall. What will happen to total income (wage x hours)?

The answer depends on the elasticity of labor demand with respect to the wage rate. I'm willing to accept without debate that for low-income workers demand is inelastic. That means total income will rise for those workers who keep their jobs. As economists have repeatedly observed, the true minimum wage is zero which is what workers who lose their jobs earn. And some workers will certainly become unemployed.

Here's a parenthetical note about why demand for labor matters and supply of labor does not. I have assumed the minimum wage is above the equilibrium wage. That means total employment is determined exclusively by demand. The difference between the quantity supplied of labor and quantity demanded is unemployment and underemployment. But the supply curve only determines willingness to work at the minimum wage, having no impact on the actual number of worker hours hired.

Conclusion

These are but a few of the studies. Anyone can do what I've done here. Find a library that subscribes to the EconLit database. Log in and search for "minimum wage." And have fun.

I will end by noting that there are a few studies that purport to show that raising the minimum wage increases employment. These studies are usually produced by “Marxist economists” identifiable by either their university affiliation (the University of Massachusetts, Amherst is one example) or their citations. These studies generally torture the data until it is no longer recognizable, then perform statistical tests on what amounts to no data at all. You are welcome to believe those studies, but, if you make that choice, please do not call yourself an economist.