

C4FE ECONOMIC INSIGHTS

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Raise the Wage Act of 2023 meets Economic Reality

At the outset of 2024, 22 states and 38 cities and counties across the United States raised their **minimum wage rates**. The momentum for increased minimum wage rates began to build in 2012 with the "**Fight for \$15 Movement**" and gained further traction amidst post-COVID-19 inflationary pressures and rising living costs. After a decade of protests and advocacy, many local and state governments enacted significant increases. States like California, New York, and Washington set their minimum wage rates as high as \$16 per hour. Cities such as Flagstaff, Seattle, and Denver have a minimum wage surpassing \$18 per hour.

The federal minimum wage, established in 1938 under the **Fair Labor Standards Act**, has gradually increased over the years. Yet in inflation-adjusted terms, the federal minimum wage is lower than in 1970. Since 2009, it has remained stagnant at \$7.25 per hour in many states such as Texas. Recently, Senate Democrats proposed the "**Raise the Wage Act of 2023**", aiming to incrementally raise the federal minimum wage to \$17 per hour by July 2029. Yet, similar proposals in the past, such as the "**Raise the Wage Act of 2021**," have faced opposition and concerns, including projections by the Congressional Budget Office indicating **potential job losses**.

Economic theory and research since 1938 consistently suggest that minimum wage increases reduce the demand for workers. Any economic textbook points to four outcomes of price floors, such as a minimum wage: surpluses, loss of gains from trade, wasteful increases in quality, and resource misallocation. Studies, like one conducted by **Jeffery Clemens and Michael Wither** in

2014, have highlighted significant negative effects on employment and income growth following minimum wage increases. In addition, minimum wage increases can lead to other unintended consequences, such as employers **cutting in-kind benefits**.

Competition between employers is the workers' best friend. Despite the lack of increase in the Federal minimum wage since 2009, only a small fraction (**1.8 percent**) of American workers earned the federal minimum wage or below in 2023, indicating that most workers already earn above this level due to their productivity and that the \$7.25 wage floor is **increasingly irrelevant**.

While proposals to raise the minimum wage are often well-intentioned, Nobel laureate **Milton Friedman** noted that the individuals most adversely affected are those trapped in poverty and younger workers whose productivity is low but who are learning critical skills on the job. Raising the minimum wage, though seemingly beneficial, carries risks of entrenched poverty, discouraging workforce entry for young and capable workers, and escalating prices for low-income consumers. In a detailed policy report, **Ryan Bourne proposes** that rather than increasing the minimum wage, Congress should repeal it.

Rather than pursuing minimum wage increases, policymakers should focus on alternative policies aimed at fostering economic growth. While a rising tide lifts all boats, distorted market wages make society poorer. Pro-growth policies would stimulate demand for low-skilled labor, fostering employment and raising wages. Despite good intentions, minimum wage legislations vainly attempt to reduce poverty by decree. The ingenuity of entrepreneurs finding new solutions to increase productivity, not wage fixing, is why today's wages are much higher than our forefathers. Politicians legislating prices and wages may ignore tradeoffs employers and employees face, but only at our own peril. A large increase in the minimum wage would reduce hiring, reduce benefits for the poorest employees, including job training, and lead firms to inefficiently substitute workers with machines.

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Upcoming events



The poster is split into two main sections. The left section is a dark blue vertical panel containing text and a QR code. The right section is a photograph of Yeonmi Park speaking at a podium against a red background.

UTEP CENTER FOR FREE ENTERPRISE
WOODY L. HUNT COLLEGE OF BUSINESS

LEONARD E. READ PUBLIC SPEAKER SERIES

IN ORDER TO LIVE

A NORTH KOREAN GIRL'S JOURNEY TO FREEDOM

THURSDAY, MARCH 28
3:30 — 5 P.M.
UGLC 106



Yeonmi Park
North Korean Defector
Human Rights Activist

Yeonmi Park is a renowned, human-rights activist and North Korean refugee and defector who has become a leading voice of oppressed people around the world. Her memoir about her escape from North Korea, **In Order to Live: A North Korean Girl's Journey to Freedom**, created a sensation worldwide and her has recently been published in 30 languages and 18 countries. Her latest book, **While Time Remains**, sounds the alarm on the culture wars, identity politics, and authoritarian tendencies tearing America apart.

An insightful and candid speaker, Park is fast becoming a leading voice of oppressed people around the world. At the Oslo Freedom Forum and the One Young World Summit in Dublin, she became an international phenomenon, delivering passionate and deeply personal speeches about the brutality of the North Korean regime. Her address to One Young World on the horrors of detention camps, political executions, and sex trafficking has been viewed over 320 million times. The BBC named Park one of their "Top 100 Global Women."

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