The burger flipper who became a world expert on the minimum wage

Peter Coy, Bloomberg, February 3, 2021

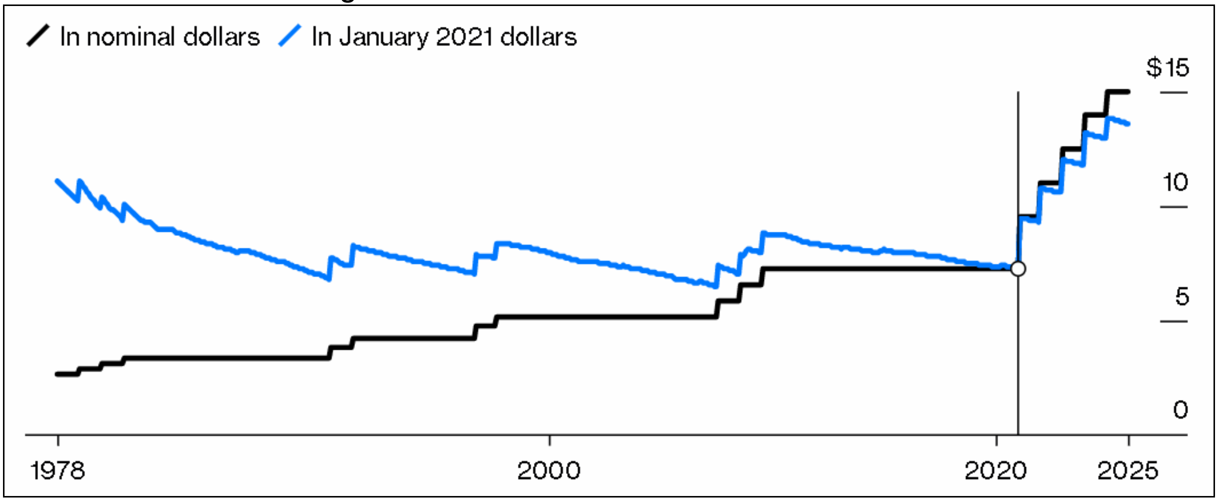
Arindrajit Dube's research has shaped a new consensus on a controversial topic in economics.

As a 16-year-old kid flipping burgers at a Seattle McDonald's in 1989, Arindrajit Dube was earning the state minimum wage of $3.85 an hour. "I remember feeling privileged that I was going to go on to college, while there were many older workers working at that wage," he recalls.

Arindrajit Dube

He still thinks about the minimum wage, only now it's from his perch at the University of Massachusetts at Amherst, where he's possibly the world's leading authority on its economic effects. Dube's research is guaranteed to get a bigger audience as Democrats in Congress attempt to make good on President Biden's pledge to raise the federal wage floor to $15 an hour by 2025.

Federal Minimum Wage



Data: U.S. Department of Labor, Bureau of Labor Statistics

To cut to the chase, Dube (doo-BAY') thinks it's a good idea. "My reading of the evidence is that those risks are probably not very high," he says, alluding to the argument that high wage floors destroy jobs by causing employers to make do with fewer workers or, in extreme cases, to close their doors. "There's also a lot of rewards—lowering poverty."

David Neumark, an economist at the University of California at Irvine who's emerged as Dube's No. 1 intellectual foe, says that if reducing poverty is the objective, it would be better to raise the earned-income tax credit, which is for low- and moderate-income workers.

Neumark's view is shared by conservatives in Congress and trade groups such as the National Restaurant Association. But the consensus in the economics profession has shifted away from them in recent years. In 1978, 90% of respondents to a survey of members of the American Economic Association (AEA) agreed that minimum wages substantially reduce employment among low-wage workers. By 2015, only 26% of top economists surveyed by the University of Chicago Booth School of Business's Initiative on Global Markets concurred that raising the floor to $15 by 2020 would "substantially" lower employment.

Dube was an undergraduate at Stanford in 1994 when David Card and Alan Krueger published the paper that shattered conventional wisdom on minimum wages. They compared fast-food jobs in New Jersey, which raised the state minimum wage in 1992 to $5.05 an hour, with those in neighboring counties of Pennsylvania, which stayed at $4.25, and found no employment effects from the hike.

Dube, who went on to earn a doctorate in economics from the University of Chicago, has built on Card and Krueger's work by studying a broader set of data: all border counties in the U.S. where the minimum wage changed on one side of the state border but not on the other. This produces stronger evidence than the old approach of simply looking at effects on employment within one state or in the nation as a whole. Dube's approach has since been applied to studying other questions, such as the employment impact of state changes in collective bargaining rights.

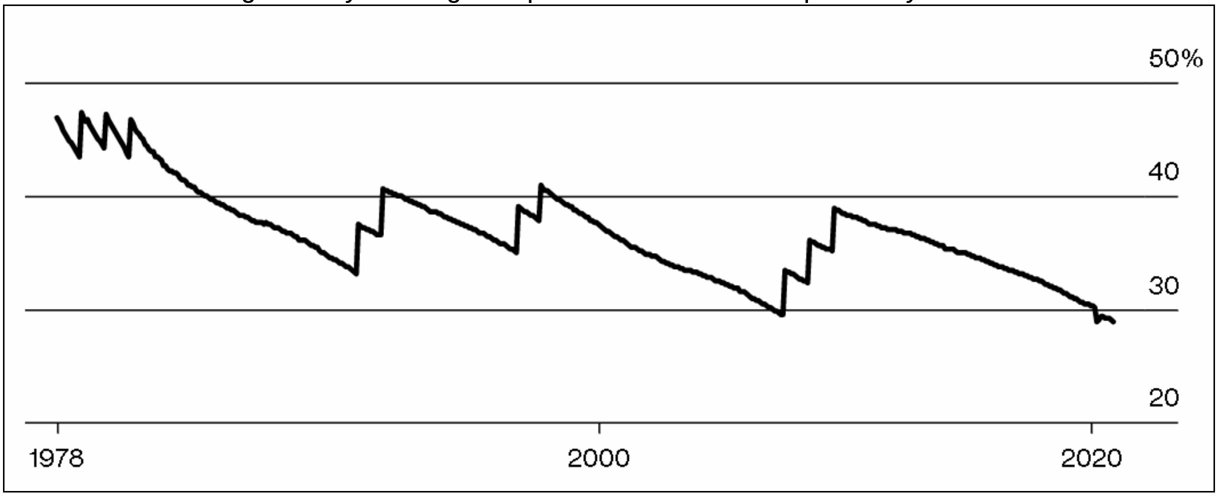
"It is something that is taught to graduate students in economics. It is part of the toolkit," says Ben Zipperer, an economist at the Economic Policy Institute who studied under Dube at UMass and has published papers with him. "I'm trying not to fawn too much, but he is exceedingly smart and very creative, and he tries to answer big questions."

There's been a lot of low-quality research both for and against raising the minimum wage, often sponsored by groups with a stake in the matter, including labor unions and employers. Dube's work, in contrast, has passed muster with the editors and anonymous peer reviewers at two of the profession's most prestigious journals, Harvard's Quarterly Journal of Economics and the AEA's American Economic Review. "It would not appear in these journals if it didn't strongly move the needle," Massachusetts Institute of Technology economist David Autor wrote in an email.

One theory for why minimum wage hikes don't cause much, if any, job loss is that employers pay low-wage workers less than they're worth when they can, so those workers are still worth keeping on the payroll when their wages are forced higher. Still, is $15 an hour too high? It would more than double the current federal floor of $7.25 and be about two-thirds of the U.S. median wage in 2025, Dube estimates. The bite would be harder in parts of the country where median wages are lower and in low-wage sectors such as restaurants and hospitality. Says Neumark: "I can see the argument that $7.25 is too low. I don't think it should be $15 in Alabama."

Federal Minimum Wage

As a share of average hourly earnings for production and nonsupervisory workers



Data: U.S. Department of Labor, Bureau of Labor Statistics

Dube responds that "one has to be honest about not knowing what would be the impact in every place." But he points to 2019 research by Anna Godoey and Michael Reich of the University of California at Berkeley, who found that increases in state minimums didn't hurt employment even in low-wage counties where the new floor equaled 82% of the prevailing median wage. And even if a high minimum wage does kill some jobs—as many studies, though not Dube's, show it would—it can still be worthwhile if it raises incomes of low-wage families overall, he says. Some experts say that as with free trade, which helps more people than it hurts, any losers could be made whole with government assistance.

Economists view changes in minimum wages as "natural experiments" that illuminate how the price of labor affects supply and demand. They're not always as interested in the political skirmishing around minimum wage legislation. Dube calls a recent research project he did for the Treasury of the U.K.—where a higher floor is popular even among the ruling Conservatives—"one of the most fulfilling experiences for me." In the U.K., he says, "it's just more seen as a more technocratic question. It's not seen as an ideological question."