Analytics

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RE: A Rising Tide Lifts All Ships

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In a recent opinion piece Ted Kaufman, relying upon data from the liberal Economic Policy Institute, argued that weak wages require policies that would restore unions and raise the minimum wage. I would favor the policies that encourage economic growth.

The Obama-Biden approach to macroeconomics was increased taxes and regulations. The Trump-Pence approach is decreased taxes and regulations. How are the two approaches working out? Let's compare 2013, in the middle of the Obama-Biden recovery to 2018, a few years into the Trump-Pence approach.

Wages: The average annual wage of private sector workers increased 1.0% in 2013 and 3.4% in 2018 (BLS, QCEW). The median earnings of full-time wage and salary workers rose 1.0% in 2013 and 3.0% in 2018 (BLS).

The labor market: The unemployment rate was 7.4% in 2013 compared to 3.9% in 2018. While the black unemployment rate remains higher than the white unemployment rate, the gap is closing (13.1% vs 6.5% in 2013 and 6.5% vs 3.5% in 2018)(all BLS). A tighter labor market has moved people off of food stamps and increased the hiring of persons with disabilities.

Minimum wage: The percent of hourly paid full time workers earning at or below the minimum wage has gone from 2.1% in 2013 to 1.2% in 2018. The similar percent of part-time workers has dropped from 10.4% in 2013 to 4.8% in 2018. And between 2013 and 2018 there has been a 21% decline in the population of workers wanting to work full-time but having to work part-time for economic reasons. (BLS)

So, given a choice between more government interference in the labor market or hands off policies that encourage economic growth, based upon the data I would opt for economic growth.

Dr. John E. Stapleford, Director
Center for Economic Policy and Analysis
Caesar Rodney Institute