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Press Release

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NEW PHOENIX CENTER ANALYSIS FINDS NO SUPPORT FOR A UNIFORM FEDERAL MINIMUM WAGE OF \$15/HOUR

*If Congress Wants to Raise the Federal Minimum Wage, then the Evidence Points to a National
Minimum Wage of \$10, Phased-In Over Five Years from About \$9/hour*

WASHINGTON, D.C. – One of the top priorities for both the new Democratic majorities in Congress and the new Biden Administration is to raise the Federal minimum wage to \$15 from its present value of \$7.25, the current minimum price for labor set in 2009. The first potential bite at the apple is expected to come when Congress takes up the legislation to fund President Biden’s American Rescue Plan later this month on reconciliation (assuming such a move can pass the Byrd rule). While Republicans are generally opposed to such an effort, it should be noted that there is also resistance from within the Democratic party that may spoil the effort.

In a new analysis released today entitled *Updating the Minimum Wage: Setting a Uniform Wage Across a Diverse America*, Phoenix Center Chief Economist Dr. George S. Ford asks: If Congress seeks to set a *uniform* federal minimum wage, then what is the minimum wage that will not cause material economic harm in low-wage states?

To answer that question, Dr. Ford exploits the fact that many states have set minimum wages above the federal level. These state-level defections from the federal minimum wage are used to establish the relationship between these discretionary minimum wages and the economic and political factors that determine them. Dr. Ford then extrapolates these observed political outcomes to low-wage states, most of which adhere to the federal minimum wage, in order to estimate minimum wage levels such states might accept.

Dr. Ford finds that if Congress wants to raise the Federal minimum wage, then the analysis of state-level minimum wage points to a national minimum wage of \$10, phased-in over five years from about \$9. Since state and local governments may defect from the federal standard and set higher minimum wages (but never a lower one), the geographic variation in minimum wages sought by many Members of Congress, including Democrats, may be left sensibly to state and local governments.

“A high and uniform federal minimum wage ignores the tremendous diversity of regional economies and is ill-advised,” says Dr. George Ford. “A \$15 minimum wage may make sense in a relatively rich state like New York or California, but it would cause economic havoc in low-wage states like Alabama, Mississippi, West Virginia, Montana, among others.”

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A full copy of PHOENIX CENTER POLICY PERSPECTIVE NO. 21-01, *Updating the Minimum Wage: Setting a Uniform Wage Across a Diverse America*, may be downloaded free from the Phoenix Center's web page at: <http://www.phoenix-center.org/perspectives/Perspective21-01Final.pdf>.

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