The Minimum Wage Debate – Part II

The Albany Times Union carried an article on March 24 detailing the connections between researchers who produced the reports for and against a minimum wage increase that I discussed in my post "A $15 Minimum Wage for New York – Benefits and Risks." The article points out that one of the authors of the study favoring the minimum wage, Ken Jacobs, was closely connected with the campaign to increase the minimum wage.

"In May 2014, an advocate for hiking the minimum wage in New York emailed a University of California labor economist with a list of talking points "we'd love you to cover."

The economist, Ken Jacobs, was set to testify before the New York state Senate's Labor Committee about the benefits of municipal minimum wage hikes in California.

"That works for me," replied Jacobs, chair of the Berkeley Center for Labor Research and Education. "I will work on it tomorrow."

During his trip to New York, a progressive public relations firm working for higher wages set up a meeting for Jacobs at The New York Times editorial board. Jacobs assisted an advocate rounding up New York union support, according to emails."

"In one April 2014 email, the relationship between academic and funder seemed explicit: Jacobs explained he was seeking grant money to support his unit's research "for local groups engaged in work to raise the minimum wage" in California. Jacob added that his Center would provide "testimony/media work."

The article also points out that

"Two officials at the business-backed American Action Forum, another Washington, D.C.-based group, penned a November study on the $15 wage in New York. That nonprofit's funders, according to tax records, include the U.S. Chamber of Commerce Foundation, which paid the Action Forum $129,000 in 2014 to produce policy research."

The Times-Union article points to a fact that has long been recognized, that the funding of public policy research is rarely truly independent. None of this proves that the research intentionally intends to mislead, but it does illustrate the connections between political and financial interests and those who study important policy issues.

The kind of financial support that has been provided by labor and business interests in this case is found in the financing of other kinds of research studies. Pharmaceutical and food safety research are examples. There has been widespread publicity about the financial connections between researchers and the drug companies that could benefit from positive findings about the effectiveness of a drug.

Why is this pattern so prevalent? The first reason is that the stakes attached to the outcomes of policy decisions, like those of decisions about food safety or drug efficacy, are high. For employers, a hike in the minimum wage could cut profits, or, for some small businesses, threaten their existence. For labor, a hike in the minimum wage could improve the lives of low wage workers.

The second reason is that the entities that do research operate like businesses. Many years ago, I taught at a college, and one of the things that was made clear to me was that colleges and universities have limited resources to support research, and that if research is costly, faculty should look to outside entities to help pay the cost. From the institutional perspective, outside funding provides the resources for additional personnel and needed equipment.

Similarly, consulting firms are driven by the same logic. In the end, someone has to pay the cost of salaries and facilities. Very often the funding needed by these firms is most available from groups in society that have policy agendas. Some, like American Action Forum, appear to have been created to serve particular interest groups.

None of this means that the results reported by researchers on each side are falsified. They represent real differences of opinion among economists who understand the impact of policy changes differently. But the funding of policy research by competing interests can lead to the exaggeration of differences in conclusions about policy outcomes.

In my earlier piece, I pointed out that the Congressional Budget Office (one entity that does not receive funding that comes from a group for or against the minimum wage increase) in its research presented a range of possible outcomes – in the case of a federal minimum wage increase, they projected the possible loss of a few to a million jobs, with a center point of 500,000 jobs.

But neither the American Action Forum, or the the Center for Wage and Employment Dynamics at Berkeley presented a range of possible outcomes. Instead, each presented point estimates of impacts leading to sharply different conclusions about the employment costs of a minimum wage increase, suggesting a greater degree of certainty about conclusions than may be warranted.

Finally, it should be noted that readers might conclude from the Times Union piece that the competing studies presented by business and labor interests “fog” the real answer to the employment impact question, in the way that tobacco companies funded studies in an attempt to shed doubt on data that showed that smoking is harmful to health.

In fact, that conclusion would be incorrect. The reality is that there is no consensus, and that in this case the competing studies represent real differences of opinion between experts.