# Divided opinion on the Fair Minimum Wage Act of 2013: Random or systematic differences?

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## HIGHLIGHTS

- Support for the minimum wage grows steadily as economists are located further away from Chicago.
- Women are more likely than men to support the minimum wage.
- Economists specialising in labour economics are more likely to support the minimum wage.
- Support for minimum wage among labour economists is stronger among younger academics.

## ARTICLE INFO

## ABSTRACT

This paper analyses economists' support for the Fair Minimum Wage Act of 2013. I find systematic differences between those supporting the legislation and those opposing it, with support higher among females, young labour economists and those located further from Chicago.

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## 1. Introduction

In the past 30 years a number of studies have examined differences in economists' attitudes to core concepts and key policy issues (Alston et al., 1992; De Benedictis and Di Maio, 2011; Fuchs et al., 1998; Fuller and Geide-Stevenson, 2014, 2003; Gordon and Dahl, 2013; Kearl et al., 1979; Klein and Stern, 2006, 2005; May et al., 2014; Whaples, 2009, 1996). While these surveys reveal consensus on a number of issues, substantial disagreement remains in key areas such as the role of minimum wages.

In 2013 the US Senate and House of Representatives introduced the Fair Minimum Wage Act 2013, bills that would raise the federal minimum wage in phases from $7.25 to $10.10.[1,2] In early 2014 two open signed letters were released. The first letter, initiated by the Economic Policy Institute, was signed by over 600 economists supporting the three step increase in the minimum wage.[3] The second letter, initiated by the National Restaurant Association, was

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[1] The full text of the bill can be found here
http://democrats.edworkforce.house.gov/sites/democrats.edworkforce.house.gov/files/documents/FairMinimumWageAct-BillText.pdf.

[2] On April 30th 2014 a vote in Senate failed to invoke cloture on the Bill. 54 Senators voted to end the debate and proceed to a formal vote, failing short of the 60 votes needed to overcome a Republican filibuster. In a news conference following the vote, top Democrats vowed to reintroduce the bill at a later stage. Subsequently and almost one year later, the Raise the Wage Act 2015 was introduced to the House and Senate, proposing to increase the minimum wage to $12 over a five year period and to index it to median wage growth thereafter.

[3] This letter and list of signatories is available here http://www.epi.org/minimum-wage-statement/.

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signed by more than 500 economists voicing their opposition to the proposed increases.[4]

Previous studies have failed to find a significant systematic relationship between the level of disagreement and the economists' characteristics, leading (Caplan, 2001) to claim that "that disagreements among economists are surprisingly random". In this paper I focus on disagreement in respect of the minimum wage among signatories of the two letters to examine to what extent we can characterise support for the minimum wage. In contrast to earlier work I find that differences of opinion on the legislation can be characterised along a number of interesting dimensions.

## 2. Data and sampling design

When considering the two letters I restrict attention to academics working in US universities, leaving a base sample of 943 economists located in 392 different universities. This sample size is considerably larger than in previous surveys of economists' attitudes. 56% of this sample were in favour of the proposed legislation to increase the minimum wage, while 44% signed the letter opposing the legislation.

The objective of the paper is to characterise these strong differences of opinion. Whether the results extend beyond the current sample depends on sample selection. If the sample is differentially selected in such a way that the tendency to sign a letter is directly related to the strength of an individual's attitudes towards the minimum wage, then the estimates reported here, while valid for the sample, need not generalise to the population as a whole. This should be borne in mind when interpreting the results presented later.

For each of these 943 academics I determine their current place of work from the letters. One hypothesis I wish to explore is whether or not a saltwater–freshwater distinction applies to support for minimum wage increases. The geographical distribution of support for the Fair Minimum Wage Act among academics in our sample is given in Fig. 1. Each university is represented by a pie-chart, with the red area representing support for the legislation within that university and the green area representing opposition. The area of each pie-chart is proportional to the number of respondents located in that university. For example, a large solid red dot represents a university with both a large number of respondents in our sample and 100% support for the legislation.

The distribution of support illustrated in Fig. 1 is suggestive of a geographical divide in attitudes to the minimum wage, with support for the legislation greater in coastal areas and opposition more concentrated in the interior of the country. To examine this more formally I calculate the distance between the current place of work and the University of Chicago for each academic.[5] To the extent that the saltwater–freshwater divide is evident one would expect to see significant increase in support for the Bill as academics are located further from The University of Chicago.

There is some recent evidence (May et al., 2014) that male and female economists differ in their attitudes towards a number of issues, including minimum wages. Therefore I include an indicator for gender when characterising support for the Bill. I use data

**Table 1**
Summary statistics: Standard errors in parentheses.

| Variable name | Full sample | Smaller sample |
|---|---|---|
| MwageProponent | 0.56 | 0.55 |
| | (0.016) | (0.019) |
| Distance from work to Chicago (km) | 1286 | 1292 |
| | (26.58) | (31.44) |
| Distance from PhD to Chicago (km) | | 1199[*] |
| | | (34.6) |
| Male | | 0.82 |
| | | (0.014) |
| Labour | | 0.18 |
| | | (0.015) |
| Finance | | 0.11 |
| | | (0.012) |
| Macro | | 0.08 |
| | | (0.01) |
| Other field | | 0.63 |
| | | (0.019) |
| Foreign PhD | | 0.02 |
| | | (0.006) |
| Years Since PhD | | 30 |
| | | (0.51) |
| N | 943 | 669 |

[*] This excludes the academics who received their PhD outside the US.

on reported area of expertise for each academic in the sample to determine the extent to which support for the legislation varies across fields of economics.[6] I use information on the vintage of the PhD to examine the extent to which this support has changed over time. Finally, I examine if academics who received their PhD outside the US are more or less likely to support the increase.

Information on gender, field of specialisation and year of PhD was obtained from a detailed search of internet sources, including the American Economics' Association Directory of Members, individual and university webpages. This resulted in valid data for over 70% of the original sample.[7] Summary statistics are given in Table 1.

Women account for approximately 18% of the sample, which is consistent with national averages. Just over two percent of the sample received their PhD outside the US and perhaps not surprisingly economists specialising in labour economics accounted for the largest share of respondents. The average vintage of PhD in our sample was 30 years.

## 3. Results

The results of the analysis are given in Table 2. In all cases the reported estimates refer to marginal effects from a probit model where the dependent variable takes the value 1 if the respondent supported the Minimum Wage Act and zero otherwise.[8] The results in the first column use data for the full sample of 943 respondents to examine the extent to which a saltwater–freshwater divide is evident in support of the minimum wage. The results show a clear significant geographic divide in support for the minimum wage.

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[4] This letter and list of signatories is available here: http://nebula.wsimg.com/faf44fea2172ad008b46a64835ae2492?AccessKey=D2418B43C2D698C15401&disposition=0&alloworigin=1.

[5] While this geographic measure of division will be useful if will not completely capture the saltwater–freshwater divide in schools of thought. For example 29 of the 34 economists who received their PhD from Berkeley supported the legislation, while none of the 13 who received their PhD from UCLA did so. Although it will not be picked up with our measure, this division in support among Californian universities for the minimum wage is consistent with previous analysis designating UCLA as a freshwater university despite its proximity to the Pacific (Terviö, 2011).

[6] Controlling for area of research also allows us to examine whether the gender effects identified in earlier work reflect gender differences in attitudes or simply the fact that women tend to be more concentrated in specific fields, such as labour economics (Dolado et al., 2012).

[7] Since we know place of work and support of minimum wage for all workers we examined whether there was any correlation between these variables and the likelihood of missing data on other variables. The correlations were both very small and statistically insignificant.

[8] In all cases the standard errors are adjusted for one-way clustering at the level of the location of work. We also estimated robust standard errors to account for two-way clustering at the level of both place of work and place of study following the approach suggested by Cameron et al. (2011). This had very little effect over and above the adjustment for one-way clustering.