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2% Of Economists Say $15 Minimum Wage Will Boost GDP

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Just one among a panel of 42 eminent, politically diverse economists surveyed by the University of Chicago Booth School of Business thinks that raising the minimum wage to $15 an hour by 2020 will yield measurable gains in GDP.

That's pretty amazing considering that those pushing minimum wage increases almost always assert that a higher wage floor will provide an economic boost.

They argue that budget-stretched lower earners getting a raise are very likely to spend virtually all of their additional earnings. That would, in theory, more than offset the effect of price increases or thinner profit margins for business owners, who save a significant slice of their earnings.

So why are economists so pessimistic — or rather, realistic — about net economic gains from raising the wage to $15? Simple: Just 24% disagree that low-wage employment "will be substantially lower" under a $15 wage than under the status quo. And at least some of those who disagreed do anticipate job losses.

For example, Yale University economics professor William Nordhaus disagreed that employment would be substantially lower, but said he expects it to be down 1% to 2%. Massachusetts Institute of Technology economics and management professor Richard Schmalensee said employment would "probably" be lower but it's "not clear at all" if it'll be substantially lower."

MIT's David Autor: "I don't think the evidence supports the bold prediction that employment will be substantially lower. Not impossible, but no strong evidence."

Why is there no strong evidence? As 2007 Nobel Prize winner Eric Maskin wisely explained, "The total increase (to $15) is so big that I'm not sure previous studies tell us very much."

Still, the survey did seem to provide evidence that those pushing for a big increase in the minimum wage have tilted the debate in their direction.

Back in 2013, when the Booth School asked their panel (comprising many of the same economists) whether a $9 federal minimum wage would make it "noticeably harder" for low-skilled workers to find jobs, 34% said yes. In the latest survey, just 26% said that a $15 wage would trigger a substantial drop in low-wage employment. While another 38% were uncertain, the economics profession seems to be getting more comfortable with the idea of a big minimum-wage hike, even as labor groups keep moving the target higher.

A tighter labor market over the past two years may be lifting the market-clearing rate for low-wage jobs. Wal-Mart (NYSE: WMT), Target (NYSE: TGT) and McDonald's (NYSE: MCD) are among those announcing big wage hikes over the past year.

In February 2014, the Congressional Budget Office concluded that a hike in the minimum wage to $10.10 an hour would cost about a half-million jobs. : While the economy would get a fleeting lift from the wage hike, the longer-term effect would be to reduce economic output, CBO said. That earned a sharp rebuke from the White House, which dissed the CBO's estimates as "not reflective of a consensus of the economics profession."

Yet one of the overlooked keys to the CBO's conclusion and to the whole minimum-wage debate was buried in a footnote: ObamaCare's employer mandate would magnify the negative impact of the minimum-wage hike.

That additional cost "further boosts the likelihood that employers' savings from reducing the size of their workforces would exceed their adjustment costs," such as the cost of investing in labor-saving technology.

How much is that additional cost? There are a few different ways of calculating it, but here's one: The employer mandate penalty will be $2,160 per full-time worker in 2016. That after-tax penalty is equivalent to $3,547 in tax-deductible wages. For a full-time worker, the mandate can add $1.71 an hour to whatever minimum wage is on the table.

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