

## Minimum wage comment stirs political pot

By Jim Nowlan

Republican gubernatorial hopeful Bruce Rauner stuck his foot in his mouth with an impolitic remark recently in the Quad-Cities that the Illinois minimum wage of \$8.25 an hour should be cut back by a buck-an-hour.

Rauner's three GOP primary opponents and Gov. Pat Quinn immediately piled on, calling him everything from "out of touch" to "cruel, heartless and wrong."

The issue promises to become a major focus in the campaign, one that is taking Rauner from the balls of his feet, where he had been sparring aggressively, to back on his heels.

The issue is also perfect for the populist Quinn, who revels in playing the little guy's champion against the bloodless plutocrat (Rauner reported income of \$53 million last year).

The minimum wage issue is important in this era of widening income inequality, yet more complicated for Illinois, with a business climate perceived by the outside world to be as frigid as the recent Polar Vortex.

The Illinois minimum wage is a dollar higher than that in neighboring states, which have paired their rates to the national minimum wage of \$7.25.

Gov. Pat Quinn, who is seeking re-election, has proposed that Illinois increase its minimum wage to "at least \$10 an hour."

Quinn's position is popular with the voters. A recent national poll by Quinnipiac University found that 71 percent support raising the federal minimum wage. Republicans and even conservatives gave a slight nod to raising the minimum wage.

But is it good public policy to do so?

Wikipedia provides a lengthy, well-documented article on the topic, which has apparently been studied by economists as intently as biblical scholars have looked into the Dead Sea Scrolls.

Economists are—surprise—divided on the merits of a minimum wage, with a plurality believing that increases in a minimum wage tend to reduce employment a bit among low-skilled workers, all this depending upon the details of a specific minimum wage action.

For Illinois, the situation is complicated, as noted above, by our weak business climate as well as by our high unemployment, which at 8.7 percent in November is 48<sup>th</sup> in the nation and two percentage points above the national average.

In 2013, the influential CEO Magazine rated Illinois as having the 48<sup>th</sup> from the best business climate among the states, and rankings for Illinois by other organizations are about as dismal.

Businesses crave stability and predictability, which Illinois has not been able to provide in recent years. Though his heart is in the right place, Quinn's proposal to increase the minimum wage far beyond that of our neighbors only increases business anxieties about Illinois.

If the minimum wage is to be increased in the short term, it is better to do it at the national level, so all states are on the same playing field.

Actions do need to be taken to address income inequality. In recent decades, real wages among the bottom quintile have decreased while those for the top 1 percent have increased dramatically.

Though I am not an economist, I think we run the risk of a demand deficit, in which the public lacks the wealth to buy that which the top 1 percent is producing. A higher national minimum wage is one way to address this inequality.

Another approach would be to increase the earned income tax credit for low-wage workers, which President Reagan described in 1986 as “the best anti-poverty, the best pro-family measure to come out of Congress.”

As for Illinois politics and the minimum wage, I predict that mega-bucks candidate Rauner will have the campaign dollars to shift the focus prior to the March primary off the subject and onto term limits, his favorite horse to ride.

All the while, Rauner has handed Gov. Quinn a potent little guy versus big guy issue to carry into the fall general election, regardless of who wins the GOP primary. There are a lot more little guys than big guys.