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Editor's Introduction to the Review Symposium on the Book *Myth and Measurement: The New Economics of the Minimum Wage*

Abstract

[Excerpt] Why has *Myth and Measurement* engendered so much controversy? In part, because it deals with the minimum wage. The minimum wage was the first piece of protective labor legislation adopted at the national level, and proposals to increase the minimum wage invariably lead to heated debate between labor and business interests. When a book co-authored by the then chief economist in the Clinton Labor Department purports to show that, contrary to received wisdom, minimum wage increases do not appear to have any diverse effects on employment, it is predictable that conservative critics will attack its findings.

Keywords

minimum wage, employment, unemployment, economic theory

Disciplines

Economic Policy | Labor Economics | Labor Relations

Comments

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REVIEW SYMPOSIUM

*Myth and Measurement: The New Economics of the Minimum Wage**

Editor's Introduction by Ronald G. Ehrenberg[†]

Myth and Measurement: The New Economics of the Minimum Wage (Princeton University Press, 1995), by David Card and Alan B. Krueger, is an extraordinarily important book. Announced to the world in stories in the *New York Times*, the *Washington Post*, and the *Chronicle of Higher Education*, the book provoked swift reaction. On the one hand, it was widely cited by proponents of minimum wage increases; on the other, vituperative denunciations by critics of its findings appeared in numerous editorial and op-ed articles in a wide range of publications, including the *Wall Street Journal* and *Business Week*.

Why has *Myth and Measurement* engendered so much controversy? In part, because it deals with the minimum wage. The minimum wage was the first piece of protective labor legislation adopted at the national level, and proposals to increase the minimum wage invariably lead to heated debate between labor and business interests. When a book co-authored by the then chief economist in the Clinton Labor Department purports to show that, contrary to

received wisdom, minimum wage increases do not appear to have any adverse effects on employment, it is predictable that conservative critics will attack its findings.

The controversy also stems, however, from the fact that *Myth and Measurement* is much more than an analysis of the minimum wage. If the authors' analyses are correct, they have, perhaps unintentionally, presented a devastating critique both of economic theory and of empirical research methods in economics. Taken at face value, their findings suggest that simple competitive demand and supply models do not provide an adequate description of low-wage labor markets, the very markets in which one might expect these models to "work the best." Taken at face value, their findings also cast considerable doubt on the empirical research methods used by generations of labor economists. Labor economists have prided themselves on the care they have taken in conducting empirical research; if the empirical basis of their findings is so weak, what about the methods used by the rest of the economics profession?

These issues are so profound that, right or wrong, *Myth and Measurement* may well be the most important labor economics monograph of the 1990s. Such a book's findings deserve to be evaluated in one place by economists with a wide variety of perspectives. When I suggested the idea of a review symposium to the editors of the *ILR Review*,

*David Card and Alan B. Krueger, *Myth and Measurement: The New Economics of the Minimum Wage* (Princeton: Princeton University Press, 1995). x, 422 pp. ISBN 0-691-04390, \$29.95 (cloth).

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they quickly agreed, arranged for pre-publication copies of *Myth and Measurement* to be sent to Charles Brown (Michigan), Richard Freeman (Harvard), Daniel Hamermesh (Texas A&M), Paul Osterman

(MIT), and Finis Welch (Texas A&M), and asked each to provide us with five- or six-page reactions in time for this issue of the *Review*. All agreed, and their reviews follow.