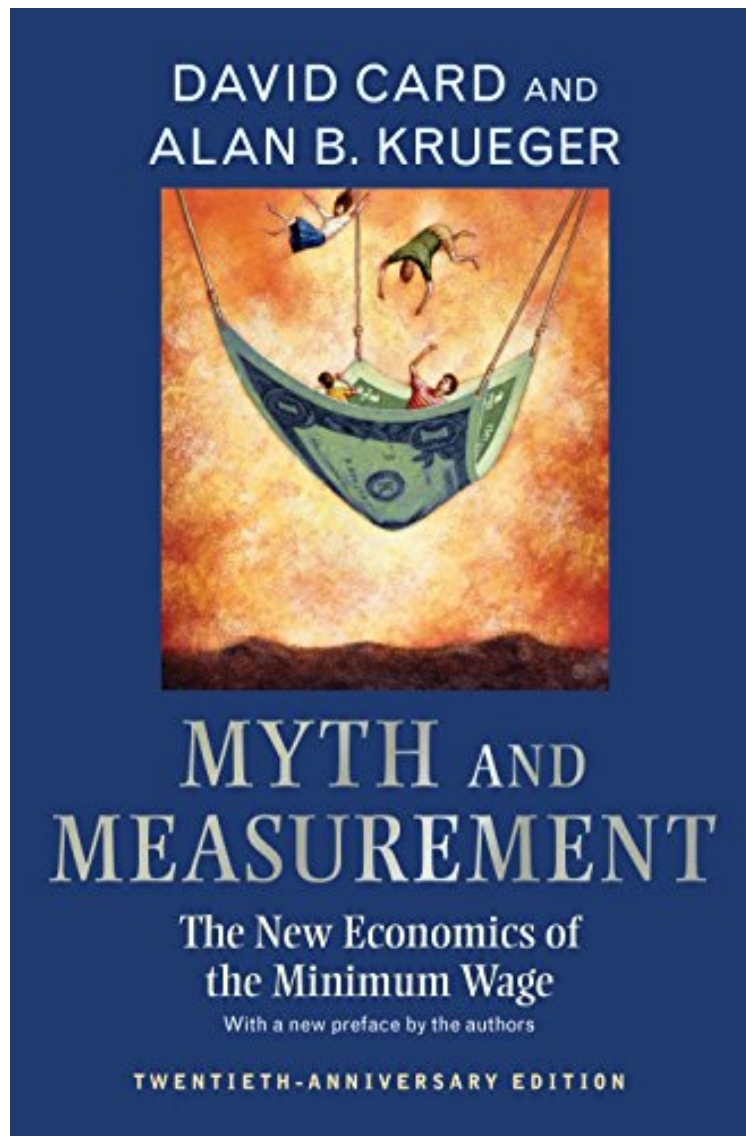


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# Myth and Measurement: The New Economics of the Minimum Wage

David Card, Alan B. Krueger  
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**David Card, Alan B. Krueger : Myth and Measurement: The New Economics of the Minimum Wage** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Myth and Measurement: The New Economics of the Minimum Wage:

0 of 0 people found the following review helpful. Very compellingBy Keith LockVery compelling argument disputing that an increase in minimum wage causes job losses. i.e. as the cost goes up demand goes down. Well done.1 of 2 people found the following review helpful. A must readBy CustomerA must read for those supporting a minimum

wage. Ray Canterbury<sup>5</sup> of 8 people found the following review helpful. Authors' agenda apparently trumped everything else. By Thomas T. Amlie: A common problem in economics "research" is that authors let their agenda trump experimental design. For example, in the fast-food case study, the authors made the claim that "full time equivalent" (FTE) employees rose in NJ after the minimum wage increase. A trusting reader (myself included, initially) would say "great! There was actually an increase in employment!". However, we need to look a little more closely at what they did. Most people without an agenda would define FTE as (total payroll hours)/40; i.e., if employees worked 40 hours per week, how many employees would there be. In this study, however, they defined a part-time employee - whether that person worked 1 hour or 30 hours - as 1/2 FTE. 10 employees, each working 1 hour per week (total 10 work-hours) would be counted as FIVE full-time-equivalent employees. The effect on a part-time worker whose weekly hours dropped from 30 to 3 would not be captured by this measure. There's no GOOD reason to define a FTE in this manner, and plenty of good and obvious reasons NOT to. The fact that the authors chose this contorted definition suggests that they were looking for a variable that would give them the result that conformed with their agenda, rather than an honest analysis.

David Card and Alan B. Krueger have already made national news with their pathbreaking research on the minimum wage. Here they present a powerful new challenge to the conventional view that higher minimum wages reduce jobs for low-wage workers. In a work that has important implications for public policy as well as for the direction of economic research, the authors put standard economic theory to the test, using data from a series of recent episodes, including the 1992 increase in New Jersey's minimum wage, the 1988 rise in California's minimum wage, and the 1990-91 increases in the federal minimum wage. In each case they present a battery of evidence showing that increases in the minimum wage lead to increases in pay, but no loss in jobs. A distinctive feature of Card and Krueger's research is the use of empirical methods borrowed from the natural sciences, including comparisons between the "treatment" and "control" groups formed when the minimum wage rises for some workers but not for others. In addition, the authors critically reexamine the previous literature on the minimum wage and find that it, too, lacks support for the claim that a higher minimum wage cuts jobs. Finally, the effects of the minimum wage on family earnings, poverty outcomes, and the stock market valuation of low-wage employers are documented. Overall, this book calls into question the standard model of the labor market that has dominated economists' thinking on the minimum wage. In addition, it will shift the terms of the debate on the minimum wage in Washington and in state legislatures throughout the country. With a new preface discussing new data, *Myth and Measurement* continues to shift the terms of the debate on the minimum wage.

"Our understanding of wage determination has been transformed by an intellectual revolution. . . . Until the Card-Krueger study, most economists, myself included, assumed that raising the minimum wage would have a clear negative effect on employment. But they found, if anything, a positive effect. Their result has since been confirmed using data from many episodes. There's just no evidence that raising the minimum wage costs jobs, at least when the starting point is as low as it is in modern America."--Paul Krugman, *New York Times*"Card and Krueger didn't just question the conventional wisdom; they attacked it in a novel and powerful way. Instead of concocting a mathematical model and 'testing' it with advanced statistical techniques, which is what most economists call research, they decided to test the theory in the real world. . . . The work of Card and Krueger was worth a hundred theoretical models in *The American Economic Review*."--John Cassidy, *The New Yorker*"The Card-Krueger work is essentially correct: the minimum wage at levels observed in the United States has had little or no effect on employment. At the minimum, the book has changed the burden of proof in debates over the minimum, from those who stressed the potential distributional benefits of the minimum to those who stress the potential employment losses."--Richard B. Freeman, *Journal of Economic Perspectives*"A very substantial book. . . . A highly persuasive collection of evidence. . . . An exemplary book."--J.W. Anderson, *The Washington Post*"David Card and Alan Krueger have written a book that represents a phenomenal amount of careful and honest research and that will be a classic in the minimum wage literature and also in the broader field of empirical labor economics.... A model of how to do good believable research, this book will be influential for a long time."--Paul Osterman, *Industrial and Labor Relations*"Clearly, this book should be read by any economist who wants to stay abreast of substantive, high level debates within the profession.... The book already has assumed an important position within the field of labor economics, and significant research in years to come is likely to revolve around its principle thesis."--K. A. Couch, *Journal of Economics*". . . the nastiest, most unspeakable perversion of our service-based economy [is] the declining value of the minimum wage. . . . The downward pressure on wages is making this a country where working literally doesn't pay. . . . David Card and Alan Krueger show through meticulously assembled data that increasing minimum pay in the fast-food industry has no discernable effect on the number of jobs, on consumer prices, or even on employee benefits like free meals. . . . Labor markets, like so many other phenomena in the real world, are far from perfect and do not behave according to the theories of defunct economists."--Joe Conason, *The New York Observer*"*Myth and Measurement* . . . traverses its ground in great detail, studying every bump and dip in the landscape. . . . But that's just about what the issue requires. Card and Krueger's conclusion runs so

against the grain of mainstream economic thinking, not to mention the present political consensus, that overkill seems quite appropriate. That conclusion, reached through a number of separate studies, is this: The minimum wage not only doesn't kill jobs, it may even stimulate employment. . . . Myth and Measurement should be a very important book. It essentially settles the policy debate on the minimum wage, and the economics profession should spend a good bit of time engaging in profound reflection and in testing some of the field's first principles."--Voice Literary Supplement

"Card and Krueger have written a powerful book underpinned by hard facts. . . . They explode myths and indict the prescriptions of conventional economic thinkers. Few will read this book from cover to cover, but many will quote its conclusions in the months to come."--New Statesman and Society

"Myth and Measurement may well be the most important labor economics monograph of the 1990s."--Ronald G. Ehrenberg, Industrial and Labor Relations

"This book offers the most careful and wide-ranging analysis of the empirical evidence on minimum wages in the United States that any social scientist could ask for."--Richard B. Freeman, Industrial and Labor Relations

"Although this book raises very sharp questions about the practice of labor economics, the book itself is terrific. CK's creative careful, and above-the-board empirical work is a model of how to do good believable research and this book will be influential for a long time."--Paul Osterman, Industrial and Labor Relations

From the Back Cover "Most economists believe that minimum wages invariably reduce employment, but are they right? In this compelling analysis of the U.S. minimum wage, Card and Kreuger show that recent increases in the minimum wage had no adverse effect on employment. This pathbreaking book suggests that economists know less about what the invisible hand is up to than they let on."--Richard Freeman, London School of Economics and Harvard University

"Myth and Measurement is an extraordinarily important book. It will rank with seminal works in labor economics, including Gary Becker's Human Capital, Jacob Mincer's Schooling, Earnings, and Experience, Richard Freeman and James Medoff's What Unions Do?, and Edmund Phelps's (ed.) Microeconomic Foundations of Employment and Inflation Theory. The book will interest everyone involved in the minimum wage debates, and it will cause economists to question seriously the models they use and how they do empirical research."--Ronald G. Ehrenberg, Cornell University

"The analysis of minimum wage by Card and Krueger is both comprehensive and provocative. It challenges the received wisdom and is certain to be a major influence on all future work on the topic."--James J. Heckman, University of Chicago

"Myth and Measurement is an extraordinarily important book. It will rank with seminal works in labor economics, including Gary Becker's Human Capital, Jacob Miner's Schooling and Earnings, Richard Freeman and James Medoff's What Unions Do?, and Edmund Phelps's (ed.), Microeconomic Foundations of Employment and Inflation Theory. The book will interest everyone involved in the minimum wage debates, and it will cause economists to question seriously the models they use and how they do empirical research."--Ronald G. Ehrenberg, Cornell University

"In Card and Krueger's hands, the collage becomes a dangerous weapon; the idea that employment has fallen significantly in the wake of minimum wage increases is attacked with both new evidence and a careful look at previous studies."--Charles Brown, University of Michigan

"The most professional work ever done on this highly controversial subject."--Richard Layard, London School of Economics

About the Author David Card is Class of 1950 Professor of Economics at the University of California, Berkeley. Alan B. Krueger is Bendheim Professor of Economics and Public Affairs at Princeton University.