

# Republican myths about jobs and wages



By [Rick Newman](#) 2 hours ago 11/11/15

Donald Trump made a curious comment during the latest Republican presidential debate in Milwaukee, when asked if he [supported a higher minimum wage](#). “Wages, too high,” he said. “We’re not going to be able to compete against the world.”

“Wages too high” hardly has the ring of “make American great again,” or other pithy campaign slogans. But it captures a conundrum faced by both Republican and Democratic presidential candidates: They’re all struggling to explain how to revive prosperity at a time when living standards are falling for many Americans and traditional methods of boosting the economy — such as fiscal and monetary stimulus — aren’t really working.

There are no simple answers for how to create the millions of good-paying, middle-class jobs needed to jolt America out of its rut. But there are plenty of oversimplified theories and outright fabrications, which complicate the problem and lead policymakers astray. Here are three myths about jobs and wages that surfaced in the latest GOP debate:

**Myth 1: Immigrants are pushing down wages.** Sen. Ted Cruz hit this theme hard while arguing for the need to deport the estimated 12 million [illegal immigrants](#) in the United States. “We’re going to drive down the wages for millions of hardworking men and women,” Cruz said of proposals to offer amnesty to illegals. The result, he said, would be “economic calamity.”

That’s highly doubtful. It might seem intuitive that immigrants—both legal and illegal—push down wages because they’re willing to work for less than native-born Americans. But a [large body of mainstream research](#) has found that immigrants of all types generate new economic activity that typically [enlarges](#) GDP. The impact on most workers is negligible. One [Harvard Business School study](#), for example, found that a 10% increase in the portion of immigrants in the labor force might push down native wages by 1% or so. (And the portion of immigrants in the U.S. labor force isn’t growing by anywhere near 10%.)

If anybody suffers from the presence of immigrants willing to work for a pittance, it’s [low-skilled Americans who lack the ability to command higher pay](#). But even that argument is dubious. Many Americans don’t want the jobs immigrants are willing to do, or they’re able to earn welfare benefits immigrants aren’t entitled to, which keeps them on the sidelines. Americans are also [far less likely to move around for work](#) than immigrants are, which means Americans who need jobs often aren’t going where the work is, anyway. Helping the working poor gain better skills and become more mobile would probably help boost their earnings a lot more than vilifying immigrants.

**Myth 2: Repealing Obamacare will save jobs.** Republicans obviously hate Obamacare, President Obama’s [sweeping health-reform law](#). There are certainly problems with the program, such as the upward spiral of deductibles and other out-of-pocket medical costs. But many draconian predictions about Obamacare killing jobs have turned out to be patently false, and repealing the law won’t do anything to create jobs, as Marco Rubio and Carly Fiorina claimed it would in the debate.

The U.S. economy has created 12.8 million jobs since Obamacare was passed into law in 2010, and 5.2 million since the program's rocky rollout in 2014. There’s no evidence those numbers would have been higher without Obamacare. The nonpartisan [Congressional Budget Office](#) does predict that by 2024, there will be about 2.5 million fewer full-time workers than there would be without Obamacare. But that’s largely because people who work solely to obtain health insurance will no longer have to do so, which could be a net gain to society rather than a net loss.

A better way to boost the economy would be finding ways to lower healthcare costs, which would extend the life of Medicare and improve Washington's annual deficits, while also freeing more disposable income for millions of families. That can be done within Obamacare, and also within the much larger private market for health insurance, which has borne outsized cost hikes since way before Obama was even elected.

**Myth 3: Wages are too high.** Trump’s point [when he said this](#) was that U.S. labor costs are still higher than those in other countries, which creates an ongoing incentive to move work out of the United States. So raising the minimum wage, by Trump’s logic, would put uncompetitive American businesses at an even worse disadvantage.

That might have been true 10 years ago, but stagnant U.S. labor costs—combined with rising labor costs in China and other developing nations—have actually made American companies more competitive than they have been in years. The Boston Consulting Group, for instance, says the [United States is one of two “rising stars”](#) in global manufacturing (along with Mexico), and it predicts “on shoring” could create up to 5 million new quality jobs here by 2020. One example of improved U.S. competitiveness: wage and benefit rollbacks for the United Auto Workers, which were instituted after General Motors and Chrysler declared bankruptcy in 2009 and recently extended in new contract agreements.

What’s different now is that wage hikes only tend to accrue to those with the skills employers actually need, which means the days of automatic raises for everybody are long gone. But there is still a way to make America great again: Make the American worker more capable than ever.

*Rick Newman’s latest book is [Liberty for All: A Manifesto for Reclaiming Financial and Political Freedom](#). Follow him on Twitter: [@rickjnewman](#).*