

HUFFPOST POLITICS

Bill Gates and Warren Buffett Are Wrong

By Arun Ivatury
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As the sparring continues over raising the minimum wage, two titans of business have weighed in: Bill Gates and Warren Buffett.

At an event last Thursday, held at the American Enterprise Institute, Gates [expressed](#) discomfort with the idea. "When people say we should raise the minimum wage, I worry what that does to job creation," he offered, adding that an increase would "dampen the demand for labor."

Gates' comments come on the heels of similar remarks by fellow billionaire Warren Buffett. In a [recent CNBC interview](#), the Oracle of Omaha also came out against raising the minimum wage, citing the potential for job loss.

"I mean, if you could have a minimum wage of \$15 and it didn't hurt anything else, I would love it. But clearly that isn't the case," Buffett stated.

Perhaps America's [richest men](#) have never been to Australia.

Australia enjoys one of the world's [highest minimum wages](#), with the vast majority of Australians over 20-years-old receiving no less than \$16.38 an hour in local currency. At current exchange rates, that's about \$14.78 U.S. Even adjusting for differences in purchasing power, Australians paid at [this rate](#) make significantly more than [minimum-wage American workers](#).

Surely, this must doom Australians to mass unemployment. Basic economic theory says that when the price of a good is too high, demand plummets. That's what Bill Gates and Warren Buffett are trying to tell us: Expensive workers mean fewer jobs.

Except, apparently, in Australia.

Over the past 10 years -- a timeframe encompassing the entirety of the global financial crisis and its aftermath -- Australia's unemployment rate has [never exceeded](#) 6 percent.

The U.S. unemployment rate hasn't [been below 6 percent](#) since before the Beijing Olympic games. (July 2008, for those of you drawing a blank.)

This presents a seriously inconvenient truth for opponents of minimum wage increases. What makes Australia's brand of capitalism so different from ours that it can sustain such high wages without job devastation? Do the laws of economics not apply down under? Are Australian businesses irrational? Is it those mysterious koalas?

These sorts of quandaries surface closer to home, too. Saddled with the nation's highest minimum wage, Gates' own home state of Washington has nevertheless managed to add jobs at a pace [significantly higher](#) than the country as a whole. Bolstered by the experience, state legislators are now [considering](#) an even higher minimum rate, and Seattle's elected officials have [proposed](#) a city-wide minimum wage of -- you guessed it -- \$15 an hour.

San Francisco -- where Buffett directs [significant philanthropic energy](#) -- was one of the first cities to mandate a pay rate above the federal floor and provide for [automatic increases](#) as costs rise. More recently, San Francisco pioneered legislation requiring [businesses to provide paid sick leave](#) and contribute money toward their employees' health care. The result of all these "business-unfriendly" policies? Higher wages and greater economic security for workers -- and a rate of job growth well in excess of surrounding jurisdictions.

Across the country, even during periods of high unemployment, an increase in a state's minimum wage has been followed by a decrease in joblessness over [50 percent](#) of the time in the last 25 years.

It must not be the koalas.

Prevailing economic wisdom suddenly feels turned on its head. Maybe these high-wage enclaves of economic success are not aberrations, but examples of sound policy. Maybe the error lies not in too much intervention to boost wages, but in assuming a healthy economy is possible without such corrective action. Maybe we can provide living wages, decent benefits and a strong safety net and still thrive economically.

Maybe Bill Gates and Warren Buffett are wrong.

You can ask the Australians -- or just look in America's own backyard.

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