Economic Hail Maries

Now that American rules football is over for the season, and the [Pope has resigned](http://www.bbc.co.uk/news/world-21411304), people may fear for a drought of Hail Maries. No worries. Politicians who have enacted growth retarding economic policies continue to supply economic Hail Maries. Even then, they don’t always know which end zone to aim for.

To combat runaway inflation, [Argentina recently froze food prices](http://www.forbes.com/sites/paulroderickgregory/2013/02/04/no-one-ever-learns-the-argentine-price-freeze/). Everyone knows that Argentina cooks their official inflation statistics. The IMF has threatened to kick Argentina out of the IMF for it. Maybe Argentina’s president believes that inflation comes from evil food producers and not her printing press. Next up in Argentina: food shortages.

After running his economy into the ground, the once rich country of Venezuela this weekend [massively devalued their currency](http://rt.com/business/news/venezuela-currency-devaluation-802/) by a third. Even after that devaluation, Venezuela’s currency is still overvalued vs. the US dollar. Venezuelans will find the purchase of imported food and manufactured goods much more expensive. How will their nationalized grocery stores cope with this price increase? They have already experienced food shortages.

Closer to home, Illinois Governor [Pat Quinn announced](http://www.chicagotribune.com/news/politics/clout/chi-quinn-minimum-wage-hike-could-be-tough-sell-20130206%2C0%2C6112627.story) that he will seek to raise the minimum wage in Illinois to a national high of $10 an hour. Illinois has had its credit rating lowered to the lowest of any state in the nation for good reason. Illinois is run so poorly it isn’t (and can’t) pay its bills, much less its unfunded pension liability. What is Governor Quinn’s solution? Increase labor costs in the state to help scare off the private sector – that which wasn’t scared off by the governor’s massive income tax hike.

A further look into the unemployment rate for American youth aged 16-19 reveals that in January it was 23.4%. For blacks aged 16-19, the national unemployment rate was 37.8%. Given that In December, Illinois’ unemployment rate was 8.7%, almost a full percentage point higher than the national average of 7.8%, it is safe to assume that the youth and black youth unemployment rates in Illinois are even higher than the national average. Increasing the minimum wage in Illinois is a desperate political Hail Mary which will only make it harder for Illinois’ youth to get a job. Then again, given the state of Chicago’s public schools and the state’s unfunded pension liability, it can be argued that few Illinois politicians actually care about the financial health of future generations.

If Illinois were to raise their minimum wage to $10 an hour a number of things would happen. The first is that the youth unemployment rate would increase. Teenagers don’t have massive job skills. As a result, they don’t all generate $10 an hour worth of benefit for prospective employers. A minimum wage increase will mean that even more teenagers will lose the opportunity to save for college, learn the discipline of showing up for work, and gain human capital on the job.

This all reminds me of a joke: Cristina Fernandez de Kirchner, Hugo Chavez, and Pat Quinn walk into a bar. Upon seeing the price of a drink Madam Kirchner mandates that the price never be raised, Mr. Chavez insists on nationalization of the bar, and Mr. Quinn insists that this can all be done while paying the bartenders more with money from the next generation of drinkers.

Was the joke supposed to be funny? Are people in Argentina, Venezuela, and Illinois laughing?