

Naidu and Posner (2022) offers a better summary than I do:

*A recent literature on “robust monopoly regulation” (Guo and Shmaya 2019) may also be useful for adjudicating between wage mandates and subsidies. The idea in robust policy design is that policymakers do not even know the distributions of possible worker tastes, outside options, or firm valuations of workers. Can optimal (in some sense) policies even be formulated? The robust mechanism design literature suggests that not only can such policies be characterized, they are often simpler and much more transparent than policies that presuppose policymaker knowledge. Translating their product market results into the labor market case, Guo and Shmaya (2019) find that the “regret-minimizing” policy features either a minimum wage or a (capped) wage subsidy, or both, depending on how much the profits of business are valued relative to workers’ wages. (Naidu and Posner (2022), page S308)*