

Price ceiling and the minimum wage economics essay



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INTRODUCTION

A mixed economy is a economic system that between a private and public control , reflecting characteristics of both capitalism and socialism. It also can be defined as it's based on the free enterprise principle, there is some form of direct intervention and control by the government.

There are not have a fixed definition for mixed economy. The decisions is made by the both sectors. In this, private sector are allowed to own assets and factors of production. Government also responsible to produce public goods which are too costly. Government also can be said has the right to control the price of product or services.

It is the attempt to gain the advantages of freedom without government having to give up its power.

Mixed economy

We now already begin the move from our abstract working model of pure capitalism to a discussion of Australian capitalism.

All real-life economies can be said are “ mixed” , government and the price system share the function of answering the Five Fundamental Questions. However , the various economies of the world different drastically in the particular blend of government direction and market direction which they are using. The economy of the Soviet Union is basically a centrally planned economy, although markets are used to some extent.

It ' s difficult to quantify the economic role of government. A rough indicator of the relative importance of market and government is the fact that currently about three quarters of the total output of the economy is provided by the market system, the remaining quarter being produced under the sponsorship of government. In addition to producing, government is also involved in a variety of welfare programs designed to redistribute income within the private sector of the economy.

PRICE CEILING

A price ceiling is the price that called price cap which is a government regulation that places an upper limit on the price at which a particular good, service, or factor of production may be traded. Trading at a higher price is illegal.

A price ceiling has been used in a few types of markets, but the one that looms largest in everyone ' s budget is the housing market. The price of housing is the rent that people pay for a house or apartment. Demand or supply in the housing market determine the rent and the quantity of housing available.

ARE RENT CEILING EFFICIENT ?

In a housing market that without rent ceiling, market forces determine equilibrium rent. The quantity of housing demanded equals with the quantity of housing supplied. In this situation, scarce housing resources are allocated efficiently. This is because the marginal cost of housing equals the marginal benefit.

IF RENT CELLING ARE SO BAD, WHY DO WE HAVE THEM ?

The economic case against the rent ceiling is now widely accepted , so new rent ceiling law are rare. But when governments try to repeal rent control laws, as the New York city governments did in 1999, current renters lobby politicians to maintain the ceilings. Also , people who are prevented from finding housing would be happy if they got lucky and managed to find a rent-controlled apartment. For these reasons, there is plenty of political support for rent ceilings.

Apartment owner who oppose rent ceiling are a minority, so views of them are not a powerful influence on politicians due to because more people support rent ceilings than oppose them , politicians are sometimes willing to support them also.

PRICE FLOOR

A price floor is a government regulation that places a lower limit of the price at which a particular good, service, or factor of production that may be traded. Trading at a lower price is illegal.

Price floor now are using in many markets, but the one that looms largest is the labor market. Wage rate that people earn is the price of labor . Demand and supply in the labor market determine the wage rate and the quantity of labor employed.

IS THE MINIMUM WAGE FAIR?

The minimum wage is unfair on both views of fairness . It delivers an unfair result and imposes unfair rules. The results is unfair because only those

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people who find jobs are benefit. The unemployed end up worse off than they would be with no at all minimum wage. And those who get jobs were probably not the least well off. When the wage rate doesn't allocate jobs, discrimination , another source of unfairness will increase. The minimum wage imposes unfair rules because it blocks voluntary exchange. Firms are willing to hire more labor and people are willing to work more in hour , but they are not permitted by the minimum wage law to do so.

IF THE MINIMUM WAGE IS SO BAD , WHY DO WE HAVE IT?

Although the minimum wage is inefficient, but not everyone loses from it. The people who get the jobs at the minimum wage rate are better off. Other supporter of the minimum wage believe that the elasticities of demand and supply in the labor market are low, so not much unemployment results. Labor unions supports the minimum wages because it puts upward pressure on all the wage rates, including of those union workers. Nonunion labor is a substitute for union labor, so when the minimum wage rise, the demand for union labor increases.

HOW GOVERNMENTS INTERVENE IN MARKETS FOR FARM MARKETS

The methods that governments use to supports farms vary, but they almost always involve three elements, that's

-isolate the domestic market from global competition

-introduce a price floor

-pay farmers a subsidy

ISOLATE the DOMESTIC MARKET

A government cannot regulate a market price without first isolating the domestic market from global competition. If the cost of production in the rest of the world is lower than in the domestic economy and if the foreign producers are free to sell in the domestic market, the forces of demand and supply drive the price down and waste any efforts by the government to influence the price. To isolate the domestic product, the government restrict imports from the rest of the world.

INTRODUCE A PRICE FLOOR

A price floor in an agricultural market is called a price support, because the floor is maintained by a government guarantee to buy any surplus output at that price. We saw that a price floor in the labor market that's a minimum wage, already creates a surplus of labor that shows up as unemployment. A price support in an agricultural market also generates a surplus. At the support price, the quantity supplied exceeds the quantity demanded. What happens to the surplus makes the effect of a price support different from those of a minimum wages. The government buys the surplus.

PAY FARMERS A SUBSIDY

A subsidy is a payment by the governments to a producer to cover part of the cost of production. When the government buys the surplus produced by farmers, it provides them a subsidy. Without the subsidy, farmers could not cover their costs because they would not be able to sell the surplus.

Ways by which the State can intervene to correct the defects.

By solving the problem, the governments can play the role in government subsidiaries and taxation. They can decided introduce a new tax on aviation fuel in a bid to reduce some of the negative externalities created by the air transport industry.

Apart from that, governments also can strengthen the law and legislation. In this, can be explained with whoever want to bring into the country with the drug or gun, check though with it. Giving the punishment or taxation that should be taken.

CONCLUSION

The economic functions of governments are many and varied. In fact, the economic role of government is so broad in scope that it is virtually impossible to establish an all-inclusive list of its economic functions.

However, in the mixed economy, there is a mixture of government and private ownership. So , decision are made by the both. Although is that condition , but if consumer have some say , their voices are not strong.

They must respect each other to achieve good performing.