

Analysis of an article in a microeconomics viewpoint

[Economics](#), [Microeconomics](#)



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Introduction The article entitled 'Veto in Minimum Wage Rouses Many in Albany' presents the situation before the election in 2004 where the rise in minimum wage is rejected by the Gov. George E. Pataki. This refusal signaled commotion in the Albany as workers and Republicans demand \$2 hourly increase in their wages. Supporters vowed to fight for an override of the bill.

Problems/Issues

The main issue discussed in the article is the benefits which will be gained by raising the minimum wage. The writer obviously stated that by raising the minimum wage, lowest paid employees will be given more purchasing power which they can use in order to improve their living. In the end of business organizations however, the increase will mean additional costs by business organizations. If this happens, this will be detrimental to the company and they will tend to compensate by cutting number of workers in order to maintain their original costs.

Another issue is the economic viewpoint which is used in legislation. In the real world situation, changes in the economic policies should always be approved by government officials. As politicians have different viewpoints, it is often hard to pass bills and laws which will bring about drastic changes.

Analysis

The issue on minimum wage is always debated in all economies globally and not just in the United States. As the writer puts in the article, there are two sides of the coin which should be taken into consideration before the minimum wage could be raised. Through our class discussions, I have learned that minimum wage should be a matter of supply and demand. It is

the least acceptable payment that an employee can accept while it is the highest which can be charged for a firm. For an employee, minimum wage should be able to cover up for the estimated productivity of the worker as well as the opportunity cost of his time. On the other hand, a company should make sure that the employee's output is worth his hourly payment. An employer is not willing to pay more than the value that he can provide to the company. Thus, the class discussion also emphasize that the increase in minimum wage should always be coupled by the increase in the productivity of the worker. If not, it will just be an additional burden to the employee. Furthermore, the rise in minimum wage will change the cost structure of the firm. In order to adjust, the firm should take measures to increase efficiency in order to cope with the additional cost. It can only continue operating if it is still producing output which is higher or equal to the intersection of average fixed cost and marginal revenue.

Conclusion

Through this activity, I am very much impressed by how understanding of economic issues is enriched through knowledge in economics. Economic policies always have social and ethical considerations; however, knowledge of sufficient economic techniques will enable us to decide more efficiently.

Works Cited

Baker, Al. " Veto on Minimum Wage Rouses Many in Albany." New York Times Online. July 31, 2004. Retrieved 12 December 2008 < <http://query.nytimes.com/gst/fullpage.html?res=9C05E4DB1E3DF932A05754C0A9629C8B63>>