

# Price controls the minimum wage

[Literature](#), [Russian Literature](#)



Price Controls – The Minimum Wage Affiliation: Price control is an activity undertaken by the government through central authority charged with the duty and responsibility of overseeing the welfare of the economy. In most cases, the government formulates and implements price controls through the central bank. Price control can be initiated to achieve different objectives; control inflation, improve the living standard of low income groups, safeguard the interests of the consumers and setting a wage limit below which it is illegal to pay workers among others. Fixing the minimum wage that a worker is supposed to earn is one of the forms of price controls. Minimum wage has both costs and benefits to the economy, given that it is backed by relevant laws that operationalize it. In this regard, both advantages and disadvantages can be evaluated. The economy is likely to suffer a decreased labor demand. Fixing the minimum wage at a certain level may not be the optimal level that producing firms may be operating at (Waltman, 2008). As a result, these firms will demand less labor due to the fact that it is likely to be expensive after minimum wage laws come into force. The cost of production is likely to up, and so are the prices of goods and services.

Another expected cost of implementing minimum wage laws is the increase in the level of unemployment. Labor supply is likely to increase due to the fact that the minimum wage is expected to be a better to the labor force. However, firms will be laying-off workers due to the increased costs of operation that are likely to emerge with the implementation of the laws. The labor force will be willing and able to work, but fail to secure employment opportunities as firms strive to maintain their profitability (Paterson, 2006).

Tax revenue to the government is also expected to decrease the enforcement of these laws. Firms will be taxed less in order to embrace the move, while the minimum wage earning groups may not be taxed at all. Minimum wage laws have significant benefits to the economy. First, these laws target the low income groups. Uplifting the social welfare of these groups is a positive move towards the achievement of growth and development in the economy. Economic welfare encompasses all aspects of a given nation; social, economic and political aspects. Minimum wage laws are likely to ensure a consistent flow and circulation of money to the economy. This would in return trigger increased demand for consumption goods through consumer spending.

Economic stimulation is another positive achievement of minimum wage. Although minimum wages are termed higher wages for the unskilled labor force, minimum wages have been used to stimulate economic growth and development (Neumark & Wascher, 2008). This is the light of creating more jobs for unemployed, while at the same time striving to ensure that they earn enough to cater for their basic needs. Majority groups of those favored by minimum wages are the poor and low income groups. They constitute a significant proportion of the population and economic development cannot be achieved without addressing their welfare and contribution to the economy.

Use of minimum wage laws to improve the living standards of the poor and the unskilled in the economy is a positive move by the government. The labor force is diverse and dynamic over time. These groups of people may not match the current trends and requirement of a dynamic labor force. In

this regard, it is justified by relevant authorities address their welfare. Such authorities include the government. Minimum wages do not only benefit the poor and the low income groups, but also the entire economy through other generational effects realized in the process. Minimum wages may be termed as higher wages for the unskilled, but the underlying benefits of such laws and programs cannot be disputed (Block, et al. 2003).

#### References

Block, R. et al. (2003). Labor standards in the United States and Canada. Boston: W. E. Upjohn

Institute.

Neumark, D. & Wascher, W. (2008). Minimum wages. Chicago: MIT Press.

Paterson, R. (2006). Wage payment legislation in the United States.

Michigan: G. P. O.

Waltman, J. (2008). Minimum wage policy in Great Britain and the United States. Chicago:

Algora Publishing.