

Increase in minimum wages in seatac washington

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Increase in Minimum Wages in SeaTac Washington

A minimum wage refers to the lowest monthly, weekly, daily or hourly remuneration that can be legally paid to employees by their employers.

Adjustment of the SeaTac's minimum wage is among the hot debates that has hit the city's economic scenes since it directly affect a number of economic aspects across the State. A hike in minimum wage influences factors such the opportunity cost, general demand and supply, producer and consumer surplus, general company profits and aggregate supply and demand (Simaan 383). Thus, the most debatable issues in Washington's economy due to SeaTac's increase in the minimum wage are as discussed below:

To start with, hiking or rather raising the minimum wage have opportunity costs. Opportunity costs refer to the cost of the forgone alternative so as to achieve or pursue a particular action. Thus, raising the cost of labor in SeaTac, as a result of raising the minimum wage, has made many businesses in the city to compensate for the high labor by selling their products at relatively higher prices. Other companies or rather business enterprises decided to reduce their workforce in order to operate at their normal profits.

Secondly, the labor demand in the city is drastically going down. From the economic perspective, the demand curve has always been downward sloping. Thus, when the prices of a particular product increase, whether a good or a service, the buyers tend to purchase less or none at all. For instance, when the price of petrol goes up, people will drive less. This applies to owners of the businesses. When the price of a factor of production such as

labor increases, employers buy less of labor. From Statistics, the long run elasticity of labor demand in the United State of America is around three percent. This implies that SeaTec city has a higher compensation cost and lacks corresponding increment in productivity which makes the employers to start recruiting fewer employees (Marginean & Chenic 99).

Thirdly, increase in minimum wage in SeaTac city has a greater effect in the nation's aggregate demand and supply. From the macroeconomics point of view, an aggregate supply curve depicts the relationship that exists between the overall country's level of prices and the general quantity of goods or services that are produced by the suppliers of the nation. This curve is upward sloping in the short run. Thus, when prices of commodities increase as a result of increase in the cost of production, the aggregate supply reduces. On the other hand, the aggregate demand curve depicts the amount of goods and services which are produced domestically and can be purchased willingly by the government, businesses, foreign nations and other consumers at various levels of prices. This curve is downward sloping to the right which implies that when the levels of prices increase, fewer products are demanded and when the levels of prices decrease, the demand for the products increases. Thus, the increase in SeaTac's minimum wage tends to increase the prices of products which in turn reduce the aggregate demand for these products in the economy (Bashar 508).

Finally, an increase in SeaTac's minimum wage is viewed by people from different perspectives. Some people consider it as a move to assist the low earning citizens in the city whereas others look at it as step to destroy the economy. Thus, as much as people's wages are raised, the city's economy is

still threatened as there will be a lot of currency in circulation which will, at a later stage, cause inflation. In addition, employment opportunities are reduced since many business organizations in the city are laying off a number of employees so as to cut on expenditures.

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