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Since its conception in 1938, minimum wage has hovered at an average of 50 percent of average annual hourly wages for production, non-supervisory workers. For others mainly the mainstream of the economics profession- the fact that the minimum wage was not increased is a testament to the soundness of economics analysis that holds the minimum

Increases to be necessary to the economy as a whole. Both views; however are problematic. The first argument assumes that government is a monolith structure and can easily reach a unitary decision. Government is not. At least not in The United States, is a collection of institutions, actors, and processes; that occasionally achieve some understanding about the basis of consensus.

Minimum wage is as much as an economic issue as it is a political one. The minimum wage is a political issue on several levels. On one level, there are the politics surrounding the choice of models. On another the level there are the political interests of those involved in the debate. Unlike the entitlement programs, the minimum wage is not indexed by inflation, however it requires an act of congress for changes to be made.

Republicans coming from "right to work" states; have traditionally voted against an increase of minimum wage, even though Democrats traditionally are in favor of it. Republicans when they come from those states with a higher union density, tend to vote for an increase of minimum wage even though Republicans usually oppose it. On the whole, though members listen to their constituents.

The first alternative could be referred to as a Monopsony model, as it suggests that those who employ minimum wage workers, because they are

the principal employers of minimum wage workers, enjoy market power and are thus in a position to pay low wages. A second alternative model could be referred to an efficiency wage model, as it suggests that efficiency gains are usually achieved by in the form of higher productivity. Although productivity is difficult to measure, efficiency may be clear in reduced costs that are associated with monitoring those employees who shirk their duties.

A minimum wage, if it is effective, will do one or two things: It will either result in the layoff of those workers whose value is less than minimum, or it will result in a productivity among low- efficiency workers. Consequently, the minimum wage ends up hurting the low-wage employees, precisely those whom it was intended to help. As the cost of labor is increased, the great demand for labor decreases. Only if the demand for goods and services on the part of consumers is increased can we expect an increased demand for labor that will effectively bid up wages. A minimum wage then benefits those who will be paid more money- at a cost of others.

Those who will either lose their jobs and or not be able to find other jobs because employers do not believe their value to be worth the new minimum wage. A policy that raises wages to help some at the expense of others is simply inefficient. Even if there is some outward appearance of benefit to be derived from an increase in the wage floor, there will invariably be a cost to be borne whether in the form of job loss, lost opportunity for jobs, lost benefits, or increased output per man-hour and the demand for higher productivity.

Reference Site:

<https://assignbuster.com/economics-order-essay-sample/>

Exploring the politics of minimum wage By Oren M. Levin-Waldman

Journal of Economic Issues, Vol. 32, 1998.