

Re: Effects of raising minimum wages in USA

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- *From:* "The Trucker" <mikcob@xxxxxxxxxxx>
 - *Date:* Sun, 25 Jun 2006 06:57:30 -0700
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"Wells" <2006wells@xxxxxxxxxxx> wrote in message
news:3u6dnT3SRanxpOPZnZ2dnUVZ_oGdnZ2d@xxxxxxxxxxxxxxxx

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An increase in minimum wage will not "allow" you to suddenly increase the price and you know it. Only AFTER people have more to spend as a result of an across the board increase in wages forced by a rising minimum wage will you be able to increase prices... But the prices will FOLLOW the wages only after people get more money to spend.

It does not follow that an increase in the wage level will necessarily raise the income level and therefore the spending level of unskilled labor. The linkage from wages to income depends on the elasticity of the demand for unskilled labor. For example, capital is a substitute for labor. After a minimum wage increase, management may opt for more capital intensive methods of production and this may result in a decrease of income to minimum-wage earners.

That is an excellent point. Glad to see that there are still intelligent people posting here. However, that "capital" is not naturally occurring and there are jobs created to develop capital. All wages increase the disposable income of the people who actually SPEND. There will be a SHIFT in minimum wage jobs from one field of endeavor to another. There may be more service oriented small businesses as there will be an increase in income for highly paid engineering and technical jobs. If increasing the minimum wage will cause the development of more capital then that is probably a good thing. This is something that is purposefully overlooked by studies that disparage minimum wage increases. The "data" tend to leave out the new small business creation and the change in job sector when examining the effects of increasing minimum wage.

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"I know no safe depository of the ultimate powers of society but the people themselves; and

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if we think them not enlightened enough to exercise their control with a wholesome discretion, the remedy is not to take it from them, but to inform their discretion by education." – Thomas Jefferson

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