Re: Effects of raising minimum wages in USA

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- *From*: "The Trucker" <mikcob@xxxxxxxxxxx>
- *Date*: Sat, 24 Jun 2006 17:21:03 −0700

"Sgt.Sausage" <nobody@xxxxxxxxxxx> wrote in message
news:afcc9$449ae919$42a1e606$24213@xxxxxxxxxxx

> "Nospam" <nospam@xxxxxxxxxxx> wrote in message
> news:14590081.qsx4shvdPs@xxxxxxxxxxxxxx
>
> > Michal Gancarski wrote:
> >
> > > Yes, there are. Minim wage is an important factor among
> > > less educated and
> > > less paid workers. For expample I do not think anybody
> > > would propose that
> > > minimu wage influences unemployment level of well−paid
> > > specialists and
> > > freelancers.
> >
> > It does. Better wage means more spending into economy.
> > More demand create better jobs.
>
> Better wage means I, as the employer, have to spend more to pay
> those wages. Either I make cutbacks (which likely won't happen −− we
> run a pretty lean machine in my shop) OR, alternatively, I raise my prices
> so I can now afford to pay the higher wage.

If you could raise prices with the same work force and the same capital
(machinery and such) as you have right now, you would already have
done it. 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. You may
fairly and accurately refer to this as a "wage price spiral" if you want.
But the prices will FOLLOW the wages only after people get more
money to spend. And this assumes that the rentseekers will not take
it all before the laborers can spend it on your products.

> So ... You've got an extra dollar an hour in your pocket, but everything you buy from me and all the other shop owners who have to support the higher wage costs more so you what do you have: a net null effect.

No. If wages continue to rise and prices THEREFORE continue to rise then the workers gain as the prices are adjusting LATER than the wages −−− sticky prices work both ways.

> More money in your paycheck being cancelled out by higher prices at the cash register. You've gone nowhere.

Still wrong. Those who "have money" (and that includes fixed "interest" government bonds and the like) will LOSE power to those who earn wages. Old money is worth less as money is devalued by overall inflation.

> How does that solve anything for anyone?

It makes the worker AND THE PROPRIETOR more wealthy at the expense of the bond/money holder.

> Then, you're back next year saying the inflation monster is taking over, as evidenced by the higher prices at the cash register, and demand still higher wages, and we start the whole she−bang all over again.

Even so, the old money loses to the new wages.

> I ask again: How the hell does this solve anything for anyone?

I say again: The holder of money is hurt by the inflation and the laborer gains by it. If the laborer owes money (like on his fixed rate mortgage) he does even better.

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