

ACTIVITY 27

The Minimum Wage and Unemployment

Imagine that you are a member of the U.S. House of Representatives. You must decide whether to vote *yes* or *no* on a bill that would raise the minimum wage. In committee hearings on the bill, you heard testimony from people who favor the increase and from people who oppose it. For example, you heard one spokeswoman say:

"We're experiencing high inflation. The minimum wage must be raised accordingly. Otherwise, the working poor will receive wages that are miserably below what is needed to provide food, housing, and other necessities. Every worker has a right to earn a decent, living wage. The present minimum is too low and is therefore unjust and unfair."

And you heard an opponent of the minimum wage state:

"The minimum wage should be allowed to expire. It creates unemployment, especially among disadvantaged minorities and teenagers. It creates incentives for businesses to substitute machines for people. People without jobs are worse off than people with low-paying jobs. This is particularly true for teenagers. Teenage unemployment is much higher than adult unemployment. One of the reasons is that the minimum wage reduces the number of jobs for teenagers with few skills, for at the minimum wage, businesses would rather hire older people who are more skilled or who have more work experience. Such hiring decisions tend to discriminate against young African-Americans who, on the average, have less education and fewer skills than their white counterparts. Don't raise the minimum wage; eliminate it."

Now you must decide how to vote.

1. What is the issue?
2. Draw a supply and demand graph that illustrates the issue. Does the issue involve a price floor, a price ceiling, or neither?



3. What broad social goals should you consider as you decide how to vote on the issue?

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4. What are some alternative means of achieving these goals?

5. What are some advantages of each alternative? Be sure to consider who wins and who loses by each alternative.

6. How would you vote on the issue? Why?