

Minimum Wage

Sample Questions

1. Using a graphical labor supply and demand model, show the minimum wage as a price floor, and explain how it can cause unemployment.
2. In the article we discussed in class, a worker expresses his joy over having his wage rate increased from the old minimum wage of \$5.15 an hour to the new (proposed) rate of \$6.25 an hour. Will he actually be better off once the higher minimum wage takes effect? What factors might reduce his benefit?
3. The *Washington Post* article also outlines the problems and concerns of several employers with regard to the minimum wage. Where does the money come from to pay the increased wage rate to minimum wage workers? What do some of the business owners say they will have to do to pay the minimum wage?
4. Are stores uniformly against the minimum wage? Are there benefits to stores to having the minimum wage enacted? What about Walmart?
5. What are the ripple effects that may result from in minimum wages or minimum wage changes? How important are these effects? How widespread are these effects? Do all wages go up or are the effects limited to those who make near the minimum wage? Explain.
6. Economy-wide, how substantial are the changes to total labor costs resulting from a minimum wage change? Are companies able to absorb these costs? Based on real empirical evidence, assess the overall impact of a minimum wage change of the magnitude usually experienced.
7. What about a “living wage?” What is a living wage and how does it differ from a minimum wage (in the usual sense of the term)? How does the impact of the imposition of a living wage differ from the imposition or increase of a minimum wage?