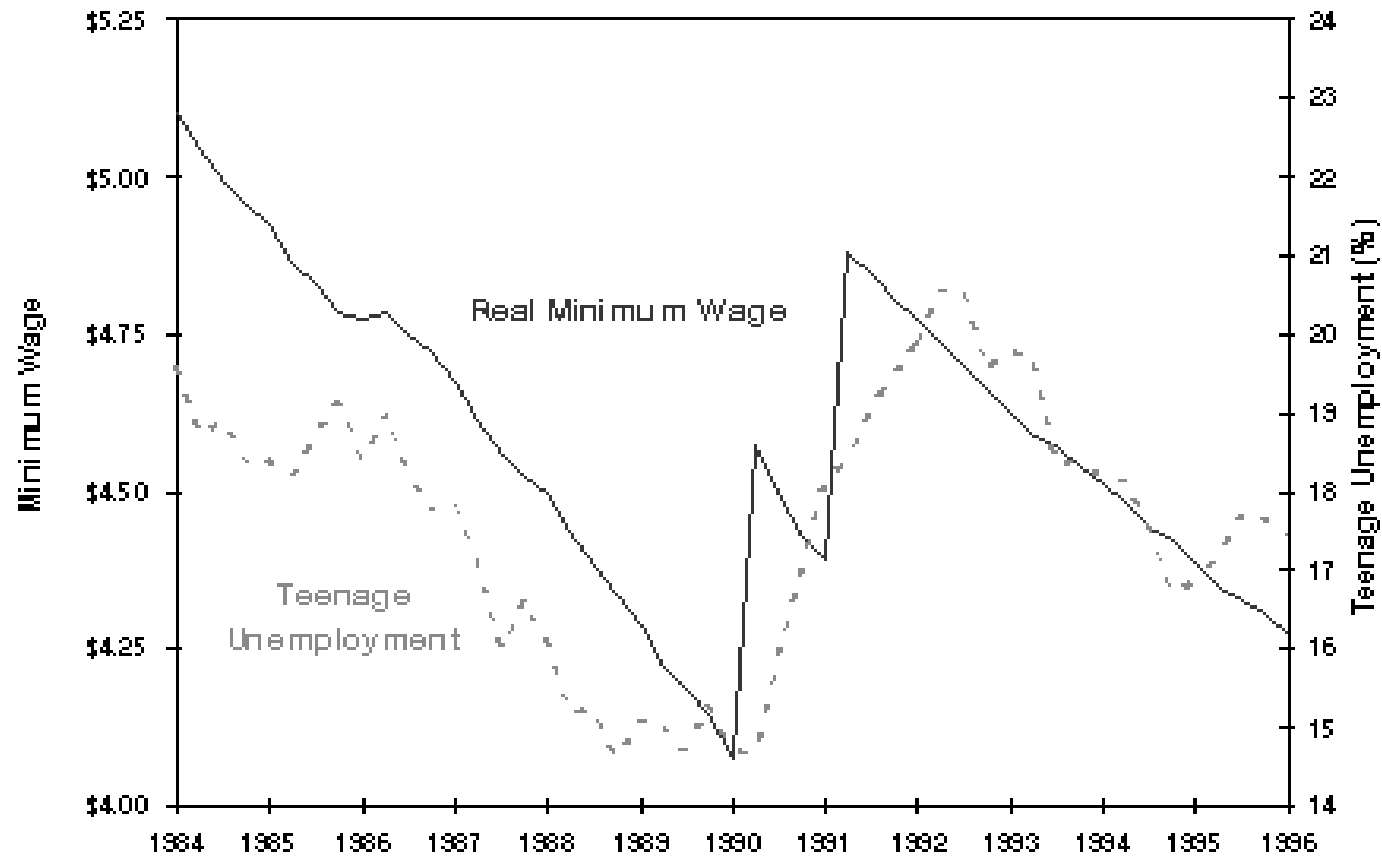


Real Minimum Wage and Teenage Unemployment



Source: Bureau of Labor Statistics

Raising the minimum wage hurts the poor. It takes away jobs, keeps people on welfare, and encourages high-school students to drop out

Table 3: Unemployment Rates and the Minimum Wage

States with Minimum Wage Above Federal

	Unemployment		Minimum Wage	
	Rate 1998	Change 97-98	1997	1998
Oregon	5.5	-0.04	\$5.50	\$6.00
New Jersey	4.4	-0.11	\$5.95	\$5.95
California	5.9	-0.02	\$5.15	\$5.75
Connecticut	3.1	-0.45	\$5.18	\$5.65
Alaska	5.5	-0.29	\$5.65	\$5.65
Massachusetts	3.1	-0.23	\$5.25	\$5.25
Vermont	2.9	-0.28	\$5.25	\$5.25
Average	4.3	-0.20	\$5.42	\$5.64

States with Minimum Wage at Federal Level

	Unemployment		Minimum Wage	
	Rate 1998	Change 97-98	1997	1998
Washington	4.7	0.06	\$5.15	\$5.15
Pennsylvania	4.4	-0.09	\$5.15	\$5.15
New Hampshire	2.9	0.00	\$5.15	\$5.15
New York	5.5	-0.11	\$5.15	\$5.15
Montana	5.5	0.02	\$5.15	\$5.15
Average	4.6	-0.02	\$5.15	\$5.15

Source: Bureau of Labor Statistics, "Local Area Unemployment Statistics,"

- Minimum wages may have the positive effect of:
 - Reducing low-paid work, which may be unfair and exploitative.
 - Stimulating economic growth by increasing the purchasing power of workers.
 - Stimulating economic growth by discouraging labor-intensive industries, thereby encouraging more investment in capital and training.
 - Encouraging many of those who would normally take low-wage jobs to stay in (or return to) school and thus to accumulate human capital.

On the other hand, minimum wages may have the negative effects of:

- Curbing economic growth by increasing the cost of labor.
- Increasing the price of goods and services, since employers may be able to pass on wage costs in the form of higher prices, which means that minimum wage may decrease the purchasing power of workers, which may also result in the exploitation of the consumer.
- Decreasing incentive for some low-skilled workers to gain skills.
- Where implemented locally, making labor more expensive than in other areas, which may discourage inward investment and encourage local businesses to relocate their operations elsewhere.
- Cause higher unemployment rates among the low skilled and uneducated labor as the price of labor increases to favor the more skilled or machines.
- Cause workers laid off because of higher labor costs to consume government assistance thus increasing the cost of government

TEZE 1

- In fact, the power of the minimum wage to kill jobs has been greatly overestimated. Nowadays, most labor economists will tell you that that minimum wages have at most a tiny impact on employment.

TEZE 2

- two-thirds of academic economists at top universities agree with the statement, "a minimum wage increases unemployment among young and unskilled"