

## Inflation and Minimum Wage

In the same way that cars, and real estate, and your great-grandfather's stamp collection gain and lose value over time, so does your money. And that isn't the case just with those things. Every year, the prices for housing, retail goods, healthcare, and insurance, also known as cost of living expenses, continue to rise and fall.

Speaking of rising, According to the Bureau of Statistics, the hourly pay of U.S. workers is growing by 2.8%, and housing costs have risen by 28% in the last ten years!

All of these rising costs impact workers who make minimum wage. Minimum wage is the lowest amount of money per hour that a worker can be paid. This is mandated by the government.

In 2019, 29 states had minimum wages that were greater than the federal minimum wage of \$7.25. Though the federal minimum wage seems low, economists debate whether raising the minimum wage actually benefits its low-wage earners in the long run. In theory, making more money sounds pretty great. But the details are a little more complicated and can have an impact on the economy.

Pay raises give workers more money to meet their needs, but with more money comes more spending, and businesses have to raise prices for the goods or services they provide based on inflation. Inflation is the increase in the price of a good or service based on its demand.

Let's say that you make the minimum wage of \$7.25 an hour and get a \$5 haircut once a month. If the minimum wage in your state is raised from \$7.25 to say, \$15, then the barber shop you go to will start charging more to keep up with inflation. When workers start making more money, surrounding businesses can then charge more for the same services, simply because it is still affordable for their customers.

But even if the minimum wage is higher, it can't keep up with rising cost of living.

## The Congressional Budget

Office projects that raising the minimum wage to \$15 by 2025 may increase the pay of 17 million people, but might also put 1.3 million Americans out of work.

By increasing the minimum wage, companies may struggle to pay the salaries of the same number of workers and may replace them with technology.

Call centers, factories, and restaurants have started replacing their workers with technology to save money. But low-wage jobs are important and provide valuable experience for teenagers looking to make their own money or gain more responsibility. Though economists have debated about the importance of increasing the minimum wage, it is still important to keep in mind that inflation and minimum wage go hand in hand, and you can't have one without the other.

