

Find a dispute over competing causal explanations in another discipline that you have studied.

Assess the competing causal explanations using the criteria of prediction, control, simplicity, and conformance with background beliefs.

There is significant dispute in the field of economics discussing whether decreasing minimum wage increases rates of unemployment. The primary causal explanations for the decrease in unemployment include one side contending that minimum wage is an isolated factor that has the potential to influence job availability alone, whereas the second causal explanation asserts there is a lack of evidence supporting this claim and that there are many other confounders that affect employment. To assess the strengths of each causal explanation, the criteria of prediction, control, simplicity, and conformance with background beliefs will be used in analysing the basis on which different demographics rely to support their understanding. This essay will discuss which causal explanation benefits by relying on prediction and control by recognising the patterns of human behaviour to economic systems in a historical context to determine whether the past events mimic current conditions. We will also analyse which causal explanation is favoured for its simplicity and whether complex explanations that rely on fallacious ad hoc hypotheses are useful in explaining the influence of minimum wage upon employment rates. Finally, the essay will discuss the effect of a causal explanation aligning with previously held background beliefs of a particular demographic upon the magnitude to which it is accepted and understood. Accordingly, it will be discussed how companies and business owners recognise the reliability of the first causal explanation based on their understanding of how they are particularly affected when offsetting the financial costs of

increasing minimum wage whereas economists support the second causal explanation due to their background understanding of the innumerable variables that affect employment rates.

Using methods of prediction and control to assess the disputing causal explanations for the increase of unemployment rates allows us to determine the most plausible explanation based on previous historical events that model similar patterns. Causal explanations for a particular event or an observed pattern can be influenced by historical conditions that mimic the current situation of the labour market, therefore generating a prediction for the likely outcome and in turn allowing us to control such predicted circumstances. This can be observed in the first causal explanation in which it is claimed that minimum wage is the primary factor for increasing unemployment rates. Accordingly, in the United States during the late 19th-century, minimum wage remained for labourers especially as the eugenics movement was rampant, contributing to removing racially diverse and marginalised groups from society as proposed by Royal Meeker and Henry Rogers Seager. This movement accompanied with the US depression of 1893 may serve as a causal explanation for the unemployment rate exceeding 10% per cent up to the beginning of the 20th century. When forming a causal explanation for current US unemployment rates, the prediction and control method based on historical evidence is limited in its ability to rule out coincidence as a series of repeated trials are needed to observe correlations. Contrastingly, the second causal explanation that states it is not the case that lowering minimum wage increases unemployment as there are many contributing factors to this statistical change is an explanation that recognises that the first causal explanation is a rare and uncontrollable event. This is because the eugenics movement and the US depression of 1893 were two unique time periods that contributed to the decrease in the minimum wage, making it difficult to conclude that the lower wages increased unemployment rates alone. When

constructing economic theories to predict and control such employment rates, specifically the law of supply and demand in which prices increase when supply decreases, it is common to use models to understand the typical human behaviour. Therefore, the second explanation can be supported by abstraction to form mathematical models that represent the complex elements of rising unemployment as economic investigations are unable to rely on clinical trials due to many confounders that cannot be controlled in real-life settings. The Card and Kruger investigation involved watching the outcome of raising the minimum wage to \$5.05 in 1992 in New Jersey in comparison to the unchanged wage of Pennsylvania, in which they observed an increase in employment in New Jersey restaurants after a year. This example shows the attempt to observe employment rates through exploiting a natural setting to allow all confounders to be accounted for. To correctly support the second causal explanation through prediction, it must be shown that other possibilities that affect employment are not likely and to construct another investigation that may reveal employment decreases whilst wages remain unchanged. Thus, the trial can be useful in allowing us to control current rates of employment.

The simplicity of causal explanations for unemployment rates can influence the believability of the explanation. Simpler theories that are more testable are favoured over complex causal explanations that are supported by ad hoc hypotheses, a fallacious method of argument that adds extraneous details to unjustified explanations to prevent it from being falsified. The first causal explanation that claims minimum wage is the key factor decreasing employment rates is a simple explanation as it does not consider the effect of confounders. The second causal explanation that states there are more factors that outweigh the effect of minimum wage on employment rates is an explanation that can be considered an ad hoc hypothesis. This is because the explanation is limited in its ability to construct a clinical trial that tests every possible

confounder that can potentially affect employment rates. Furthermore, the second causal explanation continues to lack simplicity when the fallacious explanation of appealing to ignorance is applied. This form of explanation suggests that the lack of evidence of other factors influencing employment rates then proves the first causal explanation should not be believed. It is the case that there are no perfect clinical trials that test each possible confounder of employment rates, therefore the ignorance appeal argument suggests that the possibility of another factor being the key driver in decreasing employment has not yet been falsified. It is almost impossible to isolate minimum wage as the cause of unemployment due to uncontrollable factors such as technological change, economic structural changes, poverty levels, etc. Therefore, the multifactorial nature of the second causal explanation reduces its simplicity to become an explanation that will be readily accepted by economists with an understanding of the labour market whilst being too complex for other demographics, despite the inaccuracy of the first causal explanation isolating minimum wage as the sole cause for unemployment rates.

The magnitude to which a causal explanation aligns with previously held beliefs of an individual can significantly affect how they understand, interpret and believe the explanation. The first causal explanation that states minimum wage as an isolated factor affects employment rates is an explanation that would be generally accepted by a demographic that is directly affected by modified wages, such as small business owners, employers and workplaces. This demographic has the background belief of a higher minimum wage increasing excess costs that are to be covered by the business due to the hastened inflation. Thus, causing the companies to cut employment positions to offset the financial loss, decreasing employment rates. The bias of this demographic highlights the importance of relying on different criteria such as prediction,

control and simplicity as opposed to being dependent on background beliefs. The second causal explanation that claims modifying minimum wage is not a key factor in influencing employment rates is initially proposed by economists and a demographic educated on the behaviour of humans towards a changing labour market. Despite their understanding of the law of supply and demand, they accept it is a theory that assumes many conditions such as a competitive labour market, a large abundance of employees, etc. Therefore, this demographic recognises all the possible variables that can affect employment rates and that mathematical models and strict clinical trials are not sufficient enough to take all confounders into account, causing them to appeal to ignorance. Therefore, each causal explanation has separate demographics supporting each explanation based on existing beliefs based on the education level of the topic, bias, and whether you are part of the group being directly affected by the cause.

The dispute over the competing causal explanations that discuss whether minimum wage is an isolated factor in influencing employment rates has been assessed in this essay based on the criteria of prediction, control, simplicity, and conformance with background beliefs. Accordingly, the first causal explanation that supports the idea of minimum wage affecting employment rates alone relies on the historical evidence of the great depression and the eugenics movement to predict and control present conditions of job availabilities. Furthermore, the first causal explanation is also favoured for its simplicity whereas the second causal explanation presents complex reasoning for the decrease of employment rates that is difficult to test in a clinical setting. Finally, both competing causal explanations are favoured by separate demographics in which the first is understood by small businesses, companies and employers whereas the second is accepted by economists that are educated on the effect of uncontrollable variables upon the labour market. **(Word Count: 1,499)**

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