

Examining different schools of economic thought to address present economic issues:

Minimum Wage

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Research Question

When we think about an economy in a structural sense, I think it would be right to consider it as a complex system of production and exchanges that enable us to survive through provisioning of natural resources. Throughout history, prominent thinkers have modeled economies using different approaches that may be static, dialectic or dynamic in nature. As economics is a social science, it would be relevant to study the analysis of great thinkers to model solutions for our present economic problems. Professor Van den Berg's project uses current issues to provide a relevant pretext for examining the contributions of historical schools of thought. My project was to specifically examine how the policy of minimum wage would be seen by each school of thought throughout history.

Role of the Research Assistant

As a research assistant, to contribute towards my professor's project, I have been working on a paper that is in context of the research question we have been trying to address. My paper theoretically reviews different models to prove that in the realm of present economic research it would be very relevant to go over different schools of economic thought in history and apply them to the present economic problems. My method of research was

mainly theoretical that consisted of reading about different economic ideologies that have been prominent throughout history. I used the ECON 306 textbook and multiple readings for this purpose. Starting with Physiocrats, the paper would hopefully cover most of the important schools of economic thought ending with the New Keynesians.

Discussion

It is an interesting fact to note that in some nations the concept of minimum wage is still unknown or as low as 3 USD for an eight hour work day. In other words, the workers rely on the mercy of the capitalists for their daily income whose obvious motive is to cut costs in order to maximize their profits. So, I think the issue of fair worker compensation not only requires attention from developed nations, but developing nations also need to ponder upon the issue further.

Wage-worker compensation has been a long drawn issue about which almost every school of thought has been vocal about. As per Marx's theory, there is a need for subsistence wage on the basis of a worker's ability to handle equipment and not on the basis of time. The workers would automatically receive satisfactory income for their work in order to successfully survive socially, given they are provided with more social benefits by the government. In contrast, the utilitarian concept of the neoclassical school justifies the share of income on the basis of how much utility

each factor of production like the laborers add to the the production process which would eventually be compensated by the price of the good based on the utility that the consumers would receive from that good. The neoclassicals believe that the marginal revenue product of labor should determine the wage. The Keynesian school of thought extends the neoclassical framework to a situation of recession. Cutting wages in a recession is the only possible way to keep a business profitable so that it keeps on operating. Thorstein Veblen, on the other hand, critiques how unrealistic the marginal revenue productivity theory of wages is in a real life business enterprise. Veblen does not specifically talks about wage determination but favors a more socialist set-up for fair compensation of creative labor.

Conclusion

We observe that there are a variety of different approaches that can be taken when it comes to formulating an economic solution. In practicality, this project could be expanded in the terms of considering different perspectives of great thinkers to conclude what is the most ideal implementation to economic issues like this one.

References

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