Demand for Labor and Minimum Wage

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**Amazon’s Raise: Unequivocally Good:**

1. Demand for labor is known as derived demand because the concept is derived from the consumer demand for goods and services produced by the labors. For instance, Amazon demand for labor is depending on the demand of the consumer for its products. To produce sufficient product for establishing the equilibrium between the demand and supply of the product sufficient number of labors should be hired. The labor demand curve is negatively sloped like consumer demand curve. The factors that can change the demand for labor include; change in the process of production i.e., the organization wants to increase or decrease labor force, change in government regulation, and change in output. Change in wage rate leads to the movement along the supply curve.
2. In the labor market, the firm’s demand curve for labor is the total requirement or demand of one firm for producing the goods and services to meet consumer demand. On the other hand, workers' supply curve of labor is the total labor force present in the market to provide their services. For instance, Amazon has 350000 labors which are the firm's demand curve for labor while there are 160 million labors present in the labor force which indicates the workers' supply curve of labor. By summing up a firm's demand curve for the labor of all the firms present in the market we can develop market demand curve for the labor and it helps us to understand how many workers are available to enter into the market for providing their services.
3. In a competitive labor market, firms are price taker, unlike monopolist firms who are price maker. Within the competitive labor market, wages are determined through the demand and supply by the economic force. The firm offers minimum wage to the labor which can be affected by an external factor. For instance, a minimum wage that a firm is offering to the labor is good enough for him and he accepts the offer. However, if another firm offers higher wage to the labor then he would prefer the firm with a high wage. Another factor that affects the wage determination is government regulation. For instance, the US government has set a minimum wage rate that is 7.25 dollars, however, Amazon has raised the minimum wage of its firm which is 15 dollar per hour.
4. Amazon has decided to raise its minimum wage to 15 dollars while minimum wage rate set by the federal government is 7.25 dollars. It is because Allegretto stated that they could control 5% of the unemployment rate rather than 4% which means millions of labors did not get the chance to avail the benefits of the expansion. This statement raises political pressure and gives chance to Amazon to raise the minimum wage to implement the change. In addition, a rise in wage rate is not much costly for Amazon as much as it is expected because fulfillment-center labor is already making fifteen dollars an hour.
5. The positive effect of the increased wage rate is to advocate for the increase in the minimum wage because the current minimum wage by federal government was set decades ago. It is beneficial for the Amazon as company will become the price maker. On the other hand, there will be a negative impact on the other firms because competition in the labor market will increase and they should also increase their minimum wage rate to maintain the competition. In other words, employees will get benefit from the change and it will increase the production and revenue with the fewer pressure on the employer of Amazon while other companies will get pressure from the strategy (“Amazon’s raise,” n.d.).

**Public Choice and Rent Seeking:**

1. Public choice theory is the theory which is used to cope with traditional issues of political science by using the economic tool. Its content contains the understanding of the political behavior that is how the public makes decisions for political activities. It includes the politicians, political committees, voting public interaction, and the bureaucracy. Public choice develops when the public official ensures the goals that must be in favor of public and portrait themselves as a public servant. The behavior of the people in the theory is derived by the aim of utility maximization. Public choice enables a person who is like other people to get better off; with the voting power they elect the official and give them the power to serve the public. The way people make choices for their eating and clothing which mostly depends on the cultural influence; they also make choice for voting. For instance, when the society portrait a politician that he is good for society then there is a high chance that public choice will be in favor of him and most of the people will vote for him.
2. Rent-seeking is the concept or the strategy which is used by the individuals and the firm to obtain additional benefit from the government. For instance, the government often announces subsidies on different items which mean some proportion of the total cost of the product is paid by the government which results in benefit for both the firms and individuals. The term rent indicates the payment received more than the total cost of the product or keeping the product in service. These changes do not develop any benefits for the society on a large scale and they only redistribute the resources of taxpayers. Politicians establish the policies and laws that regulate the firms about the process of subsidies distribution.
3. Rent seeking is the strategy to achieve the legal benefits to increase the profit in term of revenue or money. Public choice represents the goal of the bureaucrats and politicians which is economic self-interest. Both the terms rent-seeking and public choice represents the benefits seeking, therefore, both can be combined together. Politicians do not do that they do not use lobbying for personal benefits. However, there should be a justification about the budget and spending over the campaigns for elections which means the sources who give donations to make the candidates more successful than the others. If the lobbying is useful for the politicians for their election campaign and there is also the importance to rent seekers that benefits be granted that there would be a constant increase of the regulatory states because in this way politicians will be able to farm more of the economy for the donations. In addition, there can be a negative privilege as well by combining both the term because positive privilege would not be enough for competition.
4. Rent seeking is the way to get the legal privilege to increase the profit and public choice explains that the bureaucrats and politicians acquire economic self-interest. The combination of these two terms can easily be seen in today's world. The best example of the combination of rent-seeking and the public choice is the tech companies. In the past, there was no role of politicians or government for the profits of the companies. The only role of the government was to set the regulations and companies did not know about the lobbying. However, in contemporary time almost every tech companies like Microsoft and Google are well aware of the privilege gained by lobbying. These companies have to lobby for discrediting the more preposterous plans. It indicates that more resources are flowing into the political ecosystem by lobbying (Worstall, n.d.).

**References**

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