Price Control on Labor Market

Price control is the process where the government establishes regulations in the pricing of specified goods and services in the market. Implementation of price control is as a result of direct economic intervention. This is to ensure that customers can afford to purchase certain goods and services in the market. Price control in the labor market tends to create more harm than good. For instance, the unemployed have the responsibility to cater to their needs. When Goods and services are overpriced, many will not afford them. It is good to lower the prices for essential goods and services so as to favor the unemployed or low-income earners' level of living standards.

The use of price control was a result of three key factors. Firstly, price control was due to, in industries with large few trade unions and employers it was easy to administer and to control. Additionally, the excess labor force and the size of the plant which was a result of the great depression allowed supply to increase rapidly. These eased the pressure on the price ceiling (Gilbraith, 2013). Thirdly, people had great confidence in the future purchasing power. This is because they couldn’t purchase civilian goods. They were willing to work and get paid for the labor force.

Additionally, price control is classified into two primary forms that are price ceiling and price floors. Under the price ceiling, this is where the government intervenes in regulation of the price of goods and services to prevent prices to exceed a certain maximum level (Peri, & Yasenov, 2019). In this section of the price ceiling demand and supply framework is used for analysis. In many markets, demand is greater than supply. Potential customers tend to unite to hold down a certain price (Fuller, 2018).

According to Aronson (2019), price floor on the other hand is an act in which the government sets the lowest prices that can price on goods and services or labor in the market. Price floors are also referred to as price supports. This is because they support price from falling below a certain level in the market. The price floor aims at protecting the sellers of goods and services. This is because in this scenario the demand tends to be relatively low than the supply (Aronson, 2019). Neither of the two forms of price control changes to demand and supply in the market. They assist in making demand and supply be at a point where it can favor both the consumers and the sellers.

Yes, the government should increase the minimum wage. This will help to protect the poor from exploitation by rich. This will as well reduce the number of poor in the country as many families will be able to afford most of the services they could not previously (Volling, et al., 2012). Lastly, price control can lead to distortion of how the market operates. This can lead to oversupply or shortage of goods and services in the market. They mostly create problems rather than solve them. Nevertheless, on some occasions, it can help especially in high and volatile agricultural prices.

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