Keeping the Minimum Wage

Chad Tucker
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Introduction

In the United States' currently improving, yet unstable, economy, the raising of the minimum wage has been a hot topic of conversation as well as a prime issue in the legislatures. This issue has become a very polarizing one, with many deeming it as the key to economic salvation and others predicting that it will lead to economic downfall. It has gone from a topic of theoretical philosophy to economic reality in many states and will continue to be so as the minimum wage will be raised in several states over the next few years. This paper will examine what minimum wage is, the problem that it was originally designed to solve, the costs and benefits to raising it and its overall effect on the economy.

Thesis

This paper will examine these topics and will show that raising the minimum wage does not solve poverty but rather worsens the overall economic landscape. Because minimum wage is one of the components in targeting poverty, this paper will additionally consider potential alternative proposals for combating poverty.

Historical Background
Before the minimum wage was introduced in the late 1930’s there was no legislation that protected workers from wage exploitation.¹ In the Great Depression, there was such a high demand for jobs that employers could afford to drive their wages down to virtually nothing. The result of a severe lack of regulation was thousands of workers being routinely exploited in factories and sweatshops for pennies a week. Furthermore, with the economy as bad as it was the unemployment rate was right around 25% which meant not only were workers abused, but they were able to be so because they were extremely expendable. Employers could pay their workers next to nothing because if the workers didn't like it, there were hundreds of thousands of unemployed workers who would gladly work for whatever they were offered no matter how small the payoff. It was a time of snowballing economic downturn and action was needed. In an attempt to patch the unemployment problem, President Franklin D. Roosevelt created his ABC Soup jobs and programs to get as many people employed as he could. The problem with this was that these were not industry jobs that were sustainable but rather temporary programs that did not produce a long term solution to the wage issue.

Upon winning the 1936 re-election, one of the first things President Roosevelt did was sign the Fair Labor Standards Act (FLSA) into law in 1938. FLSA introduced sweeping regulation to fulfill Roosevelt's campaign promise to, "constitutionally protect the American worker" and it did this by creating a minimum wage of 25 cents an hour, workplace safety statutes and
child labor laws. Before moving forward, it is important to understand the origin of minimum wage so that it is understood why it was created and that it was made as a piece of a multifaceted policy. Minimum wage was created to protect American workers by increasing their value, and it was created in such a way that it was one piece of a plan to improve work environments. $0.25 an hour, back then was worth a lot, especially relative to what employers were paying them, and the idea was that these workers would be happy make that much and not be as expendable. This has been criticized in the past, and it is difficult to gauge its success, as World War II has often been credited with getting American industry back up and running and ultimately being the reason for ending the Great Depression. The point of FDR's policies, and the relevance it has to this paper, is that the intent behind FLSA was to end poverty by ending unemployment. Regulation was necessary because workers across the board were being absolutely abused, and this abuse was made possible because of the economic context of that period. In the decades following FLSA's introduction, the minimum wage has been revised by Congress every few years to adjust for inflation and change in cost of living, but the major additions to FLSA have come in the form of expanding coverages.

In 1997, President Clinton introduced legislation that allowed individual states to set their own minimum wage, which really marked the beginning of rapid increases to the raising of minimum wages. The 2007 amendments increased the minimum wage on the federal level to
$5.85 per hour effective July 24, 2007; $6.55 per hour effective July 24, 2008; and $7.25 per hour effective July 24, 2009, where it has remained until now, although there are many proponents of raising it again.

A States Look

Now that states have more control over what theirs are set at, minimum wages across the different states vary greatly. As a result 23 states having a minimum wage over the current federal minimum wage of $7.25, 18 states have a minimum wage that is set equal to the federal minimum wage, 3 states (Arkansas, Georgia and Wyoming) have minimum wages that are lower than the federal, 5 states (Alabama, Louisiana, South Carolina, Tennessee and Mississippi) have not declared a state minimum wage and 1 state (New Hampshire) repealed their state minimum wage in 2011, but left the reference to the federal minimum wage. There are 9 states that are set to receive increases to their minimum wages by January 1, 2015 as a result of changes made to their state laws and these states include Arizona, Colorado, Florida, Missouri, Montana, New Jersey, Ohio, Oregon, and Washington.

For those states that have a lower minimum wage then the federal, one might wonder how that is possible, as the federal minimum wage would overrule it according to the Supremacy
Clause of the Constitution. Businesses that make less than $500,000 dollars annually, and do not participate in interstate commerce including phone calls, are exempt from the federal minimum wage due to amendments made to the FLSA. Such businesses include, but are not limited to, independent contractors, workers on small farms, newspaper deliverers, those that work with a newspaper with a circulation of less than 4,000 or a radio station with less than 750 listeners and apprentices. For such employees and businesses, they are accountable to state laws, which means for a state with no minimum wage law, the employer has the power to set what that employee makes. Certain nonprofit and educational organizations can apply for a certificate from the Department of Labor allowing them to hire workers for as little as 85% of the applicable minimum wage. This is commonly used by colleges and universities, as well as nonprofit organizations.

Political Perspective

The political causation and impact of raising the minimum wage cannot be overlooked. Minimum wage laws are often advocated by those who see themselves as taking the side of the workers against their employers, when in fact the employers may end up less harmed by such laws than are the workers themselves. Among the strongest proponents of minimum wage laws are labor unions, even though their members typically make much more than a
minimum wage rate. One of the main reasons for this is experienced unionized workers are competing for employment against younger, inexperienced, and less skilled workers, whose pay is likely to be near minimum wages. So, in raising the minimum wage the unions are able to displace the inexperienced workers with higher skilled unionized workers, thereby properly "representing" their people. Raising the minimum wage is a top priority for unions because just as businesses seek to have the government impose tariffs on imported goods that compete with their products, so labor unions use minimum wage laws as tariffs to force up the price of non-labor that competes with their members for jobs. The political angle, often taken by Democrats as they are typically huge supporters of labor and unions, is that in raising the minimum wage rates they can create the image that their workers are being protected. Unfortunately, this is an example of zero-sum thinking\(^9\) as the net result is negative on the labor market. Those most negatively affected are inexperienced and unskilled workers whose unemployment can deprive them of both current income and human capital that work experience could build up for them and enable them to advance and make more money in the future. Unfortunately, this is a faulty political point because the real minimum wage is often zero as that is often what workers make as they often lose their jobs, or fail to find jobs once they enter the labor force. The issue of raising the minimum wage is largely a political issue
that over emphasizes its economic value for the purpose of securing votes and support at the expense of businesses and consumers.

President Obama's Goal in Raising the Minimum Wage

In his State of the Union Address in 2014, President Barack Obama proposed that the federal minimum wage be raised from $7.25 an hour to $10.10 an hour. After acknowledging a gentleman in the audience who had recently raised his local business wage, the president said,

"In the coming weeks, I will issue an Executive Order requiring federal contractors to pay their federally-funded employees a fair wage of at least $10.10 an hour – because if you look our troops’ meals or wash their dishes, you shouldn’t have to live in poverty. Of course, to reach millions more, Congress needs to get on board. Today, the federal minimum wage is worth about twenty percent less than it was when Ronald Reagan first stood here. Tom Harkin and George Miller have a bill to fix that by lifting the minimum wage to $10.10. This will help families. It will give businesses customers with more money to spend. It doesn’t involve any new bureaucratic program. So join the rest of the country. Say yes. Give America a raise." That is just about all that was said in his speech concerning minimum wage, and in it there is no clear intended purpose for why it should be raised. He does however imply that if you are making below that, you are living in poverty and this proposal seeks to end that. He also states that this is to "help families" and will "give customers more money to spend." No specifics are given as to how these things will be accomplished.
A few months later, the White House released a two minute video promoting this proposed policy, which began to put some numbers around the situation. According to this video, raising the minimum wage to $10.10 would bring nearly 2 million Americans out of poverty, 28 million workers would see their wages go up, and it would strengthen the economy as a whole because consumers would have more money to spend and workers would be happier and therefore more productive leading to less turnover. The video claims, as the president as on a number of occasions, that this can all take place without any extra taxes or added bureaucracies.

Nowhere in the President's speech or in the video, are sources cited anywhere. The White House has cited numbers from the Congressional Budget Office that run contrary to the claims made by the Obama Administration, namely when it comes to how many workers will be affected and the prediction when it comes to raising people out of poverty.

Regardless of what the numbers say, what can be drawn from this is that it is the position of the White House that this policy will serve as a solution to poverty. Not only will it correct a negative economic trend in poverty, but it will also provide a net good as consumers will have more money to spend, thereby stimulating the economy.
The “Decent Living Wage” Argument In Support of Raising the Minimum Wage

There are various different arguments in support of raising the federal minimum wage and for the sake of this paper two of them will be discussed just as two arguments will be examined in support of lowering the minimum wage. The first argument in support of raising the federal minimum wage is that under the current system, workers cannot make a decent living with minimum wage.\textsuperscript{16} There is a high discrepancy between income and housing expenses, assuming that 30\% of one's income would go towards housing. The argument is made that an individual would have to work at least 63 hours a week, upwards of 100 hours on the East Coast and California, in order to afford rent for an average two bedroom apartment, concluding that higher wages were necessary for lower skilled workers to afford housing.

The “Inflation” Argument in Support of Raising the Minimum Wage

The second “inflation” argument in support of raising the minimum wage is that the current federal minimum wage does not properly account for inflation. The argument states that because minimum wage has never been tied directly to inflation, its value has eroded significantly and has therefore contributed to an increase in income inequality.\textsuperscript{17} David Cooper, an economic analyst at the Economic Policy Institute, said the minimum wage in
1968 was about $9.40 in today's dollars: "So that means that today, America's lowest paid workers are being paid about 23 percent less than they were 45 years ago.” Numbers from the Congressional Budget Office support Cooper’s case that if minimum wage is raised to $10.10, this would boost the weekly earnings of 16.5 million low income workers bringing nearly 900,000 people above the poverty line. These numbers are considerably different than those offered by President Obama which said that 28 million workers would receive a pay boost and 2 million people would be brought above the poverty line.

The “Displacement” Argument in Support of Lowering the Minimum Wage

The first argument against raising the minimum wage is that raising it to $10.10, as has been proposed by the Obama Administration, is that it will misalign workers from the skilled jobs they should be occupying, and will inevitably lead to job loss. Also citing the Congressional Budget Office, professor Jonathan Meer from Texas A&M claims that raising the minimum wage would result in nearly 500,000 jobs being lost. According to his findings, "minimum wage reduces net job growth, primarily through its effect on job creation" and that those effects "are most pronounced for younger workers and in industries with a higher proportion of low-wage workers." (Chicago Tribune). This is caused because if easier jobs pay more money, skilled workers may be inclined to be content and stay in those lower jobs
resulting in blocked markets and fewer jobs for younger unskilled workers who are looking
for a minimum wage job.

The “Lose-Lose” Argument in Support of Lowering the Minimum Wage

The second argument is that raising the minimum wage puts employers in a “lose-lose”
situation. In order to stay profitable, business owners have to choose between cutting the
number of employees and raising their prices. Neither represent good options as one increases
unemployment, which makes basic needs less attainable for those put out of work, and the
other discourages spending which hurts the economy as a whole. In an unfortunate irony, "...
workers with the lowest wages are hurt the most, as they are least likely to be able to afford
goods at higher costs." These arguments will be further addressed later on in this essay after
the general economic landscape is assessed.

Negative Impact Analysis

As of 2013, it was observed that in states that have experienced at least a $1 increase in
minimum wage, which would include California, Connecticut, District of Columbia, Illinois,
Nevada, New Jersey, Oregon, Vermont and Washington, showed an association on average of
a 1.48% increase in unemployment, a .18% decrease in net job growth rate, and a 4.01%
decrease in teenage net job growth rate. In addition, it was shown from the same study that
in states that had any increase to the federal minimum wage, which in addition to the states already listed includes Arizona, Colorado, Florida, Maine, Massachusetts, Michigan, Missouri, Montana, New Mexico, New York, Ohio and Rhode Island, had an average unemployment increase by 747,000 workers and reduced job growth by 83,300 jobs. Before proceeding, it should be pointed out that these are just associations and do not necessarily reflect a direct correlation to minimum wage. Having said that, what these numbers do show is that in states with an increased minimum wage, it is not seen to have positive economic trends, specifically as it relates to employment, which does not reflect well on this as being a solution to economic problems. While these numbers do not necessarily mean that increasing the minimum wage causes economic problems, they certainly show that it does not fix them.

The theory against minimum wage is that it negatively impacts three primary groups. These three groups include employers, employees and consumers. How each of these different groups are impacted is dependent on which choice employers make from the two options, however for the purpose of this argument a third and fourth option are added.

**How Raising the Minimum Wage Effects Employers**

For business owners, the primary concern is the bottom line, which would obviously take a hit to some degree if they were mandated to pay their employees more. It would appear that
employers have four main options if they must pay higher wages, although there really is no limit to creative solutions that businesses can come up with. The first would be to keep everything the same, meaning prices and the number of employees, which would result in less revenue as the only factor that has changed would be the cost of labor. Seeing as a primary concern is the bottom line, this option is impractical and unlikely which is why Patterson did not list it as an option in the first place. The second option would be to raise prices and keep the number of employees the same. This option would aid in maintaining the status quo, however it might drive away consumers as they are the ones who would have to experience the rise in prices. The prime issue with this option is that it would most likely discourage spending from the consumer which hurts the owners business as well as the economy as a whole. The third option is to cut benefits which is a likely choice, however this can negatively affect the product, due to employee unrest, and therefore hurting your consumer base and your revenue. The fourth option would be to keep the prices down, thereby maintaining their consumer base, and lower their labor cost by cutting the number of employees. In terms of trends, the fourth option is the one economists fear the most and unfortunately are already beginning to see. This fourth option will be further addressed later on as it factors into how raising the minimum wage effects the workforce.
Beyond having to make up for the initial cost of paying employees more, additional costs emerge for business owners. In a state where there is a $1 increase to minimum wage, such as New Jersey, an extra 10.5% increase in taxes can be expected which is primarily found in Social Security and Medicare. Employees have 6.2% of their paychecks withheld for Social Security, but what many people don't know is that their employers have to match what the government withholds. Similarly for Medicare, both the employee and employer pay 1.45% of the wage showing us that when minimum wage is risen it is not just the dollar per hour, but also an increase in taxes.  

Also, an additional concern for business owners is the potential for vendors to increase their costs as well. The challenge that raising the minimum wage presents is that it raises costs across the board. For example, for Tony the restaurant owner, it is not only the wages of his employees that factor into the costs have been raised for him, but potentially the cost of his vendors as well. If Jim the repair man, Scott the snowplow operator and Michael the inventory delivery man have all had their labor costs raised then it is likely that they have all raised their prices for their services as well which has resulted in additional increased costs for Tony. So, from a business owner's perspective, the concerns that they might have about the minimum wage being raised higher is increased costs in wages, taxes and additional costs for vendors and supplies.
How Raising the Minimum Wage Effects the Workforce

It is a fundamental economic principle that demand curves slope downward, showing us that when costs go up, consumption goes down. This principle is true in the second option that business owners have, if the cost of goods or services goes up then consumption will go down, and is the reason why employers have been moving to the third option. In the third option, when the cost of labor goes up, investment into labor goes down. When there is a 10% increase in labor costs employers tend to cut their workforce by 3%. The reason for this cut in workforce is because higher costs for a given quantity and quality of labor tend to produce less employment, just as higher prices for other things tend to produce fewer sales. (Basic Economics) A number that the White House does not discuss is "expected job creation", and if this policy were operating under the FDR model it would be looking to solve poverty by creating jobs, but it would appear that the Obama Administration is primarily concerned with just improving already existing jobs. The problem is that not only is there a lack of numbers to show job creation, but it has also been predicted by the Congressional Budget Office, as stated earlier, that job loss can be expected. Regardless of what the economic policy is, when predicted unemployment is a byproduct it is an alarming commentary on the predicted outcome of that policy. Thus, it is shown that minimum wage may hurt the ones it is supposed
to aid and while raising minimum wage is intended to raise the quality of living for unskilled workers it is assumed that those who occupy those jobs actually have them.

A major impact on the workforce if jobs are lost and not created is the lack of experience that those jobs bring. It is the position of this paper that employers should have the freedom to compensate their workers based on the value that they bring to their organization. This is to say that if an employer deems that an entry level position is less valuable then a management position, then they should be paid accordingly. However, this is not to say that just because they are not compensated the same that an entry level position is not very important. For employees, minimum wage jobs often help build skills, knowledge and experience that help advance those employees into higher roles later on. This process of entering into the workforce at an entry level position and gradually learning, growing and advancing into new positions is very important to the individual but it is also a process that the economy relies on. If those jobs are diminishing because employers cannot afford them due to increasing minimum wage laws then individuals are missing out on a beneficial work experience and consequently the economy is missing out on experienced workers.

How Raising the Minimum Wage Effects Consumers
The third group that is affected by raising the minimum wage is the consumer. If increased costs is the direction that a company decides to go, which is a likely trend for smaller businesses, then increased sales tax is going to be a natural byproduct that will affect everyone who purchases those products/services. If higher costs, and subsequently higher taxes, drive consumers away than this will further hurt businesses and threaten job growth. This, unfortunately, has been seen in states that have a higher minimum wage as their teen net job growth is down 4.08%. If companies choose to go the route of cutting labor or/and benefits then this will also negatively affect the consumer because the quality of their experience will decrease. All viable options appear to impact the consumer negatively and therefore negatively affect the economy as a whole, contrary to what the Obama administration has proposed. Much discussion of fairness involves comparing two sets of people and ignoring other people who may be more numerous then both and have far more at stake. Those who are often ignored are consumers, and the unfortunate irony is that workers who will see a slight wage increase are also consumers who will experience a significant cost of living increase.

The primary goal, according to President Obama, of raising the minimum wage is to get rid of poverty, however this goal may be misguided. Treating poverty is a worthwhile goal, however policies that seek to treat this issue must be reconciled with the fact that poverty cannot be properly treated if jobs are being lost.
California as a Case Study

As an example of an economic climate that very well could be negatively affected by the rise of minimum wage, California comes up where a great concern has to be the job growth rate especially when the trends of the last few years are observed.\textsuperscript{32} It is an alarming fact that businesses are disappearing from California, as the state had more businesses leave from 2011-2012 than any other state at a 5.2\% loss, which comes out to about 75,000 jobs. Two points should be established; first, it is not clear where these jobs are going as there are few numbers to suggest if they are moving to other parts of the U.S., other countries or simply going out of business, although there is support that all three are taking place. This, however, does not change the fact that their departure is alarming for the future of the California economy. Second, it is not conclusive that raising the minimum wage is the main cause of these businesses leaving, California after all was hit hard by the economic downturn experienced in 2007 and in many ways is still recovering from that. The point here is that as California is recovering, the government should not be passing laws that create a more difficult environment for it to recover, and that is exactly what has taken place. California is not a business friendly state with high taxes, high regulations and for now the fourth highest minimum wage that goes into having an unskilled workforce. The result of this environment is much higher prices.\textsuperscript{33} Again, when prices are high on non-essentials, consumption goes down,
and when consumption goes down business suffers. For small businesses seem to be trapped in a "catch twenty two" of either slashing their prices or their workforce, either choice jeopardizes their consumer base and therefore their revenue and profit. For many big businesses, such as Hewlett-Packard, it is just easier to outsource jobs to countries like India, Germany and Brazil where they can give their unskilled jobs to unskilled workers at an unskilled price. When those big businesses begin to slowly withdraw, what happens to the workers that occupied those jobs in the U.S.? They are now laid off and unemployed, and while it was great that they received two extra dollars an hour for four months, now they are making zero dollars an hour because that is now the cost of doing business in California. Those American workers now lose their income but they also lose the experience that would have trained them to be more valuable employees to the company, thereby removing the potential for advancement in position and compensation.

A recovering market wants businesses to thrive so that they can employ as many people as possible. As one would recall, this was one of President Roosevelt's objectives when attempting to get the economy back on track during the Great Depression. Employment was the key to recovery. So looking back on what has already been established about the current and desired structure of minimum wage, it is shown that it is not an effective method of job creation. In California, small businesses are trapped or shutting down, and bigger corporations
are opting to leave the state and outsource work to other countries. This is a reflection of the overall economic landscape of which the minimum wage laws contribute.

**The Fundamental Flaws with Raising Minimum Wage**

The fundamental flaw with the ideology behind raising the minimum wage is that it seeks to treat a symptom and refuses to address the source. Poverty, which is allegedly what proponents of this policy seek to fix, is a symptom of unemployment which is caused by a lack of jobs. So, what we should be looking to fix is unemployment, and by solving this issue we will address poverty. Not only is it a bad policy because it is misdirected, but even in what it seeks to achieve it does a poor job at. Of those that are directly affected by an increase in minimum wage, only 11% of them are considered impoverished. Over half (53 percent) are teenagers or young adults under the age of 23. More than half (54 percent) of these young workers live in families with incomes two or more times the official poverty level for their family size and 18 percent live in poor families. The average family income of these young workers is almost $50,500 per year. The average income for single young workers is $11,200. Over 63 percent are enrolled in either high school or college. The proponents of minimum wage want poverty to be fixed, but the main recipients of minimum wage are children that do not make up the impoverished demographic. Meanwhile, unemployment for African
American teens is at an alarming 43.1% and 22.1% for white teens, and what this shows is that we as a society are not properly preparing our youth to enter into the workforce and these unemployment rates carry over into their 20's. Those that are poor are staying poor, and they are staying poor because they do not have jobs.

This segues nicely into another economic and social issue that contributes to this economic issue and voids the raising the minimum wage argument; that issue is welfare. While this is primarily an economic topic, it absolutely has social implications. There are four primary issues with the current welfare system: It does not provide sufficient state flexibility, it does not encourage work, it is responsible for the breakdown of the family, especially for a rising tide of out-of-wedlock births and it has done little to reduce poverty, especially among children. All of these issues need to be addressed, but the most relevant issue, as it pertains to this paper, is the third point. The system is designed to help the impoverished, but all it has succeeded in doing is keeping poor people poor. Worse in fact, a welfare culture has been created that rewards individuals for not working and doesn't give them any incentive to pursue employment.

A Conflicting Ideology
On the surface, minimum wage increase and welfare seem to send out conflicting messages; on one hand, they want to fix poverty by giving lower class individuals higher wages, but on the other they provide a system that encourages and rewards the lower class for staying unemployed. However, while the application seems contradictory, the ideology is beautifully consistent in that both systems reward little work with high rewards. Where the welfare system rewards many individuals for not working at all, the minimum wage rewards non-skill workers money that is usually rewarded to those who have proven their skill and have earned raises. Both have the same mentality behind them as giving out participation trophies, where the reward is not derived from performance but simply for showing up. Now, this is not meant to be said with the intention of sounding insensitive to circumstances, or in an elitist way deny that poverty is a real issue. There are many hardworking lower class individuals, but they should be rewarded for their hard work by receiving raises, not treated with charity just because they fit into a certain tax bracket. To give them the same reward as someone who does not work and cheats the system is disrespectful to the labor that workers put in. Welfare certainly has its place in helping unemployed individuals get back on their feet, but the way that it is set up right now is too easy to cheat and is in need of reform.

As Christian leaders, it ought to be a goal to have a Christ-like perspective as policy is analyzed and created. With a topic such as minimum wage, more than the bottom line should
be considered as individual's livelihood and wellbeing are at stake. Naturally then, a Biblical perspective must at the very least factor into the discussion and its principles brought into consideration.

**Biblical Analysis**

On one hand Christians are called to help the poor and those in need, for example in James 1:27 it says, "Religion that God our Father accepts is pure and faultless is this: to look after orphans and widows in their distress and to keep oneself from being polluted by the world." (NIV) This is not just limited to orphans and widows however, as we see in Matthew 25 when Jesus is describing the sheep and the goats he says, "The King will say to those on his right 'Come, you who are blessed by my Father; take your inheritance, the kingdom prepared for you since the creation of the world. For I was hungry and you gave me something to eat, I was thirsty and you gave me something to drink, I was a stranger and you invited me in, I needed clothes and you clothed me, I was sick and you looked after me, I was in prison and you came to visit me.'" (NIV) Again, charitable giving and looking out for those that are in need is an excellent Christian principle and should absolutely impact the way we treat policy as Christians.
Having said that, another important value is hard work, as Paul states in 2 Thessalonians 3:10, "For even when we were with you, we gave you this rule: 'The one who is unwilling to work shall not eat.'" As we look to shape policy, we cannot reward those that refuse to work and cheat the system, but rather we reward those that work. Theodore Roosevelt echoed this principle, "Work, the capacity for work, is absolutely necessary; and no man's life is full, no man can be said to live in the true sense of the word, if he does not work. ... (He who works) has the quality which enables him to love his fellows, to work with them and for them for the common good of all."

From the beginning of creation, man was made to work, and because this was God's design man can feel an element of fulfillment in staying active and working. By participating in work, man has the opportunity to participate in community which is another major biblical theme that is important for society to understand. Man was made for relationship and community, and idleness isolates and robs of the opportunity to grow with one's fellow man.

In regards to minimum wage, it is a biblical principle to reward proportionally to what one has done. In Romans 2:6 we find that, "God will repay each person according to what they have done." This verse is perhaps discussing spiritual works, more so than physical works, but the principle remains the same that many minimum wage jobs are rewarding in a disproportionate way. One who works in the kitchen at Chick-Fil-A as a breeder, which can be
very difficult work at times, is not worth $10 an hour because it is not skilled work. If that
breader were to leave, the operation would continue without skipping a beat, therefore $10 an
hour is not proportionate to the value that position brings to the overall operation. Managers
on the other hand are responsible for much more and are paid accordingly which reflects the
biblical principle of being rewarded in accordance with what one has done.

Policy Recommendation

Given all of the information that has been gathered and examined, a policy proposal has
been created that is threefold. The purpose of this proposal is not to solve poverty directly, but
rather solve unemployment. As unemployment is solved, decreasing poverty will be a
byproduct that follows. The three steps to this policy are lowering the minimum wage, or
maintaining the federal at $7.25, promoting job growth through lowering taxes and
regulations, and finally, reforming the welfare system in such a way that individuals are
encouraged to seek employment.

First, in lowering the minimum wage the objective is to increase the number of new
workers, especially teens, in these positions but to not create too much of an incentive that
many older workers are drawn to the positions. In other words, these jobs are not supposed to
be jobs that one gets stuck in and try to make a living on, but rather a training ground and
stepping stone for the next big thing. Many businesses hire interns and employees for cheap because when they enter they are unskilled, but over time they can acquire the skills they need to be skilled workers and receive raises and promotions. When minimum wage is increased, the costs for these businesses to pay unskilled workers goes up and creates a disincentive to invest in them. This component seeks to remove that disincentive.

The objective of the second component is simply to get businesses to stay in California and the U.S. High taxes and regulations create disincentive to be here, especially since most of them can outsource to other nations where everything, including labor, is cheaper. The solution is a basic "cost-benefit" analysis. There are natural benefits to hiring and having business within the United States which include great markets, locations and opportunities, so it won’t take much to get them to stay. While the benefits are good, the costs are much too high so the metaphorical foot has to ease off the tax pedal a little bit as it is getting completely out of hand. Big businesses can just leave, but for small businesses to survive the economic climate that our government creates has to become friendlier. It has to be understood that this topic is a huge issue that cannot simply be solved by lowering one price or raising another. Taxes and minimum wage laws are pieces to the larger economic perspective. If the goal is to create a thriving economy then it starts with business and job creation, and in order for those to exist an environment must be created that is inviting to businesses. To raise taxes and labor
costs, as the U.S. government is doing, is a sign of arrogance as if businesses have nowhere else to go. The reality is that they are leaving rapidly and so this component of the policy proposal seeks to remove those current disincentives. The main goal of this proposal is to promote job growth, therefore retaining businesses in the United States that create jobs is a high priority.

Finally, the third component is reforming the welfare system. As has been noted from history, the key to getting out of a tough economy is creating more jobs so there is more demand for employees. This has to start with changing a culture that does not encourage employment. Devaluing minimum wage is an excellent first step because it begins to damage this ideology. The greater distance that is created from rewarding mediocrity, the closer the system will come to rewarding excellence. While it is recognized that it would not be an easy policy to implement because of how radically different it is from the current system, this proposal recommends a libertarian approach. Therefore, in order to fix the welfare system, it is proposed that it be ended. None of the proposals currently being advanced by either conservatives or liberals is likely to fix the fundamental problems with our welfare system. Current proposals for welfare reform, including block grants, job training, and "workfare" represent mere tinkering with a failed system. It is time to recognize that welfare cannot be reformed: the entire social welfare system should be ended, which includes eliminating food
stamps, subsidized housing, and all the rest. Individuals who are unable to fully support themselves and their families through the job market, especially those that are genuinely in need of assistance and short term help, must, once again, learn to rely on supportive family, church, community, or private charity to bridge the gap.

As these three components are implemented the economy will experience job growth, have workers properly distributed by their skill, thereby improving performance and products which will lead to expansion of business which will lead to more employment opportunities. It is a system that builds on itself and will result in job growth and economic expansion.

Conclusion

Raising the minimum wage presents several difficult problems. Putting businesses in an impossible situation, threatening job security and creation, and presenting an unnecessary burden on consumers are a few of the issues that have been tackled in this paper. For these reasons, and the many others addressed, it is concluded that raising the minimum wage would have a severe negative impact on states' economies and should therefore not be pursued.

If attacking poverty is the motivation behind raising minimum wage, then alternative solutions are proposed. Rescinding the minimum wage, creating an environment that is pro-business, through tax breaks and deregulation, and removing the welfare system is the
proposed course of action are all alternatives that are far less harmful to the economy than raising the minimum wage. This course will promote employment, lead to more consumers and generate more revenue with which businesses can use to give raises to their employees.

A major point that is often overlooked is that when statistics are drawn they only give a brief snapshot in time. In other words, just because a certain amount of people make money below the poverty line does not mean that is what they will be making five years from when those numbers were viewed. The job experience is just as valuable as the wage because it leads to more opportunity, and consequently higher wages. It has already been established that raising the minimum wage threatens to remove this experience but additionally if a pro-business policy is applied it will enrich the experience for thousands of people who are not experiencing it. As those that are in poverty receive jobs they add to the economy, and as they do so they will improve their own financial standing. More business will lead to more jobs, which will lead to more wages which will lead to less poverty.
End Notes

1 History of the minimum wage http://www.minimum-wage.org/history.asp


3 Ibid.

4 Ibid.


7 Elaborates on who is exempt from minimum wage laws. http://www.minimum-wage.org/minimum-wage-exemptions.asp

8 Political Economy 4th edition, Henry Sowell, pg. 485

9 Political Economy 4th edition, Henry Sowell, pg. 612


12 White House explanatory video proposing raising the minimum wage. http://www.whitehouse.gov/raise-the-wage


15 Ibid

16 Study and report released by the National Low Income Housing Coalition. http://nlihc.org/sites/default/files/oor/2012-OOR.pdf


20 Argument against raising minimum wage. http://www.debt.org/jobs/minimum-wage/

21 Ibid


25 Ibid


27 Ibid

28 http://www.heritage.org/research/testimony/2013/06/what-is-minimum-wage-its-history-and-effects-on-the-economy

29 Ibid

30 Ibid


33 Ibid


35 http://articles.latimes.com/2013/mar/10/opinion/la-oe-hassett-the-case-against-the-minimum-wage-20130310

36 http://www.urban.org/publications/306620.html


38 The Book of Man, William J. Bennett pgs. 105-106
