



THE ECONOMICS OF THE MINIMUM WAGE AND THE CHRISTIAN RESPONSE

Joy Buchanan

“To look after orphans and widows in their distress” is how the Bible describes one aspect of the Christian’s mission (James 1:27). Christians are called to care for the most vulnerable people in society. Doing so involves everything from donating money and time to thinking about the laws we make. To love our neighbors, we must evaluate and correct laws that make life more difficult, especially for those in low-income neighborhoods. In this paper, I will assess whether the controversial proposal to raise the legal minimum wage would make life better or worse for Americans. To assess this policy, a Christian must ask, “Is this the best way to love my neighbor?”

Raising the legal minimum wage would help some people who have low-paying jobs. As income inequality increases in the United States, the minimum wage is seen as a way to preserve the more egalitarian society of the mid-twentieth century. Consider, however, that a system without those rules allows people to choose where they work and to set their own terms. Many people would choose not to be restricted by minimum wage laws because it would allow them more flexibility or a chance to develop skills and experience. Unfortunately, there is no way to have the best of both worlds. It either is illegal for everyone to work for pay below a certain level, or it is not. The motivation to raise the minimum wage is often out of a genuine concern for low-income neighbors – a gesture of love. However, the law has unintended, harmful economic consequences. There are other ways to help the poor without limiting their employment options. Facing these policy choices, what would Jesus do?

In this paper, I will examine both the economic and Christian moral arguments for the minimum wage. In the first section, I will explain the consequences of raising the minimum wage. Economists can predict what may happen if the federal minimum wage is raised to fifteen dollars using both theories of behavior and historical observations. Second, I will describe the moral obligation that Christians have to help the poor and how it relates to minimum wage legislation. The last section is about the political forces at work in the minimum wage debate. This law could help a few political factions while disempowering the most vulnerable members of society.

ECONOMIC HISTORY, THEORY, AND DATA

Raising the minimum wage would help some people. It would help the people who can get minimum wage jobs and who otherwise would have earned less income. However, raising the minimum wage hurts many others, including consumers and those who lose their jobs as a result. All economists (some of whom support the fight for a fifteen-dollar minimum wage) agree that a very large increase in the minimum wage would be bad for society and even bad for the poor.ⁱ For a voter who is concerned about income inequality, is there a good reason to support raising the minimum wage?

Why Is Income Inequality Increasing in the US and Decreasing Globally?

Economic history is easy to summarize: by today's standards, everyone used to be poor. Although society has always had inequality, the former top 1 percent had levels of healthcare and sanitation that most Americans today would not want to contemplate. In Elizabethan England, babies allegedly went days without a diaper change. Just 100 years ago, the son of a US president died from an infected blister on his foot.ⁱⁱ

The fact that rich people today are better off than (relatively) rich people a century ago will not encourage those who worry about income inequality.ⁱⁱⁱ However, it is good news that absolute levels of poverty are decreasing throughout the world. The World Bank recently announced that the number of those in extreme poverty has fallen by hundreds of millions of people.^{iv} The number of people who moved out of extreme poverty between 2012 and 2015 is more than half of the US population. Nearly a billion people live in China and millions of those people have moved out of extreme poverty through economic

liberation within their country and through trade with the West. Economist Tyler Cowen writes, “The economic surges of China, India and some other nations have been among the most egalitarian developments in history.”^v

It is worth considering why global wealth was distributed so unequally to begin with. Why were a billion people in Asia so much poorer than people in the US in the 1950s? A country cannot become rich without good institutions that protect property rights and allow people to pursue their own betterment.^{vi} Under Communist rule in the 1970s, all but a few Chinese elites were very poor. The Chinese economy was liberalized, and the wealth of the Chinese increased partly through trading with capitalist countries. American workers without specialized skills used to be protected from competing with Chinese workers because the Communist Chinese government did not allow most Chinese to work for foreigners. With that ban lifted, the people in China have become richer in part because they do not have a high minimum wage.

Many at least partially blame trade with China for the increase in income inequality within the United States. While trade with China has made Americans richer, there is evidence that importing cheap goods from China has held down the wages for certain jobs within the American middle class.^{vii} Thus, some of the same forces that have caused global inequality to decrease have caused inequality within rich countries to increase.

When considering an economic policy change, there are always some winners and some losers. Raising the minimum wage gives more money to some, but it takes money away from others. It is easier to identify the people who are helped by the policy than it is to identify all the people who are hurt by it. Those who make a moral case for raising the minimum wage must reconcile the fact that their policy proposal would hurt many people within the United States.

Although the term “income inequality” is used to motivate unrest, often what truly disturbs voters is poverty in their own communities. Unrest about income inequality often results from one’s experience with poverty in their own local community.^{viii} Some wealthy people would voluntarily pay to make income inequality less stark. Historically, however, societies that do not allow private business men and women to get rich have much less wealth overall. There is a tradeoff between rules that allow for a more equal distribution of wealth and rules that allow for a lot of wealth to distribute.

Whether slow minimum real-wage growth causes long-run income inequality is unclear, partly because there are so many other forces affecting household incomes. For example, educated high-income earning men historically married a wide range of women in terms of education and employment.^{ix} Recently, men and women with advanced degrees have been marrying each other to the exclusion of uneducated people. This creates a distribution of a few rich households and many poor households. In addition, immigrants into the United States are usually either highly educated or people with low skills who are escaping extreme poverty. These immigrants lower the wages of the average low-wage earners and raise the wages of the average high-skilled worker.

Of the many factors that play into income inequality, technological innovation is the prime culprit. Technology helps make certain workers very productive, and machines can provide great services beyond human capability. For example, robot-assisted surgery is saving lives and allowing people to return home from the hospital sooner compared to traditional procedures.^x Medical technicians and computer programmers are doing well in this new economy, and even stay-at-home parents benefit from time-saving innovations like laundry detergent tablets and email. Meanwhile, some workers are being replaced with computer-directed machines because these machines can operate at a lower cost.^{xi} This raises a question of whether there should be a safety net for people who did not anticipate being priced out of the job market. Benefits that help someone survive after they lose their job, like job training programs, are legitimate proposals in order to help those who are caught on the wrong side of progress. However, requiring businesses to pay higher wages accelerates the process of making human workers as obsolete. Low wages in jobs that are about to be replaced by machines serve as a valuable signal to future workers.

What Would Happen If the Minimum Wage Increases?

Businesses operate with fixed resources; they have a certain amount of money that they can spend. When businesses decide to purchase an input to production, they must consider the price.

Imagine a very simple example. A cupcake shop can sell 200 cupcakes a day at three dollars each. The shop makes \$600 in sales a day and \$150 goes to rent and utilities. The ingredients cost one dollar for every cupcake they make, so they must spend \$200 on eggs and such. That leaves \$250 to spend on the operation that produces good cupcakes.

Initially, the shop owner employs three people at nine dollars an hour and also purchases tools for them to use, such as an oven with a digital timer. Better tools make each employee more productive. The shop

pays \$216 a day to employ three people for eight hours each. With the remaining forty-four dollars, the business owner buys and maintains the tools.

If the minimum wage rises to fifteen dollars an hour and nothing else changes, the owner can no longer afford to employ three people.^{xii} Businesses in the real world face the same constraints even though their decisions are more complicated. If buying software allows you to reduce your staff, you are more likely to buy the software if your staff gets more expensive.

In this example, there were three people working at nine dollars an hour. Of course, they would all prefer to work at fifteen dollars an hour, but if the minimum wage increases, one worker gets fired. In economic terms, a minimum wage makes an “excess supply” of labor.

In a competitive market, allowing the price to be formed by free participants ensures a highly efficient outcome. This is true whether the market is for selling vegetables, cars, or hours of human labor. By “efficient,” economists mean that the benefit to buyers and sellers is maximized. Efficiency does not mean that everyone leaves the market with an equal amount of money. When the price is determined by the market, there is not an excess supply, meaning that there is no one who wishes they could sell at the market prices but cannot find a buyer.

International Examples of Price Floors and Ceilings

When people are free, there is always some income inequality because every person is different.^{xiii} In America, a few people have huge incomes and a larger number of people have low incomes. In contrast, in Venezuela and Scandinavian countries, the government intervenes more to create more equal income outcomes.

Venezuela’s government is trying to control incomes and prices so that everyone can afford some basic products.^{xiv} The charismatic politician Hugo Chavez distributed money to low-income people.^{xv} The economy of Venezuela is now collapsing because wages and prices cannot adjust. It is an indication of their problem that they have a government position called the “Cost and Price” regulator. The person in this position recently denied that the country is facing a serious toilet paper shortage when in fact many store shelves are empty. Consumers cannot buy basic food staples. An article titled “This is Why There is No Toilet Paper in Venezuela”^{xvi} offers the following explanation:

The Venezuelan economic model of excessive meddling is creating a mess. By keeping prices artificially low and imposing price controls on everything, they're completely undermining the domestic economy to gain short lived political payoffs. Black markets occur when the formal economy isn't functioning — and it hasn't been for a while.

Keeping prices artificially low has the same result as keeping wages high: the market does not connect all the possible buyers and sellers and so less-connected people get left out. Not everyone is able to buy the cheap toilet paper, just like not everyone is able to get the minimum wage jobs.

Because market prices communicate powerful information, the government of Venezuela is trying to prevent citizens from even knowing actual market prices. A website, DolarToday.com, gives accurate information on the exchange rate and inflation rate of the Venezuelan currency. The Venezuelan government does not allow its own citizens to access this website. The government raises the minimum wage frequently, which raises the cost of labor and therefore the price of products. This price inflation erodes the value of citizen's savings, driving some to open secret saving accounts in US dollars. In this type of situation, raising the minimum wage helps no one.

The more government gets involved in “helping” the poor, the more room there is for government officials to help themselves. In the case of Venezuela, the stated mission of the Chavez regime was to help the poor using every power the government could wield. Not only is life now worse for the poor people, but government officials and corrupt cronies have become richer because they assigned themselves so much power.^{xvii}

In Malawi, the government tried to keep food prices from rising, with the stated goal of protecting poor people from high market prices.^{xviii} As a result, more people went hungry, partly because there was less incentive for suppliers to bring food to the market in the first place. Even a government official with good intentions cannot always foresee the problems caused by mandating a price floor.

Contrast Venezuela with Sweden. Can we be more like Sweden without being more like Venezuela? Sweden implemented high taxes and regulations to produce a more equitable society. However, in the 1990s, the Swedish people decided to reverse course and deregulate or privatize many industries. Also, despite the pleasant image that Americans have of Sweden, the median household income in Sweden is \$27,167, which is much lower than most American states.^{xix} There is less opportunity in a poorer country and Americans would be less able to achieve almost any aspiration if everyone had less money.

This Time It's Different

Can we talk about paychecks that support American families along with price controls for toilet paper in Venezuela? People are not commodities. Every person is made in the image of God. People are more important than goods on a store shelf. The counterintuitive truth is that people are better off if you allow them to treat their labor like a commodity to be bought and sold and even borrowed against. For example, the military can provide a living for people who begin with very low skills because the military is essentially buying their future labor.

Most twenty-year-olds, even those who are well-educated, cannot generate enough value for a company to afford to pay them a high salary. Faced with this problem, instead of earning a minimum wage, wealthy young people do unpaid internships to gain experience, or they pay to do college course work as practice. Is the government responsible for saving them from exploitation? The answer, of course, is no. A one-size-fits-all ban on not doing work that does not pay well is harmful to some people, especially people who want to get job experience in their field of interest.

Someone who is not capable of producing at a reasonable level might qualify for disability assistance. As Christians, we are called to care for people in our communities. However, it is inhumane to force them out of the workforce if they would like to be part of something productive. Part of our God-given dignity comes from God's design for us to work, to be creative, and to produce.^{xx} Working – which can look different for everyone – is an important part of human lives. If companies are required to pay employees fifteen dollars an hour with their limited resources, will they be able to afford to give opportunities to less skilled workers? The opportunity to work means a lot to the disabled and their families, even if they also receive financial aid. Minimum wage laws do not affect only vulnerable groups of people, such as single mothers who are struggling to support their families. The laws apply to everyone and can consequently cause a huge amount of collateral damage.^{xxi}

One of the best God-glorifying ways to show respect for others is to believe in them, help them maximize their potential, and support their participation in the market, if they so desire. If more people crowd into high-paying jobs, then the pay levels will naturally equal out. Consider that statement. The free market would spontaneously produce income equality if more people become willing and able to take what are currently high-paying jobs or become successful entrepreneurs. To be clear, this is a very different strategy, but it would bring about one of the goals of minimum wage campaigns: to equalize incomes.

Denmark takes this approach. Even though some Americans mistakenly consider it a socialist success story, the Heritage Foundation ranks Denmark right next to the United States on their Index of Economic Freedom.^{xxiii} The Prime Minister of Denmark felt the need to speak out and explain that Denmark is not a “socialist planned economy,” but that it is a “successful market economy with much freedom to pursue your dreams and live your life as you wish.”^{xxiii} An interview with several policy experts provides an explanation of how Denmark creates a labor market that is more secure than the United States but also dynamic and good for business.^{xxiv} Denmark does not achieve security by promising tenure for jobs. The Danish government pays for adult job training so that that an adult who loses a job to technology or trade can become useful to the market again quickly.

What Has Happened in the Past When the Minimum Wage Increased?

“Creating jobs” is a hot political topic along with raising the minimum wage. Politicians claim they will “bring back” jobs that were outsourced to low wage countries. Unfortunately, the number of jobs a company can offer (or even the government, given a fixed budget) is negatively related to the wage paid for those jobs. Economists would say that the demand curve for labor slopes down, as shown in Figure 2. Employers in a free market would pay a wage of w_0 in Figure 2. The wage of w_1 is higher and creates unemployment in the amount of the difference between L_1 and L_2 . The competitive market model used in Figure 2 is not a complete picture of the world, but it is useful for making predictions about how the quantity supplied will change if the price changes.

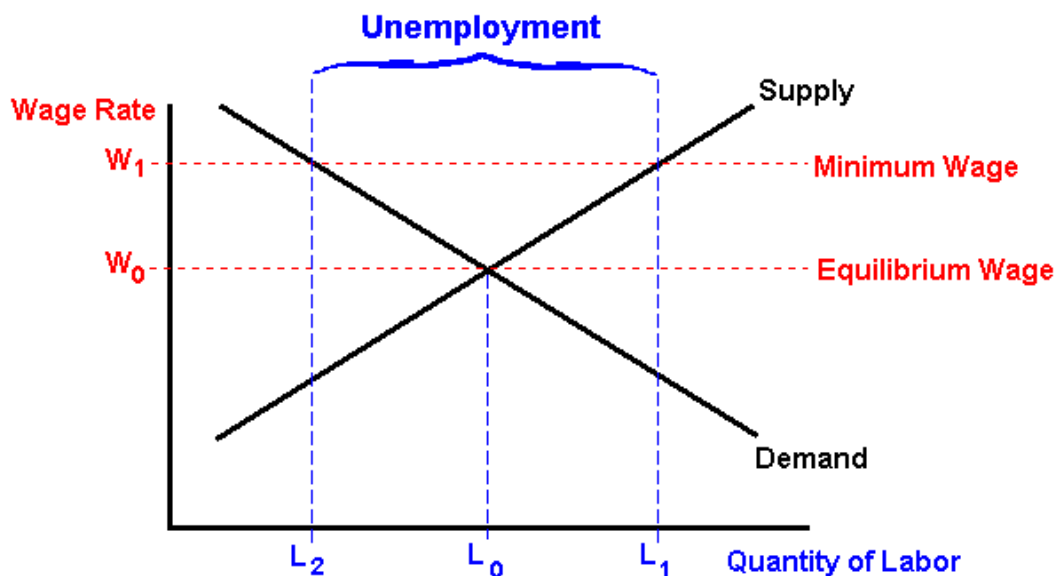


Figure 2. Supply and Demand Graph Illustrating Unemployment as an Excess Supply of Labor

Economic theory tells us that if the price of labor goes up, employers will purchase less of it.^{xxv} The logic of the line labeled “Demand” in this graph is that simple. If the price of something goes up, people tend to buy less of it. The labor supply line slopes up to show that when wages are higher, people tend to want more jobs. If the price of labor is artificially higher than the market price, the number of jobs provided will be less than the number of jobs that people want to take.

Instead of theory, economists can look at data to see what has happened in the past when the minimum wage goes up. If most states that raise the minimum wage suddenly experience a spike in unemployment, it would be safe to say that the theory of downward-sloping labor demand is the best theory for modeling what will happen in the future, i.e. for predicting what would happen in New York City if they raise the minimum wage to fifteen dollars an hour.

Many studies examine what happens when the minimum wage goes up, and some researchers have concluded that unemployment does *not* go up significantly after a minimum wage increase. Other economists use data to show that the effect on employment is significant and harmful.^{xxvi} To decide who is right, we will examine several studies.

In a famous paper, Card and Krueger (CK) concluded that a higher minimum wage has no effect on employment.^{xxvii} They looked at employment in fast food restaurants in New Jersey and compared it to the neighboring state, Pennsylvania. They claimed that employment did not go down after New Jersey raised the state minimum wage. This finding was so surprising to economists that many re-examined the same data or found other data sets to ask the same question again. Before the CK study, it had been widely accepted that a 10 percent increase in the minimum wage would lower employment for teenagers by 1-3 percent.^{xxviii}

Neumark and Wascher (NW) dispute CK. NW claim that the minimum wage increase affects employment with a lag, or after several years.^{xxix,xxx} According to their model, the minimum wage has a negative and significant effect on employment. The pattern in this line of research is that a minimum wage increase does not cause a large immediate spike in unemployment; however, a more sophisticated empirical research method reveals that there is a negative relationship over time.^{xxxi}

In Seattle, the minimum wage is currently ratcheting up to fifteen dollars an hour. Data from 2015 indicate that low-wage workers are working slightly fewer hours and therefore are not earning more per year, compared to the year before the law was changed. Since that is an average statistic, some workers are working less than they would like and some must have a higher total income than before. There has

not been an immediate spike in unemployment, although not enough time has passed to confirm that unemployment will not rise with a lag among less educated workers. It is difficult to separate out the effects of the minimum wage from the changes brought about by an expanding local economy. The authors find that, “if there has been any increase in business closings caused by the Minimum Wage Ordinance, it has been more than offset by an increase in business openings.”^{xxxii} Meanwhile, American Apparel is finding it impossible to expand in Los Angeles where the minimum wage is set to rise to fifteen dollars an hour. They fired 500 employees this year.^{xxxiii}

Recently, Meer and West investigated the effect of the minimum wage on job *growth* instead of the level of unemployment.^{xxxiv} They find that, under most specifications, Card and Krueger are correct in showing that unemployment levels do not jump up immediately after a minimum wage increase. However, Meer and West separate the job growth rate into job creation and job losses to show that job losses do not jump up; businesses that had already invested in an area and certain employees do not usually close up shop. Job creation and job growth are significantly slowed in states that raise the minimum wage. They found that a real minimum wage increase of 10 percent reduces job growth by about 0.5 percentage points. Job growth during the years that they observed was 2 percent on average, so a 10 percent increase of the minimum wage reduces job growth by about a quarter. This implies that a minimum wage increase means fewer jobs in the future. Economists agree that when minimum wage increases cause job losses, it affects the young or lowest-skilled tiers of society. If anyone is put out of work, it is economically vulnerable people or young people who need to establish a track record. For these people to be put out of work is not just a hit to their wallets; it can be isolating, and it deprives them of the chance to create value the way God designed us to do.

Another problem with high wages is that employers who pay a lot in wages might not be able to compete on other margins. Many people in low-wage, part-time work have to put up with inconvenient and irregular scheduling arrangements. Some retail workers cannot plan the week for themselves or their families until the last minute because they do not know when they will be called in to work.^{xxxv} Perhaps some workers would like to trade some money for having more power over their schedules, especially if they care for children. For a worker who is earning the minimum wage, it can be difficult to make such arrangements.

To compassionately provide for poor people, there are ways to give them more income without discouraging businesses from hiring them.^{xxxvi} Next, what should the Christian response should be?

WHAT WOULD JESUS DO?

Proponents of raising the minimum wage are often compassionate people who want to see justice for every member of society. Throughout the Bible, it is clear that God cares about the poor; many verses specifically address the problem of injustice for low income working people. For example, this warning to oppressors is in the Book of Isaiah:

Woe to those who make unjust laws, to those who issue oppressive decrees, to deprive the poor of their rights and withhold justice from the oppressed of my people, making widows their prey and robbing the fatherless. What will you do on the day of reckoning, when disaster comes from afar?
(Isa. 10:1-3)

What does it mean to deprive the poor of their rights? One type of injustice experienced by the poor in biblical times and today is that they are not paid or given the work conditions that they were promised when they agreed to take a job. This is addressed in James 5:4:

Look! The wages you failed to pay the workers who mowed your fields are crying out against you. The cries of the harvesters have reached the ears of the Lord Almighty.

Even the least prestigious members of society are equally deserving of justice. The prophets in the Old Testament routinely lament the lack of justice for the poor. Jesus defied social convention by associating with social outcasts and poor people. Christians are called to follow his example of radical love and generosity; one way to do so is by helping the poor in our communities and being vocal activists against injustice and discrimination that cause poverty. International Justice Mission is an example of an organization that stands up for the poor and those deprived of justice.

A modern example of injustice against workers is that poor workers who travel abroad are sometimes lured out of their communities by promises of good working conditions, but then those promises are broken. During the construction of World Cup stadiums in Qatar, employers confiscated passports and withheld paychecks.^{xxxvii} These poor workers do not have access to the legal system to sue the companies

that abuse them. Managers in these companies lied and stole, taking advantage of their employees for their own benefit. From the Ten Commandments to the words of Jesus, the Bible is clear that lying and stealing is wrong.

It is not wrong to offer someone a job and, if they accept it, pay them what you promised. Consider how low the wages were for a day laborer during the time of Jesus.^{xxxviii} It was not wrong to pay that wage to those laborers in ancient times. The reason that relatively low-income people in the United States today can earn more money than people in ancient Israel is because the free enterprise system has created more wealth to pass around. Given all the wealth in our society, is it wrong for some to own more than others?

The Rich

During Jesus's travels in Israel, a rich man asked Jesus how to overcome the spiritual inadequacy he felt.

Looking at him, Jesus felt a love for him and said to him, "One thing you lack: go and sell all you possess and give to the poor, and you will have treasure in heaven; and come, follow Me." But at these words he was saddened, and he went away grieving, for he was one who owned much property. And Jesus, looking around, said to His disciples, "How hard it will be for those who are wealthy to enter the kingdom of God!" (Mark 10:17-27)

Jesus knew that this man could not be free until he released his money and stopped making money an idol. The difference between a rich person and a poor person is not a distinction we can define by the absolute level of wealth. Statistically a "rich" person in Jerusalem during the time of Jesus was poorer than many poor people in the United States today.^{xxxix} The man in this story was not reprimanded because of the amount of his material wealth, which probably would not be impressive today and did not awe Jesus.

The point is that a rich person feels like their needs are already met. This mindset makes it difficult to acknowledge one's spiritual need and to recognize Christ's lordship. People who are rich in today's society are in the same spiritual danger, and they have an obligation to be generous. However, they do not have an obligation to give away so much that they can no longer produce wealth or take care of their families. The honored servant in the parable of the talents used the material resources he started with to be productive and create wealth for his household.^{xl} The merciful father of the prodigal son could not have welcomed his son back to the family farm if he had sold everything.^{xli} Jesus did not tell anyone to take away rich peoples' money. Coveting and stealing are condemned in the Ten Commandments.

Giving to the Poor

Proverbs 14:21 says, “It is a sin to despise one’s neighbor, but blessed is the one who is kind to the needy.”

The Bible makes it clear that charity is part of the Christian mission. Christians should show love to the people around them, both by encouraging them spiritually and helping them materially. Through our good deeds, the world sees the loving heart of God. However, we are not the saviors of the world and Jesus never instructed people to use the government to be “kind to the needy.” There is no place in the Bible that encourages Christians to use the government to take money from some people and give it to other people whom they will never meet, nor to interfere with voluntary employment relationships. God wants us to be generous by choice. Government-mandated redistribution interferes with an individual’s ability to be generous. Paying taxes to avoid going to jail is not morally equivalent to helping the poor, and incidentally a large percent of that money goes to government overhead instead of to needy people.

There are three reasons that the principles of the Bible do not affirm raising the minimum wage. First, as demonstrated above, high minimum wages help some people but hurt the most vulnerable elements of society by locking them out of having a legal occupation. Economist Ben Powell makes a case for not trying to “help” poor people by taking away their jobs, even when their jobs look unpleasant to wealthy Americans.^{xliii} The way to effectively help poor people is by training them to become more productive workers or to help them directly through charity.

Second, it is unjust to use the legal system to control someone else’s choices about where they work or who they hire. Proverbs 22:22-23 says, “Do not exploit the poor because they are poor and do not crush the needy in court.” If low-income people want to start a business, they would have a hard time immediately complying with all the legal employment regulations, such as paying their employees minimum wage. This serves the interest of established businesses and disadvantages the poorest people.

The last argument against raising the minimum wage is that Christian charity at its best looks different from voting for a minimum wage law. Private charity at its best is done voluntarily and in the context of relationship. The Bible often uses the word “neighbor” to describe the people we should be helping. If you enjoy giving to charities that operate in foreign countries, you can do that. Hundreds of organizations exist to serve the poor in developing countries around the world, but some do so with harmful unintended consequences and fail to establish sustainable change (read more on this in *Doing Bad by Doing Good*^{xliii}). Even sending money to a person who lives in a different state increases the risk that your money will not be used in the best way.

When you help another human being, the first priority is to address urgent physical needs. Eventually, however, the goal should be to enable them to care for themselves and gain independence. People can be helped in a way that gives them more freedom and leads them to be able to help others. Every adult should be viewed with respect for their potential. The kind of help that makes people more independent instead of more dependent can best be accomplished in the context of long-term relationships and community. Also, education needs to become more career focused for the next generation to succeed. Local communities know about local job markets and what the students of today could realistically be doing to earn money as the adults of tomorrow. One way to help low income people is to build relationships in your own neighborhood and volunteer to teach language or trade skills.

If a business person is willing to give a legal job to someone with low skills or someone with no record of professional success, no one should assume that the business person is exploiting the worker. It should be easy for low productivity or high risk individuals to obtain legal employment. That is a path to better employment and higher productivity. If you want to help them consume more in the meantime, then give them help instead of making it illegal to hire them.

Wanting to help people who earn less money is a kind instinct and a Christian value, but using the government is not the most effective way to help and does not absolve us of our duty to help the people around us. We will never be able to vote our way to a completely happy and equitable world. We have to open our front door and embrace the people around us. We should give people a hand up the career ladder in addition to more direct forms of giving.

If there is to be some form of government assistance to the poor or employment regulation, it is still better to employ the “neighbor” principle and keep administration at the local level. Cities can and have raised the minimum wage within their borders independent of the federal government.^{xliv} A local administration will have the relevant information about the economy to know if local businesses can support higher wages and to know if the poor in the community will benefit from the policy. The devastation brought upon Puerto Rico by high minimum wages imposed in the twentieth century visits small communities within the United States when a federal minimum wage is imposed across the board.

Jesus demonstrated and commanded sacrificial love and, of course, he provides the ultimate example of sacrifice. However, he did not preach against security or possessions. Living generously can look like voluntary destitution, but it can also look like a vineyard owner who provides safety for his family and employment for day laborers. The Bible specifically addresses the evil of not paying a laborer who has

been promised a wage. That is theft and should be punishable by law. However, even the very concept of theft presupposes private property rights. The church in Acts 1 was famously generous to the poor, but the very concept of generosity assumes that people own what they earn, not that the government possesses it.

There are many programs in place today that have a stated mission of helping the poor, often staffed by well-meaning people. Some of these organizations receive millions of dollars from governments. Although success stories exist, it is all too common for aid programs to perpetuate a permanent social hierarchy instead of empowering the poor. Theft of aid dollars occurs on a massive scale which leads us to our next section. When aid is neighbor to neighbor, it is almost impossible for the resources to go to the wrong person. When governments get involved in “helping” the poor, a lot can go wrong and sometimes the only people who are helped are the cronies of the politicians.

CRONIES AND MINIMUM WAGE

In Section 1, I raised doubts as to whether minimum wage laws help all poor people.^{xlv} There is no doubt, however, that minimum wage laws help a group of individual, business, and political interests. Minimum wage laws help some poor people, but not all of them, and government regulations help some businesses while hurting many more. When market exchanges are voluntary, there are win-win outcomes. Policies like the minimum wage create some winners and some losers.

Politicians arguing to instate minimum wage laws in the twentieth century were sometimes unapologetically racist.^{xlvi} Whites in South African apartheid-era politics wanted to keep their high wages and prevent black workers from undercutting them. Gert Beetge, the Building Workers' Union secretary, justified enforcing a minimum wage because, "There is no job reservation left in the building industry, and in the circumstances, I support the rate for the job (minimum wage) as the second-best way of protecting our white artisans." Today, black teenagers in America are the first to lose jobs when the minimum wage is increased.^{xlvii} I would not argue that proponents of the minimum wage in the United States today are racists; however, it is worth considering why a racist would favor raising the minimum wage.

Minimum wages do help some people. What is wrong is calling the minimum wage a law that helps the poorest people. Someone with social connections might gain a job when the minimum wage increases.

When things are not allocated by prices, they tend to be given to friends. If humans become more expensive to employ, then a few jobs will open up for people who are good at replacing humans with robots, such as computer programmers. Unions benefit from minimum wage laws because it drives their low-cost competition out, as observed by Gert Beetz.

A labor union in Los Angeles pushed the city to raise the minimum wage to fifteen dollars an in 2015. Then, they asked for an exception to that rule *only for themselves*.^{xlviii} This is heartless cronyism, especially considering that they refused to grant exceptions for nonprofits and small businesses in the law. Workers who pay to be part of the union would be allowed to charge businesses less for their services and therefore get more jobs than workers who are outside the union and bound by minimum wage laws. Some politically connected people win and some people lose.

The minimum wage was introduced into Puerto Rico in 1938. The high minimum wage set by government authorities in East Coast cities devastated the economy, and Puerto Rican leaders asked for an exemption from Congress. This illustrates that some groups, in this case all Puerto Ricans, are ignored when Congress makes minimum wage laws.

An objection to arguments against raising the minimum wage is that many minimum wage workers in the United States are adults with families, not teenagers. There are many ways to help low-income adults who are caring for children. Not every way involves freezing a large dynamic part of the labor market. Raising the minimum wage shows a lack of vision and a lack of compassion. There is no easy fix for poverty but we should call minimum wage what it is – closing the door of opportunity for the least skilled and least connected people in society. There is no “free lunch” that we can extract from the economy through minimum wage legislation.

CONCLUSION

Prices form in a market based on the demand of people like you and me. When a price is set by the government instead of the market, there are always people who get hurt. Is the minimum wage different? Does the minimum wage only hurt rich people? Arguably, no. Using the government to regulate employers would help some low-income people but it would probably also hurt more poor people. It

would make the economy weaker and therefore less able to supply for the needs of citizens. I made a case against raising the minimum wage using both economic and theological arguments. The Bible condemns injustice, even specifically addressing the treatment of employees and day laborers. However, paying a low wage to someone who wants a job is not lying or stealing – it is not morally wrong and it can help some people eventually get ahead in their careers. Assess for yourself the question I raised in the beginning: Is this policy the best way to love your neighbor as yourself?

Americans sense a problem because poor individuals and communities feel cut off from the progress that has raised US GDP in the past decades. There are many ways to help heal the divide between have and have-nots in America. Christians who are concerned about income inequality should fight against institutional injustice and volunteer to improve poor education systems that enforce cycles of poverty. Christians who care can play an important role in decreasing income inequality and giving people better employment options.

Joy Buchanan is a Ph.D. Candidate in Economics. She has published in scientific journals and authored a historical fiction novel about Nicodemus.

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ⁱ A natural experiment that proved this point happened when the first US federal minimum wage law suddenly hit Puerto Rico (PR). Because PR had much lower wages than the rest of the U.S., the gap between the market wage rate and the legal minimum wage was very large. The US Congress ultimately granted PR an exception because the consequences of raising the minimum wage were so devastating for their economy.

ⁱⁱ "The Medical Context of Calvin Jr.'s Untimely Death," Jared Rhoads, Calvin Coolidge Presidential Foundation, published July 7, 2014, accessed July 26, 2016, <https://coolidgefoundation.org/blog/the-medical-context-of-calvin-jr-s-untimely-death/>.

ⁱⁱⁱ Actually, since the Great Recession, a report by Gary Burtless indicates that income inequality has fallen. "Income Growth Has Been Negligible but (Surprise!) Inequality has Narrowed since 2007," Gary Burtless, Brookings, published July 22, 2016, accessed July 28, 2016, <http://www.brookings.edu/research/opinions/2016/07/22-economic-progress-and-the-election-burtless>.

^{iv} Extreme poverty is defined by the World Bank as living on \$1.90 per day. World Bank, "World Bank Forecasts Global Poverty to Fall Below 10% for First Time; Major Hurdles Remain in Goal to End Poverty by 2030," press release, October 4, 2015, <http://www.worldbank.org/en/news/press-release/2015/10/04/world-bank-forecasts-global-poverty-to-fall-below-10-for-first-time-major-hurdles-remain-in-goal-to-end-poverty-by-2030>.

^v Tyler Cowen, "Income Inequality Is Not Rising Globally. It's Falling," *New York Times*, July 19, 2014, http://www.nytimes.com/2014/07/20/upshot/income-inequality-is-not-rising-globally-its-falling.html?_r=0.

^{vi} Hernando de Soto, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. (New York: Basic Books, 2000).

^{vii} David Autor, David Dorn, and Gordon Hanson, "The China Syndrome: Local Labor Market Effects of Import Competition in the United States," *American Economic Review* 103, no. 6 (2013): 2121–2168.

^{ix} Jeremy Greenwood, Nezhir Guner, Georgi Kocharkov, and Cezar Santos, "Marry Your Like: Assortative Mating and Income Inequality," *American Economic Review* 104, no. 5, (May 2014): 348-53.
<https://ideas.repec.org/a/aea/aecrev/v104y2014i5p348-53.html>.

^x Heart and Stroke Foundation of Canada, "Robotically assisted bypass surgery reduces complications after surgery, cuts recovery," *Science Daily*, published October 28, 2014, accessed July 27, 2016,
<https://www.sciencedaily.com/releases/2014/10/141028082636.htm>.

^{xi} H. David, David Dorn, and Gordon H. Hanson, "Untangling trade and technology: Evidence from local labour markets," *The Economic Journal* 125, no. 584 (2015): 621-646.

^{xii} In reality, the business owner could also raise the price of the product or lower the quality. In Venezuela milk producers are currently selling something called "bebida lacteal," a beverage based on milk products. This is because those are unregulated and can be sold at free market price, unlike real milk. Attempts to shield the employees from the effect of a wage increase will hurt consumers. Someone will always have to pay the price. David G. Padilla, "No hay leche en Venezuela, per si bebidas lacteos o sustitutos" [No Milk in Venezuela, but milk drinks or substitutes], *Venelogia*, posted January 12, 2008, last modified January 19, 2008,
<http://www.venelogia.com/archivos/2126/>.

^{xiii} Anne Bradley, "Why Does Income Inequality Exist?," Institute for Faith Work and Economics, published June 5, 2012, <https://tifwe.org/resource/income-inequality/>.

^{xiv} The attempts by the government to take over the role of the market have failed so badly that people are now hunting dogs and cats to avoid starving. Peter Wilson, "Venezuela food shortage causes some to hunt dogs, cats, pigeons," *USA Today*, May 18, 2016, <http://www.usatoday.com/story/news/world/2016/05/18/venezuela-food-shortages-cause-some-hunt-dogs-cats-pigeons/84547888/>.

^{xv} Interestingly, Americans who want to see their government intervene more in wealth redistribution do not want to move to Venezuela where it is already happening. In addition, politically connected cronies were huge beneficiaries of the Chavez regime. Thanks to currency exchange controls, people who had connections with the government became rich overnight by importing goods at the official dollar rate and selling them at the black market rate. "La maquina de corrupcion de los dolares Cadivi," *El Nacional*, August 24, 2014, http://www.el-nacional.com/siete_dias/maquina-corrupcion-dolares-Cadivi_0_470352961.html.

^{xvi} Juan Cristobal Nagel, "This is Why There is No Toilet Paper in Venezuela," *Foreign Policy*, June 17, 2013, <http://foreignpolicy.com/2013/06/17/THIS-IS-WHY-THERE-IS-NO-TOILET-PAPER-IN-VENEZUELA/>.

^{xvii} Roberto Deniz, "El chavismo "desaparecio" 2 billones de dolares en 16 anos," *Runrunes*, November 9, 2015, <http://runrun.es/nacional/venezuela-2/223603/el-chavismo-desaparecio-2-billones-de-dolares-en-16-anos.html>;
Ramiro Escobar Cruz, "La corrupcion que roba y te roba," *El Pais*, February 15, 2016,
http://elpais.com/elpais/2016/02/12/planeta_futuro/1455300995_060225.html.

^{xviii} Frank Ellis and Elizabeth Manda, "Seasonal Food Crises and Policy Responses: A Narrative Account of Three Food Security Crises in Malawi," *World Development* 40, no. 7 (2012): 1407-1417.

^{xix} Ryan McMaken, "If Sweden and Germany Became US States, They Would Be Among the Poorest States," *Mises Wire* (blog), Mises Institute, October 26, 2015, <https://mises.org/blog/if-sweden-and-germany-became-us-states-they-would-be-among-poorest-states>.

^{xx} *God's Purpose in Creation: A Study in Genesis 1*. Institute for Faith Work and Economics (McLean: IFWE 2015).

^{xxi} There is an exception to state minimum wage laws. California, for example, offers a limited number of formal legal apprenticeships. On their website, they offer some information that makes it clear that many people are oppressed by minimum wage laws because they are lining up and waiting for a chance to work for less to build skills without going to the illegal sector. The website offers this advice: "If the apprenticeship committee has a waiting list of applicants, determine whether or not you are sufficiently interested in the occupation to wait for an opening, or whether you should seek other employment." Where can someone go to seek employment if they do not qualify for an apprenticeship that pays 50 percent of the minimum wage?

^{xxii} "2016 Index of Economic Freedom." Heritage Foundation, <http://www.heritage.org/index/ranking>.

^{xxiii} Matthew Yglesias, "Denmark's prime minister says Bernie Sanders is wrong to call his country socialist," *Vox*, last modified October 31, 2015, <http://www.vox.com/2015/10/31/9650030/denmark-prime-minister-bernie-sanders>.

^{xxiv} Henry Farrell, "Bernie Sanders says Denmark is socialist. Forbes Magazine says it's the most business friendly country. Who's Right?" *Monkey Cage* (blog), *Washington Post*, November 11, 2015,
<https://www.washingtonpost.com/news/monkey-cage/wp/2015/11/11/bernie-sanders-says-denmark-is-socialist-forbes-magazine-says-its-the-most-business-friendly-country-whos-right/>.

^{xxv} In a meta-analysis that examines 151 scientific studies, Lichter et al. conclude that the labor demand elasticity has a negative slope, meaning that businesses hire less people when labor is more expensive. The most common estimate

of the slope of the curve is -0.4. Andreas Lichter, Andreas Peichl, and Sebastian Siegloch, "The own-wage elasticity of labor demand: A meta-regression analysis." *European Economic Review* 80 (2015): 94-119.

^{xxxvi} Jeffrey Clemens and Michael Wither, "The Minimum Wage and the Great Recession: Evidence of Effects on the Employment and Income Trajectories of Low-Skilled Workers," *Research Briefs in Economic Policy*, no. 22 (March 2015) The Cato Institute. <http://object.cato.org/sites/cato.org/files/pubs/pdf/research-brief-22.pdf>. They find that the increase in minimum wage accounts for a considerable percent of the unemployment among young poorly-educated Americans.

^{xxxvii} D. Card and A.B. Krueger, "Minimum wages and employment: A case study of the fast-food industry in New Jersey and Pennsylvania," *The American Economic Review* 84, no. 4 (1994): 772-793.

^{xxxviii} Charles Brown, Curtis Gilroy, and Andrew Kohen, "The Effect of the Minimum Wage on Employment and Unemployment," *Journal of Economic Literature* 20, no. 2 (June 1992): 487-528.

^{xxxix} David Neumark and William Wascher, "Employment Effects of Minimum and Subminimum Wages: Panel Data on State Minimum Wage Laws." *Industrial and Labor Relations Review* 46, no. 1 (October 1992): 55-81.

^{xxx} A "lag" is a period of time. Raising the wage has a large effect but it takes several years for the effect to be fully realized.

^{xxxxi} Taeil Kim and Lowell J. Taylor, "The Employment Effect in Retail Trade of California's 1988 Minimum Wage Increase." *Journal of Business and Economic Statistics* 13, no. 2 (April 1995): 175-182.

^{xxxii} The Seattle Minimum Wage Study Team. "Report on the Impact of Seattle's Minimum Wage Ordinance on Wages, Workers, Jobs, and Establishments Through 2015." University of Washington, Seattle, WA, 2016.

^{xxxiii} Chriss W. Street, "California's \$15 Minimum Wage Ends Apparel Industry Revival," *Brietbart*, April 17, 2016, http://www.breitbart.com/california/2016/04/17/minimum-wage-california-american-apparel/?utm_source=facebook&utm_medium=social

^{xxxiv} Jonathan Meer and Jeremy West, "Effects of the minimum wage on employment dynamics." *Journal of Human Resources* 51, no. 2 (January 2015): 500-522.

^{xxxv} Lonnie Golden, "Irregular Work Scheduling and Its Consequences," Economic Policy Institute, April 9, 2015, <http://www.epi.org/publication/irregular-work-scheduling-and-its-consequences/>.

^{xxxvi} Milton Friedman, *Capitalism and Freedom*. (Chicago: Chicago University Press, 1962).

^{xxxvii} "Mounting risk of World Cup built on abuse as Qatar fails to deliver reforms," Amnesty International, 21 May 2015, accessed March 3, 2016, <https://www.amnesty.org/en/latest/news/2015/05/mounting-risk-of-world-cup-built-on-abuse-as-qatar-fails-to-deliver-reforms/>.

^{xxxviii} Consider John 12 where we learn that a year's wages would have been required to buy a bottle of valuable perfume that wage given to Jesus. Imagine working for a whole year and being able to buy nothing more than one bottle of perfume or scented lotion!

^{xxxix} People who were considered rich in the ancient world could not buy a trip to the emergency room or access to the information we can get in free daily newspapers. Even rich people back then could not expect that all of their children would survive to adulthood.

^{xl} Matthew 25: 14-30

^{xli} Luke 15: 11-32

^{xlii} Benjamin Powell, *Out of Poverty: Sweatshops in the Global Economy*. (Cambridge: Cambridge University Press, 2014).

^{xliii} Christopher Coyne, *Doing Bad by Doing Good: Why Humanitarian Action Fails*. (Stanford: Stanford University Press, 2013).

^{xliv} Seattle has passed a law to phase in minimum wage hikes until all workers are paid \$15/hour. "\$15 Minimum Wage." Office of the Mayor, accessed July 28, 2016, <http://murray.seattle.gov/minimumwage/#sthash.Nt3JAqz6.dpbs>

^{xlv} The Congressional Budget Office estimates that a minimum wage hike to \$10.10/hour would both causes half a million workers to lose their jobs. Millions of workers would see their income go up, but not all of those people would be in low-income families.

^{xlvi} Walter E. Williams, *Race & Economics: How Much Can Be Blamed on Discrimination?* (Stanford: Hoover Press, 2013).

^{xlvii} Frank McCoy, "Black Teens Are Fired When the Minimum Wage Rises," BET, May 12, 2011, <http://www.bet.com/news/national/2011/05/12/black-teens-lose-jobs-when-the-minimum-wage-rise.html?cid=facebook>

^{xlviii} Peter Jamison, "Why union leaders want L.A. to give them a minimum wage loophole," Los Angeles Times, July 27, 2015, <http://www.latimes.com/local/cityhall/la-me-union-exemption-20150726-story.html>.