

March 9, 2000

MINIMUM WAGE INCREASE ACT

Statement of HON. RON PAUL OF TEXAS

[Page: H891]

- Mr. Speaker, I appreciate the opportunity to explain why I oppose the H.R. 3846, a bill to raise the federally-mandated minimum wage. Raising living standards for all Americans is an admirable goal, however, to believe that Congress can raise the standard of living for working Americans by simply forcing employers to pay their employees a higher wage is equivalent to claiming that Congress can repeal gravity by passing a law saying humans shall have the ability to fly.

- Economic principles dictate that when government imposes a minimum wage rate above the market wage rate, it creates a surplus `wedge' between the supply of labor and the demand for labor, leading to an increase in unemployment. Employers cannot simply begin paying more to workers whose marginal productivity does not meet or exceed the law-imposed wage. The only course of action available to the employer is to mechanize operations or employ a

higher-skilled worker whose output meets or exceeds the `minimum wage.' This, of course, has the advantage of giving the skilled worker an additional (and government-enforced) advantage over the unskilled worker. For example, where formerly an employer had the option of hiring three unskilled workers at \$5 per hour or one skilled worker at \$16 per hour, a minimum wage of \$6 suddenly leaves the employer only the choice of the skilled worker at an additional cost of \$1 per hour. I would ask my colleagues, if the minimum wage is the means to prosperity, why stop at \$6.65--why not \$50, \$75, or \$100 per hour?

- Those who are denied employment opportunities as a result of the minimum wage are often young people at the lower end of the income scale who are seeking entry-level employment. Their inability to find an entry-level job will limit their employment prospects for years to come. Thus, raising the minimum wage actually lowers the employment and standard of living of the very people proponents of the minimum wage claim will benefit from government intervention in the economy!

- Furthermore, interfering in the voluntary transactions of employers and employees in the name of making things better for low wage earners violates citizens' rights of association and freedom of contract as if to say to citizens `you are incapable of making employment decisions for yourself in the marketplace.'

- Mr. Speaker, I do not wish my opposition to this bill to be misconstrued as counseling inaction. Quite the contrary, Congress must enact ambitious program of tax cuts and regulatory reform to remove government-created obstacles to job growth. For example, I would have supported the reforms of the Fair Labor Standards Act contained in this bill had those provisions been brought before the House as separate pieces of legislation. Congress should also move to stop the Occupational Safety and Health Administration (OSHA) from implementing its misguided and unscientific `ergonomics' regulation. Congress should also pass my H.J. Res. 55, the Mailbox Privacy Protection Act, which repeals Post Office regulations on the uses of Commercial Mail Receiving Agencies (CMRAs). Many entrepreneurs have found CMRAs a useful tool to help them grow their businesses. Unless Congress repeals the Post Office's CMRA regulations, these businesses will be forced to divert millions of dollars away from

creating new jobs into complying with postal regulations!

- Because one of the most important factors in getting a good job is a good education, Congress should also strengthen the education system by returning control over the education dollar to the American people. A good place to start is with the Family Education Freedom Act (H.R. 935), which provides parents with a \$3,000 per child tax credit for K-12 education expenses. I have also introduced the Education Improvement Tax Cut (H.R. 936), which provides a tax credit of up to \$3,000 for donations to private school scholarships or for cash or in-kind contributions to public schools.

- I am also cosponsoring the Make College Affordable Act (H.R. 2750), which makes college tuition tax deductible for middle-and-working class Americans, as well as several pieces of legislation to provide increased tax deductions and credits for education savings accounts for both higher education and K-12. In addition, I am cosponsoring several pieces of legislation, such as H.R. 1824 and H.R. 838, to provide tax credits for employers who provide training for their employees.

- My education agenda will once again make America's education system the envy of the world by putting the American people back in control of education and letting them use more of their own resources for education at all levels. Combining education tax cuts, for K-12, higher education and job training, with regulatory reform and small business tax cuts such as those Congress passed earlier today is the best way to help all Americans, including those currently on the lowest rung of the economic ladder, prosper.

- However, Mr. Speaker, Congress should not fool itself into believing that the package of small business tax cuts will totally compensate for the damage inflicted on small businesses and

their employees by the minimum wage increase. This assumes that Congress is omnipotent and thus can strike a perfect balance between tax cuts and regulations so that no firm, or worker, in the country is adversely effected by federal policies. If the 20th Century taught us anything it was that any and all attempts to centrally plan an economy, especially one as large and diverse as America's, are doomed to fail.

- In conclusion, I would remind my colleagues that while it may make them feel good to raise the federal minimum wage, the real life consequences of this bill will be vested upon those who can least afford to be deprived of work opportunities. Therefore, rather than pretend that Congress can repeal the economic principles, I urge my colleagues to reject this legislation and instead embrace a program of tax cuts and regulatory reform to strengthen the greatest producer of jobs and prosperity in human history: the free market.