

economists that the minimum wage is an idea whose time has passed.

Raising the minimum [wage] by a substantial amount would price working poor people out of the job market. . . . It would increase employers' incentives to evade the law, expanding the underground economy. More important, it would increase unemployment. . . . If a higher minimum [wage] means fewer jobs, why does it remain on the agenda of some liberals? . . . Perhaps the mistake here is to accept the limited terms of the debate. The working poor obviously deserve a better shake. But it should not surpass our ingenuity or generosity to help some of them without hurting others. . . . The idea of using a minimum wage to overcome poverty is old, honorable—and fundamentally flawed. It's time to put this hoary debate behind us, and find a better way to improve the lives of people who work very hard for very little.

That is what the New York Times has said. Frankly, Mr. Chairman, I could not have put it better myself.

Finally, Mr. Speaker, I direct the attention of our colleagues to this policy statement on wage and price controls issued by the House Policy Committee on May 21, 1996.

House Republicans are committed to higher take-home pay and better job opportunities for low-income Americans. We strongly support policies to give low-income Americans increased wages and improved chances to find work. But we are against government-mandated wage and price controls that destroy jobs and hurt the economy.

President Nixon concluded, after leaving the Presidency, that the wage and price controls initiated during his Administration were a serious mistake. During much of the 1970s, the President and Congress imposed harsh wage and price controls on most sectors of the economy. These policies were disastrous for the long-term economy and failed to meet even short-term goals, instead contributing to the "stagflation"—economic stagnation coupled with runaway inflation—for which the Carter era is known. By destroying economic opportunity, these policies dimmed the American Dream for millions.

All this changed in 1981, when, as one of his first actions as President, Ronald Reagan ended the remaining Carter price controls. His action became the first element of a coordinated economic program of deregulation, the end of price and wage controls, elimination of trade barriers, an inflation-fighting monetary policy, and tax cuts to encourage economic growth and increase the take-home pay of all Americans. Ronald Reagan's economic policy ushered in the longest peacetime economic expansion in American history.

Echoing Ronald Reagan, Candidate Bill Clinton promised in 1992 to balance the budget, cut taxes for the middle class, and "grow" the economy. But once in office, he signed into law the largest tax increase in American history, stifling economic growth. In 1995, the economy grew at a sickly 1.5%. Clinton's vetoes of spending cuts insure continued deficits well into the 21st century. Then, having succeeded in implementing this tax-and-spend agenda—without a single Republican vote in the House or Senate—he sought to nationalize our health care system by placing a bureaucrat in nearly every health care decision, levying taxes on "excessive" health care benefits, and imposing price controls to ration health care for every American.

Republicans strongly opposed to Clinton's effort to impose price controls on one-seventh of our national economy. That principled opposition to government controls on

the health care system contributed measurably to the 1994 election of the first Republican Congress in 40 years.

Government should not—indeed, cannot—rationally determine the prices of labor, goods, or services for health care, energy, or any other industry in a free market economy. In the 1970s, when the federal government imposed price controls on gasoline, the result was shortages and long lines. By attempting artificially to fix the price of gasoline, government ensured we got less of it. Wage controls have precisely the same effect. "Raise the legal minimum price of labor above the productivity of the least skilled workers," the New York Times editorialized when the Democrats controlled Congress, "and fewer will be hired." Their editorial was headlined, "The Right Minimum wage: \$0.00." The politically liberal editorial policy of the New York Times caused them to ask: "If a higher minimum means fewer jobs, why does it remain on the agenda of some liberals?" Their answer: the liberal arguments aren't convincing—particularly since "those at greatest risk from a higher minimum would be young, poor workers, who already face formidable barriers to getting and keeping jobs."

Because in so many cases the minimum wage jobs that will be lost are the all-important first jobs—the jobs that give young Americans the experience, the discipline, and the references they need to move to better, higher-paying jobs in the future—an imprudent increase in the minimum wage would contribute to cycles of poverty and dependence.

Such government focus on starting wages is especially misguided since low paying, entry-level jobs usually yield rapid pay increases. According to data compiled by the Labor Department, 40% of those who start work at the minimum wage will receive a raise within only four months. Almost two-thirds will receive a raise within a year. After 12 months' work at the minimum wage, the average pay these workers earn jumps to more than \$5.50 an hour—a 31 percent increase.

In a very real sense, the minimum wage is really a starting wage—the pay an unskilled, inexperienced worker can expect on first entering the work force. Once these workers have a foot on the employment ladder, their hard work and abilities are quickly rewarded. But these rewards can only be earned if workers can find that all-important first job. Consider who earns the minimum wage. According to the Labor Department, half are under 25 years of age, often high school or college students. Sixty-three percent work part time. Sixty-two percent are second income earners. And fully 80 percent live in households with incomes above the poverty level. Even Labor Secretary Robert Reich, in a 1993 memorandum to now-Treasury Secretary Robert Rubin, admitted that "most minimum wage earners are not poor." But while undue increases in the minimum wage do little to help the poor, curtailing unskilled employment opportunities will exacerbate poverty.

Bill Clinton himself has argued against raising the minimum wage. In 1993, he called it "the wrong way to raise the incomes of low-income workers." He was right: according to Labor Department statistics, half a million jobs were lost in the two years following the last increase in the minimum wage. In the year after the minimum wage was increased, 15.6 percent fewer young men (aged 15–19), and 13 percent fewer women, had jobs. Over three-fourths of the 22,000 members of the American Economics Association believe a minimum wage increase would lead to a loss in jobs. Many estimates of the cost of raising the minimum wage exceed one half

of a million jobs lost. One such study, by Michigan State University Professor David Neumark and Federal Reserve Economist William Wascher, estimates a loss between 500,000 and 680,000 jobs.

"The primary consequence of the minimum wage law is not an increase in the incomes of the least skilled workers," liberal economists William Bumble and Clinton Federal Reserve appointee Alan Blinder recently wrote, "but a restriction of their employment opportunities." An increase would also be an unfunded mandate on every State locality in America. According to the Congressional Budget office, the minimum wage increase will cost state and local governments (that is taxpayers) \$1.4 billion over five years.

President Clinton did not raise the issue of minimum wage publicly during 1993 or 1994, when the Democrats controlled the Congress. Congressional Democrats, likewise, failed to hold even a single hearing on the minimum wage during that same period. The Democrat devotion to this issue in 1996 is entirely political—and, as the New York Times editorialized, inexplicable for liberals who care about the working poor.

The snare and delusion of wage and price controls must not distract us from the fundamental economic and fiscal policy reforms necessary to expand our economy and create good job opportunities for all Americans. A balanced budget, tax relief for workers and small business, and regulatory relief from unnecessary government red tape offer the surest means of steering our economy toward lasting growth. Comprehensive welfare reform that promotes work and breaks the cycle of dependency can go far toward restoring the natural incentives for individual responsibility and personal growth. And redoubled efforts to focus our educational resources in the classroom—where educators, parents, and students exercise control over learning rather than taking dictation from federal and state governments—can pave the way for a better trained and more employable workforce for the future.

These solid Republican policies will lead us to a better, stronger America. Wage and price controls, in contrast, are premised on the notion that government fiat can raise wages without cost—a notion that fails both in theory and in fact. It is individual initiative rather than government beneficiaries that creates wealth, jobs, and a higher standard of living for all Americans.

Mr. PAUL. 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.

Mr. WATTS of Oklahoma. Mr. Speaker, I would like take the time to express to you my significant concern over the current debate which is occurring in Washington regarding increasing the minimum wage. The impact of a \$1.00 per hour increase in the minimum wage on rural hospitals would be devastating. The impact on direct payroll alone could amount to hundreds of thousands of dollars. What is impossible to estimate is the impact that it will have on other hospital costs, for example, food costs, medical supplies, pharmaceuticals, and utilities. Where is it anticipated these funds will come from?

At many rural hospitals, over 80% of the patients they treat are beneficiaries of either the Medicare or Medicaid program. Certainly, unless reimbursement levels are increased under these programs, there is no source for providing the funds that a minimum wage increase would require. The remaining 20% of patients that rural hospitals serve are largely charity patients, for whom there is no reimbursement, or private sector patients whose reimbursement is fixed under managed care agreements.

The minimum wage issue is a glaring example of the concerns which are frequently expressed about unfunded mandates—Congress cannot continue to impose higher levels of cost on rural hospitals without increasing reimbursements under the Medicare and Medicaid programs by a like amount. Continuing to proceed with unfunded mandates will simply bring about the demise of rural health care, unless some method of relief is instituted.

Our rural hospitals have suffered enough. Before casting your vote on the minimum wage bill, I urge my colleagues to contact your rural hospitals to hear first hand the devastating impact an increase in the minimum wage would have upon them.

Mr. SMITH of Texas. Mr. Speaker, raising the minimum wage is touted as a way to help many blue-collar workers. And there are millions of others who earn more than the proposed minimum wage increase but who still struggle to make ends meet.

Reform of our immigration policies would help all these workers.

Each year, almost a million legal immigrants enter the United States. Of these, about 300,000 lack a high school education. This policy destroys the opportunities of American workers with a similar education level.

Our immigration policy should create opportunities for those in the workforce. But it does the opposite.

The National Academy of Sciences concluded in a study that competition from immigration was responsible for "about 44 percent of the total decline in relative wage[s] of high school drop outs."

The Center for Immigration Studies calculated that "immigration may reduce the wages of the average native in a low-skilled occupation by . . . \$1,915 a year." It concluded that: "Reducing the flow of less-skilled immigrants who enter each year would . . . have the desirable effect of reducing job competition between more established immigrants and new arrivals for low-wage jobs."

The RAND Corporation reported that in California, "the widening gap between the number of jobs available for non-college-educated workers and the increasing number of new non-college-educated immigrants signals growing competition for jobs and, hence, a further decline in relative earnings at the low end of the labor market."

The U.S. Commission on Immigration Reform, chaired by former Congresswoman Barbara Jordan, found that "immigration of unskilled immigrants comes at a cost to unskilled U.S. workers . . ."

The Brookings Institution published a paper concluding that "immigration has had a marked adverse impact on the economic status of the least skilled U.S. workers . . ."

Think of a single mother barely surviving in a minimum wage job who sees her annual wages depressed by \$2,000 because she must compete with more and more unskilled immigrants. She might even be a recent immigrant seeking a better life for herself and her children. Or think of the recent welfare recipient struggling to keep his first job.

Think what they could do for themselves and their children with that lost money—buy a used car, put a down payment on a modest home, fix the furnace before winter comes. Or think what will happen if they actually lose their jobs because of the never-ending competition from new arrivals.

The \$1,915 reduction in wages that competition with immigrants costs low-skilled workers equals a \$1 increase in the minimum wage.

To be certain, it is not the immigrants themselves who are to blame and who understandably want to come to America. But who knows how many people have been hurt by the unintended consequences of our outdated immigration policy?

No one should complain about the plight of the working poor or the persistence of minority unemployment or the levels of income inequality without acknowledging the unintended consequences of our present immigration policy and the need to reform it.