Global Food Crisis Hits Home

Rusty Wright

Happy with your grocery bills these days? Do those gasoline pump meters seem to whir like Vegas slot machines, except you never hit the jackpot?

The two issues are not unrelated and theyre affecting pocketbooks and bellies at home and around the globe. Some Westerners might react with detached shock to stories of food riots in places like Haiti, India, and Cameroon. But when your local Costco and Sams Club start limiting rice purchases (as recently reported), reality creeps
in.

Americans seem worried. A USA TODAY/Gallup poll found 73 percent of US consumers concerned about food inflation; almost half said it caused their households hardship. Eighty percent expressed concern about energy prices.{1}

Food price increases that may cause inconvenience or hardship in affluent nations can be
devastating for families in the developing world. Recent food riots in Haiti cost the prime minister his job. *The New York Times* reports that spiraling prices are turning Haitian staples like beans, corn and rice into closely guarded treasures. Some Haitians eat mud patties containing oil and sugar to silence their grumbling stomachs.{2}

Silent Tsunami

Economist and special United Nations advisor Jeffrey Sachs says of the global food problem, Its the worst crisis of its kind in more than 30 years. There are a number of governments on the ropes, and I think theres more political fallout to come. {3}

The UN World Food Program says skyrocketing food prices could create a silent tsunami turning 100 million people toward hunger and poverty. Executive director Josette Sheeran called for large-scale, high-level action by the global community. {4} British Prime minister Gordon Brown asserts, "Tackling hunger is a moral challenge to each of us and it is also a threat to the political and economic stability of nations." {5}

World Vision, one of the worlds largest relief and development agencies, announced serious cutbacks, saying they are able to feed 1.5 million fewer people than last year. The well-respected Christian humanitarian organization appealed for international donors, citing swelling food prices and increased food need. Rising fuel costs boost fertilizer and food transportation costs. Corn diverted to make biofuels cannot become lunch,{6} though some feel biofuel is a misplaced whipping boy.{7}

Your Strategies

Of course folks in the developed world, not threatened with devastating hunger, can employ multiple strategies to stretch their resources. Careful shopping and research is one. (Holy Coupon Clipping, Batman! Just look how much we can save if we time our grocery shopping to the sales rather than our impulses!) Diet adjustment, portion control, and budgetary belt-tightening are others.

And while youre trying to be sure your outgo doesnt exceed your income lest your upkeep become your downfall—may I suggest another wise move? If possible, share some of what you have with the desperately needy. World Vision founder Bob Pierce had as his life theme, "Let my heart be broken by the things that break the heart of God." An ancient Jewish proverb says, If you help the poor, you are lending to the Lord—and he will repay you!{8}

Many fine organizations can use your donations to effectively fight poverty and hunger. *New York Times* columnist Nicholas Kristof says, Nobody gets more bang for the buck than missionary schools and clinics, and Christian aid groups like World Vision and Samaritan's Purse save lives at bargain-basement prices. {9} I would add World Relief and the Salvation Army to the list. Your local house of worship may be a good place to start.

As another of those ancient Jewish proverbs says, Blessed are those who help the poor. {10}

Notes

1. Sue Kirchhoff, Poll: Food costs a major worry for consumers, USA Today, April 22, 2008; at www.usatoday.com/money/economy/2008-04-22-food-costs-rise-poll_N.htm, accessed April 25, 2008.
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5. CTV.ca News Staff, World Vision needs urgent help as millions starve, April 23, 2008; at tinyurl.com/5y4wy5.
6. Aid group to cut food ration to millions, CNN.com, April 22, 2008; at www.cnn.com/2008/WORLD/europe/04/22/food.program.cutback, accessed April 25, 2008. Editor's Note: "Page not found" error at this address while processing article. Try typing title of article into CNN.com search engine.
7. Bad policy, not biofuel, drive food prices: Merkel, Reuters, April 17, 2008; at www.reuters.com/article/environmentNews/idUSL1721113520080417. accessed April 25, 2008.
8. Proverbs 19:17 NLT.
9. Nicholas D. Kristof, Bush, a Friend of Africa, The New York Times, July 5, 2005; at http://tinyurl.com/y8wwoj; accessed April 25, 2008.
10. Proverbs 14:21 NLT.

Debt and Credit

Kerby Anderson

Introduction

We will be discussing the subject of debt from a biblical perspective. But before we begin looking at biblical principles concerning economics and finances, we need to put the problem of debt in perspective.

You cannot overemphasize the impact of debt on our society. It is the leading cause for divorce and also the reason for many more troubled marriages. It is also one of the causes for depression as well as suicide. People in debt didn't start out to ruin their lives and the lives of their families, but the consequences are often devastating.

The Bible has quite a bit to say about money, and a significant part of these financial warnings concern debt. Proverbs 22:7 says, "The rich rule over the poor, and the borrower is a servant to the lender." When you borrow money and put yourself in debt, you put yourself in a situation where the lender has significant influence over you.

Many other verses in Proverbs also warn about the potential danger of debt (Proverbs 1:13-15; 17:18; 22:26-27; 27:13). While this does not mean that we can never be in debt, it does warn us about its dangers.

Romans 13:8 is an often misunderstood verse because it says, "Owe nothing to anyone."

Although some theologians have argued that this verse prohibits debt, the passage needs to be seen in context. This passage is not a specific teaching about debt, but rather a summary of our duty as Christians to governmental authority. We should not owe anything to anyone (honor, taxes, etc.).

The Bible is filled with passages that provide guidelines to lending and borrowing. If debt was always wrong, then these passages would not exist and there would be a clear prohibition against debt. But the implication of Romans 13:8 seems to be that we should pay our debts off a quickly as possible.

At this point, it would be good to make a distinction between debt and credit. Often in our society, the two words are used interchangeably. To put it simply, debt is something that is owed. The Bible does not prohibit borrowing, but it certainly does not recommend it. Credit is the establishment of mutual trust between a lender and borrower.

At the outset, let me acknowledge that some people end up in debt due to no fault of their own. They may have been swindled in a business. They may have made a good faith attempt to start a business but were unsuccessful because their competitions or suppliers cheated them. They may have been unfairly sued in court. The reasons are many.

The Consequences of Debt

What are the consequences of debt? The Bible describes debt as a form of slavery. Proverbs 22:7 says: "The rich rule over the poor, and the borrower is a servant to the lender." The borrower becomes a servant (or slave) to the person who is the lender.

If you look in the Old Testament, you will notice that debt was often connected to slavery. For example, both debts and slavery were cancelled in the years of Jubilee. Sometimes people even put themselves in slavery because of debt (Deut. 15:2, 12).

Today we may not be in actual slavery from debt, but it may feel like it some times. We have all heard the phrase, “I owe, I owe, so it’s off to work I go.” If you are deep in debt you know that there may be very few days off and perhaps no vacation. Someone in debt can begin to feel like a slave.

How can you know if you are too far in debt? Here are a few questions to ask yourself. Do you have an increasing collection of past-due bills on your desk? Do you drive down the road hoping you will win the lottery? Do you feel stress every time you think about your finances? Do you avoid answering the phone because you think it might be a collection agency? Do you make only minimum payments on credit cards?

One of the consequences of debt is we often deny reality. In order to realistically deal with the debt in our lives we need to get rid of some of the silly ideas running around in our heads.

For example, you are *not* going to win the lottery. Your debt problem is *not* going to go away if you just ignore it. And a computer glitch in your lender’s computer is *not* going to accidentally wipe out your financial records so that you don’t have to repay your debt.

Another consequence of debt is a loss of integrity. When we cannot pay, we start saying “the check’s in the mail” when it isn’t. We not only kid ourselves but we try to mislead others about the extent of our problem with debt.

Sometimes debt even leads to dishonesty. Psalm 37:21 says: “The wicked borrows and does not pay back.” We should repay our debts.

A third consequence of debt is addiction. Debt is addictive. Once in debt we begin to get comfortable with cars, consumer goods, furniture, etc., all funded through debt. Once we reach that comfort level, we go into further debt.

A final consequence of debt is stress. Stress experts have calculated the impact of various stress factors on our lives.{1} Some of the greatest are death of a spouse and divorce. But it is amazing how many other stress factors are financially related (change in financial state, mortgage over $100,000). When we owe more than we can pay, we worry and feel a heavy load of stress that wouldn't exist if we lived debt free.

Credit Card Debt

To listen to the news reports, you would think that Americans are drowning in debt, but the story is not that simple. The latest economic statistics say that the average U.S. household has more than $9,000 in credit card debt. The average household also spends more than $1,300 a year in interest payments.

While these numbers are true, they are also misleading. The average debt per American household with at least one credit card is $9,000. But nearly one-fourth of Americans don't even own credit cards.

An even more telling fact is that more than thirty percent of American households paid off their most recent credit cards bills in full. So actually a majority of Americans owe nothing to credit card companies. Of the households that do owe money on credit cards, the median balance was $2,200. Only about 1 in 12 American households owe more than $9,000 on credit cards.

The $9,000 figure comes from CardWeb. It takes the outstanding credit card debt in America and divides it by the number of households that have at least one credit card. While the average is accurate, it is misleading.

Liz Pulliam Weston, writing for MSN Money, explains: "The example I usually give to illustrate the fallacy of averages is to imagine that you and 17 of your friends were having dinner with Bill Gates and Warren Buffett. The average net worth of a person at that table would be about $5 billion. The fact that everybody else's personal net worth was a lot less wouldn't affect the average that much because Bill and Warren are so much wealthier than the rest of us."{2}

Yes, Americans are in debt. And some Americans are really in debt. If you are one of those individuals, you should apply the biblical principles we are discussing to your situation. If you are not in debt, learn a vicarious lesson about what can happen if you don't pay attention to debt.

Here are some principles for dealing with credit card debt. First, realize that the problem is not the credit card in your hand. The problem may be with the person holding the credit card. Proverbs 22:3 says, "The prudent sees the evil and hides himself, but the naïve go on, and are punished for it."

Second, never use credit cards except for budgeted purchases. Impulse shopping with credit cards is one of the major reasons people find themselves in debt.

Third, pay off your credit cards every month. If you cannot pay off your credit card bill, don't use your credit card again until you can pay your bill.

Home Mortgage

Most Christian financial counselors put a home mortgage in a different category than other debt. There are a number of reasons for this.

First, a home loan is secured by the equity in the home. After an initial down payment, a loan schedule (of principle and interest) is applied to the balance of the home expense. If a homeowner faces a financial crisis, he or she can sell the house and use that amount to retire the loan.

Second, a home is often an appreciating asset. In many housing markets, the price of a home increases every year. This makes it an even less risky financial investment. But of course, what goes up can also go down. Some homeowners have seen the value of their home decrease significantly. That affects their ability to repay their home loan if they need to sell their house.

Third, a home mortgage is a tax deduction and thus provides a small financial benefit to homeowners that they would not have if they were renting. At the same time, eager home buyers shouldn't over-estimate the value of this and justify buying a home that is beyond their means.

Fourth, the interest in a home loan is usually within a few percentage points of the prime rate. This means that the interest rate in a typical home loan is about one third the interest rate of a typical credit card.

While a home mortgage may be different from other forms of debt, that doesn't mean there aren't dangers and pitfalls. As we have already mentioned, people buy homes assuming that they will appreciate in value. But many find that the house prices stagnate or even decline. After paying closing costs, they may owe more on their home loan than they received from the sale of their house.

Another concern about a home mortgage is that many homeowners end up buying more house than they can really afford. Just because they qualify for a particular house doesn't mean they should buy a house that will stretch them financially.

Changing financial circumstances may surprise a couple that qualifies for a house mortgage. For example, the wife may get pregnant and no longer be able to work and provide the income necessary to make the monthly mortgage payment. Either partner might get laid off from work and not provide the necessary income. And there are always unexpected expenses for homeowners (new furnace, hot water heater, etc.) that couples may not have budgeted for when they purchased a home.

One formula that is often used in considering a home mortgage is to buy a home that is less than two and a half times a family's annual gross income. Another is to consider what you can currently pay in rent and compare that amount to the home mortgage (plus the additional expenses such as insurance, taxes, etc.). The two amounts should be similar.

Getting Out of Debt

Let's conclude by talking about how to get out of debt. If you are already in debt, you need to break the debt cycle with discipline applied over time.

First, establish the right priorities. God owns it all. Unfortunately, we often believe that we own it all. We need to mentally transfer ownership of all our possessions to God (Psalm 8). This would also include giving the Lord His part and honoring Him with your giving (even if it is a small amount).

Second, stop borrowing. If a pipe broke in your house, the first thing to you would do is shut off the water before you started to mop up the water. Before you do anything else, "shut off" the borrowing. Don't use your credit card. Don't take out a bank loan.

Third, develop a budget. This is something you might do by yourself or with the help of many online ministries and financial services that provides guidelines. Or you may consult with a financial expert who can give you guidelines.

You would begin by making a list of all of your monthly expenses (mortgage or rent, utilities, groceries, car payments, credit card bills, etc.). Then you need to establish a priority for the loans that you have that are outstanding. This should include information about the amount owed and the interest rates. Then you need to set aside a realistic budget that allows you to have enough money to pay off the loans in a systematic way.

Write to each creditor with a repayment plan based upon this realistic budget. It might be good to even include a financial statement and a copy of your budget so they can see that you are serious about getting out of debt.

Fourth, begin to retire your debt. If you can, pay extra on the debts with the highest interest rates. If all of them have comparable interest rates, you might instead pay extra on the smallest balance. By paying that off first, you will have a feeling of accomplishment and then free up some of your income to tackle your next debt.

Fifth, develop new spending habits. For example, if you generate extra income from working overtime or at an extra job, use that to retire your debt faster. Don't assume that because you have some extra discretionary income you can use that to spend it on yourself.

Before you buy anything, question yourself. If an item isn't in your budget, ask yourself if you really need it and how much use you will get out of it. We often spend because we are used to spending. Change your spending habits.

Debt is like a form of slavery. Do what you can to be debt free. If you follow these steps faithfully, that can take place in a few years. Debt freedom will reduce your stress and free you up to accomplish what God intends for you to do.

Notes

1. The Holmes-Rahe Scale, www.geocities.com/beyond_stretched/holmes.htm.
2. Liz Pulliam Weston, "The big lie about credit card debt," MSN Money, 30 July 2007, tinyurl.com/33zrut.

Congressional Reforms

Kerby Anderson

The Flat Tax

"Our government is too big, and it spends, taxes and regulates too much. Of all the supposed crises we're facing today, this is the one that really matters." So said Representative Dick Armey when he introduced his proposal for a flat tax.

The American public sector is now larger than the entire economy of any other country except Japan. Government employment surpasses jobs in the manufacturing sector. "Today, the average family now pays more in taxes than it spends on food, clothing, and shelter combined. All told, nearly 40% of the nation's income is now spent not by the workers who earned it, but by the political class that taxed it from them."

Congressman Armey believes we need a change. He wants to freeze federal spending, erase stupid governmental regulations, and retire the current Rube Goldberg tax code with a simple, flat tax and a form that could fit on a postcard.

The proposal has tremendous merit, which is why its chances of passing in this session of Congress are slim and none. But Armey is not a Congressional Don Quixote tilting at bureaucratic windmills. He knows that taxpayers are fed up with waste, fraud, and tax confusion. They are eager to change the system and willing to change congressmen if they won't take action.

In this essay we will be looking at the merits of this proposal. The center piece of the proposal is the flat tax. Seven decades of corporate lobbying and congressional tinkering have left the tax code in a mess. Rates are high, loopholes abound, and families must bear an unfair burden of the tax code. Armey's bill would scrap the entire code and replace it with a simple 17% flat tax for all.

All personal income would be taxed once at the single, low rate of 17%. There would be no special tax breaks of any kind except the following: (1) a child deduction of $5300 (twice what it is today), and (2) a personal allowance — $13,100 for an individual, $17,200 for a single head of a household, and $26,200 for married couples.

Businesses would pay the same 17% as individuals. A corporation would subtract expenses from revenues and pay the same, flat tax. The benefits should be obvious. Americans spend approximately 6 billion person-hours figuring their taxes each year. This lost time costs the economy $600 billion annually, and people spend another $200 billion in time and energy looking for legal ways to avoid taxation. Lawyers, accountants, and all taxpayers will be freed up to focus their time and energy on more productive aspects of the economy.

Economic growth will be another benefit of the plan. Armey's bill not only lowers tax rates but eliminates double taxation of savings, thus creating a new incentive for investment. No more capital-gains tax, no estate tax, no tax on dividends. This bill will substantially stimulate the economy and create new jobs.

Perhaps the greatest benefit will be tax fairness. We say that in our society everybody should be treated the same, but we have a tax code that does anything but do that. Under the current code, politicians and lobbyists determine which groups should pay more and which groups should pay less. Under the Armey bill everyone pays the same.

The bill does more than simplify the tax code. It has two other major features. First, it would address the issues of spending cuts and program sunsets. Armey's bill uses a variation of the old Gramm-Rudman law to freeze total federal spending for one year and then allow it to grow only at the rate of inflation after that.

This proposal will eliminate $475 billion in currently projected spending increases. It will guarantee the government will become no larger in real terms than it is today.

Armey would cut budgets the old-fashioned way: he makes bureaucrats earn them. If a department or agency doesn't perform, it won't continue to exist unless it can justify its existence. Can you imagine the hearings for various agricultural subsidies, pork barrel projects, or for the Strategic Helium Reserve?

Under this proposal new programs will be especially unwelcome. Currently Congress writes new spending bills authorizing "such sums as may be necessary." Armey's bill would require that "such sums" come from existing programs. Congress will no longer be allowed to write a blank check.

A second feature of Armey's bill is to end indiscriminate regulations. The enormous number of government regulations are effectively a hidden tax on business and individual taxpayers. Armey estimates these regulations cost Americans $580 billion a year. Thus, these regulations are an even greater burden than the income tax itself.

Armey's bill would force the President to produce a regulatory budget. This would expose, for the first time, the hidden cost of regulations. Congress would then be required to do a cost-benefit analysis and risk assessment on any bill with new regulatory authority.

The bill would also address the erosion of property rights. Any time government regulators write a rule that reduces the value of a person's property, the government must compensate that person just as if the government confiscated the land to build a park or highway. No longer would environmental extremists be able to take a person's land by regulatory fiat.

Finally, the bill ends the deceptive device that has made Big Government possible: income-tax withholding. If taxpayers paid their taxes the same way they pay for their houses or cars, government would not have grown so big. Withholding taxes before the taxpayers see it allows government to grow ever larger. This bill ends withholding and thereby puts one more check on the political class.

The flat tax has merit and is illustrative of the many Congressional reforms being put forward in this session of Congress.

Congressional Privilege

Thomas Jefferson wrote that "the framers of our Constitution… took care to provide that the laws should bind equally on all and especially that those who make them shall not exempt themselves from their operation."

James Madison wrote in the *Federalist Papers* that Congress "can make no law which will not have its full operation on themselves and their friends, as well as on the great mass of the society. This has always been deemed one of the strongest bonds by which human policy can connect rulers and the people together."

Unfortunately, Congress has exempted itself from many of the laws you and I must obey. Recent votes in the House and the Senate have been an attempt to put Congress under some of these laws. Look at this short list of major pieces of legislation Congress has been able to exempt itself from in the past.

The Civil Rights Act of 1964 — Protects against discrimination based on race, color, sex, national origin, religious affiliation.

Americans with Disabilities Act — Protects against discrimination based on disability. Has subjected employers to burdensome architectural renovations and hiring.

Age Discrimination in Employment Act — Protects against age discrimination. Does not apply to House. Applies to Senate through internal rules.

Occupation Safety and Health Act — Sets minimum health and safety standards in the workplace.

Fair Labor Standards Act — Requires employers to pay minimum wage, time and a half, and overtime. Amendments in 1989 covered House employees. Senate is exempt.

Rehabilitation Act of 1973 — Requires federal agencies to submit affirmative action plans for the disabled to the Equal Employment Opportunity Commission.

National Labor Relations Act — Proscribes unfair labor practices, gives workers right to form unions, requires employers to bargain. Congress is exempt.

Freedom of Information Act — Provides public access to government documents. Congress is exempt, although it does publish floor and committee proceedings.

Privacy Act — Protects individual employees at agencies subject to the act. Congress is exempt.

You might wonder how Congress can justify exempting itself from the laws the rest of us must obey. You might think there would be some Constitutional justification due to the separation of powers. Well, not exactly. Though the argument does have some merit, listen to the justification given the last session of Congress.

Senator Wendell Ford (D-KY) spoke against extending a smoking ban to Senate rooms lacking separate ventilation. He said, "This is going to affect each and every member of this chamber, and the administrative confusion that this will cause for members will be enormous. One day we will have an EPA administrator in our office …telling us our separate ventilation system for tobacco is insufficient. Then the next day the OSHA inspector is going to arrive and tell us we do not have sufficient ventilation for fumes coming from the new carpeting, or the paint or the varnish. Next thing you know, we will have HHS coming in and telling us we cannot eat at our desks."

All I can say to Senator Ford is, "Yes, you will." You will be subjected to the same regulatory insanity most of us have had to live with for years! Perhaps the members of Congress will be more careful about the bills they pass in the future, when they have to live under the same laws we must obey. No one should be above the law, not even members of Congress.

Capital

Last November, the Republicans won a battle for Capitol Hill. Now they are waging another battle for America's financial capital. Nearly every day, Capitol Hill is abuzz with discussion of cuts in the capital gains tax, a middle class tax cut, and even a whole new tax code. We are going to look at a number of these proposals.

The first proposal is a cut in the capital gains tax. Proponents say that the economy will be strengthened by cutting the capital gain tax and indexing capital gains to inflation. Instead of the current tax rates ranging from 15% to 28%, the rates would be cut to rates ranging from 7.5% to 19.8%.

Opponents of a capital gains tax cut say it would merely be a "tax break for the rich." But statistics show that the middle class would be the primary beneficiary.

President Clinton recently defined the middle class as those making less than $75,000 (his middle class tax cut is intended for those making less than $75,000). Even using this $75,000 cutoff point, we find that 74% of the people who earn capital gains come from the middle class or below. Since 26% of people making capital gains have incomes above that cutoff point, reducing the capital gains tax is *not* "giving a tax break to the rich."

The benefit to the economy would be substantial. By lowering tax rates on capital, capital becomes more plentiful. Making capital more plentiful will make labor more scarce relative to capital and bid up the price of labor, resulting in more jobs and higher wages.

Another way to look at this is to recognize that more capital per worker makes workers more productive (better and more efficient equipment) making businesses willing to pay more for labor.

Another way to strengthen the economy is to replace the current tax system with a flat tax as we discussed earlier. The income tax would be 20% in the first two years and 17% thereafter.

Individuals would deduct $13,100, and married couples would deduct $26,200. Each dependent would add $5300 to the tax-exempt portion of the family. In other words, a family of four would not pay any taxes on the first $36,800 of family income!

If a flat tax is passed, there would be no tax on income from capital gains, interest, dividends, or estates. The current tax code actually discourages capital formation by taxing future financial gains. This plan would promote capital formation by eliminating tax on such investments.

Essentially people can spend their money as they earn it or defer gratification until the future. Currently, if they spend their money immediately, they do not increase their income-tax bills. But, if they invest their money and plan to consume it in the future, they risk paying income taxes on their interest, dividends, or capital gains.

This tax plan would allow businesses to pay the same flat rate on the difference between their gross revenues and their business deductions. It would also change the method of depreciation. Currently businesses must now depreciate their capital expenditures over the life of the equipment they buy. Armey's plan would allow them to fully expense those costs the year they incur.

In essence, the proposals are simple: if you want more of something, reduce the tax on it. If you want more capital, then reduce (or eliminate) the current taxes on capital. In the end, people and the economy will benefit.

Welfare Reform

Senator Daniel Patrick Moynihan (D-NY) has boldly stated, "We have no health care crisis in this country. We do have a *welfare* crisis." The social statistics bear out his conclusion. Since 1960 the welfare rolls have increased by 460 percent. Since 1965 Americans have spent more than $5 trillion on welfare. Currently more than 14 million individuals (including 1 in 7 children) are on welfare.

The current welfare system rewards dependency and punishes initiative. In Maryland, a single parent with two children would need to earn a minimum of $7.50 an hour to earn the same amount as provided by welfare grants and benefits. No wonder so many welfare mothers therefore conclude that staying on welfare is better than getting off.

Various welfare proposals submitted to Congress attempt to modify the welfare system by addressing the following issues:

The first is child support. Many fathers are not providing child support, and these bills would tighten the loopholes and make these dads pay up. Currently unwed fathers are not named on birth certificates. The omission frequently foils attempts to collect child support. But if dad pays, then mom's check does not have to be so large. The proposed bills would require the mother to identify the father in order to receive a welfare check. States can threaten deadbeat dads with garnishing wages and suspending professional and driver's licenses.

Second is the marriage penalty. If a pregnant teen get married or lives with the father of her child, she is frequently ineligible for welfare. Congressional proposals would encourage states to abolish the "marriage penalty" and make it easier to married couples to get welfare.

A third proposal is a family cap. Welfare mothers in some states can increase the size of their welfare checks by having more children. Congressional bills being considered would allow states to cap payments. If a welfare mother has another child, her check remains the same.

Already in New Jersey, Arkansas, and Georgia, families receive no increase for children born while on the dole. Congressional proposals would extend and encourage this opportunity to other states. The evidence so far is that this family cap may have some deterrence.

A fourth issue is work. Often if a welfare mother gets a job, her check is reduced, and she is likely to lose such benefits like Medicare and free child care. The new proposals before Congress would drop benefits after two years, but allow welfare mothers to work during that period.

Finally, these proposals address the government bureaucracy. Currently governors have to ask the Federal government if they can revamp their state welfare system. And the federal bureaucracy costs money. If you took the money spent for welfare and gave it to poor families it would amount to $25,000 a year for every family of four.

These bills would also freeze or change welfare payments. They would replace Food Stamps and AFDC with block grants to the states. This money would come from savings from cutting cash payments to women having children out of wedlock. As states receive these block grants, they would be free to design their own system.

The Bible clearly admonishes us to help those less fortunate, but it instructs us to do it intelligently. In 2 Thessalonians 3:10 we read that if “a man will not work, he shall not eat.” We need to revamp the current welfare system to meet real needs and stop subsidizing those who will not work. Congressional proposals are designed to help the helpless but stop rewarding the lazy.

Economic Issues

Kerby Anderson

Minimum Wage

Although the minimum wage law is more than 50 years old, it is still a very controversial measure. In fact, a battle over the minimum wage occurs every time Congress tries to increase it. Minimum wage seems like one of those political issues that compassionate people should support. But the opposite is true. The minimum wage leads to maximum unemployment for people with few job skills trying to enter the work force.

My own experience is illustrative. I started job hunting as a teenager during a rather depressed economy. The minimum wage requirement nearly kept me from getting a job because, as an unskilled laborer entering the job market for the first time, I had nothing more to offer than a strong back and conscientious work habits. Whether I was worth the minimum wage in my first job is questionable. But after working in a machine shop and as a ditch digger, I developed skills that made me more valuable to my employer.

Back in 1938, establishing a minimum wage of 35 cents an hour seemed admirable. But today it effectively shuts less-skilled people out of the work force. In essence, the minimum wage law requires employers to discriminate against young people with few job skills. A teenager whose services are worth, say, only $3 an hour is not going to be hired at $4.25 an hour (plus benefits like Social Security, which raise the cost to the employer to over $5 an hour). The choice is not between working for $3 an hour and working for $4.25 an hour. The real choice is between working for $3 an hour and not working at all.

The effect of minimum wage on young people is devastating. When the lowest rung on the ladder is higher than your head, that necessary first step into a job will never be taken. The high rate of unemployment among teenagers is due in large part to the minimum wage laws that place the rungs on the ladder too high. Eliminating the minimum wage would allow more young people to get on-the-job training.

Minimum wage's effect on the poor is also troubling. Research indicates that for every 10 percent rise in the minimum wage, there is a 3 percent drop in employment among workers covered by the Fair Labor and Standards Act. In other words, if seven workers get their wages increased, three workers either get fired or can't find work. Notice how the minimum wage law has changed the nature of employment in America. More and more restaurants are switching from waiter service to self-service. Gas stations have followed suit. It explains why you see fewer ushers at movie theaters and fewer "bag boys" at supermarkets. In the past, these jobs allowed young people to develop job skills. Today, many don't exist, and young people are the losers.

Raising the minimum wage may seem compassionate. But in the end, those with limited job skills in need of work experience are the ones hurt by good intentions.

Comparable Worth

Although the idea of comparable worth has been roundly criticized, it is still gaining proponents. Like the minimum wage, it seems at first glance like an issue we should back. But it has not exactly generated a groundswell of support.

Clarence Pendleton (former chairman of the U.S. Commission on Civil Rights) called comparable worth "the looniest idea since Looney Tunes came on the screen." But even so, its proponents are resolved to make it the law of the land.

The seeds of comparable worth first found fertile ground in the judicial system. A number of years ago, Federal Judge Jack Tanner, citing a consulting firm's comparable-worth study, ruled that the state of Washington was guilty of sex discrimination. His judgment of nearly $1 billion against the state provided impetus for a similar suit in California.

Proponents of comparable worth argue that the Equal Pay Act of 1963 and the Civil Rights Act of 1964 are not enough and urge the adoption of comparable worth legislation. But underlying this movement are some questionable assumptions.

First is the dubious assumption that differences between male and female wages are due to discrimination. But sexism has less to do with the wage differences than with the way women participate in the economy. Many work part-time, and most leave the job market to raise children. Economist Walter Williams estimates that women on the average spend about one-third of their potential working years in the labor market and therefore have less job-related experience than men. When relevant criteria such as education, experience, and seniority are factored in, many wage disparities vanish.

A study released by the Rand Corporation demonstrates that the gap between male and female wages is decreasing steadily, and the rate of decrease has begun to accelerate in the last few years. Economists James Smith and Michael Ward show that this rise in wages is commensurate with improvements in women's education and job experience, "rather than legislation, government commissions, or political movements."

Second, the approach assumes that personnel studies can adequately compare different kinds of jobs. Yet there is no such thing as an objective scale of economic values. Economists from Marx to Ricardo have tried to devise non-market criteria for the value of labor, and there is still no consensus after 100 years of work on the project.

What will happen when the studies disagree, as they inevitably will? The potential for disputes is endless. Should nurses earn as much as doctors or paramedics?

How about a secretary who can drive a car? Should she make more than a truck driver who cannot type? There simply are not enough courts to handle the many kinds of questions that will surely follow.

Third, comparable worth assumes that governmental bureaucrats should decide pay levels. Even in situations of obvious discrimination, we should question whether a bureaucracy is the best way to rectify the problem. In fact, in light of the last 25 years of research into the nature of governmental bureaucracies, one might wonder whether bureaucracies are the best way to deal with any social problem.

Wage inequity deserves attention, but the solution is not to force employers to pay wages established by bureaucrats rather than by the free market. We need better implementation of existing laws and prosecution when discrimination occurs.

Comparable worth plays a game of "worthier than thou" by trying to compare vastly dissimilar occupations without utilizing the market system and depending solely upon subjective judgments. We would do better without it.

Budget Deficits

A theme in recent campaigns has been the budget deficit. And for good reason. We are drowning in tides of red ink, and something must be done. Some candidates suggest that the way to balance the budget is to increase taxes. But that won't solve the problem and most likely will make it worse.

The problem is not that we are undertaxed but that we are overspent. Consider these budget statistics. First, taxes have continued to increase throughout this century. That's not so surprising since the cost of living has increased as well. But tax receipts as a percentage of the GNP have also steadily increased over time.

A second way to look at the problem is to plot the increase of the federal government's budget. In 1938 the budget was $7 billion. Today the budget exceeds $1 trillion. That's an increase of over 14,000 percent. In comparison, in 1938 a Hershey bar cost 5 cents, a first-class stamp 3 cents, a new Ford $600, a good suit $40, and gold $35 per ounce. However, if these costs increased by the same proportion as the cost of government, the prices would be astro- nomical. A Hershey bar would be $7, a first-class stamp would be $4.20, a car would sell for $84,000, a suit for $5,600, and an ounce of gold would be $4,900.

Moreover, a tax increase is not a solution; it is part of the problem. Economist Walter Williams has shown that the facts simply do not square with the oft-repeated assumption that more taxes will reduce the deficit.

Williams has studied the federal budget figures for the last 25 years and found the following. The budget has been in the red 24 of the last 25 years. And in 19 of those years there have been tax increases. His studies show that for each $1 in tax increase during that period, there was a $1.58 spending increase. In other words, when taxes rose, deficits skyrocketed.

In 1982, when Congress passed the largest peacetime tax increase in U.S. history, the new revenues were not used to decrease the deficit. Instead, they were used to increase spending in a number of budget categories.

The solution is to cut the federal budget. Bloated bureaucracies drain America's economic competitiveness and often dole out grants to things ranging from obscure scientific projects to obscene art. Certainly it is time to begin cutting the federal budget in significant ways.

A major budget category is federal pensions. There is nothing wrong with providing pensions to civil service employees and military retirees. But some of these pensions have grown much more lucrative than anything found in the private sector.

For example, retired Senator Al Gore was making more than his son, Al Gore, Jr., until the younger man was given a Congressional pay increase in the mid-1980s. When Gore senior retired from Congress in 1970, his salary was $42,000. But, thanks to federal cost-of- living increases, his pension was over $78,000, while his son's salary was only $77,000. When a current member of Congress makes less than a retired one, something is wrong with pensions. The Grace Commission found that if federal pensions were trimmed to resemble the "best" private sector pension programs, $58 billion in taxes could be saved over a three-year period.

The federal budget is a problem, but many are looking in the wrong places for solutions. Americans are not undertaxed. The American government is overspent. We need to cut expenses, not raise taxes.

Housing

In recent years, Congress has made significant changes in the way it funds public housing. As the next budget considerations loom in the future, we can learn a great deal from the successes of the past.

One of the most important successes was the adoption of the housing voucher concept. The argument for housing vouchers is simple. Many current federal housing policies focus on bricks and mortar. These programs provide incentives to private developers and thus place an emphasis on buildings. Direct rent assistance in the form of housing vouchers is used to replace construction subsidy programs, which often benefit contractors more than the poor. These voucher programs, therefore, direct government resources at people, not projects.

Housing vouchers given to renters utilize the free market system to bring about desired changes. When rent subsidies are allocated for construction of housing projects, we create a seller's market. When we give housing vouchers to renters, we create a buyer's market.A housing voucher system encourages landlords to improve run-down apartments.

Government housing policies make families dependent upon governmental subsidies and lock them into inadequate housing situations. In our effort to win the war on poverty, we have lost the war on independence.

To be poor is to be caught in a culture of poverty, frustrated and without choices. The voucher system provides not only a roof and walls, but choice and dignity. Although government pays only the amount of rent that exceeds 30 percent of a family's income, the family can choose to pay more than that and is free to move to a different housing situation.

A second program success has been the privatization of public housing. A few years ago a bill encouraging privatization was sponsored by conservative Jack Kemp and liberal Walter Fauntroy. Kemp, invoking memories of the Homestead Act of 1862, referred to this legislation as the "urban homesteading bill."

The bill offered tenants of the nation's 1.25 million public housing units the chance to buy their own homes and apartments at 75 percent below market value with no money down and at greatly reduced interest rates. Only units that were "modernized" were offered for sale.

The bill also empowered public housing tenants to run their own projects. Legislators recognized that tenant management would provide better management of public housing.

Inspiration for resident management came from the example of the Kenilworth-Parkside project in Washington, D.C. In 1982, Mayor Marion Barry granted self-management to the residents. An analysis by an international accounting firm indicated that the tenants cut operating costs significantly, boosted rent collections by 77 percent, reduced the vacancy rate by two-thirds, and halved the rate of welfare dependency, thanks to jobs in the project created by the management team. These savings and new revenues, say the accountants, added close to $10 million to Washington's tax collections.

These have been constructive changes in public housing policy. Housing vouchers provide choices and dignity and arm the poor with a mechanism to improve housing. Resident control of public housing provides for initiative and independence. We need more housing programs like this in the future.

Churches and Taxes

One of the oft-cited criticisms of Christians is that they attend churches that should be forced to pay their fair share of taxes. But once you understand the history of this issue, it is easy to see why critics of tax-exempt institutions miss the point.

When the United States was founded, the framers of the constitution wanted to protect churches from governmental influence. The first amendment to the Constitution specifically states that "Congress shall make no law respecting an establishment of religion nor prohibiting the free exercise thereof." This protected the churches from the intrusive hand of the state.

But when Congress began to tax its citizens, a question arose. Could it tax churches? The answer then was very simple.

The first two modern income-tax statutes were the Revenue Act of 1894 and the Revenue Act of 1913. In both the laws, only "net income" was to be taxed. Churches and all other non-profit organizations had no "net income," so they were not taxed. The author of the 1913 Act, Cordell Hull, even resisted the call for establishing explicit categories of exemptions. He argued that the law was designed to impose explicit categories of taxation, therefore, all organizations not listed would be exempt.

But that was not sufficient for many in the bureaucracy, and so, over time, the Internal Revenue Service began to define what a tax- exempt organization might be. In the IRS code, it is defined as a 501(c)(3) organization.

From the IRS's point of view, it made sense to define a church, because they began to see the rise of bogus churches with names like the "Church of the Marijuana" or the "Hot Tub Church." But from the Christian point of view it seems most unwise to have IRS agents define in legal language what the Bible provides in explicit detail. Sometimes there was a significant confrontation.

Fortunately, Congress has passed a bill which more clearly specifies the role the IRS can have in securing church records and determining whether a church qualifies under the IRS code.

Many critics of churches argue that they can unfairly compete in the marketplace because of their tax exemption. But most of that objection was answered years ago.

The Tax Reform Act of 1969 ended churches' tax exemption for income from profit-making enterprises. Before 1969, churches exempt under theIRS code did not have to pay corporate income tax on unrelated business income, but Congress closed that loophole.

Critics also argue that exemptions are given as a legislative grace in return for specified public services which government would have to provide. But the U.S. Supreme Court held in a 1970 case that traditional property-tax exemptions for churches are constitutional and rejected the notion that exemption is a legislative grace. The argument may have its merits in reference to colleges, hospitals, libraries, or parks. But it is not applicable to churches, since government could not constitutionally set up or operate a church to provide the religious services churches provide. Despite allegations to the contrary, churches are not "getting away with something." They do not pay taxes because they do not have net income. When they do make a profit in a business enterprise, they pay taxes on it. The rest of the time, they should be tax exempt.