



Obama's State of the Union minimum wage challenge is rooted in the free market

As surprising as it may be, President Barack Obama's State of the Union challenge to businesses to increase their employees' wages is actually rooted in the free market.

Yes, really.

During his speech on Tuesday night, Obama referenced a Minnesota restaurant chain, [Punch Pizza](#). Two of its employees, Chief Executive Officer John Soranno and kitchen worker Nick Chute, attended the President's speech in person as guests of First Lady Michelle Obama. Obama praised Soranno for increasing the minimum wage of his employees at to \$10 an hour Punch Pizza's eight locations.

"Tonight, I ask more of America's business leaders to follow John's lead and do what you can to raise your employees' wages," Obama told the American public. "To every mayor, governor, and state legislator in America, I say, you don't have to wait for Congress to act; Americans will support you if you take this on."

According to the [White House release](#) on the First Lady's guests, Soranno's choice to increase his workers' wages has "been a good business move." The company will soon open its ninth store.

And the fact of the matter is this: Americans probably *will* support businesses that treat their employees better. Americans who believe in a minimum wage increase will vote with their wallets. Realistically, even Americans who don't believe in a federal minimum wage increase can get behind an individual business that decides it wants to pay its employees more. That's how the free market works. If people like it, they support it.

“I appreciate it, and it makes me feel like a bigger part of the company,” Chute said of his raise, according to the White House release.

Obama also pointed out in his speech that employers are using better wages to keep their best employees.

“Profitable corporations like Costco see higher wages as the smart way to boost productivity and reduce turnover,” Obama said.

But Obama reached too far — and stopped pushing his free market approach — when he extended the situation of Punch Pizza to every business in the nation.

Take it from a Minnesotan: Punch is primarily successful because it sells delicious pizza. Heck, even [Meryl Streep said it was the best she’s ever had](#). That success is what allows the restaurant chain to turn around and invest in its employees, in order to keep the most hard-working workers and ensure the continued high quality of the pizza.

Yet not every business can afford to pay their employees more, and mandating an increased minimum wage at the federal level would force those employers to sink more money into their current employees, instead of hiring more. In California the minimum wage has been increased to \$10 per hour, which will [prevent an estimated 200,000 jobs](#). And if every state in the Union did the same, about 2.3 million potential jobs wouldn’t be created.

And it could mean more than just decreased hiring, as the Cato Institute pointed out.

“If the government requires that certain workers be paid higher wages, then businesses make adjustments to pay for the added costs, such as reducing hiring, cutting employee work hours, reducing benefits, and charging higher prices,” [according to a Cato policy analysis](#).

A \$10 minimum wage is great for Punch Pizza workers, and, frankly, they probably deserve it. Each authentic Neapolitan pizza is freshly made and baked for exactly 90 seconds in a 800+ degree wood-burning oven. That’s a commitment to pizza perfection.

But that doesn’t mean Punch Pizza’s strategy is right for every employer in the nation. For some, it would simply be a punch in the gut.

By [Kelsey Osterman](#) /// January 29, 2014