



Mandated Wages and Discrimination

Let's work through an example. Suppose 100 yards of fence could be built using one of two techniques. You could hire three low-skilled workers for \$15 each, or you could hire one high-skilled worker for \$40. Either way, you get the same 100 yards of fence built. If you sought maximum profits, which production technique would you employ? I'm guessing that you'd hire one high-skilled worker and pay him \$40 rather than hire three low-skilled workers for \$15 each. Your labor costs would be \$40 rather than \$45.



Suppose the high-skilled worker came into your office and demanded \$55 a day. What would be your response? You'd probably tell him to go play in the traffic and hire the three low-skilled workers. After all, hiring the three low-skilled workers for \$45, to get the same 100 yards of fence, would be cheaper than the \$55 a day now demanded by the high-skilled worker.

The high-skilled worker is not stupid and knows that's exactly what you'd do. He will do a bit of organizing first, convincing decent, caring people that low-skilled workers are being exploited and not earning a living wage and that Congress should enact a minimum wage in the fencing industry of at least \$20. After Congress enacts a minimum wage of \$20, what then happens to the chances of a high-skilled worker's successfully demanding \$55 a day? They go up because he's used the coercive powers of Congress to price his competition out of the market. Because of the minimum wage, it would cost you \$60 to use the three low-skilled workers.

The minimum wage not only discriminates against low-skilled workers but also is one of the most effective tools of racists everywhere. Our nation's first minimum wage came in the form of the Davis-Bacon Act of 1931. During the legislative debate over the Davis-Bacon Act, which sets minimum wages on federally financed or assisted construction projects, racist intents were obvious. Rep. John Cochran, D-Mo., supported the bill, saying he had "received numerous complaints in recent months about Southern contractors employing low-paid colored mechanics getting work and bringing the employees from the South." Rep. Miles Allgood, D-Ala., complained: "That contractor has cheap colored labor that he transports, and he puts them in cabins, and it is labor of that sort that is in competition with white labor throughout the country." Rep. William Upshaw, D-Ga., spoke of the "superabundance or large aggregation of Negro labor." American Federation of Labor President William Green said, "Colored labor is being sought to demoralize wage rates." The Davis-Bacon Act, still on the books today, virtually eliminated blacks from federally financed construction projects when it was passed.

During South Africa's apartheid era, the secretary of its avowedly racist Building Workers' Union, Gert



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Beetge, said, "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." The South African Nursing Council condemned low wages received by black nurses as unfair. Some nurses said they wouldn't accept wage increases until the wages of black nurses were raised. The South African Economic and Wage Commission of 1925 reported that "while definite exclusion of the Natives from the more remunerative fields of employment by law has not been urged upon us, the same result would follow a certain use of the powers of the Wage Board under the Wage Act of 1925, or of other wage-fixing legislation. The method would be to fix a minimum rate for an occupation or craft so high that no Native would be likely to be employed."

Whether support for minimum wages is motivated by good or by evil, its effect is to cut off the bottom rungs of the economic ladder for the most disadvantaged worker and lower the cost of discrimination.

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