



Written by [Walter E. Williams](#) on December 1, 2010

Minimum Wage, Maximum Folly

How about this: The law of gravity is applicable to the behavior of falling objects on the U.S. mainland but not applicable on our Pacific Ocean territories Samoa and Northern Mariana Islands. You say, “Williams, that’s lunacy! Laws are applicable everywhere; that’s why they call it a law.”

You’re right, but does the same reasoning apply to the law of demand that holds: The higher the price of something, the less people will take of it; and the lower its price, the more people will take of it? The law of demand applies to wages, interest and rent because, after all, they are the prices of something.



In 2007, the Democrat-led Congress and White House enacted legislation raising the minimum wage law, in steps, from \$5.15 an hour to \$7.25. With some modification, the increases applied to our Pacific Ocean territories. Republicans and others opposed to the increases were labeled as hostile toward workers. According to most opinion polls taken in 2006, more than 80 percent of Americans favored Congress’ intention to raise the minimum wage. Most Americans see the minimum wage as a good thing, and without it, rapacious employers wouldn’t pay workers much of anything.

On the eve of the 2007 minimum wage increase, someone got 650 of my fellow economists, including a couple awarded the Nobel Prize in economics, to sign a petition that read “We believe that a modest increase in the minimum wage would improve the well-being of low-wage workers and would not have the adverse effects that critics have claimed.” At the time, I wrote that I felt embarrassment for them, but at least the petition was not signed by any George Mason University economists.

According to a Sept. 30, 2010 American Samoa government press release, “Governor Togiola Tulafono today expressed his sincere gratitude to President Barack Obama for signing legislation that will delay the minimum wage increase scheduled to take effect in American Samoa for 2010 and 2011.” My question to you is why would a Democrat-controlled Congress pass a measure (HR 3940), and a Democrat president sign it, that would postpone the enactment of something as “wonderful” as an increase in the minimum wage law.

The fact of the matter is that increases in minimum wages have had a devastating impact on American Samoan workers. In my “Minimum Wage Cruelty: Update” column of May 26, 2010, I wrote: “Chicken of the Sea International moved its operation from Samoa to a highly automated cannery plant in Lyons, Ga. That resulted in roughly 2,000 jobs lost in Samoa and a gain of 200 jobs in Georgia. StarKist, the island’s remaining cannery, announced that between 600 and 800 people will be laid off over the next six months, reducing the company’s Samoan workforce from a high of more than 3,000 in 2008 to less than 1,200 workers.” According to SamoanNews.Com, in August, 300 workers received layoff letters in phase one of Starkist’s downsizing plans.



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Stephen Dinan, *The Washington Times* staff writer who wrote “Territories snared in wage debate” (10/18/10), said, “A number of those involved with the minimum-wage issue appeared not to want to talk about it. The White House didn’t return a call seeking comment, nor did the AFL-CIO, the chief umbrella group for labor unions.”

Does the law of demand that we’ve seen applying to American Samoa also apply to the U.S. mainland? It does and particularly for teenagers and especially black teenagers. In 2007, the unemployment rate for all teens was 15 percent; today it’s 25 percent. For black teenagers, in 2007, unemployment was 26 percent; today it’s over 50 percent. Overall unemployment is a little over 9 percent. Those who argue that the minimum wage has no effect on labor markets in the U.S. but has an effect in American Samoa are either liars, lunatics or idiots, and that includes those 650 economists who signed that petition suggesting that a “modest increase in the minimum wage would improve the well-being of low-wage workers.”

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