

Full Employment—A Lesson from the Deserts of Saudi Arabia

by Keith Wade

The United States has an unemployment problem. While there are people out of work in every segment of the population, the low-skilled worker has been disproportionately outplaced. As the minimum wage rises and guaranteed employer-subsidized health care looms ominously on the horizon, more and more companies are deciding that giving the teenager his or her first break is just not worth it. The minimum wage has choked the life out of many small businesses, forced many people who genuinely want to work for a living onto the welfare rolls, and driven up the cost of goods and services. The true minimum wage is not \$4.50; the true minimum wage is nothing at all!

Precisely because of our minimum wage laws there are far too many people who are disemployed and forced to accept exactly that. The pretty politics of compassion have convoluted and obscured a simple fact of life—each individual has a unique set of skills that have a certain value. The fact that some of these skill sets cannot command the minimum wage is also unavoidable. While the United States through its minimum wage law has undertaken to make these unfortunate individuals paupers, other nations have

allowed these people to work with dignity, resulting in positive results for the worker, the employee, the consumer, and society at large.

As one of the 30,000 American professionals living and working in Saudi Arabia, some of the economics of the Arab world initially confounded me. A liter of water costs roughly five times as much as a liter of gasoline. A pair of tailor-made British wool dress slacks costs about \$20. Because most of the markets are allowed to clear and prices are largely a matter of negotiating between storekeeper and shopper, pricing seems odd to the newcomer. The labor market is no different. With every Saudi national who wants to work guaranteed a job, there are still enough jobs to entice tens of thousands of foreigners to flock to Saudi Arabia and find jobs in a pay range from a few thousand dollars a year to hundreds of thousands.

The Saudi government has effectively separated wages from the other elements of employment. The policy regarding wages is “hands off”; wages are an issue between employee and employer. Along with this policy, however, are a number of exceptionally effective safeguards. Everyone working in Saudi Arabia has a contract that the employer is obligated to fulfill. Labor

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courts are quick and efficient and consistently look to the agreement as the governing factor. So while the employee and employer are free to negotiate terms and conditions of employment, the "exploitation of workers" that we have been so long told would occur without government meddling just does not happen. The contract—as it once was in the United States—is law.

Employers, realizing the investment that they have in their workers (airfare, housing, paid leave) generally treat them like the valuable resource they are. Eliminating the minimum wage does not mean eliminating fairness or safety or unleashing any of the monsters that we have been told over and over will appear if we allow employers and employees to negotiate without outside interference.

Clearing the Labor Market

The labor market in Saudi Arabia has been allowed to find its cost and has cleared. Those who opposed NAFTA were terrified that the borders would be overrun with people (presumably Mexican nationals) seeking employment in the United States. These naysayers would do well to look at Saudi Arabia as an example of what happens when that occurs, for indeed a large part of the workforce here is foreign. Hundreds of thousands of workers have poured into Saudi Arabia (which is effectively impossible to enter without a guarantee by an employer of employment and return travel home). And these hundreds of thousands of workers have taken jobs ranging from senior managers to tea boy (women generally do not work outside of the professions of teaching and nursing) to ditch digger. In addition, all of the local inhabitants who wish to work have jobs ranging from senior manager to shop clerk to goatherder. Some nomads, like their fathers before them and their fathers before them, make their living ranching camels in the desert setting up camp in a different place each night.

Because there is no interference with wages, each of these individuals is able to earn a living—something that they might not

otherwise be able to do were the price for their labor set artificially high by an outsider's arbitrary decision. Large companies pay people to tear up confidential documents by hand as opposed to investing in paper shredders; many middle-sized and most large merchants have at least one young man to bring tea to their customers; the corner grocery store and pharmacy have delivery boys to bring the shopper's packages home. Indeed—unlike the situation in the United States where the artificially high wages mandated by the minimum-wage law have driven millions out of the labor market and onto the welfare rolls—even someone with very meager skills, no education, and no ability to communicate in the local language can get a job.

Whatever happened to shepherds in the United States? They found themselves priced out of the market. Barbed wire is cheap—no American farmer could afford to pay someone minimum wage to lean on a stick and watch a flock of sheep. Between the minimum wage, Social Security, FICA, and on and on the cost is prohibitive. Consequently, people who would be perfectly content to watch sheep for a few dollars per day, read their philosophy books under the trees, and generally be happy with their lot are not allowed to do so. These people have been effectively made wards of the state by the highhandedness of the minimum wage laws. As one might expect, Saudi Arabia has shepherds (most of whom seem perfectly happy and who seem to favor Japanese pickups for some reason).

Everyone Has a Job

Without government interference the system is simple: everyone earns what he is worth and no one need worry about not being able to get a job. Let us look at the person who makes his living tearing documents into small shreds. In the United States we would purchase a paper shredder. We would do this for a simple reason—it is cheaper to buy a paper shredder than it is to pay someone to tear papers to shreds. The U.S. government will not let us pay some-

one \$100 per month to shred papers (though they will allow us to pay an executive \$100,000 per hour to shred papers at his or her wastebasket due the unavailability of a paper-shredding technician). As a result, those members of society who can do nothing more valuable than tear up paper are unemployed and a burden on society.

A simple rule that the supporters of the minimum wage law seemed to forget is that certain tasks are worth only so much. Consequently, parking lots are swept in Saudi Arabia and not in the United States for a very important reason—the U.S. government would make a criminal out of the store owner who gave someone \$2.00 to sweep his parking lot—notwithstanding the fact that the parking lot sweeper might be delighted to accept that price and sustain himself by honest work.

All of society benefits from this natural clearing of the labor market. Obviously the worker benefits by being able to provide subsistence for their family by working as opposed to begging. Society benefits by not having to funnel its limited resources to supporting those who cannot command the minimum wage. Merchants benefit by being able to offer a variety of benefits that would be cost prohibitive in the United States—coffee service to shoppers, a freshly swept parking lot, messengers, and a host of other services.

Let the naysayers say “it won’t work here,” the fact that Saudi Arabia is a rich country is not really an issue. On a per cap-

ita basis Saudi Arabia is one of the richest countries in the world. Most of that money, however, has gone into the country’s infrastructure and not into the sort of massive welfare program that we might expect. Indeed, little subsidizing of the basic needs of life goes on—able-bodied men are expected to work for a living. The government does encourage education and training, using liberal incentives to lure people into classrooms. But handouts are not common.

The United States should abolish minimum wage laws; they worsen the problem they were invoked to solve. It is not my intention to advocate that we adopt the culture, laws, or economy of Saudi Arabia. But it is my intention to suggest that there is an important lesson to be learned here: It is more dignified to allow people to work for less than a minimum wage than to force them to be paupers as a result of a high handed interpretation of what a minimum wage should be. It is better for society to have people happily working for less than minimum wage than to have these people forced into becoming ungrateful and involuntary wards of the state. It is better for the consumer to purchase goods that are made with realistically priced labor than with artificially high-cost labor. And, most importantly, it is possible to accomplish all of these things. A cursory examination of the Saudi Arabian work world indicates that it can indeed be done and the results are indeed positive. □

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Ending the “Crayfish Syndrome”

by Ralph R. Reiland

What are the chances for upward mobility for a group of poor, black church people 96 percent on welfare—in rural Mississippi, the poorest state in the nation? What’s their prospect for economic success if they don’t get a dime from the Rockefellers or the Ford Foundation? What if they get no new anti-poverty programs, nothing from the Fortune 500, and nothing from the rich and famous African-American celebrities and athletes?

That’s the story of the Greater Christ Temple in Meridian, Mississippi, and they ended up owning 1,000 head of cattle, two motels, a gas station, three restaurants, two chicken farms, 4,000 acres of farmland, the Green Acres housing development, two supermarkets, a hog operation with 300 brood sows, a construction company, a 55-acre Holyland commune, a school, and two meat-processing plants.

“We stopped the Crayfish Syndrome—it’s when you put all the crayfish in a pail, and one starts out and all the others reach up and pull him down,” says Bishop Luke Edwards, the pastor of the church. “We started by selling peanuts in the church, and buying wholesale food with the welfare money and selling it in a small grocery store

in the church. Now there’s no welfare or food stamps. We’re saving the federal government \$300,000.”

Green Acres is the congregation’s new 54-acre subdivision in Utaw, Alabama, with 132 homes being built for sale to the public. Heritage Construction, another business owned and operated by the congregation’s members, supplies the heavy equipment—18 wheelers, backhoes, dump trucks. The church also acquired two motels this year in Alabama, the Westin Inns in Utaw and Livingston, and started chicken farms in Decatur, Mississippi, and Gainesville, Alabama.

“We haven’t allowed anything to diminish our thinking or our efforts,” says Edwards. “Black people can be just as successful as anyone else, but our leaders have allowed us to be entrapped by government handouts. I lived in those neighborhoods. Welfare broke up the families, put the father out of the home, and let another man lay up there all he wanted. Handouts robbed our people, robbed them of self-esteem and self-respect.”

Edwards doesn’t preach the traditional bad news about a shrinking pie in racist America. “Racism is an excuse, a song. No, the playing field isn’t even, but we make it even. We proved we can make it in Mississippi and it’s the poorest state in the nation, and Alabama isn’t far behind. Think what we can do in New York or Chicago. Look at

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