A MINORITY VIEW

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Free Markets: Pro-Rich or Pro-Poor

Listening to America's liberals, who now prefer to call themselves progressives, one would think that free markets benefit the rich and harm the poor, but little can be further from the truth. First, let's first say what free markets are. Free markets, or laissez-faire capitalism, refer to an economic system where there is no government interference except to outlaw and prosecute fraud and coercion. It ought to be apparent that our economy cannot be described as free market because there is extensive government interference. We have what might be called a mixed economy, one with both free market and socialistic attributes. If one is poor or of modest means, where does he fare better: in the freer and more open sector of our economy or in the controlled and highly regulated sector? Let's look at it.

Did Carnegie, Mellon, Rockefeller and Guggenheim start out rich? Andrew Carnegie worked as a bobbin boy, changing spools of thread in a cotton mill 12 hours a day, six days a week, earning $1.20 a week. A young John D. Rockefeller worked as a clerk. Meyer Guggenheim started out as a peddler. Andrew Mellon did have a leg up; his father was a lawyer and banker. Sam Walton milked the family's cows, bottled the milk and delivered it and newspapers to customers. Richard Sears was a railroad station agent. Alvah Roebuck began work as a watchmaker. Together, they founded Sears, Roebuck and Company in 1893. John Cash Penney (founder of JCPenny department stores) worked for a local dry goods merchant.

It wasn't just whites who went from rags to riches through open markets; there were a few blacks. Madam C.J. Walker, born Sarah Breedlove, just two years after the end of slavery, managed to build an empire from developing and selling hair products. John H. Johnson founded Johnson Publishing Company, which became an international media and cosmetics empire. There are many modern-day black millionaires who, like other millionaires, black and white, found the route to their fortunes mostly through the open, highly competitive and more free market end of our economy.

Restricted, regulated and monopolized markets are especially handicapping to people who are seen as less preferred, latecomers and people with little political clout. For example, owning and operating a taxi is one way out of poverty. It takes little skills and capital. But in most cities, one has to purchase a license costing tens of thousands of dollars. New York City's taxicab licensing law is particularly egregious, requiring a person, as of May 2007, to pay $600,000 for a license to own and operate one taxicab. Business licensing laws are not racially discriminatory as such, but they have a racially discriminatory effect.

The Davis-Bacon Act of 1931, still on the books today, had a racially discriminatory intent and has a racially discriminatory effect. The Davis-Bacon Act is a federal law that mandates "prevailing wages" be paid on all federally financed or assisted construction projects and as such discriminates against non-unionized black construction contractors and black workers. During the 1931 legislative debate, quite a few congressmen expressed racist motives in their testimony in support of the law, such as Rep. Clayton Allgood, D-Ala., who said, "Reference has been made to a contractor from Alabama who went to New York with bootleg labor. This is a fact. 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." Today's supporters of the Davis-Bacon Act use different rhetoric, but its racially discriminatory effects are the same.

The market is a friend in another unappreciated way. In poor black neighborhoods, one might see some nice clothing, some nice food, some nice cars but no nice schools. Why not at least some nice schools? Clothing, food and cars are distributed by the market mechanism while schools are distributed by the political mechanism.

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