gration. By 1940 New York City was home to 63,000 Puerto Ricans. Today, with some 750,000 Puerto Ricans, New York City is by far the largest Puerto Rican city.

The large exodus from Puerto Rico since the early 1940s brought immediate improvements to labor conditions on the island. As labor emigrated en masse the marginal productivity of labor at home rose significantly, causing wage rates and levels of living to rise. Moreover, many Puerto Rican emigrants did what many emigrants do upon arrival in the U.S.: they remitted some of their savings to family members left behind, which contributed visibly to improvements on the island.

Federal Dominion Over Labor

One particular event triggered the exodus of more than one million Puerto Ricans during and after World War II. The Fair Labor Standards Act of 1938 virtually lowered the curtain on many types of labor in Puerto Rico. It set a minimum wage of 25¢ per hour which produced massive unemployment throughout the island. When all wheels were grinding to a halt, a 1940 amendment to the Act provided for an arrangement different from any on the mainland. It created industry committees, convened by the U.S. Department of Labor, that recommended minimum wages to the Department. The Secretary then set the rate in accordance with a Congressional mandate: *the rate must be the highest possible minimum that will not give a competitive advantage to any group in the industry,* that is, it must be as high as comparative wages in the states. Incapable of earning the mandated minimum in Puerto Rico, many thousands of workers were forced to search elsewhere. In 1978 the U.S. Congress committed the ultimate folly: it discarded the obnoxious industry-committee procedure of determining the highest possible minimum in favor of the original 1938 mandate—the full U.S. minimum wage. The minimum of $3.35 an hour was made effective on January 1, 1981.[3]

On the mainland the minimum wage may amount to one-half of the average industrial wage and may affect some ten percent of the working population. In Puerto Rico the same minimum approaches the full industrial wage and affects the vast majority of working people. The going wages paid are at, or close to, the mandated minimum. In agriculture some 90 percent are paid the minimum or near-minimum, in tobacco processing 99 percent, belt manufacturing 81 percent, women's hosiery manufacture 63 percent, children's dress manufacture 79 percent, milk processing and distribution 62 percent, candy and gum production 62 percent, and vitreous china manufacture 69 percent.[4]

Consequences of Fixing Wages at Higher than Market Levels

Some of the consequences of the federal minimum set above the Puerto Rico market rates are difficult to observe. Economic activity is forced to move from labor-intensive methods of production to capital-intensive methods, or does not occur at all. Labor-intensive industries no longer settle in Puerto Rico, but move somewhere else. The unemployment is further exacerbated by reductions in working time. Many employees are working only 35 hours a week or less although they are anxious to work more hours. But employment time, too, is a function of the costs of labor. Thus, while the federal minimum wage lifts some 20 to 25 percent of all workers right out of the labor market, it may condemn another 10 to 15 percent to underemployment.

Many hapless workers thus cast out from productive activity may find their way into the undergound economy where the federal mandates are completely ignored, or into self-employment and subsistence farming not covered by the minimum wage law. The long arm of the federal government cannot possibly reach into the complexities of self-employment and subsistence farming and mandate the price of independent labor. If it could, it would close the last legal escape route to a useful existence for many enterprising individuals.

But while this route may yet be open to individuals with entrepreneurial inclination and ability, the influx of a great deal of labor set free in covered occupations tends to depress the income from self-employment and thereby discourages entrepreneurial activity. Moreover, it only allows for the escape of one entrepreneur at a time. If one is successful through hard work and long hours of work at below-minimum rates he cannot legally buy the services of other workers at his own rates. His would-be helpers again are excluded by the minimum barrier.

In Puerto Rico, labor participation as a percentage of adult population is much lower than in the continental U.S., which is a clear reflection of the "lack of job prospects" for many. In 1978, the percentage of adult population in the continental labor market was estimated at 62 percent; in Puerto Rico it was only 44 percent.[5] No matter how psychologists and sociologists may want to explain this difference, the futility of a job hunt surely contributes to the low participation rates in the island.

Moreover, the high unemployment rates and low participation rates discourage on-the-job training, which is most unfortunate in Puerto Rico where both formal education and vocational training are significantly lower than in the continental U.S. Where fully trained workers