

EDITOR'S NOTE

This special issue of the *Cato Journal* was made possible by a generous grant from the **Arthur N. Rupe Foundation**. The question posed in this issue—Are Unions Good for America?—has both normative and positive aspects. Normatively, if one takes freedom as a fundamental principle, then *compulsory* unionism cannot be justified in a free society; it violates the rights of both workers and employers. Under current U.S. labor law, workers are often compelled to join unions and employers are compelled to negotiate “in good faith.” Public sector unions are even more onerous than private sector unions; they limit consumer choices and impose heavy tax burdens.

By attenuating freedom of contract, unions also have economic consequences. They artificially increase wages in unionized industries, limit employment opportunities, depress wages in nonunion jobs, lower rates of return on investment in unionized firms, and slow the growth of productivity. Unions politicize labor markets and have used the threat of violence to protect their wage premiums. In addition to using their monopoly power to secure higher than market wages, unions spend huge sums of money to maintain their power and limit competition.

Unions oppose trade liberalization, favor higher minimum wages, seek legislation to make it easier to organize workers by using a card check system rather than secret ballot (the misnamed “Employee Free Choice Act”), and are major supporters of the Democratic Party.

By giving a privileged position to unions, U.S. labor law violates the rule of law and freedom of contract. The Norris-LaGuardia Act of 1932 and the National Labor Relations Act of 1935 swung the tide in favor of unions, outlawing “yellow-dog” contracts that would allow workers the freedom to choose not to join a union as a condition of employment, prohibiting federal judges from issuing injunctions to prevent strikes (and to protect private property rights), and forcing workers and employers to accept “exclusive representation” once a union is validated by majority vote.

Although unions as *voluntary* associations of workers would not violate workers’ freedom, much of U.S. labor law takes that freedom away. One exception is right-to-work laws, which allow workers not to join a union as a condition of employment. Twenty-two states have enacted such laws and, in doing so, have expanded workers’ choices, increased employment opportunities, and promoted industry.

Industrial unions in the United States have extracted large wage premiums, including fringe benefits. Combined with steep taxes on capital, high labor costs have eroded U.S. competitiveness in union firms, such as steel and autos. Urban areas such as Detroit have lost thousands of jobs as a result.

Prevailing wage laws and project labor agreements, which union lobbyists are responsible for, are designed to protect high-wage union construction workers from competition. Such practices are not good for America or for taxpayers. The idea that legislating higher wages by restricting competition is beneficial because higher money wages increase aggregate demand and increase employment—the so-called high-wage doctrine—is a fallacious but persistent doctrine.

Free labor markets, complemented by free capital markets and free product markets, ensure that relative wage rates reflect workers' productivity, consumers' preferences, and the true opportunity costs of labor in alternative uses. Interferences with free-market prices prevent mutually beneficial exchanges and lead to nonprice rationing. In the United States, racial discrimination was evident in the early history of the union movement. Union hiring halls determined who got what jobs, and union leaders took account of their members' preferences for discrimination.

The decline of union-dominated firms and industries since the 1960s, and the jump in globalization since the 1980s, has taken a toll on private sector unions. Membership has dropped from about 31 percent of the workforce in 1960 to less than 10 percent today. Meanwhile, public sector unions have flourished, with local membership now at 46 percent, state membership at 35 percent, and federal membership at 33 percent.

Public sector unions have a vested interest in expanding the size and scope of government. They are politically active and use their influence to ensure that "big government" liberals, not market liberals, are elected. Higher taxes are the handmaiden of public sector unions. As tax rates rise to pay for the high costs of public sector workers, including the massive unfunded future pension and health benefits promised to public employees, there will be a large excess burden placed on the private sector, which will slow economic growth.

The contributors to this volume

- provide an historical background to the development of U.S. labor law;
- show how that law undermines the rule of law, leads to "political rent seeking," and violates economic and personal freedom by legalizing compulsory unionism;

- trace out the economic consequences of unions on wage rates, employment, investment, productivity, and growth;
- give specific examples of how unions have caused capital and jobs to flee cities and have fostered discrimination;
- explain why project labor agreements and prevailing wage laws are not in the public interest;
- make a case for “a free-market union law” that would allow voluntary but not compulsory unionism;
- and warn of the dangers to freedom and prosperity from union support of protectionism, from public sector unions (especially teachers unions that oppose school choice), and from the onslaught of new legislation that would end the secret ballot and impose binding arbitration under the Employee Free Choice Act.

A return to limited government, freedom of contract, and protection of private property rights would be good for America. An expansion of union power, especially in the public sector, would not. It would further erode the rule of law and freedom, and have adverse effects on U.S. competitiveness and on private sector development.

This special issue of the *Cato Journal* challenges the myth that unions benefit all workers and exposes the fallacy of the “high-wage doctrine.” It shows that the threat from public sector unions is real and that recent post-election concessions to unions may only be the beginning of a new round of political rent seeking and even more onerous labor laws.

—J. A. Dorn