



WOODS: So here we are with volume II, *Defending the Undefendable II*, that I just introduced to the folks a second ago. So now we're going to talk about, again, things that I find interesting in your list of people we've been taught to despise. And I'm starting right away with the corporate raider, because I'd like you to explain, first of all, what a corporate raider does, and then describe the way the public perceives what he does.

BLOCK: Right, what the corporate raider does is he raids corporations. Well, how does he raid it? Does he come in there with a gun, a machine gun and start shooting people? No, of course, he doesn't raid like that. That's a pirate or a government or somebody like that. No, what the corporate raider does is he buys shares of stock, and that's the raid. And what does he do with these shares of stock? When he gets 50% — sometimes he doesn't need 50%. 20 or 30% will do. And he now takes control of the corporation. And he can do one of several things. One, he could maybe make the corporation run better. The corporation is now making a million in profit a year, but they're a bunch of bums and they're not doing a good job. And what he does is he sells one division and buys another division. He cuts and splices. He edits the corporation, in effect. And now the corporation is making 20 million in profit a year, and the shares of stock are worth a lot more, and he's very wealthy.

Or what he might do is he might break up the corporation, which sounds horrible, because the corporation, let's say it has a bunch of trucks. It has 2,000 trucks, and it has 2,000 employees. And he thinks that the best way to deal with those trucks is to sell those trucks to 2,000 other little companies. And the people say, well, I'm going to lose my job. The 2,000 truck drivers say we're going to lose our jobs. Well, yes, they are going to lose their jobs in that corporation, but those trucks are going to other companies, maybe mom-and-pop delivery services who-knows-where. And there'll be jobs there.

And the reason we have unemployment is not because of cutting and splicing corporations; it's because of minimum wage or unions or anyone boosting wages above productivity levels, or the Fed is screwing around with interest rates. That's what causes unemployment. This is shifting employment from areas where the corporate raider thinks are lower value, like in this corporation, and to areas where he thinks that it will be higher value. And if he's right, he's going to make a lot of money. And if he's wrong, he's going to lose a lot of money, and then he's not going to be a corporate raider anymore. So we have sort of a failsafe mechanism.

And it doesn't have to be a corporation. It could be a farm. You're a farmer, Tom Woods. You're the farmer, and I'm going to raid you. Well, what am I going to do? I'm don't come at you with a gun. I'm going to raid you. I'm going to buy your farm. And you've been selling barley and making so much profit, and now I say no, corn is the way to go, or cattle. And I change everything around. Now, I might fire all the people doing barley or corn, and now I hire people who are doing cattle. So there's a shift in jobs, and people hate me for doing it. So that's why the corporate raider is reviled on the one hand, because he loses people their jobs. But they shouldn't be working there anyway, because they're not producing as much value as they could be producing after the corporate raider gets through cutting and splicing and editing and fixing and changing the use of the resources and the manpower.

WOODS: So again, what do you think is the source of people's misconception or hostility?

BLOCK: Well, I have a general rule that the hostility of all of it is really a biological. I think people are hardwired to be against markets for sociobiological points of view, but I don't get into that in these two books, *Defending the Undefendable*. So I'll take a different view, more superficial view than the sociobiological explanation, and that would be miseducation. People are educated. Look, nobody says, "I'm not a physicist, but my view on physics is thus-and-such". But a lot of people say, "Well, I'm not an economist, but in my view," and then they start talking about economics.

There's a lot of economic illiteracy out there, even among some libertarians who just don't know economics. They think that somehow if you raid a corporation, that you're hurting people. Well, when you bought those shares of stock, you bought them at a price that the seller was willing to sell it to you. Tom, when I bought your farm for a million dollars, you were willing to sell me the farm for a million dollars. And now I changed the rent and it's worth 10 million, and now maybe you feel aggrieved that you lost 9 million. But you didn't lose 9 million. When you sold me that farm for 1 million, you valued the farm at less than 1 million; otherwise, you wouldn't have sold it to me for a million. So you made a profit off of that.

It's true I now raided your farm and I used it in a different way and I made more money out of it, but that just shows you were a bad businessman and I was a good businessman. So I'm not only helping you by buying your farm at a price that you value, but I'm also helping the general public, because now the farm is producing more value than under your stewardship. So you were a lousy farmer, and I raided you, and people think, poor Tom, he had to sell his farm. You didn't have to sell it. You didn't have to sell those shares of stock in the corporation. But you willingly sold them, and now I reoriented the capital equipment and the function of the company, and I made more money, which means I'm satisfying more people, increasing the GDP, increasing economic welfare.

WOODS: All right, let's move on to one that may seem a little out of date, just because labor unions are not as big a presence in American life as they used to be. But you still do see some — I think when I was out in Las Vegas, there was a strike of some of the food service people and just the general staff of one of the hotels, and you definitely could not cross that picket line. So that still exists. But you defend the picket line crosser. How can you?

BLOCK: Because I'm evil. [laughing] No, I'm kidding. Look, I'm going to approach unions from two levels, one from a libertarian level and one from, namely, normative economics, and then from a positive economics or economic point of view, namely, pragmatic or utilitarian. Let's do the libertarian first.

What's the libertarian view on unions? The libertarian view on unions is that unions have two ways of raising wages, one of which is legitimate and the other is illegitimate. What's the legitimate way? Well, the legitimate way is a mass quit. If one person comes to the employer and says, "Hey, I need a \$5-an-hour increase," the employer might say, "Well, don't let the door hit you on the way out." But if the guy comes and says, "I represent all 500 of your workers, and we all want a \$5 increase in the hourly wage," the employer is more likely to take this seriously because he's got contracts, he's got raw materials, and if all 500 people quit, well, he's going to have to get another 500 people, and they might even be better, but it's going to be a pain in the neck. So he might say, "Well, I won't give you 5. How about 2.50?" or something like that. And that's legitimate, because you always have a right to quit. If you don't have a right to quit, you're a slave. And indeed, the only problem with slavery is you couldn't quit. If you could quit, it'd be innocuous. So labor unions are okay on that ground.

But then they have a second arrow in their quiver, and that is a picket line, to get back to the chapter here. And what they do is they set up a picket line around the factory, and they won't let raw materials in or finished goods out, and they certainly won't allow scabs, namely

replacement workers in there. And *scab* seems like hate speech, almost like the N-word for black people or the K-word for Jewish people, but somehow, scab is okay. But this is an initiation of violence against the employer who wants to divorce his workers, the unionized workers, and hire a bunch of others. So from a libertarian point of view, unions have one legitimate function and the other an illegitimate function. If they just stuck to their legitimate function, they'd be okay.

I was doing some research when I was in Canada working for the Fraser Institute to try to find out are there any unions that are legitimate, namely, stick to the first. And I came up with this thing called CLAC, Christian Labor Association of Canada. And I said, "Would you set up a picket line and use violence against the people who wanted to cross it all?" *Oh, no, no, turn the other cheek, we don't do that.* So I said, wow, I've got a live one. And then I said, "What do you think of labor legislation which compels the employer to deal with you fairly?" And they said, "Oh, we favor that," and I said, "Well, too bad. You can't be compatible with libertarianism." Because if you want to divorce your wife, you don't want to have a law saying you have to deal with her fairly; you just want to have a divorce. So if you want to divorce your workers, look, if the workers can quit, why can't the employer quit from the workers? Okay, enough on libertarianism.

Now, the other part of it is, well, can unions really ways raise wages? Well, we economists, we have this theory, it's called discounted marginal revenue product, or productivity for short. Namely, wages tend to equal productivity. If your productivity is \$20 an hour, that means you come work for me in my shop, my receipts go up by \$20 an hour. Well, that's your productivity. That's what we mean by your productivity, that my receipts go up by \$20 an hour. Well, if I offer you and pay you \$5 an hour, I'm not going to keep up because some other employer is going to offer you 5.01, and someone else will offer you 5.02, 5.03, and it's going to go up toward the \$20. On the other hand, if I pay you \$30 an hour, I'll be losing \$10 an hour off of you, so I'll go broke. So we have this theory that wages tend to be dependent on productivity.

So now we ask not the normative libertarian question, but we ask the positive, pragmatical utilitarian question: can unions raise wages? And the answer is, well, what do they do to productivity? Well, if they increase productivity — hahaha — then they can increase wages. But they don't increase productivity. They engage in strikes and work stoppages and work to order and all sorts of stuff. And then they have intra-union debates; you know, the plumbers and the carpenters are arguing over who could do this job, and then they shut down the whole bloody blue blazes. So no, unions don't raise productivity. They lower productivity. So unions lower wages. They don't raise wages. And this is why you had the runaway shop, and Detroit was heavily unionized, and now all the cars or many of the cars are being made in Alabama where you have right-to-work laws.

Unions used to be something like 30 or 40% of the labor force, and now private unions are, I think, 7 or 8%. Now the big unions are public sector unions like teachers' unions. And from a libertarian point of view, when the union is striking, who am I rooting for? Well, it's sort of like when the Nazis fight the commies. I root for each of them to get the other, because I'm against the public sector. Say, teachers' unions. I don't think we should have any public schools, so I'm sort of pro-teachers' union. On the other hand, I'm an anti-teachers' union, because they're using violence there. They're having picket lines and won't allow other workers in there.

So that would be my view on picket lines. We had a picket line against Japan in 1939. It was called a blockade. That's an act of war, for God's sakes. So a picket line is an act of war. It's an initiation of threat of violence, and people who do that ought to be put in jail.

WOODS: Well, you're preaching to the choir over here, Walter. All right, so if we can accept your thinking on that, some of the other things you're defending in this book are really — I mean, this goes way beyond the first one. Because I think in the first book, you picked, even though they were controversial, it was maybe more low-hanging fruit because they were more obvious. And I think you had to dig a little bit more to find other crazy people you could defend. Now, you know I mean that in a friendly way.

BLOCK: Yes.

WOODS: But for heaven's sake, the dwarf thrower?

BLOCK: Ah, yes.

WOODS: I mean, come on. I mean, I have to — because if people look at this table of contents, they're going to say, "Woods asked him only about the safe and economically relevant ones, and why is he not asking about the dwarf thrower, the heritage building destroyer, the war toy manufacturer, and all that. So let's take just a minute. What are you saying on behalf of dwarf throwing?"

BLOCK: Well, first of all, what is dwarf throwing? Well, dwarves are little people, small people, people who are three foot tall and weigh 50 pounds or something like that. And other people — a little weird, I'm not into this myself, and I think it's demeaning and disgusting, but what the heck? *De gustibus non disputandum est*, and in taste there is no disputing. They like to have, instead of a shotput, you take a dwarf and you throw them and see how far you can throw them. Or they're using them as a bowling ball or some crazy thing like that.

Well, look, I'm not talking about children. I'm talking about adults. These are small people, but they're adults. And if they're paid a lot of money to be thrown, it's — hat is it? Robert Nozick called it capitalist acts between consenting adults. We as libertarians favor all capitalist acts between consenting adults, and dwarf throwing is a capitalist act between consenting adults, so it's compatible with libertarianism.

And also, from a pragmatic or utilitarian, positive economic point of view, does it increase human welfare? Does it increase economic welfare? Yes. Look, the ordinary dwarf can maybe make \$20 an hour, but if he's thrown, he could be hurt, and he might make 300 an hour, and you're going to go tell the dwarf, "No, you can't get the 300 an hour because you might be hurt?" No. paternalism is okay for children, but these are not children. These are adults. We shouldn't be telling people that they can't have a consenting adult behavior of the capitalist variety. So if you want to do that, then we shouldn't have test pilots, because test pilots is also dangerous, or we shouldn't have underground miners, and underground miners are paid more because of the great danger.

So yes, there's danger, and not only danger, but there's a humility because somehow you're treated like an object or something. But you know, *de gustibus non disputandum est*. If they don't mind and people want to throw them and they want to be thrown and they want to be paid for it — it's interesting. In prostitution, if a man and a woman go to bed, it's not usually against the law, but if he pays her to do it, all of a sudden it is? Well, suppose we have drawer throwing where you didn't pay the dwarf to be thrown. He just liked it. He was a masochist. Are we against sadomasochism? Well, I am. I'm not into that. But do we want to prohibit it by law? No. If people want to be whipped or thrown or whatever it is, they should be allowed to. And if they're paid for it, we shouldn't make it even worse, because otherwise we're saying that an act is okay, but if it's paid for then it's not okay. So yes, I defend the dwarf thrower, even though it's not really with it; it's sort of callous or cruel or whatever. But that's their choice.

WOODS: Well, fair enough. I guess that's about what I figured it would have to be [laughing] . So all right, how about this? How about the hatchet man? Do people still use that expression?

BLOCK: Well, yeah, I think so. There was a movie where some famous actor was a hatchet man. And what the hatchet man does, he doesn't take a hatchet. He doesn't. He doesn't kill people with a hatchet. He's not a terrorist or anything. What he does is he fires people. Well, sometimes the employment contract doesn't work out, and the employer has to fire somebody. And the employer, we have specialization and division of labor and everything, and the employer might not like to fire people, because he doesn't like to see tears or he doesn't like it. He's not sadist or whatever. So he hired someone to fire other people.

So Tom, I want to fire you, but I don't want to see you cry, so I hire a hatchet man. And the hatchet man comes to you and says, "Tom, you're fired." He could be nice about it. He could say, "Look, it didn't work out. We'll try to help you get another job." Or not. But what the hatchet man does is fire people.

Well, firing is one half of hiring. I mean, if you can't — you know, in France, it's very hard to fire people, so they don't want to hire people in the first place. If you can't fire people, you're very reluctant to hire him in the first place. And we want people to be hired in the first place. And if you hire ten people, and seven of them work out and three of them don't work out and you're stuck with the other three, you're not going to hire the ten in the first place. So the hatchet man provides a very important service for the free enterprise system.

Even under socialism, you're going to have to have that. Bernie Sanders is going to foment socialism, and he's going to have the leader of, I don't know, the collectivized farms. And there's going to be a farm worker who's not really pulling his weight, and he's going to have to be fired. He's going to be put into maybe being a baker or something like that. So there'll be hatchet man under socialism too.

The point is that the worker can quit. Well, why can't the employer quit the worker? Well, people say, well, the employer's got a lot of money, and the worker's very poor, but that's not true, and it's not relevant either. And sometimes the employee is richer than the employer. I don't know about examples, but maybe a movie star might be richer than a producer of the movie, or a top athlete might be richer than a struggling athletic company. So the relative wealth doesn't matter. But the point is, it should be reciprocal. If I hire you, I should be able to fire you, and if I hire you, you should be able to quit.

And suppose you quit. I didn't even think about this when I wrote the book, and I thank you for bringing this up. We should have the quasi-hatchet man, and the quasi-hatchet man is a person who doesn't like to tell the employer that he's quitting, and he hires somebody to tell the employer that he's quitting, because the employer will start crying and he doesn't want to see tears. So if the employer can hire someone, a specialist in firing, the employee can hire a hatchet person — instead of a hatchet man, I don't know — to do the job of quitting. You see the point? It's reciprocal. So I defend the hatchet man. The hatchet man is just helping the employer fire a worker and part of the capitalist system. And part of any system is departure when things don't work.

WOODS: I think in France and maybe some other places, they've passed laws that make it more difficult to fire people. I mean, I know I didn't just imagine that. I know there are places where the labor market is much, much more sticky in a sense that once somebody is working for you, it's more difficult to get rid of them. And they think this is going to help people, but of course, the employer goes into that arrangement knowing that this person is going to be hard to get rid of. So who's going to benefit from that? Well, the person with the absolutely flawless resume who you know is going to work out no matter what. You hire that person. But

the one you think, you know, I might be willing to roll the dice on this person, there's something quirky about this person that I think may indicate some level of greatness. But if I realize I can never get rid of the guy, then why would I take my chance? I'll just take Mr. Square over here with the perfect resume.

BLOCK: Very, very good point. It's not only France, it's in the US also. Take black people. You want to hire a black person. Well, it's very difficult to fire a black person because you're accused of racism. So therefore, the demand curve for Harvard-educated black people shifts out to the right. Namely, everyone wants them and their salary goes way up. And now take a black person who goes to Podunk University and got a PhD from Podunk University or Duckburg University or whatever you want to call it. People don't want to hire him. They don't want to give him a chance, because they might have to fire him, and if you have to fire a black person, you are guilty of God knows what: racism, etc. So this really hurts the black person or the young person that is not highly credentialed, and it helps the middle-aged person or the black person who is highly credentialed. You know, if you have a PhD from Harvard or MIT or Chicago, the odds of them having to fire you or not give you tenure are very, very low. So you're quite right. This mitigates against the weakest economic actors, sort of like the minimum wage, which attacks people with low productivity and it unemploys them. It's a really vicious kind of law that attacks the least, the last, and the last among us, as they say.

WOODS: All right, let's see if we can fit one final one in. The very, very first chapter you have in here is "The Multinational Enterpriser." Now, what could be wrong — I know you're going to say nothing, but in the public's estimation, what could be wrong with a multinational enterprise, per se?

BLOCK: Well, I hate to do it, Tom, but nothing is wrong with it. We have multinational marriages. Somebody in Mexico is married to somebody in, I don't know, Brazil. That's a multinational marriage. Is something wrong with that? No. Well, a multinational enterprise is one that has partners, one in Canada and one in Belgium. What's wrong with that, for God's sakes? Part of it is because they're usually larger than other companies, and this is an attack on large-scale corporations, but there's nothing wrong with large-scale corporations either. So the whole idea that there's something wrong with the multinational enterprise is just ludicrous. And yet, people — you mentioned multinational corporations. It's sort of like *speculator* or *evil*. It's sort of a synonym for *evil*. And I'm not sure why it is. Well, I have my theories, the sociobiological, and the other one is economic ignorance. People just don't understand economics. And that's why they fall for this fallacy there's something per se wrong with a multinational enterprise that isn't wrong with an intra-national enterprise.

WOODS: So that's that. I mean, then, what's the problem — so then, is it that these corporations, it's not so much that they're multinational; it's that when you say "multinational corporation," what you're implying is something that tends to be, let's say, they claim is more powerful than governments. It spans the world.

BLOCK: That's right.

WOODS: It's more powerful than governments. And/or that it engages in really rotten practices, the way it treats its employees and stuff like that. I think that's what people are getting at, right?

BLOCK: Yeah, well, those two things. You see, if it's an intra-national corporation, it can't run away. Like the runaway shop from Massachusetts down to Alabama, if it's just located in the United States, the US bureaucrats can run roughshod over it. But if it's half in the United States and half in, I don't know, Portugal, and the US gets antsy, well, then they can just move to Portugal. And they can escape government, and we don't want that.

Another one is the sweatshops. The multinational corporation goes to Bangladesh and hires very low-wage workers and puts them in sweatshops and then imports cheap goods and competes with US workers. So that would be another indictment of the multinational corporation. But pretty much any corporation, an intra-national corporation can also set up a sweatshop. Well, they can buy stuff from a sweatshop. So it's really the same sort of thing. Like if they set up a sweatshop, then it would have to be a multinational, but if they just bought stuff from Bangladesh sweatshops, imported — in other words, if I'm a US company and I import stuff from Bangladesh, I'm an intra-national not a multinational corporation, so I'm okay? But I'm doing the same thing. I'm supporting sweatshops in poor countries, which in another chapter somewhere, I defend on the grounds that: what's their alternative? Prostitution or digging around in the garbage dump? So there's a whole bunch of indictments of the multinational corporation. Those are two of the most important, namely, they hire cheap workers, unskilled workers, and they pay them low wages, or they can escape government depredations. Well, both of these things seem to be positives, not negatives.

WOODS: Well, again, I think it's a question of comparing — like, for example, with Somalia. You may have heard, Walter, that there's a thing about libertarians in Somalia, that if we really wanted to live our principles, we'd move there. And one of the useful responses to that came from our mutual friend Ben Powell, who wrote an article saying, well, how about if we compare Somalia not to the United States, where yeah, obviously we'd rather live in United States because the standard of living is better. But why don't we compare it to, I don't know, neighboring African countries?

BLOCK: Yes.

WOODS: Where, let's say the various features, let's say geography and topography and weather, will all be the same. And then let's see what the results are. And what he found was that during the brief stateless period of Somalia, the general indicators that you look at for people's wellbeing either stayed stable or grew during that time and compare favorably to countries nearby. Well, likewise with multinational corporations, oh, my goodness, look at this person's wage is not as high as it would be in the United States. But it tends to be, my understanding is, on average, twice as high as it is as the wage being offered by native companies in these countries.

BLOCK: Oh, yes. Look, when you come into Bangladesh and you want to hire workers and workers are now getting 10 cents an hour, you have a choice. You can offer 9 cents an hour and they won't work for you. You can offer them 10 cents an hour and they won't work for you, because they already have a job at 10 cents an hour. Or you can offer them \$1 an hour or some astronomical fee, because you have to overcome the reluctance to work for strangers and all. So these people are dying to work for them. And we have the same thing domestically. They set up a Walmart in New Orleans, and everyone was saying, oh, you can't have Walmart here because they're not unionized and they don't have the healthcare, yak, yak, yak. The Walmart wanted to hire 300 or 400 people, and there were 5,000 people lining up around the block to get those jobs.

And this point of Ben Powell, Ben Powell is magnificent on this issue of that African country, Somalia. Another instance of this is the same thing, the same thing that happened with South Africa under apartheid. Now, apartheid is no good and apartheid is incompatible with libertarianism. But where was the migration of black people during apartheid South Africa? Was it into South Africa or out of South Africa? You'd think it would be out of South Africa, because the black people don't want to be exploited by apartheid. But no, the migration patterns were into South Africa, because, bad as apartheid was, what was going on in those other countries was even worse. So the black people were moving into apartheid. So again,

I'm not saying apartheid is good, and I'm not saying that Somalia is a great country. It's just what are you comparing it to?

WOODS: By the way, it's not the point you were making, but I think it was W.H. Hutt who did a study talking about I think the economics of the color bar, he called it.

BLOCK: Yes.

WOODS: And I can't remember if that's where there was — because I know Walter Williams did a book, I think, on labor unions in South Africa, which were, let's say, not very favorable to black South Africans. I know this is not at all relevant to your point, but since we're kind of going after progressive sacred cows here, it's quite clear that the labor union movement was not helping the oppressed in general. They were helping a certain self-selected group of the oppressed, but the really oppressed were left completely out in the cold by the labor unions.

BLOCK: Absolutely. I mean, the white racist unions, they had the thing called job reservation laws in South Africa, and Hutt was great on this subject. Walter Williams, too. I'm very proud to say he's one of my coauthors, as are you, Tom. They both made this point about job reservation laws. There were certain jobs that were only reserved for whites, the highly skilled dynamiter in the mine or whatever. And the blacks could do the job almost as well or pretty well, and the companies were trying to hire black people to do that to take over the job reservation laws. They were saying, well, this is the assistant dynamiter or something. But the white unions didn't like that, and what they did is they promulgated the minimum wage to make it impossible for them to hire the black people.

And also, unions, while we're on unions, one of our least favorite subjects — well, we love the subject, but the institution — they are the promulgators of the minimum wage law, the main ones that promote the minimum wage, because they are competing with unskilled workers. And the best way to compete with unskilled workers is not to beat up the scabs because they fight back, but to make them unemployable by artificially raising their wage rates.

WOODS: All right, we are going to call it quits there, even though, again, when you see the table of contents in *Defending the Undefendable II*, it is just going to make you flip. That's all I can say. Especially if you've already read *Defending the Undefendable*, you think, eh, what else could Block dig up to defend now? Oh, you don't know that half of it. So I'm going to link to *Defending the Undefendable II: Freedom in All Realms* at TomWoods.com/1594. And tomorrow, Walter Block Week will continue. Thanks, Walter.

BLOCK: Thanks, Tom. It's always a pleasure.