



## Episode 471: What's Wrong with Bernie Sanders' Demand for More Fringe Benefits for Workers?

Guest: Tom DiLorenzo

**WOODS:** I'm doing a series of episodes in which I'm not necessarily each time going to mention Bernie Sanders' name, but the types of ideas that he's putting forth are great episode topics, because they need to be refuted. I mean, we need to spend more money, really, developing wind power? I mean, come on now. But people do need to know what to say to that, and so I'm going to try and get to that in the coming week.

So when I heard the Sanders proposal to give people, I guess it's 10 paid vacation days and 7 sick days and 12 weeks of family leave, I thought Tom DiLorenzo's very good at stuff like this. So that's the sort of proposal that strikes people as benign and very much welcome and could only be for the good, and that the only people that would oppose something like that would be fat cats who are in bed with industrialists who just want to grind workers' faces into the ground. What is the libertarian way of understanding a proposal like this, on the other hand?

**DILorenzo:** Well, another group of people who would object to this is anyone who has studied economics for five or ten minutes, because this is basically the European model; it's basically the reason why for many decades, during the '70s, '80s, and '90s, there was zero job growth in so many of the western European democracies, because all of this priced people out of a job. You can't give people something for nothing. I mean, it would be nice if we could all have three months of paid vacation or family leave or whatever you want to call it, but of course that costs a lot of money.

So somebody who makes, say, \$500 a week, and he produces for his employer \$600 a week by being there, well then it's worthwhile to employ that person. But if the government comes in there and says, well, in addition to paying this person \$500 a week, you have to pay him another \$1,000 a week in fringe benefits, that person is no longer going to have a job.

And that's exactly what the European socialist parties advocated for many decades in the post World War II era. And of course they came right out and called themselves the French Socialist Party, the Belgian Socialist Party – you know, they didn't call themselves Democrats or Independents or – I don't know; I'm not sure what Bernie Sanders is calling himself these days. But they came right out and said we're socialists, and this is what we stand for. And of course Bernie calls himself a socialist, and this is

his program. And so it is a surefire recipe for a huge spike in unemployment in America, and poverty.

**WOODS:** Well, what I find to be a complete home run argument against, not this specific proposal, but any such proposal is that when you compare it to what he would say about carbon emissions, you see that on carbon emissions, he realizes that if you make something more expensive, people will do less of it. That's his whole plan against carbon emissions.

**DILORENZO:** Yes.

**WOODS:** Well likewise, if you make employing people more expensive, why wouldn't they do less of that?

**DILORENZO:** Yeah sure. Either he's confused or he's sly as a fox. But it reminds me of a story my old friend, the late Murray Weidenbaum, once told me when he had a conversation with Barry Commoner, who was an old sort of socialist environmentalist. And old Professor Weidenbaum told me he asked Barry Commoner at lunch one day – they both taught at Washington University in St. Louis – well you're against coal-fired plants, you're against hydroelectric power plants, you're against nuclear power, you're against all these kinds of power, and that would destroy capitalism, wouldn't it, if you didn't have any of this. And he said Barry Commoner just smiled. I mean, that's the idea of course, to destroy capitalism.

**WOODS:** Yeah.

**DILORENZO:** And so maybe that's what Sanders is up to. He understands that this will create massive unemployment and massive poverty, and that's the Frances Fox Piven strategy, isn't it, if you've ever read about it: to sort of overwhelm the welfare state so much that the government will have to come in and adopt full-blown socialism eventually. And so that's been the strategy of the hardcore socialist left for many decades now, and Bernie Sanders is their man.

**WOODS:** I remember giving a talk at the Mises Institute years ago, and Morgan Reynolds was there, and of course he was a professor – was he at Texas A&M?

**DILORENZO:** Yes, he was a professor at Texas A&M for many years. He was also the chief economist at the U.S. Department of Labor in the first Bush administration.

**WOODS:** That's right; I was going to mention that. So he knows a little something about labor economics. And I was giving a talk related to my work on Catholic social teaching and talking about all the myths that need to be overturned there, and he got up and objected at the end and said I'm sorry; I just don't accept the idea that this is just a question of people of good will who just have some mistaken pronouncements. He said I'm sorry; there's been too much progress in economic science for anyone still to believe this stuff, that the way you help people is by making it more difficult to employ them. I don't believe that. So I believe, until proven otherwise, that anybody

advocating a policy like this is a sinister person, who wants to keep people in poverty, because I can't believe anybody could be that ignorant. Now that really was a stunning thing to say.

Now I personally think people can be that ignorant. I think there are some malicious people. I also think there are some ignorant people. But that, I took as a really stunning kind of rebuke. And he said Ted Kennedy had to know that he was not improving the situation of people, but what he was doing was making sure they would always stay down and poor and dejected, and they would always stay Ted Kennedy voters. That's what he was accomplishing.

So, as I say, that was a real shock to hear somebody say that out loud. And my sort of response was to say if the — I even fight some economists these days, talking about raising the minimum wage to \$15 an hour — if the economists get it wrong, I think we can be a little bit more understanding when some clergymen get it wrong. None of them should get it wrong to start with, but these days, Tom, on this subject of the \$15 minimum wage, you even hear people like Krugman kind of suggesting that maybe that might not be such a bad idea. Now, this was one of those areas like free trade where all economists agreed no matter what school you were from, and now that consensus is breaking down. Do you have any thoughts on that?

**DILORENZO:** Well, another socialist economist, Joseph Stiglitz, who agrees with Krugman on most things, when he worked for Bill Clinton, he wrote an article in *The Wall Street Journal* where he said what he says in his textbook; he says raising the minimum wage will create unemployment. And I remember this old article from *The Wall Street Journal* where Joseph Stiglitz said we've calculated it; if we raise the minimum wage the way we would like it, we would lose about 400,000 jobs — and so he admitted that. But he says, but then we have social programs; we have welfare; we have government job training, and we can take care of all these people that way.

And so there's a political calculation there, too. He was thinking the unions want this, because the unions like to price out of a job anybody who competes with union labor, which a lot of low-skilled labor does. And so they would win a lot of political votes and money from the labor unions by creating massive unemployment amongst mostly teenagers, and at the same time, they'll win even more votes by giving those same teenagers welfare. In effect it's all win-win for the state by creating unemployment and poverty, or for at least the politicians who run the state, anyway.

**WOODS:** Well, on this just general subject of fringe benefits that Bernie Sanders is talking about these days among other things, I remember an article you wrote about the bumper sticker that we see about labor unions brought you the weekend, and I loved your analysis, because it's just like a laser beam. Explain — why do they say that labor unions brought us the weekend, but what in fact did bring us the weekend? That is, two days off in the seven-day week.

**DILORENZO:** Yes, well, over the years or over the centuries, a century and a half or so, we've seen people working fewer hours but making more money, and working the

same time. How could that be? How could you work less and make more money? Well the answer is increased productivity. People produce more per hour. And the main ingredient in that is capital investment by entrepreneurs. When the employer buys a new software system, a new computer system, or, in agriculture, the latest agricultural technology or something like that, then the people who work with that technology become more productive. They can produce more output per hour.

And employers have to compete for these people to run their machines, to operate their computers, and so forth. And how do you compete for good employees? You have to offer them a little more money. So when productivity goes up, wages go up. We've been observing that for centuries. Now, it's not an exact one-on-one relationship, but the correlation has always been there.

And so productivity improvement is a key to that. That's how we have done what we have done. And the number of labor hours going down, the production itself, labor, and things like that, that all happened before labor unions did anything, before there were laws passed limiting hours or forcing employers to pay time and a half for overtime, as occurs in some states, and things like that. So it was capitalism and technological developments and capital investment under capitalism that is responsible for the more weekends and more leisure time.

**WOODS:** I always give this example, because it's from my immediate family: my father was a member of the Teamsters. He was a forklift operator in a food warehouse for about 15 years. And I sometimes think about the wages he was able to earn. The Teamsters could have protested all they wanted about wages before the invention of the forklift, and it wouldn't have done any good. There's no way they could even have remotely dreamed of getting the type of wage they were demanding, unless the forklift existed and had been invested in by the food company saving and reinvesting its profits. Could you imagine the difference in productivity, trying to move pallets of food with your bare hands, as opposed to with a forklift? It's not even worth thinking about. So there's no way he could have earned that wage otherwise.

**DILORRENZO:** That's exactly right. Or look at farm labor, you know? Some guy walking behind a horse plowing a field. And then the tractor is invented, and you can plow 100 times more per week with a tractor compared to walking behind a horse. And that had nothing to do with the improved skill of the worker, and all of a sudden that farm worker becomes much more valuable to the owner of the farm, because he can produce so much more. And if he's not there, the farmer loses a lot more, because he can make a lot more, because of the increased productivity.

And my father was a unionized ag worker, which is sort of the same thing, where he's basically the conveyance of the skill and technology of heavy construction. And not everyone can do that or is willing to do that either. And that's another thing about capitalism, by the way, is these jobs that are very strenuous or dangerous, you have to pay what's called a compensating difference. You have to pay people more for these kinds of jobs, and so they do. And so that's how people like my father were able to make a good wage, is they were willing to take on these strenuous and sometimes

dangerous jobs, because they got paid more than other jobs for doing that. That's how the market works.

**WOODS:** Somebody might well say, though, that a labor union clearly benefits its members. Those members earn more than they would have without the union, so this is a good thing, therefore, and it would be an even better thing if we could spread labor unionism even more and more and more throughout the economy to cover more and more workers, so everybody could enjoy the benefits of labor unionism. Is there a fallacy in there?

**DILORENZO:** Yeah, the fallacy is that the competition for labor unions is always non-union labor. The only way a union can get wages above the free market level is to use some sort of force or coercion or intimidation to keep competition out. For example, the strike has historically been the tool that labor unions use. But if you go on strike nowadays, you risk losing the job, because it's not illegal to hire replacement workers. So that's a very risky thing.

Another thing, you mentioned Morgan Reynolds, the labor economist, Morgan Reynolds. One of his articles that he wrote, memorable to me, when he was the chief economist at the Department of Labor, was on union violence. And there's been a lot of research on this, and that historically in America unions have used a lot of violence – you know, clubbing, stoning, dynamiting, slashing tires, vandalism – to intimidate. It's all directed at non-union employees, who they call rats and scabs and much worse than that. It's not really directed so much at the employer; the competition is always going to be employees. And so any gains that unions make are usually at the expense of the non-union employee. That's why they lobby for such things as the minimum wage law, because it helps price out of the market low-skilled labor.

And the way I teach it is I tell students if I hire two college students to paint my house and pay them \$10 an hour each, that's \$20 an hour, and I can pay a union guy, who's a skilled, older, experienced painter \$25 an hour, well I can pay the two college guys less and get the paint job done. But if they have a law passed saying I have to pay them \$15 each per hour, then it's no longer economical for me to hire them, and it now costs me \$30 an hour for them and \$25 an hour for the union guy. So I'm going to hire the union guy. And the unions understand that. This is not rocket science.

And so a lot of what they do politically also is aimed at getting non-union labor out of there. Child labor laws, when the unions got behind that, it was because young people were competing with unionized labor. And when you see them protesting so-called child labor in Indonesia and places like that, it's not because they love children in Indonesia; it's because they want to throw them out of work, and in parts of the third world, where children are thrown out of work because of boycotts or something like that instigated by unions, the alternative is not enrolling in a nice, expensive private school. The alternative is begging on the streets, child prostitution, crime, and things like that. And so a lot of American unions are perfectly willing to destroy the lives of thousands of third world children who might be working in a textile factory to make a little bit better lives for their families.

**WOODS:** It's interesting that so many people who would describe themselves as having progressive views on race are also very much pro labor union, when the labor unions very obviously were making life very difficult, especially for American blacks, really throughout their hey day. Of course we can see that in South Africa, all over the place, what the unions were up to.

**DILORENZO:** Yeah, South Africa, our friend, Walter Williams, wrote his book called *South Africa's War against Capitalism* about 30 years ago or so, and he points out there that the apartheid system was partly enforced by South African labor unions who instigated that system in the first place. And they were very Marxist-oriented. Their slogan was a variation of the old Marxist slogan, "Workers of the world unite." The slogan of the white, racist labor unions of South Africa was, "Workers of the world unite. Keep South Africa white." And by that, they meant don't provide employment opportunities for black people in Africa.

And in the United States, in my personal experience, I said my father was a unionized ag worker. And I knew that it was virtually impossible — like growing up in Pennsylvania, it was unheard of for a black man to have one of these higher paid skilled jobs back in those days, and it was solely because labor unions did that. And in fact, an old student of mine a long time ago, Tom Rustici, who, I think he still teaches at George Mason for a while. And as an undergraduate, I got him to write an article for my class that I had published in the *Cato Journal*, where he looked up the congressional record at the time of when they were debating the original minimum wage law in the United States. And he found that some politicians, members of Congress, came right out and said we've got all these black workers from Alabama who are willing to work less than the white workers we have here, and we can't allow that to happen, so therefore we want this minimum wage. They came right out and said that the minimum wage law would be a tool to discriminate against less skilled, lower skilled black workers in the United States. And that has always been the effect of laws like the minimum wage, if not the intent.

**WOODS:** So when the average student is sitting in a classroom and believes that the reason that wage rates have risen over the course of American history has something to do with labor unions, and you've got 30 seconds to explain to them why this idea they've taken for granted their whole lives is incorrect, how do you sum it up?

**DILORENZO:** Well, you said labor unions have never been more than about 30% of the United States labor force, so just that fact alone means that they cannot possibly explain all the increase in wages. And also, if you understand the simple economics of it, you understand that when unions do succeed in pushing wages up, then there's a downward sloping demand curve for labor. That means that employers can no longer afford to hire as many people, and it's usually the people with the least seniority, the least skilled who are labor union members who lose their jobs. And so some labor union members actually get priced out of a job whenever the wage goes up as a result of the efforts of unions. And then also, the union has to keep out of employment competing non-union workers. And so whenever unions benefit, it's for the benefit of

some of their members, but it's at the expense of some of their other own members and also of non-union labor.

And that whole idea also ignores the fact that it's really capital investment that drives productivity, and labor unions have been a drain on productivity, with laws and that sort of thing that forces – well, just look at the American automobile company industry and the textile industry and the steel industry in the 1970s. Labor unions were mostly responsible for their destruction.

**WOODS:** Our friend George Reisman thinks of it this way: he says when a labor union gets involved, the whole point of it is to raise wages, which means that there'll be fewer people employed at that rate, so some people have to drop out and go into some other line of work, in a heavily unionized industry. But that some other line of work is obviously, from their point of view, inferior to the first line of work they were in, or they would have chosen it in the first place. So now you get a whole bunch of people who have to go down a level, in terms of their ambitions for employment, and at that level now there's an artificially increased number of people competing for those jobs, so wage rates are depressed in that area.

And if you unionize there, you drive some people out of that, and they have to go down a level, and so those people lose, but also all of society loses, because all those people who are being pushed out are people who acquired skills, spent some time and resources acquiring those skills. They can't use those skills, because the union drives them out of the industry. So society loses as a whole, because all the resources that went into providing those skills to those people are a complete waste. So these are all things that are totally missed when all you look at is hey, here's a labor union, and some guy now has a higher wage than before. You have to be able to think beyond this surface level. It really is the broken window fallacy, that you have to be able – or really it's what is seen and what is not seen. You have to look for what is not seen, when it comes to labor unions.

**DILORENZO:** Yeah, that's exactly right. And it's not that complicated. If you understand basic supply and demand and apply it to the labor markets, I think most students that I talk to catch on very quickly, because it's very straightforward, very logical thinking. But if you only listen to the emotional rhetoric, as your typical voter does, well then you're easily duped by all of this. But that's exactly what happens. Wages in the non-union sector are depressed. If you create hundreds of thousands of unemployed people, a lot of them are going to find jobs in the non-union sector, and that'll drive wages down there also. So people who already have jobs there will find that either their wages will fall, or at the very least, they won't rise anymore, they won't rise as fast as they otherwise would have in the future.

**WOODS:** Tom, I'm going to link on the show notes page, [TomWoods.com/471](http://TomWoods.com/471), to your article on labor unions and the weekend, but is there anything else that you can think of, either in a book of yours or in an article that would be interesting to accompany our discussion today?

**DILORENZO:** I have three or four articles on Mises.org or LewRockwell.com on labor unions. I have one on safety; there's one on how it's markets, not unions, that have provided job safety also. And the point I make there is that if you have a dangerous workplace, employers have to pay you more money to work there, because you're taking a risk. And so therefore that provides a financial incentive for employers to make the workplace safer, because they can make more profit by having a safer workplace. And that has been going on for many decades, before OSHA ever came around. And so I can send you those also.

**WOODS:** Well I'll dig those up myself. I knew I had read other things from you. I'll also link to a really long piece that Morgan Reynolds wrote, kind of a history of labor unions from the colonial period up through the present. That's also on Mises.org, and that'll be useful for people –

**DILORENZO:** Yeah, I have an article on union violence also on Mises.org.

**WOODS:** Okay, all right. We'll definitely make sure and put that on there. I have a chapter in *33 Questions about American History* that gives some of the specific examples also of the labor union violence that I'm sure you've got in your article. So I'll put all this up at [TomWoods.com/471](http://TomWoods.com/471). Tom, thanks again; I really appreciate it.

**DILORENZO:** My pleasure; have a good day, Tom.