



**Organized Crime**  
**Guest: Tom DiLorenzo**  
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*Tom DiLorenzo, a professor of economics at Loyola University, Baltimore, is the author, most recently, of [Organized Crime: The Unvarnished Truth About Government](#).*

**WOODS:** You've got six sections in this book, and it's all about different aspects of government, and it takes a revisionist look. It's not what the average person has been taught to believe. I want to start with an area that I think events have more or less overtaken, and that is labor unions. Unionism is really going out the door here. It's on its way out in terms of numbers. But even still, I think kids in school learn a certain series of ideas about unionism, and you're basically teaching the exact opposite. So you can elaborate on this?

**DILorenzo:** Ludwig von Mises once wrote that the main purveyors of the anti-capitalistic mentality of his day were labor unions, and so if you're wondering why so much effort is being made to keep the whole labor movement mythology going, I think that's one of the reasons for it. But yeah, you're right. It's only in the private sector. It's only I think six or seven percent of the workforce is unionized, but in the government sector, of course, I think it's more like 55 or 60%. That seems to be the overwhelming objective of all state and local governments now: to protect the pay and perks of public employee unions. But in my articles on unions, I guess one of them is called "The Inherent Violence of Unions," and it teaches the basic economic lesson that the only way a union could actually increase wages above what you would get on the free market is to somehow prevent competing workers, non-union workers, from competing for the jobs. Because, after all, if they go on strike, an employer can just hire replacement workers. I quoted a big, long study by the Wharton School at the University of Pennsylvania on the history of union violence in America, and it's something like a 600-page book, and it documents how for generations labor unions in America have used murder, mayhem, stonings, stabbings, every kind of violence imaginable perpetrated against non-union workers, not the company. The company is not the main enemy. The main enemy is always the competing workers. So I just made the point that this is an inherent feature of unions. It's the only way they can keep the monopoly wages. The unions are basically labor cartels, but the government exempts them from the antitrust laws, and they are usually exempted from a lot of forms of violence that you

and I would be prosecuted for, as long as they do it in the name of improving wages and working conditions.

**WOODS:** But Tom, we could say that well, this is all very unfortunate, these aspects of unionism, but the fact is that if we didn't have unions, then employers would have no incentive to pay people more than ten cents an hour, and so we have to take the good with bad. For example, we had much more unionism in the past and workers seemed to be making more progress than they are making now without unions. What would you say to that?

**DILORENZO:** Well, that's a version of the Marxist subsistence theory of wages that says that employers that only pay the workers just enough to keep them alive and trudging back to the factory every day, but of course, history disproves that. Wages in America rose by three to five percent ever since the Constitution was ratified, and in the post-Civil War years have stepped up another percentage point or two because of free labor and because of the enormous amount of capital investment that was occurring. So if you look at history, we see the improvement of wages and working conditions and a reduction in hours worked that happened for generations before unions had any real effectiveness, or before government came in and passed any laws that could codify any of this. So you need to understand that the main cause, as economics teaches us, of rising wages in history has been capital investment, and that increases the marginal productivity of labor and competition between employers forces employers to offer their productive employees more money or else they lose them to competitors. It's not that they became charitable, but competition forced them to raise wages in order to compete. The actual history of the American economy disproves that particular myth about labor unions.

**WOODS:** But what if you have a situation like we have now where there is so many immigrants coming that the supply of labor is so great, then maybe this phenomenon doesn't work out quite as neatly as it would in a more closed labor system?

**DILORENZO:** Yeah, what needs to be done, you know, government regulates and taxes capital so much, especially in the era of Dodd-Frank and these other laws that are just destroying capital markets. They sort of are a *de facto* nationalization of the capital market that's happened. The way to improve wages of the new immigrants is the same way that the old immigrants had their wages improved. Advances in human capital development which is education, training, and so forth, and of course, the government screws that up badly, but also capital investment in technology, but the more government intervenes in capital markets and in regulation of technology, the slower will be economic growth, and the more difficult it will be for all the new immigrants to make a decent living.

**WOODS:** Tom, we were a little late in getting you on. Would you be able to stay over into the next segment?

**DILORENZO:** Sure.

**WOODS:** Let's say I gave you a minute, could you in one minute refute a bumper sticker I saw about "The Weekend—Brought to You by Labor Unions."

**DIORENZO:** I don't know. The only way you can make more money and work fewer hours is to increase productivity, and the main cause of increased worker productivity is capital investment. So in a sense it's the workers who free ride on the risk taking and investments of the capitalists.

**WOODS:** My view on this has been that if they are going to make an argument like this, it could be turned against the left, that if anything, the worker should be paying a kickback to the owners for investing in the capital, right?

**DIORENZO:** They should at least be grateful for it and don't believe the union propaganda that has spewed hatred toward their employer, the source of their affluence.

**WOODS:** Right. I deal with a lot of people who say that labor is the fundamental ingredient in production, and so they deserve an extra subsidy, but if it was just them working with their bare hands, they sure wouldn't produce a whole heck of a lot.

There's so much to talk about in *Organized Crime*. What about the—under free markets monopolies will swallow us all up? We'll all be dead because the monopolists will be at our throats. How do we deal with that?

I chose these topics that we would talk about even though there are a gazillion in your book just because I think they are the ones that schoolchildren are most likely to hear repeated. I think the topic that you've done so much important pioneering work on is antitrust, and this is one of these areas people think, well, surely this is an intervention we need. Maybe we need to reform it a little bit, but obviously the free market, as Marx said, is going to lead to greater and greater concentrations of wealth, and the rest of us will be mere peons. How do you deal with people who are stuck in that kind of mentality?

**DIORENZO:** The Feds and antitrust are two things that most people know nothing at all about. Although Ron Paul did a great service in educating millions about the Fed, but the standard story that everyone is told is that in the late 19th century, the American economy was becoming rampantly monopolized, and the government came to the rescue with the Sherman Antitrust Act in 1890 to regulate these monopolies and to protect us consumers from monopoly. That always sounded like a fishy story to me. So I published an article in an academic journal called *The International Review of Law and Economics* way back in 1984, and I showed in that article that the industries that were being accused of monopolizing industry were cutting prices several times faster than the price level was falling at the time. This was a period of price deflation. Also, they were expanding production, some of them 10 times faster than GDP for an entire decade prior to the 1890 Sherman Antitrust Act. So what was going on was a targeting of the most productive, the most dynamic, the most competitive industries in America by the sour-grapes losers who could not compete, and they simply ran with politics. They ran to the

government to try to do something about these falling prices, and expanding output, and the invention of new products. So antitrust was a protectionist law from the very beginning, and you know, there have been many books written about antitrust regulation by economists, and for 110-115 years they say it hasn't really worked out too well. It's been counterproductive. But part of the myth is that, well, at the beginning it was a good idea. I think I have pretty much proved that no, it was never a good idea. It was always a protectionist racket, just exactly the opposite of what the schoolchildren are taught if they are taught anything at all about it.

**WOODS:** What about more recent history? Can you think of some more recent examples of—I think antitrust has retreated a bit, the antitrust establishment, partly because of the work that you, and Dominick Armentano have done. I don't think it's as bad, or as unreasonable as it used to be, and yet, maybe I'm wrong about that.

**DILORENZO:** Yeah, you're right. It's not—I think thanks to the scholarship that has been taking place for the past 30 years or more that the antitrusters have taken a step back. You know, late in the Carter administration it was so out of control that the Democrat-controlled Congress actually defunded the Federal Trade Commission because it was doing such outrageous things. So yeah, you're right about that, but look at the Microsoft antitrust case. The Microsoft Corporation was investigated for four years by the Bush Administration, and they found that they were doing nothing wrong, and then they had the Federal Trade Commission look at them and then the Justice Department look at them, and they finally, went and sued Microsoft, but then what happened was that Microsoft's competitors were revealed or outed as being behind the lawsuit. They hired all these consultants, including the late Robert Bork, who was very well-known in the field, and they actually constructed the actual case that was put against Microsoft by the government. But then in the end the judge in the case was so biased that he was kicked off the case by the panel of three federal judges that appointed him because he was so biased. He actually gave a magazine interview where he compared Bill Gates under Microsoft to Al Capone. But the government, to save face, made them pay a small penalty, and that was the end of it.

**WOODS:** When you look at the different topics you've got in here, it's all politically incorrect fun stuff like, the myth of the male-female wage gap, the myth of government job creation, and so on and on all the way to the myth of the independent Fed, how central banking hides the cost of war. Let's hit a little bit though on this male-female wage gap thing. You had Walter Block come speak at your university, and he said some politically incorrect things about the male-female alleged wage gap, and he got into some trouble, and then when he got back to his home university where everybody was yelling at him for saying these things, he challenged anyone in the whole university to come debate him, and of course, every one of them is a coward. So instead, he just gave a public lecture on it, and no one dared to question him.

**DILORENZO:** Right, he gave a very mainstream lecture. Walter Block was a student of Gary Becker at Columbia University many years ago. He was his dissertation adviser. And Gary Becker's doctoral dissertation in Chicago was entitled *The Economics of Discrimination*. So

Walter Block lectured at my university, was very mainstream about the male-female wage gap primarily, and basically if you control for such things as marriages which affects men and women differently, and choice of occupation, and age, and education, and experience, then the wage gap is very minimal, very small. He didn't say there was no such thing as wage discrimination or misogynists don't exist in the world or anything like that, but the standard economics of this is that if there is exploitation of women and wages, it provides a profit opportunity for competing employers. If a woman can work for you and produce \$100,000 a year in revenue, but you pay her \$10,000, well, it's worth your competitor's while to offer her \$20, \$30, or \$50,000, and he will still make a big profit by having her working for you. So Walter Block explains that and gave a really state-of-the-art lecture on his topic, but what he did was he ruffled the feathers of a politically correct academic establishment, because one of their chief superstitions is that racism and sexism are immutable. They aren't changeable, and they explain everything in society, including all the wage differences between men and women. The president of my university, Brian Linnane, actually committed a huge act of libel. He libeled Walter Block by sending out an email to all the faculty, students, and alumni apologizing for the insensitivity—he used the word insensitivity—of Walter Block, but he did not say what Walter Block said that was insensitive because, of course, he was not at the lecture. That's how the Marxian multiculturalists, as they call themselves, behave in academe today.

**WOODS:** And, of course, if this really were just a matter of bad men just not wanting to hire women, and somehow the good men don't realize, well, wait a minute, I could save 30% by hiring women, even assuming that were plausible, how can you possibly account for the fact that there basically is no male-female wage gap with single, never-married women and single, never-married men? Compare apples and apples. You don't compare men with women who have been out of the labor force and now half their experience is—they're rusty, or it's no longer relevant, or there are whole fields they can't enter because they can't interrupt that field for pregnancy. How could it—is that just a great coincidence?

**DILORENZO:** I had no trouble explaining this to the female students in my undergraduate classes—these 19 and 20-year-old female students. I ask them, well, say you and Joe sitting next to you here both graduate with a degree in accounting. You both pass the CPA exam, get the exact same score, and you go out and work for five or six years, and then Joe keeps at it, working for the accounting firm. But you have three children, and you drop out of the labor force for 10 years, and then you go back to your accounting job. Would you be expected to be paid exactly the same as Joe, who has 10 years more experience than you? Of course not. They all think it would be grossly unfair if they came back and were paid the same as Joe. And that's all Walter Block was saying. But like I said, it's part of the politically correct mantra. You can't even bring this up. The people were outraged that anyone would suggest that anything but discrimination could possibly account for wage differences, and it really is an ignorant point of view, and an attack on academic freedom. But in today's academic world I really looked into this. I was wondering: how could the Jesuits—I teach at a Jesuit school—go from champions of academic freedom to censors? And they are basically followers of the Marxist Herbert Marcuse,

a well-known academic who postulated back in the '60s that only the oppressed in society deserve free speech, and of course, the oppressors do not, and so he provided the justification for the crackdown on free speech on college campuses in the name of sort of Marxism. And so that's what we face today in the academic world.