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## **A Free Market in Labor** **by George C. Leef**

*Labor Economics from a Free Market Perspective: Employing the Unemployable* by Walter Block (World Scientific, 2008); 393 pages.

The first time I ever heard of Walter Block was in 1980, when a faculty colleague showed me his copy of Block's book *Defending the Undefendable*. Knowing of my anarcho-capitalist views, my colleague said simply, "You'll love this." I eagerly dove into the book and was immediately hooked. Block didn't hesitate to follow his Austrian/libertarian thinking to a host of startling conclusions.

I am glad to report that he is still at it and has not become one of those deviationists who say, "Freedom is usually good, but ...." This book, a collection of Block's essays and papers (sometimes with co-authors), deals with the labor market. It is divided into seven sections: wage determination, unions, minimum-wage laws, immigration, redistributive justice, fringe benefits, and a final catch-all including a variety of topics, among them academic tenure. The overall effect of the book is to lay waste to the numerous justifications that have been advanced in favor of coercive interference with the free market, either to supposedly increase market efficiency or to bring about "social justice."

Block explains in his introduction,

If we as a society want to cure unemployment, raise real wages, and in other ways improve our economy, we will base public policy on private property rights, the non-aggression principle and the law of free association. In the free and prosperous society, everyone may do precisely as he pleases, provided only that he does not initiate violence against non-aggressors.

The book shows that his libertarian blueprint is the only one for those who want to enjoy peace, prosperity, and liberty.

Let's sample some of the work.

Opponents of the free market have in recent years volubly argued that "globalization" is responsible for great economic hardships, in particular the depressing of wages in accordance with Marx's "Iron Law of Wages." Marx prophesied that capitalism must drive worker earnings down to the level of bare subsistence. In the century and a half since Marx wrote, wages for workers have steadily increased, but anti-market theories die hard. Contemporary Marxists contend that the free movement of capital has led to global "cut-throat competition," which will finally bring about "the race to the bottom" for all workers.

Block shows that this argument is unfounded. Competition for labor ensures that workers will be paid in accordance with their marginal productivity, which is certain to exceed the level of subsistence. The fact that we now have more global commerce than in the past changes nothing, except that it gives people who like to protest a new excuse for doing so.

But what about the fairness of compensation, especially when comparing the earnings of ordinary employees with the compensation of CEOs? On this question, Block spars with economist Albert Rees. Isn't it unconscionable that the free market allows executives to pull in multi-million-dollar pay packages while their employees toil away for peanuts?

No. Executives who make profitable decisions can enrich the shareholders by far more than their own hefty pay packages. Furthermore, Block points out, the free market has (or *had*) a mechanism for dealing with the problem of executives whose pay is not commensurate with their performance — the threat of hostile takeover by a "corporate raider." Those "raiders" bought up controlling stock interests; kicked out the old, inefficient, overpaid management; installed a new management team; then reaped profits for themselves and the other shareholders. Alas, the corporate world struck back.

The government prosecuted the leading "raider," Michael Milken, on extremely questionable charges of violating the securities laws and forced him into a plea bargain — only through threats of legal action against family members. (Block doesn't mention it, but the shady Milken prosecution was covered in Daniel Fischel's book *Payback*, which I reviewed [here](#).) Also, Congress, vigilant to protect its corporate clients, passed legislation that places big obstacles in the way of future "raiders." Block's point is that the free market could discipline excessive executive compensation if only the government would get out of the way.

Regarding labor unions, Block naturally takes a principled libertarian position. He shows that labor unions per se are not objectionable, but are objectionable only when they engage in violence, threats of violence, or other actions that violate the rights of people. When unions strike, they almost invariably engage in picketing designed to prevent the employment of "scabs" (union parlance for anyone, either existing or new workers, who wants to work during the strike). Unionists justify such coercion by saying that it is a matter of self-defense, since the workers are simply protecting their jobs. Block refutes that argument by noting that jobs are not the private

property of employees. “Their” jobs are only a matter of contract and once they have gone on strike, the contract is over. Any attack on the property rights of the employer or nonstriking workers should be illegal, and of course violence against any person is criminal. Block argues that rights-violating conduct is so thoroughly bound up in unionism that if there were a workers’ organization that eschewed all such conduct, it ought to be called something else.

### **Unions, freedom, and coercion**

The crucial problem, Block contends, is that the law allows unions to engage in coercion. It forces employers to bargain collectively with a certified union. (If an employer were to exercise his contractual freedom to just say no to a demand for collective bargaining, the union officials would take legal action to penalize him.) It allows unions to violate employer property rights during their organizing campaigns. It allows strikers to picket on employer property. And although it doesn’t explicitly allow violence against people, government officials often look the other way after it happens. Libertarians, therefore, should not oppose unions but vigorously oppose the authoritarian special-interest legislation we call “labor law.”

Block’s analysis is precisely correct. Workers are just as entitled to band together to attempt to advance their interests as are other people. The law should no more help or hinder them in their efforts than it should help or hinder businesses, churches, clubs, or any other voluntary organizations. Coercive interference in the free market almost always has adverse consequences and that’s just as true with regard to labor unions as with, oh, federal efforts to expand home ownership by compelling banks to drop their lending standards.

Without the assistance of pro-union legislation, though, wouldn’t unions be unable to improve wages and working conditions for workers? Wouldn’t the clock be turned back to the era of “sweatshops”? Relax, says the author. The free market — particularly competition between employers to hire and retain good workers — was improving pay and working conditions for laborers long before the passage of pro-union legislation in the 1930s. On the other hand, powerful unions have been known to wreak economic devastation. Block points to the damage done to the West Virginia economy by the United Mine Workers under John L. Lewis. Block might also have pointed to the Big Three American auto makers, now struggling to stay afloat because of past management cave-ins to UAW demands.

Last, Block makes a sound argument in favor of the “yellow dog” contract. Those are contracts where the employer makes it a condition of employment that workers not join or try to form a union. Union advocates claim that “yellow dog” contracts are “unfair” and are rightly outlawed. Block replies that even if you think so, preserving freedom of association is more important. When the law forbids employers to decline to associate with workers who want to unionize, it attacks that freedom. Business owners should be as free to choose their employees as workers are to choose their associates and contracting partners.

Block's chapter covering the minimum wage and "living wage" is sharp and useful, but I will move ahead to the more contentious issue of immigration. Block takes a principled position in favor of the free movement of people, rejecting the notion that a libertarian can be an immigration moderate — "advocating opening the borders sometimes, closing them on other occasions, and leaving them slightly ajar if it seems warranted."

Libertarians have to confront a host of anti-immigration arguments and Block does an excellent job of vanquishing them — for example, that immigration exacerbates unemployment, reduces the wages of "our" workers, increases crime, promotes welfare dependency, and so on. If you want to be well versed on the issues surrounding immigration, Block's work is exceedingly helpful (as is Philippe Legrain's *Immigrants: Your Country Needs Them*, which I reviewed [here](#)).

Among other disputes to which Block applies his libertarian, free-market thinking is the notion that "the United States" owes reparations to black people for slavery and that university professors need tenure. The latter discussion is particularly interesting, since Block himself benefits from tenure at Loyola University in New Orleans but sees that it leads to considerable inefficiency. He shows that there are alternatives worth trying.

The free market is constantly under attack from those who believe that they know how to make the world a better place with properly administered doses of state coercion. For decades, Walter Block has been one of its front-line defenders. Read this book and you'll be equipped to join in the fight.

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