

ties, and women in furs can plunk down food stamps to buy hamburger for pet dogs. And whatever the condition of the taxpayers funding the largesse, the benefits grow and grow and grow.

What the government subsidizes—illegitimacy, sloth, inefficiency, dishonesty, waste, inertia—we get more of. And what the government taxes—intact families, productivity, efficiency, honesty, frugality, innovation—we get less of.

Under the philosophy of providential government, most people, even elected state officials, regard federal government money as “free,” as if it grows on some distant money tree in a neo-Garden of Eden on the Potomac. The trouble is, that tree has its roots in the pockets of every productive American. And with the specter of universal, federally subsidized health care on the near horizon, the mythical money tree is

ready for an unprecedented explosion of new growth. (Yet we are expected to believe that the federal government will suddenly reverse 50 years of tradition, and run this program as a model of efficiency!)

These attitudes would have been anathema to most of our grandparents, many of whom fled the tyrannies of encroaching European socialism. They would also be anathema to the villagers of “Tumbledown, workaday” Anatevka. Their reliance was on God and each other, and though its people also called their village “underfed, overworked,” they knew that the closer the tsar drew to them, the more imperilled their lives would be.

We would do well to heed the rabbi in *Fiddler on the Roof*, and again inculcate the attitude in our children and our communities: May God bless and keep the government . . . far away from us! □

STRIKERS AND SCABS

by Charles W. Baird

On June 15, 1993, the U.S. House of Representatives voted 239–190 to amend the National Labor Relations Act (NLRA) to prohibit employers from hiring permanent replacement workers in economic strikes. President Clinton promised to sign such legislation.

Republican senators have promised a filibuster, so the Senate leadership has postponed voting on the issue. When and if they round up the necessary sixty votes they will schedule the vote. A filibuster stopped iden-

tical legislation in the 102nd Congress, and there is a fair chance that it can do so again.

The proposed legislation applies only to economic strikes, which are union-initiated work stoppages over terms and conditions of employment. It is already illegal for employers to hire permanent replacement workers in unfair labor practice strikes, which are union-initiated work stoppages over illegal actions by employers such as firing a worker for advocating unionism.

The Nature of the Right to Strike

Unionists portray this issue as one of simple justice. They claim that the right to

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strike, which is guaranteed in the NLRA, is nullified by the ability of employers to hire permanent replacement workers. But what is the right to strike?

Let's get back to basics. The employment relationship is one of contract between employees and employers. Contracts are formed by parties each of whom perceives that he will thereby gain. They are based on mutual consent. The typical employment contract is an agreement that the employee will perform specified labor services for the employer in exchange for a specified compensation package. Unless a contract specifies the contrary, employees do not have property rights to their jobs.

Since each worker owns his own labor services, he clearly has a fundamental (i.e., independent of government) right to withhold those services if he doesn't like the compensation package offered by an employer. It follows that like-minded employees have a fundamental right to withhold their labor services together, at the same time. However, there is no fundamental right for any worker, or group of workers, to prevent other workers from accepting the terms that they have refused to accept. To argue the contrary is to assert that strikers own the jobs that they refuse to do. Congress may legislate such a privilege, but that is different from a fundamental right. In the realm of rights rather than privilege, workers don't own jobs. They own their labor services.

All workers, even nonunion workers, own their labor services. As owners they have a fundamental right to accept any terms of employment they wish, even if some other workers have rejected those terms.

Unionists use the epithet "scab" to refer to workers who are willing to accept terms that union workers have rejected. A scab, unionists thereby suggest, is less than human and therefore has no rights that anyone need worry about. However, calling a re-

placement worker a scab is not a logical argument. To make their case, those who support the proposed striker replacement legislation have to come up with some justification for subordinating the rights of union-free workers to the interests of union workers.

Moreover, existing law is well balanced between unions and management. The terms and conditions of employment that a striking union seeks have long-run cost implications for its target employer. If employers were prohibited from hiring permanent replacement workers, they could not impose any long-run costs on striking unions. As the U.S. Supreme Court has acknowledged, existing law allows each side to threaten to impose long-run costs. The hiring of permanent replacement workers, according to the Court, is one of the employers' "economic weapons in reserve" that they may legitimately employ in the collective bargaining process.

Finally, the ability of employers to hire permanent replacement workers provides a market-reality check to both sides in a labor dispute. If an employer is able easily to hire replacements at terms that a union has rejected (current law forbids employers to offer better terms), the union knows its terms are unrealistic. But if the employer cannot do so, it knows that the union's terms are not unrealistic. If employers were permitted to hire only temporary replacement workers, as the proposed legislation specifies, this market-reality check would vanish. Workers are often reluctant to accept temporary job offers even at high pay.

Although only 11.5 percent of private sector workers are unionized, the proposed legislation creates privileges for union workers at the expense of rights of union-free workers. Is that consistent with the American principle that all people have equal rights and are entitled to equal protection of the laws?

Paul Samuelson Finally Gets It Right—Almost



“When he talks, Mr. Samuelson sometimes seems disappointed that the world’s leaders did not learn enough from his textbook.”

—*The New York Times*
(October 31, 1993)

Mainstream economists deny that they can be held responsible for today’s economic problems because, they say, political leaders are ignoring their sound advice. If only they had taken Econ 101 from me, proclaims Paul Samuelson.

Au contraire! The world’s leaders have learned economics all too well from Paul Samuelson and the “neo-classical” establishment. His textbook, *Economics*, now in its 14th edition, has sold over four million copies and been translated into thirty languages. It has been the most influential textbook on economic theory and policy for the past fifty years. I and countless others (including today’s political leaders) used it as undergraduates. And even though it no longer dominates the textbook field, today’s

leading college textbook by McConnell and Brue is considered a Samuelson clone.

What has the world been taught by the MIT professor and Nobel Prize-winning economist? In writing my book, *Economics on Trial* (Irwin Professional Publishing, 1993), I painstakingly reviewed the top-ten textbooks used in colleges today, including Samuelson’s, and made an amazing discovery. Many of the problems we face today, including high deficits, inflation, excessive tax rates, low savings and capital growth, high consumer debt, the welfare state, and a boom-bust business cycle can be traced back directly to fundamental errors taught by Samuelson and other mainstream economists over the past fifty years. Governments around the world have been especially enamored with Samuelson’s version of Keynesian economics, which gives theoretical support for inflation, progressive taxation, deficit financing, and the welfare state.

Bad Economics Taught in the Classroom

Remember, it was Samuelson’s textbook which popularized the “paradox of thrift,” the perverse idea that excessive saving could cause a recession or worse. Tell that to today’s Chinese, who are enjoying the fastest economic growth rate in decades, or to the Japanese and Germans during most of the post-war period, where high savings and high economic growth went hand in hand.

This is the first of Mark Skousen’s monthly “Correction, Please!” columns for The Freeman. Professor Skousen is editor-in-chief of Forecasts and Strategies, one of the largest investment newsletters in the country, adjunct professor of economics and finance at Rollins College in Winter Park, Florida, and author of 14 books, including Economics on Trial: Lies, Myths and Realities. For information on his newsletter and books, call Phillips Publishing, Inc., at (800) 777-5005 or (301) 340-2100.