The Wonk Room

Cato Economist: 'Irrelevant' Unions Are 'A Kind Of Leukemia On U.S. Industry'

By Pat Garofalo on Aug 18th, 2009 at 8:00 pm

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Today, Cato Institute economist Daniel Griswold appeared on CNBC as part of a panel discussing whether unions are necessary to build and sustain the American middle class. During the segment, Griswold claimed that unions are "irrelevant" and constitute a "kind of leukemia on U.S. industry":

> Labor unions are becoming largely irrelevant for the vast majority of American workers. **In fact, labor unions seem to be a kind of leukemia on U.S. industry**. Labor imposes a steep cost, that are higher than their productivity gains.

Watch it:

Like most conservatives, Griswold relies on the example of Detroit's Big Three automakers to make his point, even though unions were not the driving factor behind their failure. Jonathan Tasini of the Labor Research Association was absolutely right to point out that it's unsustainable health care costs that are hurting businesses across America — including the Big Three — far more than unionization.

In fact, increased unionization has widespread economic benefits, as higher wages and a more secure workforce lead to increased productivity, demand, and ultimately higher profits for businesses. As David Madland and Karla Walter noted:

> **From 1947 to 1973, the period when unions were strongest and nearly one-third of workers were organized, U.S. economic output nearly tripled in size, growing at an average of 3.8 percent annually.** The strength of unions during this period meant workers were rewarded with increasing real wages, and greater American purchasing power produced more profit for U.S.

> companies, more investment, and increased labor productivity. In the years since 1973, U.S. economic output grew by an average of 2.9 percent annually, and since 2001, output has grown by an average of only 2.2 percent per year.

Consider, "labor costs in 2005 for partially unionized retailer Costco were 40 percent higher than Sam's Club, but Costco produced almost double the operating profit per hourly employee in the United States — $21,805 per employee versus $11,615 per employee." Plus, the Small Business Administration has found that small business bankruptcy rates are lower in states with high unionization rates. So unless Griswold has some odd definition of leukemia that the rest of us are unfamiliar with, I'd say unionization doesn't resemble it one bit.

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3 Responses to "Cato Economist: 'Irrelevant' Unions Are 'A Kind Of Leukemia On U.S. Industry'"

1. *Robt* Says:

   Does the CATO economist have any estimates on the financial drain on corporations by its top executive that no longer actually work or make decisions. That their underlings actually do the job.

   How many cars did the Auto exec's at GM actually make and put out for sale from their private jets?

   Over all, Why does not CATO study why corporations use, buy, and cheat the A,erican Gov;t for its protections?

   August 19th, 2009 at 12:34 am

2. *stateofthedivision* Says:

   Costco suggests that excessive executive incentive pay is the cancer. Their CEO accepts a reasonable salary, then leads the company. He's intrinsically motivated and doesn't have to be bribed to do a good job.

   As for unions, they're not the worker's friend. SEIU President Stern said years ago, employer sponsored health insurance is "dead and not coming back." The President of a health care union should be the last to cave.

   The Obama health reform plan has 55 million people going off employer coverage (Matt Yglesia's flowchart). Unions want to be a huge group purchaser for *worker paid* health insurance. SEIU can manage billions in pension and health care benefit money, much like their dreaded nemesis, The Carlyle Group.

   August 19th, 2009 at 9:01 am