McClatchy

Right-to-work laws create jobs, provide higher wages

By: Arthur C. BROOKS - January 4, 2013

Last month Michigan became the 24th state to pass a right-to-work law, keeping workers from having to join a labor union or pay union dues in order to work in unionized businesses. This is a step in the direction of economic freedom, a competitive labor market, and a pro-growth policy agenda.

The rationale for right-to-work laws is not grounded in ideological opposition to unions; nothing in right-to-work laws prevents workers from joining unions or keeps unions from bargaining collectively. These laws merely reflect the reality that states with right-to-work laws have more robust personal income growth, lower unemployment, and greater opportunities for younger workers.

It's perfectly sensible that states that want to see their economies grow should enact right-to-work laws. But the privilege of unions to extract money from workers' paychecks is far from the only special preference granted by state policy.

Our economy is chock full of similar legal preferences which benefit particular entrenched interests, from unions to politically connected operators, that policymakers should seek to pare back.

Special favors

Too frequently, state-level policy does more to reward political connection and support entrenched interests than encourage a real culture of competition. Strong pro-union laws are just one way in which states grant special favors that inure against competition rather than strengthen it.

Take the corporate welfare that too many states hand out under the guise of being "pro-business."

According to a recent analysis by The New York Times, states hand out over $80 billion a year in so-called "business incentives." The great majority of these are simply giveaways to political allies or favored economic sectors.

The Tax Foundation finds that of the 47 states with corporate income taxes, 45 have specific tax credits for job creation, research and development, or investment. As of 2011, 35 states offered film or television tax credits — barely-disguised giveaways to Hollywood production companies.

At the federal level, almost $100 billion is given away annually in corporate welfare, according to a study by Cato Institute analyst Tad DeHaven — and that doesn't include many policies like the auto bailout. This represents an egregious affront to competitive, free markets.

Consider two other widespread instances of government policies that benefit small groups at the expense of consumers, workers, and taxpayers: occupational licensing laws and anti-competitive education policies.

A recent study by the Institute for Justice, a public interest law firm, finds that in the 1950s, one in 20 U.S. workers was subject to occupational licensing requirements, a figure that today stands at almost one in three.

In many states this includes occupations like cosmetologist, home entertainment installe, and florist. These regulations do little to protect the public — they are simply about preventing competition and lower prices for consumers.

Likewise, our education system has for too long been protected against meaningful competition.

As my AEI colleague Rick Hess has written about extensively, our school systems can be actively hostile to the educational entrepreneurship that develops and executes new forms of school organization and teaching. Far too much state education policy erects barriers to educational innovation, particularly with respect to the for-profit sector, rather than encouraging and embracing it.

In the economy and elsewhere, lawmakers should think about how to remove barriers to competition rather than try to pick winners to subsidize. They should simplify tax codes and regulation rather than creating special exemptions and loopholes. They should make it easier, not harder, for entrepreneurs to start and expand businesses and create jobs.

Important step

Right-to-work laws are an important step to bringing competition to labor markets and creating more growth and economic opportunity. But they are only part of the answer.