

Henry Hazlitt on Unions
by
Charles W. Baird

Henry Hazlitt (1894-1993) was a prolific American journalist; and, although he never received any degree in economics, his understanding of how free markets work and how government messes them up has been applauded by such luminaries as Milton Friedman, F. A. Hayek, and Ludwig von Mises. All economists could benefit from reading his famous *Economics in One Lesson* (50th anniversary edition is available at Laissez Faire Books).

Hazlitt wrote little on unions, but what he did write was significant.¹ In 1971, after carefully analyzing several economic effects of unions, he summed them up in his usual forthright style:

The net overall effect of unions and of union policy has been to exclude non-union members, to drive them into less attractive and lower-paid jobs, to distort the structure and balance of production, to increase inflation, to reduce productivity, to discourage new investment, to retard capital formation, and hence to reduce the total production for all of us and the total real wages of the whole body of workers below what it would otherwise have been. It is altogether probable that even the highest real wages now received by members of strong unions are lower than such wages would have been if the unions and their historic policies had never existed.²

Hazlitt's explanations for each of these conclusions are brilliant, but in this limited space all I can do is commend them to you. Hazlitt held that the reason unions are able to wreak such economic havoc is that politicians placed them outside the rule of law.

In addition to the economic effects of unions summarized above, Hazlitt discussed several other important aspects of American union law. Here I will consider three of them.

Exclusive Representation and Mandatory Bargaining

Exclusive representation means that a union (usually chosen by majority vote of workers) is the monopoly representative of all workers in a bargaining unit within a firm. The union represents its voluntary members, but it also, perforce, represents workers who want nothing to do with the union. Individuals are forbidden to represent themselves. Mandatory good faith bargaining means that an employer must bargain with the monopoly representative on wages and salaries and other terms and conditions of employment, and he must bargain in “good faith,” which, in practice, means that he must make concessions to the union.

I argue that exclusive representation is an illicit extension of democracy (mandatory submission of a numerical minority to the will of a numerical majority) into the private sphere of human action where it does not belong. I also hold that forced bargaining is never justified. In ordinary contract law a necessary, but not sufficient, condition for a contract to be valid is that all the parties thereto agree both to bargain and to the final terms that emerges from the bargaining. A contract is an agreement and “forced agreement” is oxymoronic. Hazlitt agreed on both points. On mandatory bargaining:

The employer, like the employee (or any of the rest of us in all our other business relations) must have the unequivocal right *not* to bargain, the clear right to terminate negotiations if he considers a given union’s demands unreasonable, the

clear right to bargain with whomever and in whatever peaceable manner he chooses. The specious insistence on ‘collective bargaining’ is simply a denial of the right of individual bargaining.³

On exclusive representation, he argued that the NLRA should at least be amended to “restrict unions to bargaining only for their own members and no longer designate them as the exclusive bargaining agent for all employees in a unit.”⁴

The Alleged Bargaining Power Disadvantage

Here Hazlitt seems to have changed his mind between 1946 and 1971. Earlier he held that because “competition of workers for jobs, and of employers for workers, does not work perfectly,” any individual worker “may be in a weak bargaining position.” He went on to explain that a worker’s “whole means of livelihood is involved” in the hiring decision, while to the employer a decision regarding one worker is of little consequence when “he may employ a hundred or a thousand men.” He concludes that, “When an employer’s workers deal with him as a body ... they may help to equalize bargaining power and the risks involved in making mistakes.”⁵

In 1971 he had a different view. He called the picture of the impotent single worker at the mercy of an employer who hires large numbers of employees a “caricature.” There may be isolated cases where workers feel forced to accept wages less than their true market value, but even they will be alert to identify and grasp better alternatives. The employer, not the worker, is at a disadvantage.

The bigger the employer the less he can afford ... to haggle with each of 1,000 workers, say, to get him at the lowest possible wage. To keep reasonable morale in his working force, he must pay equal wages for all those doing equal work. To

get and to hold the number of workers he needs, he must offer at least as much as his actual or potential competitors for labor. To maintain reasonable efficiency, he must offer enough to attract the superior workers rather than only the inferior ones.⁶

Bargaining power depends on alternatives. Hazlitt's earlier view might have been clouded by the unusual circumstances of the Great Depression in which many workers had few employment alternatives. In more normal times employers must be concerned with many alternatives open to workers.

The Right to Strike

Hazlitt saw nothing wrong in any worker "withholding his labor" when he didn't like the terms and conditions of employment offered by an employer. Neither did he see anything wrong with a group of like-minded workers collectively and simultaneously withholding their labor from such an employer. If such workers were bound by an extant hiring contract not to withhold their labor and they did so anyway, they would be liable for prosecution of breach of contract, but that was all. Elsewhere I have called this the "voluntary exchange right to strike."

Hazlitt recognized that the legal right to strike was altogether different from such a voluntary exchange right. The legal right to strike, he said, involves giving unions the privilege of using force, violence and intimidation, mainly through mass picketing, to prevent other workers from accepting the jobs that strikers refused to do, and to prevent suppliers and customers from doing business with strike targets. In effect the legal right to strike grants strikers an illicit property right to the jobs they abandon. Strikes are aimed against the public more than against the employer.⁷

Hazlitt condemned the Norris-LaGuardia Act (1932) for legalizing mass picketing and forbidding federal courts to issue injunctions against strike-related violence.⁸ He thought the maximum number of pickets that should be allowed was two per entrance.⁹ He thought that picketing by strangers (non-employees) should always be prohibited.¹⁰ And he held that all strikes by government employee unions should be forbidden.¹¹

Hazlitt's analysis of other union issues – e.g., the proper roles for voluntary unions, the correct understanding of freedom of association, and the “Great Illusion” of labor solidarity -- are well worth considering. I will do so in a later column.

¹ I know of three (somewhat repetitive) sources for Hazlitt's views on unions: Chapter 20, “Do Unions Really Raise Wages?” in his *Economics in One Lesson*, New York: Arlington House Publishers 1979; Chapter 13, “How Unions Reduce Real Wages,” in his *The Conquest of Poverty*, New Rochelle, NY: Arlington House, 1973; and his chapter in *The Strike: For and Against*, introduced by Harold H. Hart, New York: Hart Publishing Company, Inc. 1971.

² 1971, p. 74

³ *ibid*, pp. 76-77

⁴ *ibid*, p. 77

⁵ [1946] 1979, p. 141

⁶ 1971, pp. 61-62

⁷ [1946] 1979, pp. 142-143; 1971, pp. 63-64, 67-68; 1973, p. 136.

⁸ 1971, p. 75

⁹ *ibid*, p. 79

¹⁰ *ibid*

¹¹ 1973, p. 142