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Labor Watch

Union Power in the States = Lost Pay, More Taxpayer Debt

How does your state rank on forced unionism, monopoly bargaining, and public pension shortfalls?

By Aloysius Hogan

Summary: *New studies on the harms of American labor laws paint a grim picture. The laws drag down economic growth, suppress workers' wages, and cause government debt to soar.*

Once upon a time, unions at least *tried* to represent workers against powerful interests. Today, unions take away economic opportunity and create poverty.

Could your family use an additional $13,100 a year? If you live in a forced-unionism state, that's what the lack of a Right to Work law may be costing you.

At the same time, you're harmed by the federal mandate that gives unions the power of monopoly (a.k.a. "collective") bargaining. That federal mandate, it's estimated, costs workers about 15 percent in forgone income.

In addition, unionization of government employees has helped add many billions of dollars to the unfunded liabilities of public employees' pensions—a debt for which taxpayers will be held responsible.

Three new studies from the Competitive Enterprise Institute (CEI), the Washington, D.C. think tank where I am a senior fellow, examine these harmful consequences of unionization and of laws that push unionization. The purpose of the studies is to identify the problems caused by union power in states across America; express the problems in numbers; rank the states based on the problems' severity; and point the way toward solutions by comparing states to see what policies work.

1. Monopoly ("collective") bargaining

Labor law history makes clear that a key factor in union power is monopoly bargaining, also known as collective bargaining. Monopoly bargaining is an element in the National Labor Relations Act (NLRA), also known as the Wagner Act after its lead sponsor in 1935, U.S. Sen. Robert F. Wagner (D-N.Y.). The Wagner Act's Section 7 provides:

> Employees shall have the right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in other concerted activities for the purpose of collective bargaining . . .

Collective bargaining becomes monopoly bargaining when a union acts as the exclusive collective bargaining representative for all members of a bargaining unit (a group of workers who are said to share an economic interest, such as all the assembly-line workers at a factory). If one is not a member of the union or disagrees with the union's bargaining position, one is left without a voice in bargaining. Workers who disagree with the union have no recourse, as they have no way to bargain individually with the employer regarding their own employment conditions and wages.

The intellectual groundwork for the NLRA, set during the first half of the 20th Century, was known as the High-

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Wage Doctrine. According to this doctrine, higher wage rates translate into greater purchasing power and a more prosperous economy, and a business downturn cannot be reversed by lowering wage rates.

The High-Wage Doctrine enjoyed wide support. Several prominent business leaders, including Henry Ford, Thomas Edison, Edward Filene, and Gerald Swope supported the idea, as did major political figures, including Herbert Hoover when he served as President Harding's Secretary of Commerce.

When the stock market crashed in October 1929, then-President Hoover convened a series of conferences at the White House with prominent business leaders. He sought to persuade them to set an example for the nation by refraining from reducing wage rates. In late November 1929, following one of Hoover's high-wage conferences, the *New York Times* cited a White House press release:

> The President was authorized by the employers present at this morning's conference to state on their individual behalf that they will not initiate any movement for wage reductions, and it was their strong recommendation that this attitude should be pursued by the society as a whole.

Hoover's employment conferences appeared to succeed—at first. Between the fourth quarters of 1929 and 1930, real wage rates in the United States rose by more than 5 percent (despite an average labor productivity decline of over 5 percent during that period). Rising real wages largely resulted from stable money wage levels and falling prices. But Hoover's apparent success was short lived, as this inflation-adjusted increase in the cost of labor led to a near-doubling of the unemployment rate over that period, from 5.7 to 10.7 percent.

If the High-Wage Doctrine were valid, the United States would have been enjoying a roaring prosperity. The reality was quite different, as the unemployment rate climbed above 18 percent in 1931.

High wages are good, if driven by higher productivity. But raising demand does not create supply all by itself. One cannot improve aggregate living standards via high wages unless sufficient productivity exists to support the increased demand. Otherwise, the result is either inflation or unemployment.

Origins of monopoly bargaining

The National Labor Relations Act's monopoly bargaining provision saw its origins in a predecessor law, the Na-

ESTIMATED PER CAPITA INCOME LOSS ASSOCIATED *WITH NOT HAVING A RIGHT TO WORK LAW, 30 NON-RTW STATES*

Rank	State	Per Capita Income Loss
1	Alaska	$5,238
2	Connecticut	3,752
3	California	3,732
4	New Jersey	3,674
5	Illinois	3,640
6	Hawaii	3,630
7	Maryland	3,560
8	Wisconsin	3,547
9	New York	3,539
10	Michigan	3,460
11	Delaware	3,436
12	Washington	3,393
13	Pennsylvania	3,373
14	Massachusetts	3,314
15	Colorado	3,280
16	Oregon	3,275
17	Ohio	3,260
18	Minnesota	3,223
19	Indiana	3,119
20	Missouri	3,040
21	Rhode Island	3,037
22	New Hampshire	2,988
23	Montana	2,883
24	Vermont	2,679
25	Maine	2,662
26	New Mexico	2,638
27	West Virginia	2,623
28	Kentucky	2,597
29	Oklahoma	1,961
30	Idaho	725

The top 10 states most harmed by their failure to adopt Right to Work laws are Alaska, Connecticut, California, New Jersey, Illinois, Hawaii, Maryland, Wisconsin, New York, and Michigan. The study analyzes the period 1977-2012. Idaho, Oklahoma, Michigan, and Indiana enacted their Right to Work laws in 1985-86, 2001, 2012, and 2012, respectively. Over the study period, these states faced full or partial economic losses associated with the absence of RTW. Indiana's law is currently making its way through the courts.

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tional Industrial Recovery Act (NIRA), whose Section 7 was essentially revived in Section 7 of the NLRA.

The NIRA was enacted during the first session of the 73rd Congress on June 16, 1933. What a bill it was! Its very first sentence declared a national emergency:

> A national emergency productive of widespread unemployment and disorganization of industry, which burdens interstate and foreign commerce, affects the public welfare, and undermines the standards of living of the American people, is hereby declared to exist.

A declaration of national emergency is often a prelude to the curtailment of individual rights. The NIRA was no exception. It included a long litany of measures "to provide for the general welfare by promoting the organization of industry" ("organization" meaning "unionization"), "to induce the united action of labor and management under adequate governmental sanctions and supervision," and "to improve standards of labor."

The NIRA gave the President the authority to establish whatever agencies he wanted, staffed by whomever he wanted, to achieve the broadly stated purposes of the Act. It gave the President power to establish industrial codes (regulations for all transactions). And it allowed the President to investigate businesses at will and to require whatever paperwork he wanted from businesses.

The NIRA's Section 7 imposed collective bargaining. It also capped work hours, instituted a "minimum wage," and set conditions for employment, all approved or prescribed by the President. All of these concepts were radical at the time.

The two-year authorization of the act was due to expire in June of 1935, but just before expiration, on May 27, 1935, the United States Supreme Court ruled the act unconstitutional in *Schechter Poultry Corp v. United States*. By July 1935, however, a replacement for the NIRA was sent to President Roosevelt. Echoing Section 7 of the NIRA, it established a formal mechanism for certifying specific labor unions as monopoly bargaining agents for certain groups of workers and for requiring employers to negotiate with those unions. Monopoly bargaining was thus resurrected in another Section 7 which operates today.

To protect his New Deal policies, FDR went after the Supreme Court itself. On February 5, 1937, Roosevelt unveiled his plan to pack the United States Supreme Court with additional justices of his own appointment. The President spoke about his court-packing plan in his Fireside Chat of March 9, 1937, in which he explained how court-packing would give the President the additional power he desired:

> In 1933 you and I knew that we must never let our economic system get completely out of joint again-that we could not afford to take the risk of another Great Depression.
>
> We also became convinced that the only way to avoid a repetition of those dark days ***was to have a government with power*** to prevent and to cure the abuses and the inequalities which had thrown that system out of joint. [Emphasis added.]

Three weeks later, the U.S. Supreme Court ended its 40 years of strong support for the liberty of contract (a period known to Constitutionalists as the Lochner Era). *West Coast Hotel Co. v. Parrish* was the first case upholding a state minimum wage law. Immediately thereafter, in April 1937, the Supreme Court, in *National Labor Relations Board v. Jones & Laughlin Steel Co.*, held the National Labor Relations Act (Wagner Act) to be constitutional.

With that decision, labor policy in the United States shifted toward active federal encouragement of unionization and toward the legal certification of unions' status as monopoly bargaining agents.

Monopoly bargaining hurts a state's economy

In the CEI study "The Unintended Consequences of Collective Bargaining," authors Lowell Gallaway and Jonathan Robe analyze and rank the effect of unionization on economic growth on a state-by-state basis, and calculate the "deadweight loss" resulting from unionization.

By raising the cost of labor, unions decrease the number of job opportunities in unionized industries. That, in turn, increases the supply of labor in the nonunion sector, driving down wages in those industries. The effect of this situation is to increase the natural rate of unemployment, thus imposing a deadweight loss of economic output on the economy.

Deadweight loss in this context means that unionization artificially increases the price of a factor of production—labor—above the price that would be established in a free and competitive marketplace. The artificially high cost of labor then lowers economic output, known as GDP (Gross Domestic Product).

The presence of deadweight losses that arises from labor union activity can be shown by a formulation devised by labor economist Albert Rees. Rees demonstrated the consequences of union wage-raising initiatives on employment in both the union and nonunion sectors of the labor force.

The Rees formulation can be used to calculate the value of these deadweight losses from unionization if three factors are known: (1) union density (the percentage of employees who are unionized), (2) the wage premiums associated with the presence of unions, and (3) the general elasticity of demand for labor (how much the quantity of labor demanded by employers changes because

of a change in the price of labor). Using this and other estimates, the CEI study calculates the deadweight losses for six different years during the period 1967 through 2000.

Over 50 years, the cumulative reduction in worker wages would be about 15 percent.

Because wages are only a fraction, though a large one, of total output or GDP, the deadweight losses from unionization in GDP are smaller, but over a long period of time those small annual effects add up to produce a substantial cumulative loss of GDP—as much as 10 to 12 percentage points over a half century. (And the real number may be much worse. The Rees analysis understates the harm because it doesn't consider the way that lower wages shrink the labor force.)

Different effect in different states

Deadweight loss contributes to significant differences in income among residents of various states. To explore the extent of this phenomenon, Gallaway and Robe's analysis uses a statistical model to explain the differences in real per capita personal income among states. The unionization rates and five other independent variables are included in the model to account for additional factors that are likely to affect the growth in income: manufacturing, income tax rates, real per capita income in 1964, politics, and college education.

The study indicates that every additional percentage point of average unionization from 1967 to 2000 reduced the growth in real per capita personal income by 1.73 percentage points. Knowing this relationship makes it possible to estimate the effect of union-related deadweight losses on the growth in real per capita income in the various states. The nearby chart, based on that analysis, shows the different effects of collective bargaining on the several states.

Two broad conclusions emerge from this study. First, the presence of labor unions that operate as collective bargaining agents has the potential to seriously inhibit economic growth in the several states and the District of Columbia. This conclusion suggests that the National Labor Relations Act's provision mandating collective bargaining was rife with (presumably unintended) bad consequences.

Second, the disparity in the relative incidence of unionization of the workforce across the United States leads to

Rank	State	% Real Per Capita Income Lost
1	Michigan	23.1%
2	Alaska	20.2%
3	Nevada	19.6%
4	New York	19.5%
5	Hawaii	18.7%
6	Washington	18.5%
7	Ohio	18.3%
8	Indiana	18.0%
9	Illinois	17.6%
10	Oregon	17.2%
11	California	17.1%
12	Pennsylvania	16.4%
13	New Jersey	16.3%
14	Wisconsin	16.1%
15	Delaware	15.4%
16	West Virginia	14.9%
17	Montana	14.8%
18	Minnesota	14.2%
19	Rhode Island	14.1%
20	Missouri	13.3%
21	Connecticut	12.9%
22	Iowa	12.3%
23	Massachusetts	11.9%
24	Maryland	11.3%
25	Maine	11.0%
26	Kentucky	10.8%
27	Utah	10.7%
28	Idaho	10.4%
29	Alabama	9.5%
30	Nebraska	9.0%
31	New Hampshire	8.9%
32	Kansas	8.8%
33	Colorado	8.8%
34	Wyoming	8.6%
35	District of Columbia	8.6%
36	Tennessee	8.5%
37	Vermont	8.5%
38	Arizona	8.0%
39	New Mexico	7.8%
40	Oklahoma	7.4%
41	Louisiana	6.7%
42	North Dakota	6.6%
43	Florida	6.6%
44	Arkansas	6.2%
45	Georgia	6.1%
46	Virginia	6.1%
47	Texas	5.8%
48	South Dakota	5.6%
49	Mississippi	5.5%
50	North Carolina	3.9%
51	South Carolina	3.5%

widely disparate impacts on the states. Some states, such as Michigan (which only recently enacted a Right to Work law), have suffered large amounts of foregone economic growth, while others, such as South Carolina (which has had a Right to Work law for decades), have been far less affected.

Right to Work laws

In December 2012, President Obama made an ultimately futile attempt to thwart Michigan's proposed Right to Work (RTW) law. Speaking at the Daimler Detroit Diesel plant, the President declared, "These so-called Right to Work laws, they don't have anything to do with economics. . . . What they're really talking about is giving you the right to work for less money."

Contrary to the President's claim, Right to Work laws have *a lot* to do with economics. Contrary to the President's suggestion, Right to Work laws mean *better pay* for most people. The evidence is compelling that Right to Work laws are good for both the American worker and the financial health of states across the country. Economic growth in a state is significantly related to the presence of a Right to Work law.

Short of repealing the monopoly bargaining contained in the federal Wagner Act, the best way to repeal forced unionism is to enact Right to Work laws in individual states. Here, history provides a guide.

The onerous effects of the 1935 National Labor Relations Act continued unabated for over a decade. Then, in 1947, the Taft-Hartley Act became law, providing a modicum of relief by amending the National Labor Relations Act to read:

> Nothing in this … shall be construed as authorizing the execution or application of agreements requiring membership in a labor organization as a condition of employment in any State or Territory in which such execution or application is prohibited by State or Territorial law.

From that point forward, states, if they chose, could pass Right to Work laws. Currently, 24 states have such laws, which give workers the right not to join unions as a condition of employment and which prohibit the coercive collection of dues from workers who choose not to join. In the CEI study "An Interstate Analysis of Right-to-Work Laws," authors Richard Vedder and Jonathan Robe analyze the effect of Right to Work laws on state economies, and rank states' loss of per capita income from not having such a law.

People have been migrating in large numbers from non-RTW states to RTW ones. The evidence suggests that economic growth is greater in RTW states, as indicated by some key factors:

►**Attracting investment.** Right to Work laws tend to lower the presence of unions, reduce the adversarial relationship between workers and employers, and make investment more attractive. As one would expect, these factors have a positive impact on measures of economic performance including job creation and, ultimately, on the general standard of living. Over the study period, employment grew 71 percent nationwide, with a big difference between RTW and non-RTW states: Employment grew by only 50 percent in non-RTW states, compared to 105 percent in RTW states.

► **Causing the migration of labor.** Conversely, lack of a RTW law may be a factor in the out-migration of labor from a state. From 2000 to 2009, 4.95 million people migrated from non-RTW states to RTW states. Legislation favoring unionization raises labor costs and makes employers less likely to invest. This, in turn, reduces the capital resources available to support workers, lowers both productivity growth and wealth creation, and makes people less well off than they would be in a fully free labor market.

► **Pushing incomes higher.** Incomes rise following the passage of RTW laws, even after adjusting for the substantial population growth encouraged by those laws. The evidence suggests that if non-RTW states had adopted RTW laws 35 years ago or so, income levels in those states would be on the order of $3,000 per person higher today, with the impact varying somewhat from state to state.

The bottom line: The median loss of income is $3,278 per capita, which translates to over $13,100 for a family of four. The total estimated loss of income in 2012 from the lack of RTW laws in a majority of U.S. states was an extraordinary $647.8 billion.

Thus, when a state refuses to enact a Right to Work law, that choice doesn't just hurt workers who are forced to join unions or make payments to unions against their will. That choice hurts everyone.

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State Pension Underfunding (Worst to Best)

Rank	State	CB	NMR2011	NMR2012	NPW	Eucalitto	Moody's	AVG
1	New Mexico	1	3	2	2	2	17	4.5
2	Illinois	6	7	4	12	5	1	5.8
3	Mississippi	3	2	14	6	3	12	6.7
4	Kentucky	4	6	10	20	6	3	8.2
5	Ohio	5	1	1	4	1	38	8.3
6	Hawaii	7	9	21	9	8	4	9.7
7	New Jersey	8	8	9	11	11	15	10.3
8	Alaska	2	21	39	7	4	5	13.0
9	Connecticut	9	15	26	21	12	2	14.2
10	Montana	21	19	24	8	9	13	15.7
11	Maine	24	11	28	1	26	7	16.2
12	Oregon	39	12	3	10	7	27	16.3
12	South Carolina	10	5	13	24	17	29	16.3
14	Colorado	15	14	15	18	16	23	16.8
15	Louisiana	17	26	23	15	15	6	17.0
16	Rhode Island	11	4	42	5	20	21	17.2
17	California	19	18	7	25	14	28	18.5
18	Alabama	16	10	22	16	18	32	19.0
19	Pennsylvania	13	22	12	33	24	16	20.0
20	West Virginia	18	23	48	3	22	8	20.3
21	Oklahoma	25	17	33	13	25	18	21.8
22	Michigan	14	25	8	31	19	36	22.2
23	Kansas	22	27	18	30	28	14	23.2
23	Minnesota	31	16	6	28	23	35	23.2
25	Missouri	29	24	16	26	21	31	24.5
26	Wyoming	36	30	17	19	27	24	25.5
27	Massachusetts	23	33	34	22	34	9	25.8
28	Nevada	12	36	41	23	10	37	26.5
29	Wisconsin	50	13	11	14	31	49	28.0
30	Arkansas	27	28	47	29	13	25	28.2
31	Maryland	26	29	44	35	30	10	29.0
32	Vermont	33	38	27	36	37	11	30.3
33	Idaho	41	32	30	32	29	34	33.0
34	Texas	38	44	19	37	42	19	33.2
35	New Hampshire	20	35	37	44	36	30	33.7
36	Washington	45	37	20	17	43	45	34.5
37	New York	48	45	5	27	35	48	34.7
38	Arizona	28	20	45	40	40	42	35.8
39	Utah	34	31	49	34	32	41	36.8
40	Georgia	37	34	32	47	38	39	37.8
41	Virginia	30	41	31	45	41	46	39.0
42	North Dakota	40	46	43	42	45	20	39.3
43	Florida	42	42	29	43	39	43	39.7
43	Iowa	35	40	40	46	33	44	39.7
45	Indiana	32	43	50	41	47	26	39.8
46	South Dakota	47	39	46	39	44	33	41.3
47	Delaware	44	49	38	50	50	22	42.2
47	Tennessee	46	48	25	38	49	47	42.2
49	North Carolina	49	47	36	48	46	40	44.3
50	Nebraska	43	50	35	49	48	50	45.8

Technical details (which you can skip unless you have an academic interest in this topic): The CEI study is a meta-study that looks at six previous estimates of state pension debt: (1) Census Bureau (2012) – Raw data from U.S. Census Bureau annual survey of state- and locally-administered defined-benefit pensions. (2) Novy-Marx and Rauh (2011) – Recalculation of pension liabilities under appropriate discount rates using data from 2009 and 2010 and as % of state GDP. (3) Novy-Marx and Rauh (2012) – Estimation of the increased contribution levels necessary to fully fund pension plans over the course of 30 years, as a % of GDP. (4) Naughton, Petucchi, Weber (2013) – Analysis of 1990-2009. Data are more remote but span multiple business cycles. Results are averages of underfunding of the 20 yrs as % of state GDP in 2000. (5) Eucalitto (2013) – Re-estimation of liabilities according to fair-market value, with the benefit of more recent data. (6) Moody's (2014) – Fair-market-value-based assessment of adjusted net pension liabilities bases on the most up-to-date information.

The huge threat of public pension debt

Many states have laws or constitutional provisions that protect pension funds from being used for other purposes; in other words, pension benefits are typically treated as a contractual obligation that binds the state. Typically, a state employees' pension plan is a "defined-benefit" plan, in which each retiree receives a specific monthly benefit based on his or her earnings history, tenure, age, and related factors. (This is in contrast to a "defined-contribution" plan, in which a specific dollar amount is put into the plan for each worker, and the size of pension benefits depend on how the plan's investments perform.)

States' defined-benefit pensions create largely unseen, underestimated future liabilities. As a result, state taxpayers are being burdened with huge debts, although government officials often hide this debt. Because most states have balanced-budget requirements, average citizens may not realize that their state carries an off-the-books state pension debt, even if the debt amounts to billions of dollars.

To understand this kind of unfunded liability, imagine a father who promises to pay for his kids' college education, but puts no money aside to pay for it and lacks the resources to pay for college out-of-pocket when the time comes. That's the way most government debt operates, because much of it is in the form of unfunded liabilities: everything from Social Security promises to student loan guarantees to Obamacare's future bailouts for health insurance companies. The "national debt" that is officially on the books is only a small portion of the government's true debt.

When state governments have large pension debts, they burden their state labor markets and worsen their business climate. To provide a clear pic-

ture of the extent of this problem, economist Robert Sarvis, in his CEI study "Understanding Public Pension Debt," amalgamates several estimates of states' pension debts and ranks the states from best to worst.

Over the past two decades, states have accumulated massive pension debt—in billions of dollars—for several reasons.

Reason #1: Law. In many states, pension payments have stronger legal protections than other kinds of debt. This has made reform extremely difficult, because government employee unions can sue to block any reduction of their generous pension packages.

Reason #2: Politics. For years, government employee unions have effectively opposed efforts to control the costs of their pension benefits. Politicians who rely on government unions for electoral support have been reluctant to pursue reform, because they find it much easier to pass the bill to future generations than to anger their union allies.

Reason #3: Bad math. For years, state governments have deceived the public about the problem. Their budgets have low-balled the amount by which their pensions are underfunded by using dubious accounting gimmicks. The worst gimmick involves something called a "discount rate," which is the interest rate used to estimate the value of cash that will flow into the pension system in the future. To understand this concept, think about the difference between the value of a $100 bill in your pocket versus the value of someone's promise to pay you $100 a year from now. Which would you rather have? In finance, there are formulas that estimate the current value of those kind of future payouts, and they include a "discount rate." The higher a discount rate your estimates assume, the lower the future liabilities you have to account for. And the lower the future liabilities a state government estimates it will face, the less money it needs to put into its pension funds this year.

Today, defined-benefit plans are more prevalent in the public sector than in the private sector, where employers have moved toward defined-contribution plans like 401(k) accounts. In defined-benefit plans, states are on the hook for particular payouts, regardless of whether their pension funds have enough money to cover those payouts. Therefore, when calculating their pension liabilities, states should use a low-risk discount rate to minimize the chance the state will lack the monies it must pay out in the future. Ideally, the discount rate should be as low as the rate of return on 10- to 20-year Treasury bonds, which is in the 3 to 4 percent range.

Unfortunately, most state and local governments use discount rates that make wildly optimistic assumptions of future returns on their investments, usually of 7 to 8 percent a year. These assumptions lead many state and local governments to make lower contributions today, in the hope that years of high investment returns will make up for the gap down the road. While such returns can be achieved in some years, they need to be achievable year-after-year for a pension fund to meet its payout obligations, which grow without interruption. Failing to achieve such high returns will cause serious pension underfunding.

Discount rates that *assume* high returns also create incentives for pension fund managers to *seek* higher returns, meaning managers are likely to invest in riskier assets, causing large losses each time the riskier assets go south.

Study author Rob Sarvis explains that "accounting standards ordinarily require the use of a discount rate that properly reflects the risk and timing of future liabilities. This *fair market value* approach is the standard for private corporations in the United States and almost all foreign governments, and is used by the Congressional Budget Office and the Bureau of Economic Analysis as well."

The CEI study achieves a new comprehensive ranking of the severity of pension underfunding in all 50 states and the District of Columbia by examining data from six different earlier studies of the problem. Note that all six studies had a high degree of agreement as to which states have the biggest problem and which states have matters most under control. The ranking from worst to best—from most severely underfunded to most responsibly funded—is found in the table.

Because decisions about where to locate a business involve weighty and expensive issues, savvy businesses are not inclined to move to highly indebted states, where taxes will have to be raised or basic government services cut in order to repay state pensioners. Sarvis hopes his ranking of state pension debt will help businesses make informed decisions about where to locate and where to invest their money. Ideally, these rankings should prompt a move to defined-contribution pensions for government workers.

That's what happened in Utah. The *Wall Street Journal* reported, "during the 2008 stock market plunge [Utah's] state pension fund lost 22% of its assets . . . From nearly 100% funded in 2007, it fell to 70% funded by 2009 . . . Utah suddenly faced a long-term $6.5 billion funding gap, and the state would have had to nearly double its annual contributions out of the current budget to make up the shortfall."

This shock to Utah's system propelled former Utah State Senator Dan Liljenquist (R) into action. Liljenquist studied the good examples of Michigan in 1996 and New Jersey in 2007 and 2008, when these states moved away from defined benefits toward a defined-contribution system, and then he led the effort to move Utah toward such a system. In 2010, he succeeded.

Rhode Island, Kansas, and Oklahoma followed suit in 2011, 2012, and 2014, respectively. New Hampshire and Iowa are among the states now considering whether to move from defined benefits to defined contributions. ***–AH***

LaborNotes

If you're against **Common Core**—the effort, funded by billionaires, to dumb down America's schools in the name of high standards—**Michael Mulgrew**, president of **New York City**'s **United Federation of Teachers**, has a bone to pick with you. Speaking at a convention in **Los Angeles**, he declared: "If someone takes something from me, I'm going to grab it right back out of their cold, twisted, sick hands and say it is mine! You do not take what is mine! And I'm going to punch you in the face and push you in the dirt because this is the teachers'!" He ridiculed Common Core opponents as believing that "**Eli Broad**, **Bill Gates**, **Joel Klein** and a flying saucer full of **Martians** designed these things to brainwash us all." The ***New York Daily News*** quoted an audience member: "It was scary. . . . People were saying that he [Mulgrew] shouldn't be around children." (Not surprisingly, almost no other news outlets reported the story, according to the **Media Research Center**.)

In **Bangor, Michigan**, after the state adopted a Right to Work law, kindergarten teacher **Kimberle Byrd** refused to renew her membership in the teachers' union. But unbeknownst to her and most other teachers, the union adopted a rule that allowed members to opt out only during the month of August, when most teachers are on vacation. So she was surprised when the union sicced a collection agency on her, threatening her credit rating.

Meanwhile, in **Battle Creek**, the union negotiated a five-year contract just before the law went into effect, forcing teachers to pay dues for several more years.

President Obama and his union allies are pushing for higher minimum wage laws, despite the devastating impact those laws have on unskilled workers. (If a person's labor is worth less than the minimum wage plus mandated benefits, he or she is effectively banned from all jobs.) The laws also hurt small businesses—but don't make a fuss, or the Left might come after you. The ***Minneapolis Star-Tribune*** reported that the **Oasis Café** in **Stillwater, Minnesota** added a 35-cent fee on meal tabs; the owner, **Craig Beemer**, "said the fee is needed to offset the 75-cent wage hike that took effect Aug. 1 . . . Even with only half a dozen servers, Beemer says it will cost him $10,000 more a year to pay servers $8 an hour instead of the federal rate of $7.25 an hour. Instead of adding it on to food prices, he added the 'minimum wage fee' . . . It's set off a firestorm of debate . . . with one customer calling the café Wednesday to demand a refund and others taking to Facebook to encourage people to boycott the roadside café." Said the manager: "We're shocked . . . We're all appalled at the response for just protecting his employees. We're just doing what we have to do."

Unions and their allies complain about "dark money super PACs" when such organizations support candidates favoring economic freedom. It's a different story when those groups support the union agenda. Last year, the **American Federation of Teachers** wanted to slip a half-million dollars into a last-second ad buy to support **Marty Walsh**'s Democratic candidacy for mayor of **Boston**. It used a **New Jersey** union front group called **One New Jersey**, which hurriedly concocted a Boston union front group called **One Boston**, through which the money was funneled. Now the front groups have been fined $30,000 by the **Massachusetts Office of Campaign and Political Finance** for five different violations: failure to organize as a PAC, failure to disclose finance activity accurately, contributions made in a manner intended to disguise the true source of the contributions, receipt of contributions not raised in accordance with campaign law, and illegal use of wire transfers. From the union perspective, though, the end justified the means: Walsh won.

Efforts to unionize college athletes continue. In March, a regional director for the **National Labor Relations Board** (NLRB) ruled **Northwestern University** football players are employees and ordered a unionization vote, which was held in April. (The results were impounded pending an appeal to the NLRB.) In August, **U.S. District Court Judge Claudia Wilken** issued a ruling that could make widespread unionization more likely, holding that **NCAA** rules against paying athletes are a violation of antitrust laws. She ruled that athletes are entitled to a share of revenue from licensing, such as when their images are used in video games.

Other types of performers may soon be unionized as well: the **Times Square** performers who play **Cookie Monster** from ***Sesame Street***, **Woody** from ***Toy Story***, and other characters. "About 60 costume-wearing workers held a meeting organized by immigration advocacy group **La Fuente** to talk about forming a union," reported a **Fox News** affiliate. The meeting came after two **Iron Men**, a **Spider-Man**, and an **Elmo** were arrested for blocking pedestrians and were charged with disorderly conduct.

Capital Research Center's Henry Haller interns Marc Connuck, Maria Girard, and J.T. Mekjian contributed to this report.