

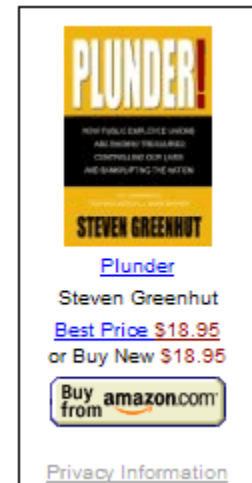
Are Public Employees Bankrupting the Nation?

By Charlie Curnow

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Plunder: How Public Employee Unions are Raiding Treasuries, Controlling Our Lives and Bankrupting the Nation
by Steven Greenhut
The Forum Press, 297 pp.

While markets may be recovering, public debts are still mounting. In *Plunder*, his new book, Steven Greenhut blames public sector unions for a large portion of these debts. To Greenhut, we the taxpayers are helpless villagers, while corrupt public employee unions are barbarians at the gate, raiding government treasuries and leaving us with nothing but unfunded liabilities.



Greenhut who heads the journalism center at the Pacific Research Institute, a California-based free market think tank, writes that public employees have become the new American elite. Landing a government job and staying with it is like winning the lottery. In the past, government employees earned lower salaries but had better benefits and job security than private sector workers. Today, government workers still enjoy superior benefits, and earn more than their private sector counterparts, too. These benefits include pension plans that often allow them to retire as young as age 50 while still receiving 100 percent or more of their final year's salary, frequently exceed \$100,000 per year, and include cost-of-living adjustments and free medical care for life.

Greenhut blames aggressive union tactics and gutless politicians for this alleged plundering of state treasuries, which he argues creates an "unsustainable" situation by spurring higher taxes and enormous debts that will ultimately be paid by our grandchildren. He also argues that problems with public employee unions go beyond finances, to general professional accountability. Schools, for example, don't even try to fire incompetent teachers – or even ones accused of sexual abuse and other misdeeds – because they are protected so well by their unions. As government gets bigger and more powerful, he writes, public officials have more power to enrich themselves at the expense of the public good. Public servants are now the public's masters.

Average public sector wages and benefits do indeed exceed private sector averages. In December 2009, private sector workers earned an average total compensation of \$27.42 an hour - \$19.41 accounted for by wages and salaries



and \$8.00 in benefits. State and local government workers, meanwhile, averaged \$26.11 per hour in monetary compensation and had mean total benefits of \$13.49 per hour, for an average total compensation of \$39.60 per hour.

This, however, is nothing new. Going back to 1991, the first year the Bureau of Labor Statistics kept separate tallies for average public sector and private sector compensation, government workers have consistently earned higher wages and bigger benefits on average than their private sector counterparts. Private sector workers earned total compensation of \$15.40 per hour on average in 1991 – \$12.61 in salaries and wages – while state and local government employees earned an average of \$23.69 per hour, including \$16.69 in wages and salaries. So Greenhut's "past" when private sector workers earned larger salaries than government employees must be a distant past, and one beyond the scope of available data.

Despite Greenhut's objections, this might actually make sense. Many of the most common government jobs – teacher, say, or police officer – require a college degree or at least some kind of highly specialized training. Other public sector professions – prosecutor, for instance, or judge – require even more education. And while private industry is indeed home to the economy's highest-paying employers – the hedge funds and the elite ranks of the financial industry – it also includes many low-paying employers, like fast food restaurants, gas stations and big box retailers. There are many more cashiers in the world than there are CEOs.

That is not to say that public employee unions don't constantly maneuver to ensure the highest possible pay, the cushiest possible benefits, and the friendliest possible institutional and legal environment for their members. That is, after all, why they exist. Indeed, as Greenhut notes, since the development of public choice theory in the mid-20th century by political economists such as Kenneth Arrow and Duncan Black, many analysts have assumed that public officials primarily pursue their own interests rather than some overarching public good. To a public choice theorist, this is not a matter of right or wrong, but an empirical model inspired by the rational choice assumptions of microeconomics.

Greenhut, however, tries to have it both ways. He claims to embrace the empirical assumptions of public choice theory, but he also scolds public employee unions for placing the interests of their members above the good of all. According to Greenhut, in a world where everyone in the private sector is busy rationally pursuing their own interests, public employees ought to sacrifice themselves on the altar of the public good. Take this passage, for example, on public pensions:



This taxpayer-funded enrichment really is outrageous. Something needs to be done about it. The first step, of course, is to alert the public to the problem, which is what this book is about. By the way, this is a non-partisan issue. In my newspaper coverage of the matter, I've found both parties to be eager to expand government pensions for government workers. Democrats are more closely allied with public-sector labor unions and have been on the forefront of these pension-hiking deals, of course, but Republicans have been particularly aggressive in pushing expanded benefits for public-safety workers. Both parties created the problem and people from across the political spectrum will be needed to fix things. During one pension battle, one of the most eloquent speakers against a proposed retroactive pension increase was a liberal Democrat who argued correctly that as pensions begin eating up more and more of her city's budget, there will be less money for libraries, social services, road improvements and other programs that were important to her. Many conservatives realize that the coming pension tsunami will lead to higher taxes and increased debt loads. Here's an area where there's much room for a bipartisan solution. Public employees should receive a fair level of pay and decent retirements, but they should not be able to use their political muscle to secure absurd compensation levels, or be allowed to engage in dubious pension-spiking schemes or get such rich deals that future generations of Americans are going to be stuck with the debt.

Unfunded pension liabilities are indeed of growing concern to state and municipal treasuries, as we have noted in previous articles. Indeed, the fiscal burden of public pension plans has become even worse in recent years because managers invest such a large percentage of pension fund assets in the stock market. State and local governments may need to trim back pension benefits or raise employee contribution levels to fill the fiscal gaps. But what, exactly, is a "fair level of pay and decent retirement" for an individual teacher, firefighter or cop? The answer will probably vary from state to state and from city to city, and can only be decided by state and local governments.

Furthermore, if public employee unions should be barred from using their "political muscle" to secure the support of lawmakers, shouldn't the same rules apply to private firms? As of March 31, public sector unions were only the sixteenth biggest-spending industry group during the 2010 election cycle, with total donations of \$6.1 million to members of Congress so far, according to the Center for Responsive Politics, a nonpartisan research group. Lawyers and law firms are the top givers at \$31.1 million, and health professionals are second at \$19 million. The securities and investment industry, meanwhile, has given \$15.4 million, the real estate industry has given \$13.9 million, and the insurance industry has given \$12 million. For all that alleged political muscle, public



employees still seem to pack a modest punch in electoral politics relative to private industry.

Indeed, given Greenhut's opposition to public employee union influence over the political process, it is interesting that his plan to solve government budgeting problems begins with political action:

Ultimately, it's time to start a new political movement. We've seen the TEA [sic] parties get going largely though genuine grassroots outpourings – even though establishment Republicans have tried to co-opt these events and Democrats have tried to demonize the participants. We've seen angry Americans show up at health-care town hall meetings to express displeasure at the Obama administration's attempts to give government more control over this vital industry. It's time for the grassroots – and not just conservatives or libertarians, but everyone who is concerned about the misuse of resources and abuse of power to benefit a special group of powerful Americans – to get agitated and to decry the plundering of America.

Public employees should not be chastised for championing their own interests, or for trying to get the very best deals they can from governments. But neither should corporations, or Tea Party protesters. After all, as James Madison wrote in his Federalist No. 10, "the *causes* of faction cannot be removed, [...] relief is only to be sought in the means of controlling its *effect*." If we outlawed all public employee unions, as Greenhut suggests, or enacted new rules to prevent public sector unions from participating in politics, some other type of group would emerge to take their place at the political bargaining table. Twenty-one million government workers – 16 percent of the labor force according to the Bureau of Labor Statistics – will not be denied a voice. For better or worse, the only real solutions will come from the long, slow grind of the democratic process.

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