unproven threats seems to have passed. *The Future of Violence* is a book from what is hopefully a bygone era of threat exaggeration.

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Government against Itself: Public Union Power and Its Consequences
Daniel DiSalvo
New York: Oxford University Press, 2015, 304 pp.

No one likes paying more for less, especially for basic public services like fire and police protection. Yet that is the situation many state and local governments now face because of powerful government employee unions. Government costs more than ever, but the quality and effectiveness of the public services that taxpayers need are in decline. Daniel DiSalvo, assistant professor of political science at City College of New York and senior fellow at the Manhattan Institute, tells this story in his new book, *Government against Itself: Public Union Power and Its Consequences.*

Public-sector unions are necessarily political institutions. Seeking to influence public officials in order to gain greater benefits for their members is one of their core functions. Government unions, notes DiSalvo, "are effectively *government lobbying itself*." Unlike private-sector labor negotiations, public-sector collective bargaining involves government sitting on both sides of the table. Public-sector "managers" face weaker incentives than their private-sector counterparts to resist union demands, such as increased compensation or greater job security. Therefore, collective bargaining in the public sector undermines democratic governance by shifting some government decisions away from public officials and toward unelected government employees.

Public-sector collective bargaining also has contributed to one of the biggest fiscal challenges threatening state and local governments around the nation: underfunded public pensions. This is a classic case of concentrated benefits and diffuse costs: government unions have greater incentives to lobby for increased compensation for their members than taxpayers have to organize to resist paying for it.

Of course, voters generally don't like taxes, so there's a limit to how high taxes can rise to pay for those benefits. But this political check only affects current tax and spending levels. Politicians can skirt voter resistance to taxation by shifting today's fiscal burden to tomorrow's taxpayers. This is precisely how union-friendly politicians have handled government employee pensions for decades, knowing full well that when the time comes to settle up, it will be someone else's problem.

Recently, some elected officials—most notably Wisconsin Republican Governor Scott Walker and Rhode Island Democratic Treasurer (and current governor) Gina Raimondo—have sought to bring pension costs under control. In response, government union leaders have denounced such reform efforts as "scapegoating" of public employees by blaming them for state budget woes.

Unions' accusations of scapegoating are off-base, DiSalvo argues, for two reasons. First, total spending on public employee compensation has increased by $200 billion since 2009, even as state and local public employment has decreased by 671,000 employees. Second, increased compensation expenditures "crowd out" the public services that government employees were hired to provide in the first place, including "parks, education, public safety, and other services on which the poor and middle class rely." Thus, DiSalvo concludes, "government costs more but does less."

While the battle in Wisconsin played out mainly along party lines, the Rhode Island pension fight exposed divisions among Democrats over how to handle the growing problem of underfunded public pensions. Some Democratic governors and mayors tried to bring public finances under control by taking on traditional party allies such as unions, while some legislators and local council members continued to support the unions. Rhode Island's experience also showed that reform is possible even in a Democratic-dominated state. Raimondo made a practical case for reform, emphasizing that the pension debate is about budgetary math, not politics.

Similarly, DiSalvo tries to bring a dispassionate approach to his analysis: "A premise of this book is that the analysis of public-sector unions must be shorn of mythology and separated from the legendary struggles of private-sector labor in the mid-twentieth century." He largely succeeds. Some union advocates may still denounce his book as antiunion, but DiSalvo nevertheless aims to gain a hearing among Democrats because the crowding-out effect mentioned above threatens many of the services and programs liberals hold dear.

DiSalvo outlines the fundamental difference between public and private unions: governments can access more money through taxation and borrow at lower cost than private firms. "Too often," writes Disalvo, "they are conflated, which badly distorts reality."

Because of civil service rules, public employees enjoy greater job protections than their private-sector counterparts, even in the absence of a union. Civil service rules were implemented to curb the patronage system that enabled politicians to reward their cronies with government jobs. Certainly a worthy goal, but now public employees are entrenched in their positions and lower-performing employees are difficult to dismiss.

Another difference, the one DiSalvo calls "the most fundamental," is government unions' ability to exert direct influence on their employers through their political process. Private-sector unions may be politically active, but their political advocacy has only an indirect effect on their employers. Public-sector unions, on the other hand, literally help elect their bosses.

This political influence gives unions what DiSalvo and others have called "two bites at the apple" in trying to gain concessions from employers—one through collective bargaining and the other through lobbying and electioneering. It also has enabled government unions to effectively block reform (which, as the cases of Wisconsin and Rhode Island show, has only been accomplished in an atmosphere of fiscal crisis).

This puts government unions in a privileged position relative to both private-sector unions and to other interest groups. It has led to the development of what DiSalvo calls "two worlds of work—one private, one public." While private-sector unions have to contend with the realities of market competition, which restrains their demands, public-sector unions face no such check.

In the history of American labor relations, public-sector collective bargaining is a relatively recent phenomenon. "In 1959, only three states had collective bargaining laws for state and local employees," notes DiSalvo. "By 1980, 33 states did." Today nearly all states enable government unions to collectively bargain to some extent; only Virginia and the Carolinas bar public-sector collective bargaining.

This change, DiSalvo argues, came about because of four major factors: (1) civil service laws that weakened urban party machines' patronage networks; (2) reconfiguration of state legislative districts by population, which shifted influence from rural areas to urban centers; (3) demographic change, mainly growth in government employment; and (4) action by labor-friendly politicians at the urging of union leaders, who saw expansion in the public sector as a way to counteract declining private-sector membership. Today, around 37 percent of public-sector employees in the United States are unionized, compared to around 7 percent in the private sector.

Two government-granted privileges give public-sector unions a "unique advantage" in politics and lobbying. One is agency shop laws that require all workers in a bargaining unit to pay for union representation, including nonmembers who must pay "agency fees." The second is automatic dues check-off, whereby dues are withheld from workers' paychecks. Much of that money is spent in politics, including on canvassing and get-out-the-vote efforts, as well as campaign donations.

Public-sector unions also channel their influence through initiatives and referenda. Born out of reformist zeal to check the power of special interests on state legislatures, these have become a new lever for those same special interests to wield influence, especially in defending the status quo. In the last 30 years in California, for instance, voters approved nearly half of union-supported measures and voted down 75 percent of measures unions opposed.

The latter is not only more impressive, but also more significant. As DiSalvo notes, "the power to thwart change can sometimes be even more important than the power to enact it." It's human nature to fear change. Ballot measures have proven very useful to government unions in fighting reform, in part because of voters' bias toward the status quo.

Another union advantage is the knowledge of arcane policy minutiae that are of little interest to the general public but can influence the benefits unions and their members receive from taxpayers.

On the issue of compensation, DiSalvo explores two key questions: first, whether public-sector workers earn more than their private-sector counterparts in similar jobs; and second, whether unionization and collective bargaining in the public sector increase compensation relative to a nonunion environment.

In this regard, it is worth considering compensation over a lifetime, because much public employee compensation is back-loaded in the form of pensions. Those back-loaded retirement and health care benefits lead to greater lifetime compensation. Some 80 percent of public employees have a defined-benefit pension plan—which is set to pay out a fixed amount regardless of its level of funding—compared to only 20 percent of private-sector workers.

Back-loaded benefits often lead to fiscal trouble. Underfunded pensions are now squeezing state and local government budgets. Paying for pension liabilities puts public services, including essential ones, under severe strain. "If government spends more on the salaries, pensions, and healthcare of its employees," says DiSalvo, "it cannot spend more money on things like public transit, school buildings, park maintenance, and relief to the poor—unless it raises taxes, uses budget gimmicks, or takes on greater debt." The result: taxpayers pay more, but get less.

Union contracts raise costs even higher by imposing myriad bureaucratic rules. In the case of education, where "teachers' contracts run into the hundreds of pages," the effect of this flood of rules is especially pernicious, as principals' authority to run the schools they oversee is seriously eroded, including their ability to discipline and dismiss bad teachers.

The bottom line: "Unionized government overburdens taxpayers, makes services on which the poor and middle class rely less effective, and distorts the democratic process."

Government unions' responses to these criticisms, DiSalvo notes, have amounted "to little more than denials that unions do harm and therefore shouldn't be challenged." On the upside, this gives elected officials an opportunity to make a convincing case for reform. The fight must be legal as well as legislative.

Many state laws treat collective bargaining as a legal, though not a universal, right. But collective bargaining laws may be vulnerable to legal challenge. And collective bargaining may also violate the rights of free speech and association of workers who are compelled to join the union to keep their job.

Beyond the state level, DiSalvo suggests, there is a viable path to challenging the 1977 Supreme Court case that validated unions charging agency fees to nonmembers, *Abood v. Detroit Board of Education*. The outline for such a challenge was laid out by Justice Samuel Alito in his 2014 decision in *Harris v. Quinn*. "Overturning *Abood*," says DiSalvo, "would in effect create a national right-to-work law for the public sector." (On June 30, 2015, the Supreme Court agreed to hear a case that could overturn *Abood*, *Friedrichs v. California Teachers Association*.)

State legislatures can take other steps to reassert their control over public workforce costs: limit the points of negotiation in collective bargaining, remove health care benefits from collective bargaining, index the upper limits of union compensation demands to inflation, eliminate public-sector agency shops, bar use of check-off dues for politics, amend arbitration rules, give cities greater scope of action in dealing with their unionized workforces, end "the accounting tricks and gimmicks they have used to calculate their pension and health liabilities," and move away from defined-benefit pensions toward defined-contribution plans.

Proofreading and fact checking could have been better in parts. For example, the *Sarasota Herald-Tribune* is misidentified as the *Miami Herald-Tribune*. DiSalvo also says that Boeing had "threatened" to move construction of its planes to South Carolina if the Machinists union at its Puget Sound facility did not agree to a contract. In fact, Boeing opened the South Carolina plant in 2011, *in addition* to existing plants, to avoid disruptions because of strikes.

Those minor points aside, *Government against Itself* provides a solid overview of the role of public-sector unions in U.S. politics today.

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**Competition, Coordination and Diversity:
From the Firm to Economic Integration**
Pascal Salin
Cheltenham: Edward Elgar, 2015, 305 pp.

The ambition of this volume is to "evaluate how coherent social systems can exist in spite of the extreme diversity of [their] components." It can be characterized as a consistent application of Austrian (or perhaps more narrowly Hayekian) thinking to a range of questions in economics and policy analysis—with a particular focus on the roles of dispersed knowledge, competition, and discovery; prices and economic coordination; and the effects of uncertainty, entrepreneurship and contracts. The book, based on a number of previously published and unpublished papers and essays, weaves together explorations in fields ranging from the theory of the firm, through international political economy and monetary economics, to the theory of consumer choice.