

# IOWA ECONOMIC SCORECARD

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## De Blasio's Iowa Field of Daydreams

By Steven Malanga, Senior Editor  
Manhattan Institute *City Journal*

*The New York City mayor brings his out-of-touch progressive message to the heartland.*

In April, Mayor Bill de Blasio traveled from New York, a state with one of the highest levels of income inequality in America, according to research by University of Washington professor Richard Morrill, to Iowa, a state with one of the lowest levels of inequality, in order to lecture Iowans on . . . how to end inequality!

While in Iowa, the second-year mayor repeatedly blasted the rich for not paying enough in taxes. In one speech, he mentioned taxes some 20 times. What de Blasio neglected to explain to Iowans, though, is how New York, which already has some of the highest taxes in America (especially on the wealthy and on businesses), hasn't managed to moderate or restrain the growth of inequality, while Iowa (which taxes its residents below the national average, according to the Tax Foundation) apparently has.



De Blasio was in Iowa because prospective presidential candidates are visiting the state, and the mayor wants to ensure that income inequality figures prominently in the discussion. But once de Blasio ventured outside of his comfort zone of bashing the wealthy — especially the Wall Street executives and hedge-fund managers whom he loves to treat as villains — his policy proposals were anything but coherent.

Two of de Blasio's national agenda items, for instance, are to hike the minimum wage and require all businesses to grant mandatory sick-leave time to workers. But hedge funds and Wall Street firms already pay workers way above the minimum wage, of course, and offer some of the best employee benefits around. The real burden of de Blasio's solutions would fall not on them, but on small firms, many of which struggle to make a profit and don't have extra cash lying around. That's why decades of research by economists have shown that raising the minimum wage almost always increases unemployment, as hard-pressed small firms hire fewer workers.

De Blasio couldn't very well start off his Iowa speech bashing small businesses, but he's no friend to them, as his mayoralty is showing. When the uber-progressive New York City Council held hearings on a law to expand mandatory sick leave, the council chambers overflowed as de Blasio administration representatives testified in favor of the idea. After they finished, the de Blasio team as well as most city council members walked out — before small-business groups, including several minority business associations, could share their thoughts. So a nearly empty chamber didn't hear the head of a 200-member Hispanic supermarket association testify that the legislation — which not only required mandatory sick leave but also a significant increase in paperwork for businesses — “could create havoc with small independent supermarkets,” especially as “this burden falls on supermarkets just as they face other burdens, like the Affordable Care Act.”

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While in the Hawkeye State, de Blasio also felt compelled to explain how he would spend the proceeds from all the new tax money he covets. One of his big agenda items is universal pre-K across America — a prime example of how New York's mayor is a "spend first, worry about results later" politician. Pre-K is not a new idea — it's been around for decades and academics have studied it extensively. The singular result of these studies is that pre-K demonstrates little lasting educational value for most kids, with the sole exception being some small, well-run programs for poor children, who seem to benefit from a head start on schooling. But even that small advantage almost always vanishes by third grade. Universal pre-K's real appeal is as a tool for teachers' unions to boost membership.

The mayor's other big-spending idea is to pour more money into infrastructure. But the rest of the nation might pause before taking advice from New York. As *City Journal's* Aaron Renn noted, the city wastes billions of dollars on poorly conceived and poorly executed infrastructure projects, thanks to conscious decisions to overspend by ignoring union featherbedding, mandating "buy American" programs for materials, and requiring protracted environmental reviews. De Blasio recently urged Congress to fund more infrastructure spending, but as Renn noted, "how can New York demand Congress do its job if the city and region won't take care of its own by doing its part to stop this [spending] insanity?"

A closer look at de Blasio's message in Iowa reveals that his broader theme is about supporting a labor-union-friendly agenda — but that isn't a cure for inequality, either. It certainly hasn't worked out that way in New York, where one-quarter of all workers are unionized — more than double the percentage than in more-equal, Right-to-Work Iowa, where only 11 percent of workers belong to unions. One can only hope that Iowans recognize the quality of the advice they're getting from New York City's mayor.

*Steven Malanga is Senior Editor of City Journal and the author of Shakedown: The Continuing Conspiracy Against the American Taxpayer. Originally published April 17, 2015. Reprinted with permission of the Manhattan Institute City Journal.*

Right-to-Work	Non-Right-to-Work
	
<b>Greater GDP growth</b> <b>53%</b> <i>(2001 – 2010)</i>	<b>Lower GDP growth</b> <b>42%</b> <i>(2001 – 2010)</i>
<b>Total employment</b> <b>+94 percent</b> <i>(1977 – 2010)</i>	<b>Total employment</b> <b>+50 percent</b> <i>(1977 – 2010)</i>
<b>Personal income</b> <b>+165 percent</b> <i>(1977 – 2010)</i>	<b>Personal income</b> <b>+94 percent</b> <i>(1977 – 2010)</i>

## Economic Benefits of Right-to-Work

By Richard Larsen, President of Larsen Financial, Pocatello, Idaho

In March, Wisconsin became the 25<sup>th</sup> state to pass and sign into law so-called “Right-to-Work” legislation. Despite the negative light often associated with Right-to-Work (RTW) laws, in reality all they do is proscribe the requirement that a worker join or pay dues to a union as a qualification for employment.

Unions often view laws removing compulsory union membership for work in the private sector as “anti-union,” while advocates of Right-to-Work laws maintain it’s a matter of personal liberty and economic freedom. They argue that workers in given trades or industries should have the option to choose whether to join a union or not. If a union is doing a good job representing the interests of its members, it should not be threatened by the freedom to choose, as the benefits of union membership would be self-evident.

Even some union leadership supports this sentiment. Gary Casteel, the Southern region director for the United Auto Workers, explains, “This is something I’ve never understood, that people think Right-to-Work hurts unions. To me, it helps them. You don’t have to belong if you don’t want to. So if I go to an organizing drive, I can tell these workers, ‘If you don’t like this arrangement, you don’t have to belong.’ Versus, ‘If we get 50 percent of you, then all of you have to belong, whether you like to or not.’ I don’t even like the way that sounds, because it’s a voluntary system, and if you don’t think the system’s earning its keep, then you don’t have to pay.”

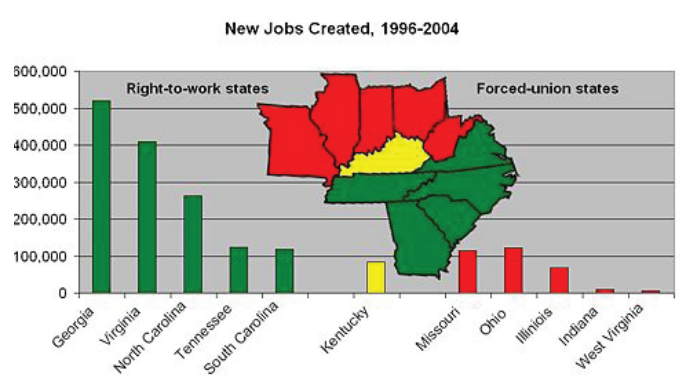
One cannot be a student of history without recognizing the tremendous contributions unions made to the emergence of the middle class in early to mid-20<sup>th</sup> century America. They significantly improved working conditions, workweek hours, and compensation levels. In today’s economy, their focus seems to have changed, as they seem to be primarily political entities, with compulsory union dues used mostly for amassing power in the political arena and spent on candidates and causes that some members may object to. Even Bob Chanin, former top lawyer for the National Education Association, admitted that in his farewell speech a few years ago. “It’s not about the kids...it’s about power,” he said.

According to Department of Labor statistics, only about 7 percent of America’s private-sector workforce is unionized. In the post-World War II era, it was nearly 40 percent. The trend is reversed for public employees, where 60 years ago the unionized public employee workforce was less than 10 percent, while it currently is nearly 37 percent. Maybe all those “evil corporations” have gotten it right and are providing pay and benefits that employees are satisfied with. The same logic might lead us to believe that, following those trends, it is “evil government” that is taking advantage of employees and must be represented by collective bargaining.

Average wages do tend to be slightly lower in Right-to-Work states, as reported by *The Wall Street Journal* last year. But the differences may be attributable to other factors. As the *Journal* explained, “Many economists say when differences in cost of living are taken into account, wages are roughly the same — or even higher — in Right-to-Work states.” Last year the National Institute for Labor Relations released a detailed study of Right-to-Work vs. non-Right-to-Work states. Five economic factors were analyzed in states in the Midwest, with the following conclusions:

Job growth is twice as strong in RTW states. The percentage growth of non-farm private-sector jobs (1995-2005) in Right-to-Work states was 12.9 percent while non-Right-to-Work states came in at 6.0 percent.

Perhaps surprising to some, poverty is actually higher in non-Right-to-Work states. The average poverty rate, adjusted for cost of living, was 8.5 percent in RTW states and 10.1 percent in non-Right-to-Work



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states. This may likewise have more to do with geography and cost of living factors, however.

New company and new product growth is significantly greater in RTW states. During that same period, annual percentage growth in patents granted was 33 percent in RTW states and only 11 percent in non-Right-to-Work states.

Income growth rates are higher in RTW states as well. The percentage growth in real personal income was 26.0 percent in RTW states, while non-Right-to-Work states grew at 19.0 percent.

Even health insurance coverage in RTW states fared better. Note that this data was gathered before implementation of Obamacare. The percentage growth in number of people covered by employment-based private health insurance was 8.5 percent for RTW states and 0.7 percent for non-Right-to-Work states.

Consequently, based on National Institute for Labor Relations research, RTW states create more private sector jobs, enjoy lower poverty rates, experience more technology development, realize more personal income growth, and increase the number of people covered by employment-based private health insurance. Clearly, when looking at the big picture, the economy of a state is more likely to be more robust when the workforce has the freedom to choose.

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