Killing the Goose: Twinkies Bankruptcy

Killing the goose that lays the golden egg is one of those old fairy tales for children which has a heavy message that a lot of adults should listen to. The labor unions which have driven the makers of Twinkies into bankruptcy, potentially destroying 18,500 jobs, could have learned a lot from that old children's fairy tale.

Many people think of labor unions as organizations to benefit workers, and think of employers who are opposed to unions as just people who don't want to pay their employees more money. But some employers have made it a point to pay their employees more than the union wages, just to keep them from joining a union.

Why would they do that, if it is just a question of not wanting to pay union wages? The Twinkies bankruptcy is a classic example of costs created by labor unions that are not confined to paychecks.

The work rules imposed in union contracts required the company that makes Twinkies, which also makes Wonder Bread, to deliver these two products to stores in separate trucks. Moreover, truck drivers were not allowed to load either of these products into their trucks. And the people who did load Twinkies into trucks were not allowed to load Wonder Bread, and vice versa.

All of this was obviously intended to create more jobs for the unions' members. But the needless additional costs that these make-work rules created ended up driving the company into bankruptcy, which can cost 18,500 jobs. The union is killing the goose that laid the golden egg.

Not only are there reasons for employers to pay their workers enough to keep them from joining unions, there are reasons why workers in the private sector have increasingly voted against joining unions. They have seen unions driving jobs away to non-union competitors at home or driving them overseas, whether with costly work rules or in other ways.

The old-time legendary labor leader John L. Lewis called so many strikes in the coal mines that many people switched to using oil instead, because they couldn't depend on coal deliveries. A professor of labor economics at the University of Chicago called John L. Lewis "the world's greatest oil salesman."

There is no question that Lewis' United Mine Workers Union raised the pay and other benefits for coal miners. But the higher costs of producing coal not only led many consumers to switch to oil, these costs also led coal companies to substitute machinery for labor, reducing the number of miners.

By the 1960s, many coal-mining towns were almost ghost towns. But few people connected the dots back to the glory years of John L. Lewis. The United Mine Workers Union did not kill the goose that laid the golden eggs, but it created a situation where fewer of those golden eggs reached the miners.

It was much the same story in the automobile industry and the steel industry, where large pensions and costly work rules drove up the prices of finished products and drove down the number of jobs. There is a reason why there was a major decline in the proportion of private sector employees who joined unions. It was not just the number of union workers who ended up losing their jobs. Other workers saw the handwriting on the wall and refused to join unions.

There is also a reason why labor unions are flourishing among people who work for government. No matter how much these public sector unions drive up costs, government agencies do not go out of business. They simply go back to the taxpayers for more money.

Consumers in the private sector have the option of buying products and services from competing, non-union companies — from Toyota instead of General Motors, for example, even though most Toyotas sold in America are made in America. Consumers of other products can buy things made in non-union factories overseas.

But government agencies are monopolies. You cannot get your Social Security checks from anywhere except the Social Security Administration or your driver's license from anywhere but the DMV.

Is it surprising that government employees have seen their pay go up, even during the downturn, and their pensions rise to levels undreamed of in the private sector? None of this will kill the goose that lays the golden egg, so long as there are both current taxpayers and future taxpayers to pay off debts passed on to them.

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