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Witt Harberts
University of Northern Iowa

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MADE IN CHINA: DECLINE OF UNIONS AND STAGNANT WAGES IN THE U.S.

A Thesis Submitted

In Partial Fulfillment

Of the Requirements for the Designation

University Honors

Witt Harberts

University of Northern Iowa

December 2021

This Study by: Witt Harberts

Entitled: Made in China: Decline of Unions and Stagnant Wages in the U.S.

Has been approved as meeting the thesis or project requirement for the Designation University Honors

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Date Evan Renfro, PhD, Honors Thesis Advisor, Political Science

________ ____

Date Jessica Moon Asa, PhD, Director, University Honors Program

Dedication

This paper is dedicated to Sidney Harberts, Rod Payne, Larry Peck, and all other proud union members across the United States.

President Reagan arrived in April of 1983 in Pittsburgh on a rainy day to make a speech. There were 3000 people waiting for him. They were there to demonstrate against him and his anti-union neo-liberal policies. Most of them were unemployed steelworkers. Demonstrations took place all across America in almost twenty different cities including Detroit, Chicago, Cleveland, and Flint (Zinn, 2003). To Reagan and the Republican Party, unions interfered with free and unfettered capitalism, so during his time in office he did all he could to break up collective labor and destroy the industries they influenced.

The effects of Reagan's leadership can be seen today as union membership declined from 23.2 percent in 1980 to 10.5 percent in 2020 (Bureau of Labor Statistics, 2015; Mayer, 2004). From 1977 to 2007 the income growth for the bottom 90% has gone up .5 percent while the top 10 percent has increased by three quarters, with the top 1 percent increasing by 60 percent (Piketty, 2014). As these numbers show, severe income inequality in the U.S. currently affects everyone and everything from individual decision making at the household level to all levels of government. I propose to examine income and wealth inequality by studying the effects of decreased union membership on income and wealth inequality in the United States. My thesis statement is that decreased union membership is correlated with wage stagnation, and contributed to the rising income and wealth inequality in the U.S. While researchers have studied the rising income and wealth inequality in order to pinpoint reasons for this trend, they have generally overlooked the connection between union membership and wages. This relationship may be mentioned, but authors often focus on research about unions, labor policy, and union membership. Other researchers focus on various economic factors to explain wealth inequality, like regulations and inheritance. There has been little research connecting specifically the loss of

union membership to the bigger picture of overall income and wealth inequality that has drastically increased since the 1980s in the United States.

When it comes to the subject of income and wealth inequality, there are various perspectives. Some researchers are focused on the trends and data utilized to show the history of inequity. For instance, some of the research focuses intensely on the history of wealth inequality and income inequality in traditional Western democracies. The historical data on income, taxes, inheritance, and regulations allows the researchers to gain insight into what reduces or increases the inequality (Piketty, 2014; Lindert & Williamson, 2016; Taxfoundation, 2013). Other researchers have looked into data on union membership. Specifically, researchers have examined the effects of unions on membership and the economy. Studies have been conducted that explore the membership rates, the union member wages compared to non-union workers, why people remain in unions, the demographics of union membership, the differences between various countries' union membership, what policies encourage or discourage union membership, and the union membership rates by states (Checchi, Visser, and Van De Werfhorst, 2010; Dickens and Leonard, 1985; Dunn and Walker, 2015; Greenhouse, 2011; Koeller, 1994; Mayer, 2004; Bureau of Labor Statistics, 2020; Hirsch, Macpherson, and Vroman, 2001). Another tool that is a useful metric to better understand income and wealth inequality is minimum wage data (U.S. Department of Labor). While these various data-driven perspectives are useful, there are other ways to explore the factors contributing to wealth inequality.

Another philosophy attempts to explain the differences in wealth and income inequality from the past to the present using historical research or cultural attitudes instead of primarily relying on quantitative data. For example, research on the history of the labor movement in the U.S. and the stories of the struggles of working people that elicit emotion instead of cold

numbers (Zinn, 2003; Selyukh, 2021; McCartin, 2011; Katznelson, 2005; Halpern, 1996; Zeiler, 2013; Selyukh, 2021; Cass, 2021; Keller, 2016). Other historical research puts an emphasis on the neo-liberal policies that were systematically enacted by the wealthy in order to increase income and wealth inequality from the 1970s to the present (MacLean, 2017). Some authors looked at the way employment is organized and wondered if perhaps there was a more productive, satisfying, and egalitarian way than the current system (Graeber, 2018). Then there are the cultural attitudes that impacted the labor movements over time. This viewpoint is captured through fictional writing about a U.S. that is freed from the iron heel of the Capitalists or the songs that reinforced the importance of unions and working people everywhere (London 2017; Guthrie 1940). All of this research is connected by a dedication to better understand or solve the wealth and income inequality that has been prevalent in every country. I intend to add to this research by examining the relationship between unions and wages, which plays into the bigger conversation about wealth and income inequality. To summarize, the questions are, is there a correlation between the decline in union membership and the stagnation of wages? If so, has it played a role in the rise in income and wealth inequality in the U.S.?

EARLY HISTORY OF UNIONS AND RISE OF WAGES

While the current levels of inequality are very high, they are not unprecedented. The share of wealth that the top centile, or 10 percent, in the U.S. earned was around 45 percent on the eve of WWI. In Europe, the rate was much higher. In France it was around 50 to 60 percent and in Britain it was about 70 percent. The high rates of income inequality made the U.S. look less like the new world and more like the old world (Piketty, 2014). In response to the rising inequality brought on by the Gilded Age, the U.S. would become the first country to raise income tax and estate tax above 70 percent, from 1919-1922 and 1937-1939. The U.S.

government went through what is referred to as 'the Progressive Era' in the early 20th century. It was not all that progressive by our modern standards, but it did result in some of those gains mentioned above as well as labor laws that protected consumers and the abolishment of child labor.

Another factor in the push towards reforms was a growing socialist movement, with authors like Upton Sinclair and Jack London both writing important novels. Sinclair's "The Jungle," explored the awful conditions workers endured at meat packing plants as well as an honest appraisal of the effects of the unregulated industry. And, London's book, "The Iron Heel," was a fictional story about the socialist movement in the U.S. becoming so widespread that a revolution occurred, taking power away from the capitalist Iron Heel. London (2017) was able to sum up how the capitalist managers have always viewed their labor, "We will grind you revolutionists down under our heel, and we shall walk upon your faces. The world is ours, we are its lords, and ours it shall remain. As for the host of labor, it has been in the dirt since history began, and I read history aright. And in the dirt it shall remain so long as I and mine and those that come after us have the power. There is the word. It is the king of words—Power. Not God, not Mammon, but Power. Pour it over your tongue till it tingles with it. Power." As London describes it, power rested with the managers during the Gilded Age, but it was a new century and things were about to change.

At the dawn of the 20th century union membership was beginning to increase. Around the turn of the century there were 2 million members that belonged to labor unions, one in fourteen workers, and 80 percent of them were in the American Federation of Labor (AFL) (Zinn, 2003). As union membership was growing, so was the number of strikes. Through the 1890s, strikes had been growing more common but at the turn of the century there were about a

thousand a year, and by 1904 it had increased to four thousand a year (Zinn, 2003). Even as union membership rose and strikes increased the massive inequities remained:

> While from 1922 to 1929 real wages in manufacturing went up per capita 1.4 percent a year, the holders of common stocks gained 16.4 percent a year. Six million families (42 percent of the total) made less than $1,000 a year. One tenth of 1 percent of families at the top received as much income as 42 percent of families at the bottom, according to a report of the Brookings Institution. Every year in the 1920s, about 25,000 workers were killed on the job and 100,000 permanently disabled. Two million people in New York City lived in tenements condemned as fire traps (Zinn, 2003).

It would take more than gradual increases in union membership for the power of unions to increase. They would need more leverage to get their fair share of the profits and to ensure the safety of their members.

This leverage came in the form of the Great Depression. The depression had been caused by the same excesses of the capitalist system that is quite similar to the present day system. Zinn (2003) points out the pattern between the financial crisis leading up to and including 1929, “ The crisis was built into a system which was chaotic in its nature, in which only the very rich were secure. It was a system of periodic crisis- 1837, 1857, 1873, (and later 1907, 1919, 1929)- that wiped out small businesses and brought cold, hunger, and death to working people while fortunes of the Astors, Vanderbilts, Rockefellers, Morgans, kept growing through war and peace, crisis and recovery. During the 1873 crisis, Carnegie was capturing the steel market, Rockefeller was wiping out his competitors in oil.” During the Depression, authors like John Steinbeck and singer Woody Guthrie would use their talents to point out how the massive inequities from the 1920s had led to the devastating consequences of the 1930s. They would fight for working people and for unions through their art. Steinbeck would focus on telling stories like “The Grapes of Wrath” which illustrated the devastating consequences of the Depression on small farmers and the horrible working conditions that people had to endure. Guthrie wrote a variety of

songs during that time period but one in particular stands out for its connection to unions. He wrote the song, Union Maid, in 1940 the night before he would perform it in Oklahoma City for striking oil workers.

There once was a union maid, she never was afraid

Of goons and ginks and company finks and the deputy sheriffs who made the raid.

She went to the union hall when a meeting it was called,

And when the Legion boys come 'round

She always stood her ground.

Oh, you can't scare me, I'm sticking to the union,

I'm sticking to the union, I'm sticking to the union.

Oh, you can't scare me, I'm sticking to the union,

I'm sticking to the union 'til the day I die.

This union maid was wise to the tricks of company spies,

She couldn't be fooled by a company stool, she'd always organize the guys.

She always got her way when she struck for better pay.

Woody Guthrie, 1940

THE RISE OF THE GOLDEN AGE OF LABOR UNIONS

Woody Guthrie’s son, Union Maid, was indicative of how far the union movement had come from 1930 to 1940. To start the decade, President Hoover was in office and union membership was low. However, the stock market collapse and the bungled response by Republicans in power, including President Hoover, paved the way for a landslide victory for Democrats in 1932. The 1930s and 1940s would provide a massive shock to the system that

compressed income and wealth inequality. The Great Depression and WWII oversaw a vast expansion of the government. The government implemented policies that would redistribute wealth and cap income levels by instituting high taxes on the wealthy. When President Roosevelt took power in 1933, he immediately pushed to raise taxes on the wealthy with the help of Congress. The income tax rate on the wealthiest had been reduced to 25 percent under Hoover's administration. Roosevelt oversaw the rates being raised first to 63 percent in 1933, then 79 percent in 1937, 88 percent in 1942, and the highest it has ever been in 1944 at 94 percent with sur taxes added in (Piketty, 2014). These policies, combined with the increase in pro-union policies, began to compress the income and wealth inequality in the U.S. Some of the union policies enacted under the Roosevelt administration included recognizing unions, and the creation of the National Labor Review Board (NLRB) in 1935 with the passing of the Wagner Act. The NLRB's effect can be explained through this passage:

> Thus two sophisticated ways of controlling direct labor action developed in the mid-thirties. First, the National Labor Relations Board would give unions legal status, listen to them, and settle certain grievances. Thus it could moderate labor rebellion by channeling energy into elections- just as the constitutional system channeled possibly troublesome energy into voting. The NLRB would set limits in economic conflict as voting did in political conflict. And second, the workers' organization itself, the union, even a militant and aggressive union like the CIO, would channel workers' insurrectionary energy into contracts, negotiations, union meetings, and try to minimize strikes, in order to build large, influential, even respectable organizations. (Zinn, 2003)

While the passage of the Wagner Act and creation of NLRB would help reduce some of the conflict between labor and the managers, it was also beneficial for the workers, at least in the beginning. The effects of all these policies were immediate on union membership and income and wealth inequality. Between 1941 and 1945, the National War Labor Board only approved pay raises for the lowest paid workers, and manager salaries were frozen (Piketty, 2014). In addition to preference for pay increases for lower wage earners by the government, the number

of workers belonging to unions doubled. By 1937 there were almost seven million workers who belonged to a union. Over the next decade, by 1947, the rate had doubled again with over fourteen million workers belonging to a union (Mayer, 2004). Going into the 1950s the U.S. had become a dominant world power, with union labor driving production and contributing to the nation's power. While most industrialized countries after WWII were devastated from the fighting, the U.S. had escaped mostly unscathed, setting up markets for potential surpluses of domestic goods made at home.

Those domestic goods were made in factories that often were in traditional areas now referred to as the Rust Belt. Places like Pennsylvania, Minnesota, Wisconsin, Ohio, Michigan, Illinois, Iowa, and Indiana were the central areas that produced the cars or other manufactured goods consumed by Americans. The miners were also unionized in places like West Virginia, Minnesota, and Pennsylvania. The U.S. was busy rebuilding the world, and for a capitalist economy that meant prosperity for all those involved. As London (2017) explains,

> What happens? The United States and Brazil must both seek out other countries with undeveloped resources, in order to unload surpluses on them. But by the very process of unloading the surpluses, the resources of those countries are in turn developed. Soon they have surpluses, and are seeking other countries on which to unload. Now, gentleman, follow me. The planet is only so large. There are only so many countries in the world. What will happen when every country in the world, down to the smallest and last, with a surplus in its hands, stands confronting every other country with surpluses in their hands?

Rising demand for goods, and the access to natural resources and labor, allowed the U.S. to have an economic boom in the postwar years. The unionization rates would rise to historic highs and income and wealth inequality would be at historic lows. Union membership rates reached their height in 1954 at over seventeen million workers, with almost 35 percent of wage and salary workers belonging to unions (Mayer, 2004). The tax rates and regulations still were in place from the 1940s incentivizing CEOs or managers to pay themselves at low rates because of high

income taxes (Piketty, 2014). The power of unions to negotiate and the NLRB backing workers allowed the wages to steadily increase, creating a thriving middle class. At this point, wage inequality was stable and relatively low compared to European countries (Piketty, 2014). This compression was brought about because of policies like a high income tax rate, stringent regulations, and the NLRB.

The 1950s are often considered the 'golden age' in America because of the booming middle class, and compression of income and wealth inequality. Many in the workforce at the time were people who had lived through the Depression and WWII. Their children would benefit from a more level economic playing field to start their lives:

> Inequality reached its lowest ebb in the United States between 1950 and 1980: the top decile of the income hierarchy claimed 30 to 35 percent of US national income, or roughly the same level as in France today. This is what Paul Krugman nostalgically refers to as 'the America we love' - the America of his childhood. In the 1960s, the period of the TV series *Mad Men* and General de Gaulle, the United States was in fact a more egalitarian society than France (where the upper decile's share had increased dramatically to well above 35 percent), at least for those US citizens whose skin was white. (Piketty, 2014)

It is no coincidence that many people, whites in particular, look back fondly on that time period. With a vibrant middle class it was almost assured that people who were poor during the Depression but had gone to war and came back would give their kids a chance at moving up in socioeconomic status. Policies like the GI Bill, instituted by President Truman after WWII, would enable a whole generation returning from war to have new opportunities that had previously been unavailable to them. Even with increased opportunities through middle class economic upward mobility, there were signs of trouble in this 'golden age'.

The pendulum from policy favoring unions and workers to policy favoring employers had begun to swing. It had begun to swing because the Southern Democrats in Congress, who had supported New Deal legislation during the 1930s due to fears of communism, began to worry

about the rate at which the South was being unionized. They did not like their economy being unionized because it represented a threat to segregation, as unions by this time often included African Americans. This would have meant an end to their exploitative practices with their labor. This led the Southern Democrats to join with the Republicans, who never supported pro union legislation, in the late 1940s to stop the growth of union power. In particular, the Taft-Hartley Act, passed in 1947, was a blow to organized labor. As Walter Reuther, head of the United Auto Workers, said at the time, "If Taft-Hartley has been a problem to unions in organized labor,' one concluded, 'it has been a disaster to those unions whose major organizing job is yet to be done (Katznelson, 2005)." It restricted the power of labor unions by limiting their ability to go on strike, and it repealed portions of the Wagner Act, which set up the NLRB. The Taft-Hartley Act set the stage for employers to fight back against unionization campaigns by launching their own campaigns within the workplace. It makes it all the more impressive that the labor movement was able to continue extending their member ranks and power throughout the 1950s. It is no coincidence that during the time of the greatest income and wealth equality in the U.S., unions were at their height, with most of the economic incentives and policies targeted towards higher wages for workers and organized union labor.

THE BEGINNING OF THE END: TRICKLE DOWN

Despite great cultural and political changes, the 1960s was a fairly stable period for unions. Membership rates over the course of 1960-1968 hovered between sixteen million to eighteen million. The percentages of the workforce belonging to wage or salary workers in a union was 30.9 percent in 1960 and 27.9 percent by 1968 (Mayer, 2004). Since the Great Depression, the Federal government prioritized compressing income and wealth inequality. One of the tools they used was minimum wage. The 1950s and 1960s oversaw a number of increases

in the minimum wage. However, most of the increases would come under Presidents Kennedy and Johnson. It was raised six times between 1961 and 1968 (Piketty, 2014; U.S. Department of Labor). The income tax rate remained at 91 percent for the top income bracket until 1964 when it was lowered to 77 percent and then it was lowered to 70 percent in 1965 (Taxfoundation, 2013).

But while the expansion in government was in full swing, there were some who were fighting back. A counter movement was beginning to gain traction. The Chicago School of Economics had been pumping out economists who did not believe in the Keynesian style of economics dominating government policies since the Depression. One vocal leader of this movement was economist Milton Friedman. Friedman promoted the Monetarist theory as a direct criticism of Keynesian style economics. Monetarist theory focused on controlling the flow of money in the economy rather than government expenditures- think ‘trickle down’ economics. However, another less known name is James McGill Buchannan. Buchannan graduated from the Chicago School of Economics in 1956 and began working at the University of Virginia Economics Department, where he would spread what would later be known as the neo-liberal doctrine. Ironically, Buchanan, having fought in WWII, had his tuition paid for by the GI Bill, the very kind of policy he would later fight against (MacLean, 2017). The neo-liberal policies are essentially as little government intervention with the economy as possible: no regulations, no protections, no tariffs, no publicly controlled sectors, a low flat tax rate, and no unions. Unions were considered to be like governments in that they hindered the market. Some of the most famous economists subscribing to this kind of thinking include F.A. Hayek and Friedman. They both had great influence across the world and were able to effectively spread their message to other countries which then began to adopt some of their policies. But Buchannan would have the

biggest effect on the U.S. He is the architect of the libertarian movement, and his ideas would become the consensus economic policy positions for all political parties for almost 40 years.

But in the 1960s, his work was just beginning. His ideas were not mainstream enough to be enacted into policy through Congress, but there were small signs of what was to come in places like Virginia. With the help of Senator Harry Byrd, Buchannan worked to create a completely privatized school system in response to the Brown v. The Board of Education Supreme Court decision (MacLean, 2017). The impact of the beginning of their movement can also be seen in Barry Goldwater's Presidential campaign in 1964. Goldwater was the pick of the enthusiastic far-right movement. His ideas would become a staple for the Republican Party platform despite his landslide loss in that election, "Thanks to their herculean efforts, a historic opportunity had come- but far before its time. For a candidate such as Goldwater to be elected would presuppose 'a great sea change in American public.' That had not been achieved; the effort had barely begun (MacLean, 2017)." The effort would continue on as Buchannan left the University of Virginia and moved west to UCLA. There in 1968 he would be in the thick of the counter-culture movement that encapsulated the anti-war demonstrators and other groups like the Black Panthers. Meanwhile, the 1968 election would mark the end of LBJ's Great Society programs and the advancements in Civil Rights with the election of Richard Nixon.

Over the course of Presidents Nixon and Ford's time in office the union rate would decline, from 27.9 percent in 1968 to 21.6 percent in 1976 (Mayer, 2004). Nixon in 1971 began implementing his policy solution to curb out-of-control inflation. He called it the New Economic Policy. He took America off of the gold standard, and sneakily included wage freezes for government employees, cuts to welfare, and told the unions that had supported his presidency that they also had to freeze their wages. At first people accepted their fate, but when they began

to notice how the wealthy and top income earners had gotten tax breaks and were seeing their wages raise, they began to realize they had been sold out (Zeiler, 2013). The neo-liberal counter-revolution had begun, but it was still subject to weakness as the far-right were learning how to ramp up politically to gain popularity and search for a candidate who was serious about implementing their neo-liberal solutions. By 1970, Buchannan had moved back to Virginia where he would set up his conservative school of economics at Virginia Tech University. He would meet some wealthy corporate leaders who were eager to combat programs like the New Deal and Great Society that had greatly expanded the Federal government. One of these men was Charles Koch. The dawn of the 1970s offered new opportunities to the people waging the conservative counter revolution. President Nixon was in office but he was not implementing the solutions that Buchannan and his followers prescribed. Buchanan had decided that in order to fight back they had to begin targeting the people who had the bully pulpit, like the media, business leaders, politicians, and the courts. They decided to take their movement to Los Angeles where they would meet with conservative leaders that were in Governor Reagan's inner circle like Ed Meese, the Governor's Chief of Staff. It was here that they forged connections that would prove to be disastrous for the labor movement as well as the policies that had compressed wealth and income inequality (MacLean, 2017).

Part of the reason Nixon and Ford could not deliver for the neo-liberal movement was because of the political problems at the time. Nixon had escalated the disastrous war in Vietnam and by 1973 was bogged down with the Watergate Scandal, which would ultimately lead to his resignation. From 1973 to 1975 the U.S. was hit with a recession that caused the economy to stagnate. The post-war boom had ended. The countries that had been wrecked in WWII were turning the tide and they had begun to compete with the U.S. in a number of markets, including

steel. The recession left its imprint on the union membership rates with layoffs being common, but other reasons began to emerge for dipping union membership. The Supreme Court and lower courts had begun to shift more conservative after Nixon and Ford were able to leave their imprint on the judiciary. This would be the beginning of a conservative revolution in the judiciary with people like Justice Rehnquist leading the way. Also, the increase in state right-to-work laws were beginning to hamper union progress, as well as more hostility towards unionization from management (Koeller, 1994; Dickens, 1985). With little support from the Nixon or Ford administration, union power began to wane. However, the recession played a role in Ford losing the 1976 election to Jimmy Carter, a Democrat.

President Carter would be hampered throughout the rest of the 1970s with what would later be called ‘stagflation’ where inflation was rising as economic growth remained largely stagnant. This was the perfect cover for a neo-liberal counter-revolution to rise and offer a new way forward out of the ‘stagflation’ crisis. As MacLean (2017) notes:

> It is hard to imagine such a clan upending the known world within a few decades, but chance won them a wider hearing. It came with the troubling economic events of the mid-1970s, which undercut the credibility of the prevailing approach to political economy. The worst and longest recession since the Great Depression, followed by a mystifying period of stagflation and compounded by new competition from abroad, enabled the wider right to draw more and more corporate leaders into action. They wanted not just to rein in regulation and taxation, but also to dethrone the dominant paradigm of Keynesian economics that was at the core of the midcentury social contract.

During the Carter administration union membership rates rebounded a bit, due to the economy rebounding and a more friendly administration to unions. The rate in 1976 was 21.6 percent but by 1980 it was up to 22.3 percent, an increase of about three million more people (Mayer, 2004). While in office, Carter tried to get a pro-union piece of legislation through Congress. It ended up dying because of the filibuster in the Senate after the intense lobbying against the bill from Fortune 500 companies. The bill included policies like making the NLRB stronger so they could

pursue firms that were breaking labor laws or refusing to comply (Halpern, 1996). The end of the 1970s was marked by the Iranian Hostage Crisis, which led to drastically higher oil prices and saw the chances of a Carter re-election go down the drain. The man Carter was running against was Ronald Reagan, the former Governor of California and champion of the conservative counter-revolution.

THE REAGAN REVOLUTION

With regards to unions, Reagan began a full frontal attack from his first day in office. In 1981, he began by firing all the air traffic controllers who had gone on strike:

> With conservative federal judges, with pro-business appointments to the National Labor Relations Board, judicial decisions and board findings weakened a labor movement already troubled by a decline in manufacturing. Workers who went out on strike found themselves with no legal protection. One of the first acts of the Reagan administration was to dismiss from their jobs, en masse, striking air traffic controllers. It was a warning to future strikers, and a sign of the weakness of a labor movement which in the thirties and forties had been a powerful force. (Zinn, 2003)

The irony of this is that the controllers belonged to a union that had backed President Reagan during his campaign. Many of them were veterans, and most of them had not gone to school but had found a way to earn a middle class lifestyle (McCartin, 2011). Reagan ended that, not just for them, but for many others who would find it difficult to ever again achieve a middle class lifestyle without obtaining a college degree.

When President Reagan entered office in January of 1981, the union membership rate was 22.3 percent with just over twenty million people in the U.S. belonging to a union of some kind. By the end of both of his terms in 1988 the rate was at 16.2 percent with just over seventeen million people belonging to some kind of union (Mayer, 2004). That is a drop of 6.1 percent and a loss of about three million union members. The union membership rates by states,

according to Hirsch et al. (2001), that would become the Rust Belt from 1980 to 1988 are as follows:

States	1980	1988
West Virginia	32.4	20.2
Pennsylvania	32.2	21.2
Illinois	29.5	21.5
Ohio	29.1	22.5
Indiana	29.5	20.8
Michigan	34.9	26.9
Wisconsin	26.5	22.2
Minnesota	26.5	21.1
Iowa	24.3	15

The devastation is obvious, as in some places there was a drop of 12 percent in the span of 8 years. While some of the deindustrialization and automation had already been set in motion, the Reagan Presidency would forever wreck union membership and the manufacturing section of the U.S. economy.

A smaller illustration of Reagan’s labor policies' effect on union members and manufacturers in the U.S. is Waterloo, Iowa. At the John Deere plant in Waterloo in 1979 there were 16,160 employees. By 1985 it had decreased to 7,109 wage and salaried employees. That meant that 9,051 people had lost their jobs outright. There were still 4,371 laid off, which meant only 4,680 people were working in 1985 at the John Deere plant. Out of the 4,680, 1,685 had returned to their jobs but without their seniority status (Keller, 2016). Many members of my family were among those who were laid off and without a job. For those who were lucky enough

to stay on, losing seniority meant, among other things, they would no longer get the benefits they had previously gotten with regard to shift time or not being laid off first. That eight year period would be so devastating that the newest high school in town, Central High School, built in 1973, would close in 1988. This is simply one small example of the effects that the Reagan administration had all over the Midwest, in communities as big as Detroit or as small as Waterloo.

With Reagan in office, the neo-liberal movement went into full swing. Buchanan and his allies began by setting their sights on a hated example of big government policy, Social Security. David Stockman was Reagan's budget director with the chief responsibility of deciding budget cuts. Stockman was a libertarian and a believer in the neo-liberal cause, but when he began going through the budget he realized that there would be some serious difficulties implementing their ideas into practice:

> A true economic policy revolution' of the size Reagan and the right had requested, David Stockman explained in the wake of its rout, 'meant risky and mortal political combat with all the mass constituencies' who looked to Washington for help. They would have to fight 'Social Security recipients, veterans, farmers, educators, state and local officials, [and] the housing industry,' with its mass market of middle-class buyers who relied on their mortgage tax deductions. The president could rail all he wanted about 'welfare queens' and government 'waste,' but Social Security, veterans' benefits, and Medicare 'accounted for over half the domestic budget'- and were dear to his followers. (MacLean, 2017)

This resulted in the assault on Social Security failing, but it did not stop Reagan from moving forward with other parts of the neo-liberal doctrine. Stockman would remember thinking that after it became clear that it would be difficult to reduce the size of the Federal government, that it followed that taxes should not be lowered as Reagan had hoped. If taxes were lowered, the government would begin running deficits, increasing the country's debt. This was of course true, but it did not matter to Reagan. He would slash taxes and deregulate industries. The debt would

balloon during his eight years in office to 2.7 trillion. This was about three times higher than the debt he inherited from Carter (MacLean, 2017).

After the initial failure to privatize Social Security, Reagan decided to change the strategy:

> The top priority was to assure current Social Security recipients that they would not lose anything; as ‘a very powerful and vocal interest group,’ they required ‘neutralizing.’ Phase two would be ‘guerilla warfare,’ albeit of the legislative kind, to break up the coalition that sustained Social Security by ‘buying out, or winning over’ its various elements. Those who could not be bought out or won over should be weakened and defeated. (For example, AFL-CIO unions had helped organize the Save Our Security fight against the Stockman cuts; breaking the spine of the labor movement would hobble any future defense.) Phase three would cultivate new partners in the private sector who would benefit from all that money being shifted to saving accounts and investment. (MacLean, 2017)

This plan would be replicated many times over to include other policies pushed by politicians who believed in the neo-liberal view of economics. They would use the words ‘privatization’ and ‘choice’ as ways to convince people that what they were proposing was not radical in any way. To show just how far the movement had come since the 1960s, in 1986 Buchanan was awarded the Nobel Prize in Economics (MacLean, 2017).

Reducing taxes on the wealthiest Americans from 70 percent to 50 percent, then down to 28 percent, would have drastic consequences on America’s income and wealth inequality. As noted here:

> Where in 1980, the chief executive officers (CEOs) of corporations made forty times as much in salary as the average factory worker, by 1989 they were making ninety-three times as much. In the dozen years from 1977 to 1989, the before-tax income of the richest 1 percent rose 77 percent; meanwhile, for the poorest two fifths of the population, there was no gain at all, indeed a small decline. And because of favorable changes for the rich in the tax structure, the richest 1 percent, in the decade ending in 1990, saw their after-tax income increase 87 percent. In the same period, the after-tax income of the lower four-fifths of the population either went down 5 percent (at the poorest level) or went up no more than 8.6 percent. (Zinn, 2003)

This change in pay for the managers at the top of corporations would wind up being one of the biggest drivers of income and wealth inequality over the next 40 years. The de-regulation of the financial industry would also enable Wall Street to have incredibly large profits while reverting back to some of the same tactics that caused the collapse of the economy in 1929 (Lindert et al., 2016). These policies would continue to be championed by Republicans even after Reagan left office. They would become so pervasive that they would infiltrate the Democratic Party as well creating an economic consensus that would last until 2020.

President George H.W. Bush had been the Vice President under Reagan so when he won the 1988 election it meant that the policies put in place under Reagan would continue. The union membership rate was 16.2 percent, and by the time he left office in 1992 it would be 15.2 percent with a little over 700,000 less union members (Mayer, 2004). Bush carried on Reagan's legacy and continued to implement some of his reforms, but he raised taxes on the most wealthy to 31 percent up from 28 (Taxfoundation, 2013). The final effects of both administrations resulted in the labor movement of the 1980s and 1990s being horribly weakened by the decline in manufacturing, the hostility of the Reagan administration and its appointees to the NLRB, and the relocation of factories to other countries with cheaper labor (Zinn, 2003).

It is important to note that this flight to poor countries is deeply connected to the rise in managerial salaries. Managers can be paid more because labor costs are so much lower in poor countries. Companies used that money to amass immense amounts of wealth, which led to an increase in positions and nepotism to increase the wealth of their family members. Graeber (2018) stated, "This led to a renewed backlash of moralizing about work as a value in itself of the sort we've already encountered… at the same time as an export of many factory jobs to poor countries where labor was cheap enough it could still be performed by human beings. It was in

the wake of this reaction to the sixties counterculture, in the seventies and eighties, that the first wave of managerial feudalism, and the extreme bullshitization of employment, began to make itself felt." This is a part of the story that is often forgotten. The factories left and the good paying union jobs went with them. They fled for places like Mexico and China where labor costs are much lower. If they did not leave they would be at a cost disadvantage compared to their competitors who were taking advantage of the high profit margins that could be obtained with lower labor costs (Greenhouse, 2011). It was easy for them to move because they knew there were no unions to worry about in those places, and the U.S. government wasn't going to punish them in any way. When Bush lost in 1992 to Bill Clinton, some thought it would be a move away from the Reagan and Bush policies that had mortally wounded the unions. That would not be the case. The 1990s would be prosperous for those at the top of the ladder while others would have to continue finding new ways to maintain that middle class lifestyle. For some that meant picking up multiple jobs and for others it meant getting a degree. Clinton's presidency would be the nail in the coffin for unions and the labor movement in the U.S.

THE NAIL IN THE COFFIN

In 1994 the Contract with America was rolled out by the Republican Party as an attempt to win the House back for the first time in 42 years. The contract had many of the neo-liberal policies on its list. However, just as Stockman had found out in 1982, it is one thing to talk about the policies, it is another to actually kick all those people off of all those programs all at once. Instead, the Republicans would focus on picking away at them and attacking labor in a different way. This time their focus was on outsourcing. A policy begun under Reagan was now accelerated with the signing of NAFTA in 1994, "Two economists for the Institute for Policy Studies, examining NAFTA in early 1995, after a year of its operation, found that it had caused a

net loss of 10,000 U.S. jobs. While more workers in Mexico were now hired by U.S. corporations that moved there, they were working at low wages, with ‘lax enforcement of workers’ rights and environmental standards’ (Zinn, 2003).” The union membership rate when Clinton entered office in 1992 was 15.2 percent by the time he left office in 2000 it was 12.9 percent (Mayer, 2004). Many of the baby boomers who had gone to work in factories in the late 1960s and early 1970s, assuming they made it through the 1980s with a job still intact, would now be retiring as large corporations wanted to hire new young people that they could pay less. With unions in an incredibly weak position they did not have the power they needed to fight for better wages for their younger members. This is why many young people never belonged to a union, or if they did, they dropped their memberships. Older workers being unionized while young people not joining unions is a trend seen across the world with the adoption of neo-liberal policies (Checchi et al., 2010; Dunn et al., 2015). It makes sense. The older union members are more concerned about what their retirements would look like or what their current wages are instead of worrying about the viability of the union or younger workers long term. This trend would continue through all the subsequent presidents from 2000 to 2020.

The George W. Bush presidency would be a continuation of Reagan’s presidency in that it emphasized de-regulation and cuts in the social spending area of government. In the end, Bush would manage to erase the surplus and balanced budget left by Clinton, and the economy had crashed to a level not seen since 1929. President Obama would come into office in the midst of this financial crisis. As for how the crash happened, “In my view, there is absolutely no doubt that the increase of inequality in the United States contributed to the nation’s financial instability. The reason is a simple: one consequence of increasing inequality was virtual stagnation of the purchasing power of the lower and middle classes in the United States, which inevitably made it

more likely that modest households would take on debt, especially since unscrupulous banks and financial intermediaries, freed from regulation and eager to earn good yields on the enormous savings injected into the system by the well-to-do, offered credit on increasingly generous terms (Piketty, 2014)." In response to the crash of 2008, Obama would move to bailout the failing banks that had caused the crash through their own greed. That greed had been enabled through the de-regulation of the financial sector initiated by Reagan and finished by W. Bush. The bailout would end up hurting those who it was intended to protect. The autoworkers, who were one of the few groups left that belonged to unions, would end up having their benefits cut while the CEOs of these large companies were given large severance packages courtesy of taxpayer dollars.

Why was there not an intense backlash against this move? Why were people not out in support of the union members keeping their benefits? Perhaps it is because in this 21st Century economy the service sector of employment has exploded. More people than ever work as administrative staff or have office jobs that they hate. Middle managers and their administrative assistants resent factory workers because they have a legitimate reason to take pride in their work. This means that a key reason for the justification of underpaying workers is envy. As Graeber (2018) notes, "Moral envy is an undertheorized phenomenon. I'm not sure that anyone has ever written a book about it. Still, it's clearly an important factor in human affairs. By 'moral envy,' I am referring here to feelings of envy and resentment directed at another person, not because that person is wealthy, or gifted, or lucky, but because his or her behavior is seen as upholding a higher moral standard than the envier's own."

This moral envy contributes to a lack of support for teachers or auto workers when they go on strike or ask for better wages. For instance, as noted earlier, auto workers had great wages

and benefits because they belonged to unions and a sector of the economy that was for a long time essential. They created cars that all Americans drove, and that in turn meant that their occupation was something that was considered culturally important and perhaps even central to the idea of American consumerism. This created moral envy that resulted in people saying things like 'I have to fill out forms all day! While they get to make cars for a living! Now they are on strike because they want more money or vacation time on top of that (Graeber, 2018)?!' This pervasive thought is due to the rise of the supermanager, which happened in part because of the weakening of unions and in part because of lower income tax. This has led to a massive amount of income and wealth inequality as executives continue to be paid vast sums of money:

> But the fact is that in many large US firms, there are far more than five executives whose pay places them in the top 1 percent (above 352,000 in 2010) or even the top 0.1 percent (above 1.5 million). Recent research, based on matching declared income on tax returns with corporate compensation records, allows me to state that the vast majority (60 to 70 percent, depending on what definitions one chooses) of the top 0.1 percent of the income hierarchy in 2000-2010 consists of top managers. By comparison, athletes, actors, and artists of all kinds make up less than 5 percent of this group. In this sense, the new U.S. inequality has much more to do with the advent of 'supermanagers' than with that of 'superstars.' (Piketty, 2014)

These 'supermanagers' contributed to the collapse of the economy in 2009, and they would be the ones getting golden parachutes, severance packages, on their way out the door. Causing working people to foot the bill once again for their mistakes. As the recession began to wane, some thought that maybe it would be the moment when people would look in the mirror and move away from neo-liberal policies. But that did not happen. Unions continued to weaken as their membership rates continued a slow, steady decline.

Recently, there was an attempt to unionize in an Amazon facility in Bessemer, Alabama. Despite support from the Biden administration, the attempt failed. Many of the union organizers would mention the same old tactics that the managers have used since the Taft-Hartley Act was

passed. Those tactics include threatening workers who are pro-union, making workers attend mandatory anti-union seminars, and bombarding them throughout their day with anti-union messages. Some of the workers who voted against it said that they could not see how a union would benefit them as they already made a good wage at 15 dollars an hour and benefits that most others in the community do not have (Selyukh, 2021). All that being said, it is clear that that person does not know the benefits of being in a union. As of 2015, a worker who belongs to a union makes a median average of $980 a week compared to $776 of a non-union worker (Dunn et al., 2015).

The U.S. is standing at a crossroads currently. The election of President Trump in 2016 had to do with the discontent and anger that has been simmering in America’s Rust Belt since the 1980s. It is easy to see why, with a steep decline in union membership over the lifetime of most voters. The union membership rates in Michigan and Pennsylvania in 1980 were 34.9 percent and 32.2 percent. By 2014, Michigan was at 14.7 percent and Pennsylvania was at 12.7 percent (Hirsch et al., 2001). Union membership rates fell by over half in a little over three decades. That kind of decimation does not occur without increased debt and poverty. Middle class lifestyle jobs that did not require a college degree vanished, and many people are still trying to figure out why. This issue has never been more relevant. It is no coincidence that wealth and income inequality are at all time highs in the U.S. while union membership is at an all time low since the 1930s when they were allowed to exist legally. Unfortunately, what unions remain, like teachers’ unions, are continuing to be smashed in places like Wisconsin and Iowa. This is such a dire issue that even the International Monetary Fund (IMF), a champion for neo-liberal policies in recent decades, has concluded that the rights of workers to collectively bargain must be restored if inequality is to be slowed and economic growth is to take place (MacLean, 2017).

But since the election of Donald Trump in 2016, the conservative neo-liberal consensus has begun to fall apart. This can be seen in rhetoric by people like Senator Josh Hawley or even Ted Cruz, as they have moved in an economic populist direction claiming the Republican Party to be the ‘workingman's party.’ Even Republican policy experts have begun moving towards economic populism. Oren Crass, a Domestic Policy Director for the Romney Campaign in 2012, wrote, “Conservatives will find much to like in the concept of a vibrant labor movement giving workers power in the job market, representation in the workplace, and support in the community. Placing workers on an even footing with firms so they can negotiate their terms of employment boosts family incomes by emphasizing economic agency and self-reliance rather than by resorting to redistribution. It allows them to make tradeoffs tailored to their own preferences rather than depend on government regulation to protect their interests.” Perhaps this an indication of a bigger shift to a consensus on throwing away neo-liberal economic policies, but so far the Republican Party has only espoused rhetoric and shown no interest in actual legislation that could change the status quo.

THE WAY FORWARD

Factors affecting wages and income inequality are complicated, and include economics, government policy, cultural changes, and generational attitudes. Some of the limitations of this examination of rising income inequality and union membership include the underdeveloped concept of corporations fleeing the U.S. during and after the Reagan Presidency, the effects of technology on manufacturing as a whole, and pandemic effects on attitudes towards work (The Great Resignation). These issues are not focused on this paper but are and will continue to have a huge impact on the future of labor and wages. President Biden has promised to pass pro-union legislation and try to create new manufacturing jobs through the green energy sector. Promoting

new union jobs through policies and legislation promises the prospect of increasing union power again. That is a step in the right direction. If unions are to return to their previous heights, and income and wealth inequality are to be compressed, other actions are critical, including repealing the Taft-Hartley Act, educating people on the benefits of being in a union, passing pro-union legislation at the Federal level, creating new employment sectors that can be unionized as well as attempting to revive some old ones, and raising taxes on the wealthy to allow some of the money that the CEO would be making to go to the workers instead. None of these things are impossible to do, but they require a renewed commitment to one another as people. When people collectively bargain for their fair share, justice is attained. When they don't, the situation looks a lot like it does right now.

Unions became a great power during the 1930s because of the Great Depression and President Roosevelt realizing their importance to leveling the economic playing field for the vast majority of ordinary Americans. That trust built up between Roosevelt and the unions would continue to be an important relationship until his death in 1945. After his death, both Truman and Eisenhower oversaw the post-war economic boom that saw the biggest compression of income and wealth inequality in the history of the U.S. It was no coincidence that it was also during the height of union power. That power would continue to be strong through Kennedy and Johnson but would begin to wane under Nixon and Ford. By the time Carter took office the economy had begun to bounce back from recession, but the conservative counter-revolution that began with Buchannan and Goldwater was becoming stronger. It would eventually culminate during Reagan's presidency where he would destroy union power and reverse the compression of income and wealth inequality that had taken place since the 1930s. Every subsequent administration has continued those same neo-liberal policies that have killed the manufacturing

sector in the U.S. either by moving jobs overseas or breaking the unions left. It is clear that the rising income and wealth inequality in the U.S. is directly correlated to the decline in union membership and power. Reversing course can restore equality and strengthen our nation.

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