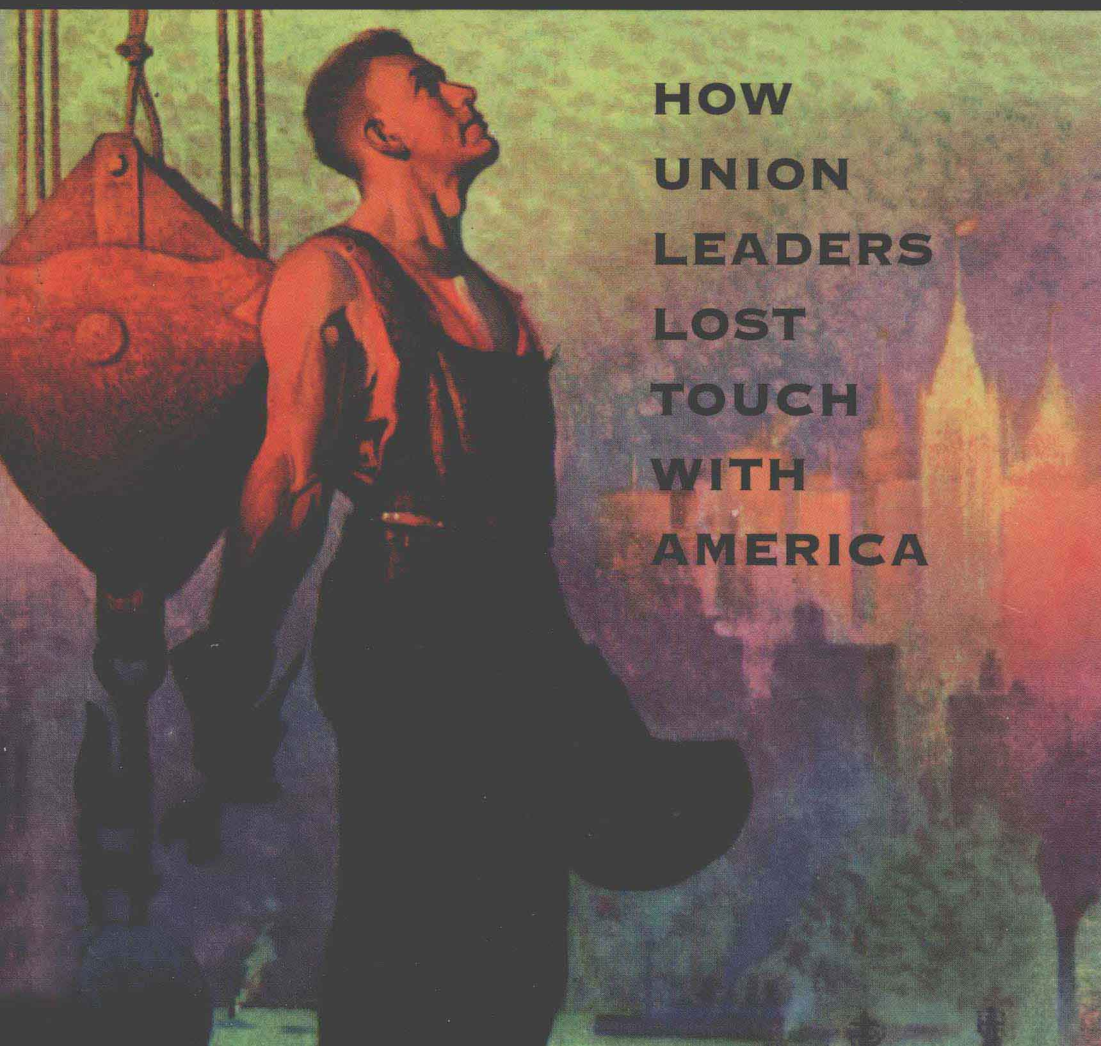
Epitaph for American Labor



HOW UNION LEADERS LOST TOUCH WITH AMERICA

MAX GREEN

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In memory of my father and mother, Sol and Clara Green, and of my sister, Marge Green Pausman

Foreword

For any American coming of age in the 1940s, 1950s, and 1960s, it was taken for granted that one major institution in any decent society was organized labor. Just as you had business corporations and government agencies, charitable institutions and churches, so you had labor unions: America would not have seemed like America without them. To be sure, unions as major national institutions were relatively new, the product of the 1930s; yet quickly they sunk deep roots in American soil. Big government, big business, and big labor—sometimes adversaries, but ultimately working in tandem—helped Americans recover from the depression, win World War II, and build the prosperous postwar economy which its children would come to take for granted. Organized labor could plausibly claim to have played a significant role in all these happy and, if one can recover the expectations of Americans who lived through these times, by no means inevitable events. Organized labor was as American as apple pie.

Not so today. For Americans coming of age in the 1980s and 1990s, it is hard to imagine how large organized labor bulked in American society three and four decades ago. By the mid-1950s, more than one in three private-sector workers were union members. Unions represented workers in the most visible manufacturing industries—autos, steel, coal—and their negotiations with management made national headlines and were assumed to set wage levels for the entire economy. It was true that some industries—textiles—were mostly not organized by unions and that the union movement had made little headway in the South or in the sparsely populated states of the Great Plains and the Rocky Mountains. But it was assumed that, in time, these backward areas would follow the pattern of those Northeastern and Midwestern states which for more than a century had led the growth of the American economy. Unioniza-

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tion was the norm in most places and would become the norm everywhere.

Instead, the union movement has come close to disappearing. It is not the only big institution to have encountered trouble over the past thirty years. Big government is now less respected than disdained—to the point where in 1996 a Democratic president felt compelled to say, "The era of big government is over." Big business no longer has the command over markets John Kenneth Galbraith thought it had: each of the Big Three auto companies has come close to bankruptcy, while behemoths like IBM have been shunted aside by recent startups like Microsoft. But big labor has declined the most. By the mid-1990s, not much more than 10 percent of private-sector workers were union members, and about half of union members were government employees—in an antigovernment era. Statistically, organized labor is no larger a part of American society than it was a century ago, in the years after Samuel Gompers created the AFL. Spiritually, it is arguably worse off, with far less reason to believe it is the wave of the future.

It is the contention of Max Green that the decline of organized labor is a good thing, partly because the union movement has abandoned the pro-American ideals of Samuel Gompers, but partly, and even more importantly, because Gompers's enterprise was fundamentally flawed, based on a misunderstanding of economics. Gompers oriented the American labor movement against socialism at home (he thought politicians would be no more proworker than capitalists) and communism abroad (he saw that free institutions could not survive under totalitarianism). Today, the election of John Sweeney as president of the AFL-CIO completes a move left, toward support of an ever-bigger public sector at home and of disengagement from the world beyond.

Remaining is a distaste for economic competition and free markets. Gompers welcomed the formation of trusts and relished bargaining with monopolistic employers: he realized they would not have market incentives to hold down wages. Sweeney prefers to deal with the ultimate in monopolistic employers, the government, which can send people to jail if they do not hand over their money. The problem is that the trusts' monopolies did not prove eternal (U.S. Steel's market share plummeted as soon as it was founded) and big government cannot forever survive voters' determination to make it smaller. Sooner or later, unless there is a war or an economic collapse like that of the 1930s, markets rule.

What remains to be said in organized labor's behalf is that unions, like the big city political machines they replaced in the Democratic Party, served a constructive function in a democratic society. At their best, they were mediating institutions, cushioning the effects of the market on individuals and channeling the potential for violence of the huge urban masses. For, of course, there is an implied violence in unions' classic tactics: picket lines, strikes, boycotts are all intended to intimidate with threats of physical force, only partly modulated by legal rules forbidding violent acts. But instead of the French Revolution or the Bolshevik coup d'etat, America had the Ludlow Massacre and sitdown strikes. Labor unions, like political machines and churches, were voluntary associations providing services and fellowship, discipline and guidance for urban masses which might otherwise have become revolutionary mobs. They fostered good habits and raised expectations. "The labor movement," Green quotes Walter Reuther as boasting, "is developing a whole new middle class."

In retrospect, there was nothing inevitable about the American labor movement. Its huge size from the 1930s to the 1970s, the vast influence it had over the economy and even on foreign policy: these were as much the result of accidents of history—happy accidents, many would still say today—and the extraordinary efforts of specific individuals as of any economic trend or historical necessity. More typical, growing more naturally out of the soil of the society, is organized labor today, with union representation primarily with monopoly employers, which in practice increasingly means only governments. Over the past thirty years, market economics has seen a great resurgence, in the academy and in the political arena. This has put at grave disadvantage the American labor movement, which since Gompers has never believed in market economics. Those who would disagree with Max Green's conclusion that it is time write an epitaph for American organized labor need to show a reason to believe that unions will learn to embrace markets or that general belief in market economics will wane.

Michael Barone
Senior writer, *U.S. News & World Report*

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1 Introduction

No institution in America has changed more since the late 1960s than the American labor movement. From its founding in 1884, supporters and detractors alike noted how distinctively American the movement was. In contrast to its counterparts in Western Europe, the American movement rejected socialism and explicitly accepted the private enterprise system, seeking to improve the living and working conditions of workers, not through political change, but rather by collective bargaining. That concept was the core of the decidedly nonrevolutionary, indeed antirevolutionary, trade unionism that it practiced and preached. To establish its bona fides as a truly American institution, the union movement studiously rejected not only political radicalism but cultural radicalism as well. The movement claimed to embody American values as much as, if not more than, any other institution in the country.

Finally, but certainly not least important in its own eyes and those of its many critics, the labor movement counted itself among the staunchest supporters of America's foreign policy from the advent of World War I through the long decades of the cold war. A strong case can be made that it was the most consistently anti-Communist institution in the country.

As recently as twenty-five years ago, those who called themselves traditional liberals (as against New Politics liberals) saw organized labor as perhaps the only hope for resisting the onslaught of the Left against the nation's economic system, social culture, and foreign policy. Leaders of the Left agreed: the New Left and then the McGovernite wing of the Democratic Party took aim at the union movement, regularly denouncing labor leaders as defenders of America's capitalist, racist, and imperialist establishment.

But, to the surprise of supporters and critics, labor put up little resistance to the Left. For all intents and purposes, the movement capitulated to it in less than a decade; by the early 1980s, labor had changed sides. Increasingly disaffected from American capitalism, it relinquished any serious claim to a distinctive character and for the first time became an integral part of the American Left. Organized labor came to mirror the Left in its criticism of capitalism; in its commitment to statist economic policies; in its abandonment of the traditional American value of individualism in favor of the race- and gender-based policies of the civil rights, feminist, and gay rights movements; and in its strong penchant for challenging the pursuit of U.S. interests abroad, particularly but not exclusively its opposition to the now bipartisan policy of promoting free market economies through free trade and other means.

Although the fundamental transformation was nearly complete by the mid-1980s, few observers on either the Left or the Right seemed to notice, primarily because labor was never captured by the Left. Ironically, the transformation was presided over, first, by George Meany, the *bête noire* of the Left in the 1960s, and, then, by Lane Kirkland, the candidate of labor's right-wing and Meany's chosen successor. The transformation during the Meany-Kirkland years was so total that it no longer makes any sense to speak of left and right wings of the labor movement. Whatever slight differences remain are fast disappearing. Unions such as the International Ladies Garment Workers Union and the United Steelworkers, which not so long ago were denounced for their "right-wing" politics, are now merging with unions that represented the Left (the Amalgamated Clothing Workers and the United Automobile Workers, respectively).

Another indicator of the new situation was the 1995 contest for the presidency of the American Federation of Labor–Congress of Industrial Organizations (AFL-CIO). Kirkland had been forced to resign because he seemed to have no idea how to stem the decline of the labor movement. The candidates were Thomas Donahue, who had served as an aide to George Meany and then as Kirkland's secretary-treasurer, and John Sweeney, a former Donahue protégé who had become president of the Service Employees International Union. Although Donahue was the candidate of the right wing of the AFL-CIO, and Sweeney of its Left, no discernible ideology differentiated between the two, as Donahue himself indicated on National Public Radio in September 1995: "We need to be—just as John [Sweeney] has said—the force that drives the Democratic Party to the left." Sweeney won the election and has perhaps moved the direction of the organization a degree or two to the left. But then so would have Donahue. The organization had been drifting, sometimes lurching, left for more than two decades and under the leadership of either would have continued moving in that direction.

Early Inclinations

A close reading of American labor's history reveals that the potential for a leftward turn had been there from the start. The founders of the American Federation of Labor (AFL), including its first president, Samuel Gompers (1850–1924), understood the tenets of socialism; the young Gompers, for instance, devoted much of his free time from his job in a cigar factory to learning German so that he could read Marx in the original. Others may have belonged to socialist organizations. But Gompers and his colleagues prided themselves on being what one of Gompers's mentors called practical men rather than ideologues.

The goal of these practical men was to build a trade union movement in a country that lacked what every socialist movement of the time took for granted: a distinct, self-conscious, and relatively united working class. The AFL thus opted for what Gompers and his associates called "trade unionism pure and simple," the collective-bargaining strategy on which workers of every political stripe could agree.

According to Gompers, the unions merited the support, not merely from workers, but from the great mass of Americans. By raising the wages of the workers they represented, unions served the larger purpose of preventing an otherwise inevitable Marxist revolution as capitalists in their pursuit of profit drove down wages to the point where workers could not buy the products they produced.

But Gompers was not so naive as to believe that sweet reason would convince capitalists that trade unions were in the country's best interest. Unions would have to organize and battle the owners of industry for ever-higher wages. For this collective-bargaining strategy to succeed, trade unions would have to take wages out of competition by organizing virtually every firm in an industry. Otherwise, nonunionized producers would undercut unionized competitors whose labor costs were higher. Accordingly, the trade unions succeeded first where an industry was limited to a single geographical area and, conversely, failed for decades to organize national industries.

By Gompers's reckoning, union prospects promised to improve in time. He believed that the U.S. economy was exiting the era of competitive capitalism—or cut-throat capitalism in union parlance—and was entering a phase, which he welcomed, in which trusts and oligarchies would predominate. In this new environment, employers would be rewarded for cooperating (with higher profit margins) and penalized for competing against each other, and unions would come into their own. At Gompers's death in 1924, the trade union movement had still not made the breakthrough he expected. Within a decade of his death, however, he was vindicated by the organization of the great industrial unions. As he would have predicted, the first and strongest of the new unions were in industries dominated by a few huge firms.

Yet, contrary to Gompers's hopes, the industrial unions did not go from strength to strength. The movement for industrial unionism that arose in the 1930s was only a stopgap. Support for trade unionism in the United States was always weak, with even workers themselves showing surprising resistance to the union appeal. Confidence in business had fallen precipitously in the Great Depression, however, and waned still further as many corporations engaged in an apparent class war against their own workers. As a result, Congress passed labor legislation in the early 1930s that for the first time put the government on the side of workers. But by 1937, Franklin Roosevelt declared himself a disgusted neutral between management and labor. In a matter of a few years the industrial unions had largely worn out their welcome with the American public.

The representative of the new industrial unions, the Congress of Industrial Organizations (CIO) peaked in 1937, barely three years after its creation and less than a year after its formal split from the AFL. In less than two decades, the AFL and CIO merged, mainly because both were stagnating. Leaders of the AFL and CIO attributed organizing difficulties largely to the tremendous resources flowing into jurisdictional battles between AFL unions and CIO unions. They assumed that once they joined forces and focused their organizing efforts on the remaining unorganized workers, growth would resume. But the merger hardly made a difference.

Setbacks in Growth

The inherently competitive nature of the American free enterprise system had put a brake on the growth of the industrial unions. In later decades, the intensification of competition started eroding the strength of craft and industrial unions alike. Even as the leaders of labor (along with leaders of middle-class liberalism) were bemoaning the ever-increasing influence and power of big business, the economy was moving into the early stages of a new era of heightened competition, the full dimensions of which have begun to become apparent only within the past several years.

Manufacturing firms began moving south to lower their costs, primarily labor costs. The preeminence of manufacturing industries ended, with the far more competitive service sector taking its place. These changes shook the accepted system of industrial relations but were modest when compared with the consequences of increased business competition—domestic and international—that began in the late 1960s and continues.

These shifts have traumatized the American labor movement. The private-sector unionization rate sank precipitously from a high of 35 percent in 1956 to less than 11 percent today. Only the rise of the public-employee unions, which organized public monopolies, has kept the absolute number of organized workers from shrinking. Moreover, union negotiating clout has dwindled, in some cases to the vanishing point, as evidenced most dramatically and embarrassingly by the concessionary bargaining that marked the early 1980s. Even after that crisis passed, decreasing geographic density combined with increasing competition has dramatically reduced the unions' power to raise wages above market rates.

For decades, the liberal economists who dominated the field argued that the largest and most advanced industries were increasingly dominated by oligopolies that choked off most competition and therefore did not have to compete over the price of inputs, such as the cost of labor. In that way liberal economists of the period, such as John Kenneth Galbraith, explained the fat contracts struck between big labor and big business. Hindsight reveals doubts that the process worked in that way. Nonetheless, the common view held was that labor unions had a large effect on wages, a belief that worked to the unions' advantage. Once that perception was shattered, the unions' prospects dimmed. After all, if unions could not deliver the goods to workers, there was no reason to belong and pay dues.

Changes in Philosophy

Some knowledgeable observers denied that the unions' setbacks had any effect on the movement's basic philosophy. Harvard professor John Dunlop (who served as secretary of labor in the Ford administration and whom President Bill Clinton appointed to head a commission on labor-law reform) acknowledged in the mid-1970s that international trade had become a sore spot with the trade union movement. But he asserted that labor was more committed to the private enterprise system than it had been in the 1920s.[1] Yet, at least a decade before, in response to the new, more competitive economic environment, the labor movement had begun moving leftward on virtually every issue.

First, consider labor's attitude toward state intervention in the economy. Gompers believed the state to be the executive arm of the dominant economic class (as had Marx), and, therefore, saw nothing to be gained by bringing government into the equation between business and labor. To the contrary, labor's top political priority during the Gompers era was the passage of legislation to keep government *out* of labor-management disputes. Conversely, Gompers did see a positive role for government during recessions and depressions. At those times, government could, and should, prime the pump by adopting expansionary monetary and fiscal policies. During the Great Depression, unions, even those in the Gompersite tradition, sought government assistance for their efforts. And they became more committed to government pump priming.

Over the past several decades, the labor movement has moved far beyond the advocacy of such measures—and out of the mainstream of economic thought. In direct response to intensified competition in the private sector, labor began arguing for far more government spending, which it called investment, and for more

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