THE DAILY CALLER

Big Labor should look in the mirror to explain its decline

Posted By Casey Given

January 16, 2014

After weeks of contentious debate, Boeing's machinist union approved an eight-year contract with the aerospace company earlier this month to keep the manufacturing of its upcoming 777X commercial jetliner in Puget Sound. While the agreement will preserve thousands of jobs in Washington that 22 other states sought to snatch, the deal has nonetheless been marred by controversy because of the union's concession to wean its workforce off of a traditional pension plan. New Boeing hires will instead be enrolled in a 401(k)-style retirement savings account that has become the norm in non-unionized workplaces in recent decades, leading many publications like the *Los Angeles Times* to decry the "decline of union clout" and "death of the middle class."

Americans should not be fooled by such scaremongering. While it's true that unions have been losing influence over the past half-century with historically low membership, the new economic order of global capitalism has created more wealth for world markets and more opportunities for historically disenfranchised workers than any other era of history. In this light, Boeing's deal should thus not be seen as an omen of organized labor's impending death, but a sign of their necessary evolution.

Sadly, many renowned economists are already writing labor's eulogy. Princeton's Paul Krugman and Berkeley's Robert Reich often comment on how America is no longer the egalitarian society of their youth characterized by heavy regulation and unionism. "Middle-class America didn't emerge by accident," Krugman claims in his 2007 book *The Conscience of a Liberal*. "It was created by what has been called the Great Compression of incomes that took place during World War II, and sustained for a generation by social norms that favored equality, strong labor unions and progressive taxation."

But, just how equal was this egalitarian era of the past? While many older Americans can testify to how they once supported a family on a single union salary, it's important to note that these economic benefits came at the cost of excluding millions of foreign and minority workers. Restrictive policies like the Immigration Act of 1924 caused the number of foreign-born American residents to plummet from 13 percent in 1920 to 5 percent in 1970. Combined with the Jim Crow era's racial discrimination in the workplace, America's historical economy of exclusion kept the cost of labor and price of goods artificially high.

Naturally, contemporary union cheerleaders aren't nostalgic for every aspect of the prejudiced past. Reich, for example, calls mid-20th century America the "Not Quite Golden Age" precisely because of its unequal access to union jobs. But, nonetheless, they think that the income inequalities that have arisen as a result of global capitalism could and should be quelled by a new age of unionism.

Such “Nostalganomics,” as the Cato Institute’s Brink Lindsey dubs it, ignores the fact that the past century’s structural shifts have made life better for workers and consumers alike. Many major industries like those for aeronautics, finance, gas, oil, and telecommunications were heavily regulated by the federal government up until the 1970s, creating everything from shortages at the pump to sticker shock at plane tickets. The subsequent deregulation of the latter 20th century made such goods and services much more affordable and paved the way for technological innovations like the Internet.

As a result, the American economy is sustaining more jobs and higher wages than in any other era of its history. Liberal pundits like Krugman and Reich may quibble with the relative income distribution of each socioeconomic class, but it’s indisputable that the overall pie is getting bigger. According to the Congressional Budget Office, income for even the lowest quintile of the income distribution grew by 18 percent from 1979 to 2007 when considering taxes and government transfers.

So, if the global economy’s development over the past half-century has been desirable for consumers and workers alike, who’s to blame for unions’ decline? Instead of pointing the finger at billions of economic actors over history making voluntary market transactions, perhaps unions should start to shift with the changing tides. Between 1973 and 1998, employment at unionized workplaces declined by an annual average of 2.9 percent according to Princeton economist Henry Faber and Harvard sociologist Bruce Western, while non-unionized workforces grew by an annual average of 2.8 percent. Such a stark contrast points to unions’ need to agree to more fiscally sustainable contracts for members and management alike to stay afloat in the global economy.

Boeing’s recent contract seems to do just that, keeping thousands of workers employed and earning an average salary of $70,000 despite fierce global competition. Instead of decrying this this new age of unionism, Americans should celebrate it for responsibly responding to the realities of our new economic order in a manner that preserves decent jobs and wages.