Economic Foundations of Business Unionism

The idea that unions are active in organizing but they're held back solely by bad labor laws and employer resistance is one of the most widely shared assumptions of the Card Check debate. In fact, a lot of the reason unions don't organize is that they don't try. While there's a lot of employer resistance, most unions don't try to overcome it. Just a handful of unions are at all active in elections — with the Teamsters alone contesting more than a quarter of all contests.[63] U.S. unions no more seek to represent all the workers in the country than insurance companies seek to insure all the potential sick people. Whereas insurance companies concentrate on pools of the young and the healthy, the labor unions focus on workers in jurisdictions who are paid by employers with deep pockets who have a certain monopoly power. The restaurant workers union in New York City focuses on the midtown Manhattan venues where waiters can make $200 a night in tips. It ignores Chinatown where the dishwashers may make as little as $180 a week.[64]

Historically, this selective concentration produced a high union premium. But as increased competition erodes employer monopoly, union ability to achieve the union premium declines too, calling into question the economic foundation of American business unionism.

The point here is not to support the Owenite John Weston's claim that unions can't raise wages; that wage increases are automatically followed by price increases. So
that workers gain nothing and unions are pointless. In his famous response, Marx shattered Weston's assumption that wages were fixed. He went on to explain wage variations in terms of the cost of labor power, modified by historical factors — workers who ride bikes to work need less wages than workers who commute by car — and most importantly by fluctuations in supply and demand.

Variations in demand were determined chiefly by rate of accumulation and the share of wage capital in total capital, which tends to fall, while the supply of labor by the size of the labor force, all of which fluctuate, rather than remain fixed as Weston assumed.

Historically, Marx observed, the general tendency of wages, notwithstanding bursts of rising wages — e.g., 50s to the 70s in 19th c. and the same period again in the 20th c., stagnation or even decline predominated[65] — for supply outran demand. Recent studies and recent developments have justified Marx's skepticism. From 1500-1800 wages didn't rise, fluctuating with Malthusian forces around subsistence; nor is it clear that wages increased at all during the industrial revolution despite historic increases in productivity; true wages rose after 1850; certainly increased between 1940s and 1970s. Subsequently, U.S. median hourly wages for non-supervisory workers have stagnated or even fallen.

European unions are under the same competitive pressures as their American counterparts. But they've adapted better. Even in France, where the labor movement is often portrayed as having fared worse than the U.S. because it has fewer dues paying members, unions still bargain for more than 90 percent of the French workforce. Political action takes far more militant and broad scale forms; local "boss knappings" occur against the background of millions of workers demonstrating in nation-wide actions against austerity. It's true that French unions lost the 35 hour week, but the French labor Left and its allies can still boast of universal childcare; universal
health coverage; six week vacations, and a minimum wage is 8.71 euros an hour: $12.28 at current exchange rates. (the U.S. minimum in 2009 is $7.25)

The French as well as most other European unions share a common ancestor with their American counterparts in the 19th c. monopolistic craft union, but in Europe, craft unionism was very early on absolutely suppressed. With the passage of la loi Chapelier, in 1791, the French Revolution banned all forms of workers' organizations. When unions emerged from illegality in 1886 it was as a contentious, competitive mass movement dominated by Marxists and anarchists, operating on a national scale, not as thousands of rent-seeking enclaves.

Just as the U.S. political system remained comparatively localized and patronage- ridden, never developing European style mass parties, American labor institutions haven't really evolved either. As comparative labor historian Gerald Friedman observes, "American unions abandoned inclusive and industrial organization just when these forms were replacing craft unions in France."[66] They retain a suite of features from their 19th c. forebears which originally emerged by adapting strictly to the monopoly niches of the economy. Craft unionism in the U.S. had a clear field to exploit the ample locational rents generated by the newly created central business districts; industrial unionism could feed on the technological rents earned by U.S. manufacturing until the late 1960s when European and Japanese challengers arose. The third wave of American trade unions in the public sector has flourished while the others have languished because public sector workers lack competition. Of course it's been the whole point of the "re-inventing government school" of public administration to create competing labor markets for public services, most recently in the public schools by establishing charter schools, merit pay, and so forth.[67]

Outside the public sector, for well-known reasons – deregulation, increased capital mobility, immigration, the
growth of the Marxian industrial reserve army by about a billion since the fall of Communism in China, Russia, and Eastern Europe — monopoly enclaves have shrunk. Because of American deindustrialization, new monopolies haven't emerged. This is a special problem for American unions, which are overly adapted to monopoly niches. The institutional adaptations they've developed to survive in monopoly environments militate against efforts to expand beyond them. Already, in the 1880s, Engels in a letter to August Bebel, a co-founder of the SPD, identified a few of the now familiar backward-looking, exclusionary, stand-pat characteristics of the Anglo-Saxon monopolistic craft unions:

No doubt you suppose that the engineers, joiners, bricklayers, etc. will admit any worker into their trade without more ado! Not at all...Whoever wants admission must first have been attached an apprentice ...This was intended to keep the number of workers limited...The economy produces as many "skilled" workers outside the unions as in the unions. But who can never become members. The fools want to reform society to suit themselves but not to reform themselves to suit the development of society. They cling to their traditional superstition which does them nothing but harm instead of getting quit of the rubbish and thus doubling their numbers and their power and really becoming again what at present they daily become less – associations of all workers in a trade against the capitalists. [68]

Yet Engels only examines one side of monopoly union dilemma. If the engineers, et. al., had followed his advice to open their books and double the membership, it wouldn't have doubled the number of union jobs; union wages would have fallen to the average rate for skilled workers. Whereas the whole point of this model is to enable the members — or at least a politically decisive number of them — to earn labor rents.
Today's unions, whether in public sector, the construction trades, or the industrial sector still operate as monopolists. But labor monopolists face a choice: they can raise wages and reduce their membership. Or lower wages and increase the number of dues payers. The UAW best exemplifies the former strategy. In the last seven years, UAW membership has fallen from over 700,000 to about 431,000. Yet autoworker wages have risen – at least for those in the top tier who earn $28.50 – substantially above the median for production workers and double what autoworkers in the entry tier receive. The SEIU best exemplifies the strategy of increasing market share by price-cutting. In 1982, unionized Los Angeles Janitors earned $12.00 an hour – over $25.00 an hour in 2007 dollars. There were 5,000. Today there are 4,700 unionized L.A. janitors earning between $8.30 and $13.00 an hour, depending on the area.[69]

What Is to be Undone?

The underdeveloped American variant of labor unionism distinguishes itself by three primary and interrelated institutional features: (i) the legal monopoly that serves as the foundation for (ii) the pursuit of the union premium. –(iii) On the basis of the union premium, a characteristic political superstructure arises: the fiefdom regime – which administers the "job trust" that is created by the union premium. It's these legal, economic, and political institutions that pose the real threat of extinction for unionism in America.

Legal monopoly. American unions claim absolute sovereignty ("jurisdiction") over certain portions of the planet. Local 608 of the New York City District Council of Carpenters is sovereign over the west side of Manhattan, Harlem, and the Bronx. It claims the right to represent everyone in those communities who seek work in carpentry – still a highly controversial concept and one that remains hotly contested – if not as intensely so as in the days before Taft Hartley (1946) when jurisdictional strikes were still
Sovereignty or jurisdiction means for a union what it means for a state: not only the right to represent subjects in negotiations with other sovereign entities; but also the right to tax its subjects. When the union's claim is recognized by an employer, it's automatically validated by the U.S. government in the form of a bargaining certificate. Further anchoring sovereign claims are three features of the standard collective bargaining agreement which transform the claim of absolute sovereignty into an effective legal monopoly.

(i) "Union security" provisions — prevalent outside Southern and Rocky Mountain states — require workers to join the union in 30 days or get fired. Becoming a union member entails mandatory dues. Usually about 2 percent of wages — although higher in craft unions. (ii) To reduce the effort of dues collection, contracts call for "automatic dues check-off," wherein the dues go straight from the employer to the union without passing through the workers' pocket. (iii) "Exclusive bargaining" compels employers to deal only with the sovereign union. Evidently, if workers can't join any other union; and employers can't hire workers from any other source but the union, the union functions as a monopoly agent for all those who would sell their labor power.

Only unions which operate on the basis of such compulsion are possible according to the late Mancur Olson, author of the highly influential *The Logic of Collective Action*. According to Olson, workers can't organize collectively without forced membership, forced dues, and exclusionary practices. This is because workers are rational — not in the Marxian sense of having the capacity to identify their collective interests — but in the utilitarian sense of pursuing their individual interest. And it's not in their interest to pay dues if they can get union benefits for nothing. So great is the free rider problem. Wrote Olson: "Large, national labor unions with the strength and durability
of those that now exist in this country could not exist without some type of compulsory membership."[72]

It's a familiar argument for those who recall the outlines of Hobbes' *Leviathan*. Individuals live in a state of nature – where there is no order and each becomes the natural enemy of the other. The only rational solution to end the intolerable bloody chaos is for each to give up his freedom and take orders from a supreme, order-creating sovereign. "In those nations whose Commonwealths have been long-lived," wrote Hobbes, "the Subjects never did dispute of the Sovereign Power."[73]

As it turned out, Hobbes' powerful deductive reasoning notwithstanding, long-lasting republics with disputatious subjects are possible, while absolute monarchies of the kind favored by Hobbes have faded from the scene. Similarly, Olson's reasonings notwithstanding, American unions which rely on compulsion are obviously a lot less strong and durable than European unions which live off voluntary dues and which operate free of union security or exclusive bargaining clauses.

These features are absent on the continent in part because workers there resist the idea of compulsory unionism, which they associate with the historical experience of European fascism and national socialism; and more generally because of the belief that such provisions interfere with workers' rights of free association: the insistence that workers should be able to join any union they want; or none at all. Union security and exclusive bargaining provisions conflict with the rights proclaimed by both U.N. Charter and the ILO's Declaration on Freedom of Association.

In the absence of legal compulsion, European unions naturally compete for workers' allegiance in the workplace and in work council elections, just as political parties compete for voters. On the face of it, it's hard to see why there
should be only one union any more than there should be one church or one political party. Or why any institution in civil society should have the right to force you to join, or pay taxes to support it. But perhaps because pro-employer conservatives, like the National Right to Work Committee, attack union security, present-day labor Leftists — unlike the Wobblies or the Debsian socialists — defend it uncritically.

What's inarguable is that monopolies raises wages — at least for a few — creating what used to be called "the job trust" whereby a legal monopoly is transformed into an economic monopoly which regularly gives rise to what is now known as the "union premium."

Union premium. "By improving the labor power of a few individuals and keeping them on the inside of a corral, keeping others out with initiation fees, and closing the books," observed the IWW's Big Bill Haywood, "they form a little job trust." The job trust creates a union premium; a wage higher than that earned by non-union workers in the same industry.

Where does this increment come from? Three sources suggest themselves. In a competitive industry, it must come from the normal profits of the employer; but this will be a very unstable foundation, since businesses will not continue to invest in the absence of a normal return. In the case of a monopoly industry, costs involved in paying higher wages can be shifted to the consumer through higher prices; in which case the unionized workers and the employer share the surplus. Finally, higher wages in the monopoly sector may come at the expense of workers in the non-unionized, competitive sector. As wages increase, employers economize on labor, so that workers made redundant in the unionized sector move to the non-unionized sector where they further depress wages.

To point this out is not to oppose unionism, as some
would have it, but a certain kind of unionism. It was after all, John Stuart Mill, feminist, socialist, and pioneer supporter of workers' collective rights, who first identified this "spillover effect." He regarded it as one of the principal drawbacks of the "new model unionism" exemplified by the Amalgamated Society of Engineers, which would later serve as a model for both Samuel Gompers and Mancur Olson.

Of the Amalgamated, Mill wrote:

> While they continue to fix their hopes on hedging themselves in against competition and protecting their own wages by shutting out others from access to their employment, nothing better can be expected from them than that total absence of any large and generous aims, that almost open disregard of all other objects than high wages and little work for their own small body. It is time that the better paid classes of skilled artisans should seek their own advantage in common with, and not be the exclusion of their fellow laborers.[74]

For most of their history, the unions that make up the core of organized labor in America have followed in the Amalgamated tradition. They no longer oppose minimum wage or social welfare programs. But their aims, their self-justification as well as their appeal to the unorganized is still narrow and individualistic:— vote for us and we'll deliver "the union advantage" they promise. And they back up this promise by pointing out their ample union premium. Recently, however, a tincture of ambivalence can be detected. As Elaine Bernard, Director of the Harvard Labor and Worklife Program, explains:

> Union workers are paid nearly 30 percent more than those doing the same work in a nonunion environment. But the union advantage is a two-edged sword.

By one measure, she says, the 30 percent union wage
premium, the U.S. union movement is the most successful in the world. No other labor movement has such a large union premium. But by another measure, the failure to socialize the gains of unions — whether through legislation, regulation, or extension of collective bargaining standards throughout the country — has resulted in the United States having the weakest labor movement of any advanced industrial country.[75]

This is sort of like saying the United States has the strongest economy in the world because it has the most billionaires; but it also has the weakest because it has the most inequality. American capitalism can no more make all its citizens billionaires than American unionism can give every worker a 30 percent union premium. It's the existence of the premium as much as any single factor that explains why unions can't organize. And why they're shrinking — two different but related processes. Union sector losses regularly exceed union organizing gains. But why can't American unions restructure themselves, why is the latest "New Voice" always an echo of old voices. Why are the reform forces so weak? What blocks genuine change is a self-perpetuating fiefdom-like political system that administers the job trust and distributes the rewards of the union premium.

The fiefdom model. The problem of all democracy – whether in ancient or modern society – is how to make citizens who are unequal in economic terms, equal politically ("one person, one vote"). In American-style union governance, the problem is the reverse: how to take workers who are equal in economic terms and transform them into political unequals. And in the process, convert a stratum of ordinary workers into lifetime paid officials who can renounce the hardships of the workplace.

One reason why the medieval system of fiefdoms lasted a thousand years in Europe and even longer in Japan – despite protracted economic stagnation and nearly constant warfare – was that like American unions, it was highly decentralized.
It's a lot easier to chop off one big head than 20,000 small ones. As Madison points out in the *Federalist Papers*, the more you subdivide a political body, the harder it is to change: "The influence of factious leaders may kindle a flame within their particular States but will be unable to spread a general conflagration through the other States."[76] Subdividing American labor into 20,000 semi-autonomous locals not only slows down change, it subdivides the possibility of solidarity. Each local has its own contract; its own local grievances -- it remains a tidy microcosm, self-sufficient to itself.

Another major source of stability is the extraordinary degree of control the local leadership has over the membership. Like the medieval vassals, local leaders collect compulsory dues from the workers who -- like serfs -- must pay for the right to work. Nor do they have much recourse. Serfs are tied to the manor. And workers can escape the union's control only if they give up their job.

But here a supporter of the U.S. model might argue, the analogy with serfdom goes too far. After all, the serfs didn't get to vote for the lord of the manor. And the workers? -- ever since Landrum-Griffin (1959), passed over the howls of organized labor -- mandates a local election (once every three years) if not for higher level officials. So, if workers can't exit, at least they have a voice.

But how effective a voice? Medieval fiefdoms were won through armed struggle and thereafter passed down through inheritance. Inheritance plays a not inconsiderable role in the rule of union fiefdoms but they are generally won through political struggle, a competition heavily weighted in favor of the incumbents, who have all resources: the union paper; the mailing list; the ability to schedule the election; and control of the staff which like the medieval retainers of the Lord must show absolute loyalty. In the classic AFL locals, add control over the hiring hall, whereby the leadership
decides who works and how often. Who is going to campaign against a business agent who provides you with steady work?

Of course incumbents are not invincible. Opposition groups pledged to reform do overturn long lasting dynasties. But the most depressing feature of the fiefdom model is how incumbency transforms the reformers. ("They go in but they don't come out.") Some things change — salaries may be cut, along with perquisites; certainly there's more openness to the Left; progressive resolutions virtually fly out of union conventions. What remains though are the political institutions constitutive of the fiefdom model. Reformers keep the automatic dues check-off; exclusive bargaining; union security. The union paper remains a vehicle for self-promotion. Patronage and loyalty don't disappear; just who receives it. Nor do reformers give up the supervening aim of the institution — the union premium. Within a few years, yesterday's hero — Ron Carey, John Sweeney, Roger Toussaint, Martin Nesbitt, Brian McLaughlin, Bruce Raynor, Andy Stern — is today's embarrassment.

**Conclusion**

There's not enough evidence to know for sure, but it's probably not just a fluke that the botched campaign for EFCA coincides with sharpest drop in public approval for organized labor since 1937. Shifts in public approval of unions usually occur at a glacial pace. But according to Gallup, labor lost a nearly one fifth of its support within the last year. It stands now at its lowest level ever.[77]

The Smithian principle that "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest," has long guided American business unionism. Labor history shows that the strategy of loosely affiliated, segmented unions each pursuing their own interest ultimately doesn't work for labor even in its own terms. From the Bakers
union in the Bronx to the Autoworkers union in Flint, the high wage promontories jutting above the low wage sea are finally engulfed by competitive forces. Density falls. Legislative rescue from falling density fails because the public – which increasingly views labor as just another special interest – lacks any reason to pressure their representatives to act against corporate interests.

The retardation of the American labor movement, its fixation at what Engels called the "trade union" stage has long been evident. What's at stake is a lot more than the union premiums of the top 10-15 percent of the workforce. Left liberals need to understand they can't have a Rawlsian social democracy on the basis of a lot of separate individuals making ethical choices that ensure decent minima for the least well-off. It takes workers' power in civil society. The postmodern Left needs to recognize that organizing for micro power is not enough to establish a Left that's worthy of respect. Diversity and cultural recognition are fully compatible with exploitation and domination in life's material callings. And all Americans ought to recall that the rise and fall of republics coincide with the peaks and troughs in the progress of plebian rights and powers.

It's not enough, though, that the Machiavellian moment of recognition displaces the Charlie Brown moment of denial. Action must follow analysis. What should labor Leftists do? C. Wright Mills argued that isolated Leftists should always ask themselves "What would I do if I were a political party?"

A political party doesn't have to be a 20th c. European-style mass party of millions or an American-style conglomerate of big interests driven by big money. At the outset, it can be an organization numbering a comparative handful of militants with shared convictions who agree to work together towards common goals – like those who led the nearly forgotten struggles that triggered the passage of the Wagner Act and the formation of the CIO in 1935, and in the process, raised the
arc of the American labor movement for a generation.

1934 was the year micro-parties of young labor Leftists—not waiting for an okay by the AFL leadership—took the initiative in local union struggles that ignited a militant, mass labor movement in America. Harry Bridges, at the time a 33-year-old independent radical, merged his circle of followers with Communists in San Francisco. Together they campaigned against the ship-owners and their allies in the corrupt local that had forced even Bridges to pay a kickback for his job. The forty member Communist League in Minneapolis led by 26-year-old Trotskyist Farrell Dobbs and the Dunne brothers sought to expand Teamsters Local 574 beyond approved AFL jurisdictional lines. A. J. Muste's Workers' Party, which never numbered more than a few hundred members in the entire country, started out in Toledo organizing the unemployed. There somehow, marches of the unemployed grew into a general strike threat that forced employers to capitulate—the first crack in the nonunion barrier in the auto industry that had held since the beginning of the industry. Actual general strikes in San Francisco and Minneapolis growing out of local conflicts for quite limited objectives had a similar resounding impact.

What the struggles of that annus mirabilis show is that the question of whether labor Leftists should work inside or outside established unions is a purely tactical question. One of the first acts of the San Francisco militants was to tear up their union books and refuse to pay dues. Dobbs, on the other hand, remained ever-faithful to Teamsters Local 574, while totally transforming it. And Muste initiated a mass movement outside organized labor itself that would completely enflame it. What was decisive was not whether the action started inside or outside the organizational form, but clearing away the boundaries that separated employed, unemployed, union and non-union workers.

The struggles of the year 1934 also bear on the validity
of the theories of social movements that insist on the decisive importance of organizational and financial resources. They would seem to disprove those radicals who think they can't advance without the airpower provided by the two big federations. Nor was it inevitable that what had been an independent labor Left had to be swallowed up after 1935 by the two main organizing centers of that period.

What ultimately counts in politics is passion, perspective ... and what Machiavelli called "fortuna." In times of great crisis he argued, fortuna scrambles the political odds; it turns against the established order and favors those who would upset it. In retrospect, the Great Depression was obviously such a period. Whether the present "Great Recession" will offer another such opportunity for the labor Left is a question that of course can't be answered without taking the risk and making the effort.

Footnotes

4. See here.
5. See here.
6. See here.
7. See here.
8. See here.
9. See here.
10. See here.
12. Interview, Senate Labor Committee staffer, Steve Wymer,
13. See here.
14. Wilhelm himself had reservations about EFCA, but attacked Stern for signaling a willingness to compromise. See here.
16. Ibid., 242-3.
17. Ibid., 240.
18. Ibid., 94.
20. See here.
21. Far less mobilization took place than fifteen yeas ago when organized labor made a concerted legislative stand against NAFTA.
22. See here.
24. While still maintaining a kind of job network in the labor movement, the CPUSA appears to lack a serious labor union analysis or plan for independent work in labor institutions. Many Marxist-Leninist groups barely even discuss unions. (See here.) The Green Party program endorses labor law reform: "Majority Card Check Recognition" is their number one priority, but has no program explaining how activists would achieve these reforms.
25. Even in Moyers' case when the Chicago Teamsters are involved.
27. Ibid., 20.
28. American Capitalism has only a few peripheral mentions of European institutions.
31. Richard B. Freeman and James L. Medoff, What Do Unions Do?
32. Conscience, 150.
33. William Haber, Industrial Relations in the Building Trades (Cambridge, MA: Harvard University Press, 1930) 500
35. The head of UNITE-HERE (367,000 members) last year earned nearly $392,000 in salary plus another $100,000 in compensation from the Amalgamated Bank, owned by the union. But when the president of UNITE, Britain's largest union, with 2 million members raised his salary to the equivalent of $146,000 it made headlines.

In the U.S. the head of UNITE-HERE, with 366,000 members, earned $392,000 plus another $100,000 from UNITE's bank. Department of Labor Employment Standards, LM-2. File 000-511 31 March 2009.
38. "Any union illegal conduct should be rooted out, but in a world of multi-billion corporate corruption, unions are pure as snow." See here.
39. See here.
40. Freeman and Medoff, 162-180.
42. New Men, 17.
43. Ibid., 18.
44. Surprisingly, given that URPE was founded by David Gordon, there seems to be little interest in labor economics. See for
example the topics explored at URPE's most recent conference.

45. p.31.


49. The legislators who, in exchange for contributions, make good on labor leaders' promises to employers that they can deliver extra state funds if the employers recognize the union.


51. See here.


55. See here.


57. Mike Parker and Martha Gruelle, Democracy is Power (Detroit: A Labor Notes Book, 1999), 44, 153, 184.


59. "Imagined Solidarity".

60. Principles of Political Economy (Amherst, New York: Prometheus Books, {1900}2004), 852.


63. **Summary of 2008 NLRB report.**
67. "Increasing the elasticity of the demand for labor," economists call it.
69. Erickson, Milkman et. al., *California's Revolt at the Bottom of the Wage Scale*; SEIU Local 1877 Justice for Janitors Fact Sheet, 17 May 2008.
70. William Haber, Industrial Relations (Cambridge, MA: Harvard University Press), 152.
71. Ibid., 232.
75. See [here](#).
76. Federalist 10, 128.
77. See [here](#).