Article 5.3

UNIONS AND INCOME INEQUALITY

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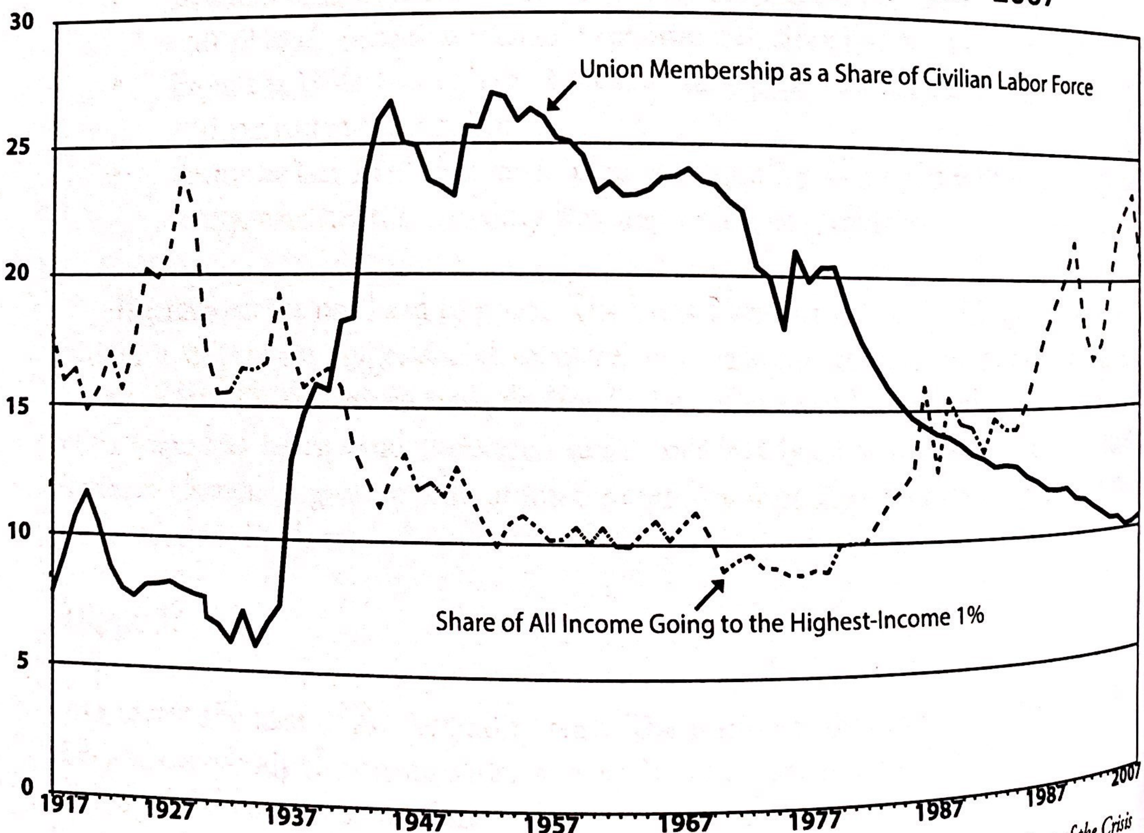
Dear Dr. Dollar:
I know unions have shrunk in the United States, but by how much? And how best to respond to my right-wing friends who claim that unions are bad for the economy?

—Rich Sanford, Hardwick, Mass.

Take a look at the graph below. The two lines on the graph show for the period 1917 through 2007 1) labor union membership as a percentage of the total U.S. workforce and 2) the percentage of all income obtained by the highest 1% of income recipients. So the lines show, roughly, the strength of unions and the distribution of income for the past century. (John Miller and I developed this graph for our book *Economic Collapse, Economic Change.*)

The picture is pretty clear. In periods when unions have been strong, income distribution has been less unequal. In periods when unions have been weak, income distribution has been more unequal. In the post-World War II era, union members were about 25% of the labor force; today the figure is about 10%. In those postwar years, the highest-income 1% got 10% to 12% of all income; today they get about 25%.

UNION MEMBERSHIP AND INCOME INEQUALITY, 1917–2007



Source: Arthur MacEwan and John A. Miller, *Economic Collapse, Economic Change: Getting to the Root of the Crisis* (M.E. Sharpe, 2011).

The causation between union strength and income distribution is not simple. Nonetheless, there are some fairly direct connections. For example, when unions are strong, they can push for higher wages and thus we see a more equal distribution of income. Also, strong unions can have an impact on the political process, bringing about policies that are more favorable to workers.

But causation can work in the other direction as well. Great income inequality puts more power in the hands of the rich, and they can use that power to get policies put in place that weaken unions—for example, getting people who are hostile to unions appointed to the National Labor Relations Board.

And then there are other factors that affect both union strength and income distribution—for example, the changing structure of the global economy, which places U.S. workers in competition with poorly paid workers elsewhere. Yet the structure of the global economy is itself affected by the distribution of political power. For example, the "free trade" agreements that the United States has established with other countries generally ignore workers' rights (to say nothing of the environment) and go to great lengths to protect the rights of corporations. So, again, causation works in complex ways, and there are certainly other factors that need to be taken account of to explain the relationship shown in the graph.

However one explains the relationship, it is hard to imagine that we can return to a more equal distribution of income while unions remain weak. This means, at the very least, that the interests of unions and of people at the bottom of the income distribution are bound up with one another. Building stronger unions is an important part of fighting poverty—and the hunger and homelessness that are clear manifestations of poverty.

One important thing to notice in the graph: In the post-World War II years, economic growth was the best we have seen. Certainly no one can claim that it is impossible for strong unions and a more equal distribution of income to coexist with fairly rapid economic growth. Indeed, we might even argue that strong unions and a more equal distribution of income create favorable conditions for economic growth!

Stronger unions, it turns out, could be good preventive medicine for much of what ails our economy. ❑