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In the United States

A Political and Economic Sea Change

In this chapter, I will argue that the willingness of women to enter the workforce in massive numbers, drawn by the rapid growth of the service sector, served the interest of capital in holding wages down. The income of wives supplemented that of their husbands, as unions weakened and corporations were able to resist the pressure for wage increases. Thus, historian Nancy MacLean argues that the most significant feature of the period since the 1970s for women was not so much the rise of feminism as it was the abolition of the family wage, something the working class had fought fiercely to obtain throughout the nineteenth and early twentieth centuries (MacLean 2002).

Similarly, the argument that all women should work played right into the hands of those seeking welfare reform. The idea that women ought to be working for wages reinforced the argument against paying for "welfare queens." Thus, a pillar of the New Deal was toppled with the aid of the ideology of feminism.

The net effects of the changes to the workforce were an erosion in the availability of high paying working-class jobs and a rise of service McJobs with low wages and few or no benefits. As women with education and access climbed the corporate ladder, reaching near parity with male middle managers, uneducated, poor women crowded into the jobs offered by retail organizations such as Wal-Mart, where much of the workforce was able to subsist only with the aid of food stamps, Medicaid, and section 8 housing. As poverty steadily increased under the George W. Bush administration, a new class divide opened up between the women for whom feminism was a ticket to advancement, and those left behind in the growing pool of the working poor—including new immigrants and those cut off from welfare.

Political Background: How Conservatives Triumphed over Liberals

In this section, I will describe the political sea change that occurred between the still affluent 1960s and the recession years of the early 1980s. I have already described (in Chapter 1) the shift toward neoliberalism that most observers consider a centerpiece of globalization. But what were the developments within U.S. politics that made this shift possible? A variety of changes, from the splits that weakened the Democratic Party to the new glue that brought together a strengthened Republican Party, effected a transformation of U.S. politics.

The liberal coalition that emerged from World War II and presided over an expanding welfare state was shattered. The new ruling coalition, symbolized by the electoral victory of Ronald Reagan in 1980, was undergirded by a series of shifts in the balance of electoral power, with a severely weakened labor movement no longer able to sustain either the electoral majority of the Democrats or the legislation that had kept tax policy relatively progressive.[1]

A first element in this sea change was the decline of the labor movement. The percentage of workers in trade unions declined steadily from the high-water mark of 35.5 percent after World War II, falling to 31.4 percent in 1960, 27.3 percent in 1970, and 25.5 percent in 1975. (In 2008, unionized workers made up 7.5 percent of private sector workers and 35.9 percent of public sector workers, for an overall 12.1 percent share of the workforce [Greenhouse 2008].) Corporate leadership began an effort to weaken the labor movement, abandoning the "co-operative tenor" that had dominated much of labor-management relations with the biggest unions and replacing it with "a tough, adversarial stance" (Edsall 1984, 151). It is worth noting that the "entente cordiale" of big labor with big business did not preclude steady attacks on the power of labor throughout the post–World War II period, beginning with the Taft-Hartley Act of 1947. Whereas monopolistic and highly profitable industries such as auto and steel could live in harmony with their unions, firms in other, more competitive, and less profitable industries such as textiles were under constant pressure to reduce labor costs. After World War II, textiles led the way by moving out of the highly unionized North to the right-to-work South.[2]

Companies demonstrated an increasing willingness to defy the National Labor Relations Act and fire workers attempting to organize. Intensified management opposition to labor organizing "sharply reduced" labor's capacity to organize new workers. By dividing "the number of persons fired for union activity in 1980 by the number of persons who voted for a union in elections to obtain an indication of the risk faced by workers desiring a union, one gets a remarkable result: one in twenty workers who favored the union got fired" (Richard B. Freeman quoted in Edsall 1984, 152).

Even though there was a steady rate of victories in collective bargaining elections during the 1960s (around 60 percent), from the early 1970s onward unions began to lose. Management further escalated the attack by running decertification elections, seeking to persuade workers to vote out their existing union representation. Throughout the 1960s, the number of these remained relatively constant, averaging around 240 per year, but the numbers jumped tremendously in the 1970s, to an average of 419 in 1970–1975 and 712 in 1976–1980. In 1980 there were 902, and in 1981 there were 856 (Edsall 1984, 153–154).

Meanwhile, some firms began exploring a tactic that has since become very familiar, namely, the use of bankruptcy as a way to abrogate union contracts, a tactic that in 1984 the Supreme Court signaled it would uphold (Edsall 1984, 155). The attitude of many labor leaders in this period was one of resignation; they sought to protect the remaining members against the loss of their pensions, rather than seeking to expand into other areas. But more to the point, labor's leadership appeared to have counted on the continuation of the easy consensus relationship with management that was achieved, at least for the major unions, during the period of economic expansion of the 1950s and 1960s. "Labor did not recognize the adversarial posture of business until 1978, when its supposed allies in big business, particularly the members of the Business Roundtable, turned on the union movement in the congressional battle over the Labor Law Reform bill," defeating this attempt to expand labor protections (Edsall 1984, 156). "What galled labor beyond measure . . . was the defection to the anti-union camp of a raft of chief executives from the Fortune 500—men whom the unions had come to think of almost as allies. As many labor leaders see it, that crucial battle marked the end of a thirty-year entente cordiale. During this era of good feelings, many big companies had come to depend on the unions as a primary force for stabilization, both in equalizing basic labor costs within each major industry and in maintaining uninterrupted production for the life of the contract" (A. H. Raskin quoted in Edsall 1984, 156).

In 1981, President Reagan moved to break an apparently impregnable union, the Professional Air Traffic Controllers (PATCO), comprising 14,500 members with relatively high average annual incomes (over $30,000). By replacing the striking air controllers with military personnel, he was able to destroy the union. Reagan's hard-line stand against the air traffic controllers was seen by both labor and management as a watershed decision, triggering the resurgence of strikebreaking during the Reagan administration and leading to far tougher negotiating positions on the part of corporate executives and far more aggressive corporate techniques in riding out strikes (Edsall 1984, 161). The take-no-prisoners approach by corporate leadership toward union organizing, using increasingly sophisticated techniques to track and punish union organizers, has continued to this day.[3]

A second element in the sea change was a series of changes to the structure of the Democratic Party. The alliance of the labor movement with the Democratic

Party had been the backbone of the liberal legislation and tax policy of the 1950s and the 1960s. The bitter political feuding between labor's pro–Vietnam War leadership and antiwar members of the Democratic Party, culminating in the nomination of George McGovern as an antiwar candidate in 1972, essentially broke up a coalition of interests: "The Democratic-liberal agenda of the 1950s and 1960s—civil rights, housing, programs to alleviate hunger and malnutrition, federal aid to education, health coverage for the elderly and the poor, welfare assistance, job programs to counter recessions—was initiated by a wide range of forces. The one consistent element in all of these legislative battles, however, was labor's active presence in each of the lobbying coalitions" (Edsall 1984, 162).

Meanwhile, new Democrats elected after Watergate by the reform wing of the party in 1974 and 1976 came largely from suburban districts with few union voters. The traditional base of the Democratic Party in urban machines sensitive to ethnic voter blocs was giving way to a more middle- and upper-class constituency. New rules for the Democratic presidential nomination process limited the influence of labor within the conventions. In the three presidential elections of 1972 (McGovern), 1976 (Carter), and 1980 (Carter), organized labor was no longer a "key force" in selecting Democratic Party leadership (Edsall 1984, 163).

Ironically, the counterattack from the business community forced an about-face among the leadership of the American Federation of Labor–Congress of Industrial Organizations (AFL-CIO) in its negative relationship to the organized feminist community. At the time of the 1972 nominating convention, George Meany, the AFL-CIO president, had been quoted as saying, "We heard from the abortionists, and we heard from people who look like Jacks, acted like Jills, and had the odor of johns about them." Alexander E. Barkan, then political director of the AFL-CIO Committee on Political Education, called the Democratic National Committee a group of "kooks, crazies, queers and feminists" (both quoted in Edsall 1984, 160–161). But when the AFL-CIO, now on the defensive, organized a solidarity day protest on September 19, 1981, in Washington, drawing some 250,000 union members and supporters to express opposition to Reagan policies, "[AFL-CIO president] Lane Kirkland would lead the Solidarity Day march down Constitution Avenue with Eleanor Smeal, president of the nation's largest feminist organization, the National Organization for Women, to his right" (Edsall 1984, 161).

A third element in the sea change was the forging of a new alliance within the Republican Party, with the creation of a new coalition among business, the conservative ideological right wing, and religious fundamentalists. The groundwork for this new coalition was laid by Richard Nixon. Using the Southern Strategy devised by the then Republican strategist Kevin Phillips, and taking advantage of the identification of the Democrats with the interests of the black community and the civil rights movement, Nixon moved to detach white Southern Democrats from their party allegiance with a set of ideological appeals to the

interests of white voters. Nixon, although outflanked on states' rights and racism by the governor of Alabama, George Wallace, was still able to win on a platform of states' rights and law and order, after the uprisings in the inner cities following the assassination of Martin Luther King.[4]

For business leaders, the reverses of the Vietnam War, which had brought military-industrial corporate interests such as Dow Chemical, Raytheon, and DuPont into severe disrepute, and the surge of liberal reforms produced just before and then during the "Watergate" Congresses of 1974 and 1976, required a regrouping of forces.[5] As Bryce Harlow, a veteran lobbyist for Procter and Gamble, remarked, "The danger had suddenly escalated.... We had to prevent business from being rolled up and put in the trash can" (cited in Edsall 1984, 114–115).

Business strategies included more sophisticated lobbying efforts, with the creation of "Astroturf grassroots" organizing among employees and stockholders, and the creation of new institutions such as the Business Roundtable, founded in 1972. With business leaders from major companies—General Electric, Alcoa, Campbell Soup, and U.S. Steel, among others—the Roundtable "became in effect the political arm of big business." Expanding its concern from labor-management issues, this group now focused on "the entire spectrum of public policy issues in Washington," including taxation, antitrust regulation, banking, and employment (Edsall 1984, 121). Similarly, a newly revitalized Chamber of Commerce became the basis for elaborate machinery to mobilize grassroots lobbying operations, recommend probusiness candidates to the business community, and provide resources for ad hoc coalitions on specific issues (Edsall 1984, 123–128).

The new strategies also included expending major sums on corporate advertising and the large-scale financing of right-wing think tanks such as the American Enterprise Institute and the Heritage Foundation.[6] Corporate backers included Joseph Coors of the Adolph Coors Company; Richard Mellon Scaife, Mellon heir; the John M. Olin Fund, established by Olin Matheison Chemical Corporation; Mobil Oil; Dow Chemical; Gulf Oil; and Sears Roebuck (see Edsall 1984, 117–120): "The financial backing for these institutions reflects the astute use of philanthropy by the corporate and conservative foundation community to finance credible intellectual arguments produced by highly respected and independent but conservative economists and social scientists" (Edsall 1984, 120).

But, above all, the strength of the Republican Party stemmed from its newly established "big tent" philosophy. The old split between business, accustomed to compromising with the Democrats, and the formerly fringe ideological right wing, as represented by the supporters of Barry Goldwater, was overcome, so that business interests, increasingly strong in the South and West, found a new partnership with the ideological Right. The Republican coalition now included both the business community, newly united in its determination to roll back liberal gains, and members of the Religious Right under the leadership of Richard Viguerie, cofounder of the Moral Majority, and Jerry Falwell, the television evangelist:

> The defeat of Gerald Ford in 1976, the steady decline of the moderate wing of the GOP in the Northeast and Midwest, the success of highly conservative Republican candidates in the South, the steady movement of the financial center of gravity of the GOP toward the sunbelt, the expansion of the GOP's right wing in Congress from a dissident faction into a strong voting block, and the increasing convergence of conservative ideologues and the business community behind the same set of candidates have all functioned to ameliorate tensions within the Republican party. The result has been a far greater coherence of shared ideological and economic interests within the GOP than within the Democratic Party. (Edsall 1984, 103)

The newly retooled Republicans were able to use the resentment of those who lost ground during the economic slowdown of the 1970s to bring into office a regime that would fundamentally alter the tax structure. The Reagan forces were able to manipulate the discontent of the working class toward its former Democratic leaders, because of the stagflation of the 1970s, to bring to power a coalition that would fundamentally end the tradition of using government to bring greater equity through taxation. In this way, the party's supporters among the working class would pay the economic price, with a major redistribution upward toward the rich and powerful.

The political form that the economic turbulence of the 1970s took was a major power shift to the right. Once stagflation during the presidency of Jimmy Carter (1976–1980) exposed the Democratic Party's inability to manage the economy, white Reagan Democrats started voting Republican because of their resentment about how their improved economic situation (in the 1960s) and then their stagnating wages (1970s) subjected them to unfair taxation. Republicans used this resentment to build a coalition that then brought in the most drastic redistributive tax program, taking money from the poor and middle class and handing it to the rich. At the same time, they cut social programs for the poor. So in electoral terms the country moved right, rather than left.

For all its redistributive rhetoric, the Democratic Party had not fundamentally changed the profile of income distribution during its reign. But it had expanded social spending in the 1960s, especially for minorities and the poor, and it was this that infuriated the Reagan Democrats, who were already agitated about antiwar demonstrations, taxpayer support for abortions, and the perceived unfairness of affirmative action measures. A progressive tax system in the 1950s began to bite when people's income rose during the 1960s and they moved into higher tax brackets. This so-called bracket creep made taxation a volatile political issue in the 1970s. Democrats were blamed as taxpayers, encouraged by right-wing attacks on excessive taxation, got more and more fed up with those receiving benefits.

Into this fertile territory came the publications of the right-wing think tanks. Thus, the Center for the Study of American Business, founded in 1975 by Murray

L. Weidenbaum (chair of Reagan's Council of Economic Advisers from 1981 to 1982), produced papers on the high costs of government regulation in measures such as the Clean Air Act and agencies such as the Federal Trade Commission. Their overall finding was that by 1979 the cost of government regulation of business had reached over $100 billion.

The think tanks were producing so-called evidence that "the sharp expansion of the regulatory role of the federal government in the 1970s had contributed significantly to the decline over that decade in productivity, forcing companies to spend money to reduce pollution and to increase safety measures to meet federally mandated consumer standards, diverting capital resources from productive investments" (Edsall 1984, 217). This kind of work provided the intellectual justification for the Reagan administration's drive toward deregulation, through budget cuts, antiregulation appointments, and the giving of authority to the Office of Management and Budget to delay, revise, or kill regulatory initiatives.

Similarly, the American Enterprise Institute, a base of operations and a forum for conservative intellectuals such as the late Jeanne J. Kirkpatrick, David R. Gergen, Seymour Martin Lipset, and Nathan Glazer, emphasized deregulation and the need to increase our military capacity. Meanwhile, the Hoover Institution at Stanford housed the black conservative Thomas Sowell, who was laying out the argument that the network of social programs, including affirmative action, had weakened the ability of blacks to compete. And the National Bureau of Economic Research's Martin Feldstein launched an attack on capital gains taxes, seeking to show that the high rate of taxation on income from capital had lowered investments in plant and equipment in the previous two decades.

The new coalition of forces put together by the Republican Party, then, comprised big business, small businesses, religious conservatives, fiscal conservatives claiming to abhor excessive government spending (such as the notorious Grover Nyquist, who promised to shrink government to the size where he could drown it in a bathtub), and supporters of a vastly expanded military budget. At the ideological level, they developed themes that appealed to what would become the Reagan Democrats. Cut taxes above all! Using the highly dubious economic theory of "supply-side economics," they espoused drastic tax cuts and the elimination of wasteful, unnecessary government programs, usually equated with Aid to Families with Dependent Children (AFDC), food stamps, rent subsidies, and other safety net measures.

The ideologues of the new Republican coalition—Irving Kristol of *The Public Interest,* Congressman Jack Kemp, Jude Wanniski of the *Wall Street Journal*—were conscious of the need to develop an economic strategy that would appeal both to Wall Street and to the voters. The solution was produced by Arthur Laffer, sketching his new idea on a now legendary napkin in a Washington restaurant. Laffer drew a simple graph that showed a theoretical curve plotting government revenues as a function of tax rates. Up to a certain point, increased tax rates produced increased revenues for government. But beyond that point—this is where the curve turned down—increased tax rates produced decreased government revenues, as they became a disincentive for businesses and individuals to work hard to produce further income. If raising tax rates could actually reduce revenue, the logical corollary was that cutting tax rates would perforce increase revenues. The argument was that the money released by the lowered taxes would be channeled into investments and therefore eventually into growing efforts by businesses and individuals, who would then ultimately pay increased taxes.

This Laffer curve was "dubious economics, but brilliant politics" (Alperowitz and Faux 1984, 41). Rather than increasing demand in the economy, as was the point of Keynesian pump priming, this measure would increase the supply of money in the private sector, and therefore increase economic growth (hence "supply-side economics" or "monetarism"). Neoconservative writers working out of business-supported think tanks and media outlets such as *Public Interest, Commentary, Harpers,* and *Readers Digest,* began pumping out stories to build support for this new economic theory: "Freed from ... the traditional conservative demand for austerity as the answer to inflation, the neoconservatives could offer Republicans a magic weapon to cut into the heart of the Democratic electorate. Supply-side economics was a painless way to prosperity. Cut taxes, create jobs, and eventually have even more revenue for public spending" (Alperowitz and Faux 1984, 42). In California, landlords were able to get Proposition 13 passed, which cut tax rates on many categories of properties down to 1 percent of their assessed value, and capped rates of increase on taxes until the property was sold.[7] Across the country, local business groups and politicians organized tax limitation efforts, and thirty-six states enacted tax cuts in 1978. Reagan was elected on a wave of tax revolt in 1980, with those voting for him convinced that they were the hardworking Americans, whereas others were parasites on welfare (Alperowitz and Faux 1984, 43ff.).

Meanwhile, the actual outcome of the Reagan years was a steep rise in the federal deficit and in unemployment. Almost immediately after cutting taxes in 1981, Reagan in 1982 had to ask for the biggest tax increase in U.S. history. Reagan's own budget adviser acknowledged that supply-side theory was a hoax: "Stockman himself, as he admitted in an embarrassing interview published in the *Atlantic Monthly,* had abandoned the supply-side theory even before he submitted Reagan's first budget to Congress. Reagan's tax bill, he said, was a 'Trojan Horse' for the giveaways to big business, which was all they were interested in from the start. And when the legislation got to Congress, 'The hogs were really feeding,' he said glumly. In the space of a few months Laffer's theory was a piece of intellectual junk" (Alperowitz and Faux 1984, 46).

It is worth noting that Republicans seeking to end the decades-long Democratic "lock" on economic issues tried out several different electoral themes before hitting on the antitax rhetoric that became their "open sesame" to electoral success.

Richard Viguerie and Howard Phillips, the cofounders of the Moral Majority, had tried social issues such as busing and abortion, but were unable in the 1960s and 1970s to detach blue- and pink-collar workers from their Democratic allegiances. Once the two men hit on the theme that Americans pay too much in taxes, with the overwhelming success of Proposition 13 in California, they never looked back (Alperowitz and Faux 1984, 29ff.).

Above all, this new coalition skillfully used the political gains of the Left in the 1960s, including affirmative action for blacks and women, the right to abortion under the *Roe vs. Wade* decision of 1973, and the steady expansion of the AFDC rolls, as their wedge issues. As the economic restructuring of the late 1970s and early 1980s proceeded, creating rust-belt regions and devastated inner cities in the Northeast and Midwest, a vast machinery of distraction was put into place. "Family values," allegedly under attack from blacks, feminists, gays, and liberals in general, became the mantra of the New Right, with hot-button issues such as abortion bringing millions of genuinely concerned Christian voters into the Republican fold.

Meanwhile, the "war on drugs" was the pretext for a scare campaign about rising crime rates. In New York State, the Rockefeller drug laws (similar legislation was passed in California and elsewhere) made petty drug violations the basis of serious felonies. Prisons in rural upstate New York were then expanded to incarcerate city dwellers. Thus, the coalition simultaneously benefited from providing jobs for generally conservative rural prison guards, while increasing its rural political power—a power multiplied by the state legislature counting disfranchised urban prisoners as rural residents to inflate the population for redistricting purposes.[8]

The coalition with the Religious Right could blame feminists for rising divorce rates because they had fought for abortion rights and because they insisted on going out to work. The coalition could blame gays and lesbians for the decline of traditional marriage. And they could blame blacks for the allegedly dangerous rate of crime, despite the fact that crime rates continued to fall steadily. The family values rhetoric, and the escalated fear of crime, both carefully orchestrated and echoed in the media, were means of deflecting attention away from the transformation of the postwar U.S. economy.[9]

The Creation of a Low-Wage Economy

The new economy created in the 1970s was a low-wage economy, drawing heavily on female labor. As economist Teresa Amott notes: "Hiring women was a central part of the corporate strategy to restore profitability because women were not only cheaper than men, but were also less likely to be organized into unions and more willing to accept temporary work and no benefits.... This led to what has been