GROWING LABOR UNIONS WILL GROW OUR ECONOMY *(by Dr. Richard Levin, Professor Emeritus of Applied Economics at the University of Minnesota. He is a popular writer and speaker on issues of market power and labor. You can lean more about his work at www.middleclassunionmade.com.)*

Strong Unions are Essential to Our Economic Recovery

Ask anyone, and they will tell you that the subprime mortgage mess brought down our economy. Otherwise, the economy was "fundamentally sound." I'll agree that tanking mortgages pushed us over the edge, but the subprime train wreck was only a symptom of a much larger problem. If subprime mortgages hadn't got us, something else would have.

Here's what I think happened. Beginning around 1980, labor union strength began to decline and wage growth slowed dramatically. For a while, working families compensated by having more family members take jobs, but eventually stagnant wages and rising costs took their toll. More families became trapped in debt as they tried to maintain a middle class way of life on wages that were no longer up to the task.

Even though wages were stagnant, American workers continued to become more and more productive. This is something all of us can be proud of. But since there were not enough labor unions to bargain that productivity into higher wages, super wealthy owners fattened up on what otherwise would have gone to middle class families. Since 1980, the share of wealth and income going to the upper one percent of Americans more than doubled. As the super-rich got even richer, they became more powerful. They changed banking rules to allow them to play fast and loose in ways that were once illegal.

They changed the tax system in ways that would benefit them at everyone else's expense. Rather than build factories that put Americans to work, they sent job overseas. Rather than pay workers middle class wages, they lent money to middle class families on increasingly risky terms.

Now we have the witch's brew: one part working people struggling to stay in the middle class, one part the gains from productivity growth going to the wrong people, and one part unimaginable fortunes chasing short term gains at any cost. We shouldn't be surprised that when Big Money met underpaid workers, the result was too much debt and too much funny money for the overall system to bear.

Looked at this way, we have a big policy problem. If we continue treating symptoms instead of problems, as we are now doing, the best we can hope for is to put things back the way they were. If we do that, we will have more rogue banks, more people without middle class incomes, and more fat cats running both Washington and Wall Street.

Lasting recovery will come only when we start treating the problem: without middle class wages, there is nothing "fundamentally sound" about our economy. We must grow our labor unions so they can do what only labor unions can do: keep the gains from worker productivity in the hands of working people.