Visual 32.1
The Union Membership Mystery

Throughout much of U.S. history, union membership remained relatively low, never exceeding 12.1 percent of the labor force until 1920. But things changed in the 1930s. Union membership jumped from 7.4 percent of the labor force in 1930 to 16.6 percent in 1935. Why this abrupt change?

VISUAL 32.2
UNION MEMBERSHIP RATES, 1890-2000

Year	Percentage of Labor Force Composed of Union Members
1890	1.4
1900	2.7
1910	5.6
1920	12.1
1930	7.4
1935	16.6
1940	15.9
1945	22.6
1950	22.9
1960	24.5
1970	27.8
1980	23.3
1990	16.3
2000	13.6

Sources:

Barry T. Hirsch and David A. Macpherson, "Union Membership and Coverage Database from the Current Population Survey: Note," *Industrial and Labor Relations Review*, Vol. 56, No. 2, January 2003, pp. 349-54. Also available on February 3, 2006 on the World Wide Web at http://www.trinity.edu/bhirsch/unionstats/UnionStats.pdf.

Stanley Lebergott, "The American Labor Force," in Lance Davis et al., *American Economic Growth* (New York: Harper & Row, 1971), p. 220.

Visual 32.3
The Guide to Economic Reasoning

- People choose.
- People's choices involve costs.
- People respond to incentives in predictable ways.
- People create economic systems that influence individual choices and incentives.
- People gain when they trade voluntarily.
- People's choices have consequences that lie in the future.

VISUAL 32.4
THE U.S. GOVERNMENT AND ORGANIZED LABOR PRIOR TO 1933

- The Sherman Anti-Trust Act of 1890 declared illegal "every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce."

- Unions encouraged members to reduce output (labor) in order to improve working conditions, receive benefits and seek higher wages.

- In labor-management disputes before 1933, U.S. federal and state courts typical ruled that union activity constituted an illegal restraint of trade under the Sherman Act.

- Thus courts before 1933 granted many injunctions against unions, ordering them to cease organizational activity and strikes.

- During this time, the government favored markets as the sole factor to guide choices made by employers and employees.

Source: U.S. Department of Labor. Retrieved from the World Wide Web on February 3, 2006 at http://www.dol.gov/asp/programs/history/organact.htm using the key search phrase "The Organic Act of the Department of Labor."

Visual 32.5

A Change in the Rules Concerning Organized Labor

1. The Great Depression prompted many Americans to question the belief that markets corrected themselves after disturbances.
   - Public opinion shifted toward favoring government intervention in markets.
   - New Deal legislation changed the federal government's legal stance toward organized labor.

2. The following laws were enacted:
   - The Norris-LaGuardia Act of 1932 stopped local courts from issuing injunctions against union-membership campaigns.
   - The Wagner Act of 1935 gave unions a legal right to organize; it also established the National Labor Relations Board (NRLB), which enforces the rights of employees to organize and bargain collectively.

3. Changes in the rules changed the incentives for workers.
   - Workers seeking higher wages or other changes in working conditions, standards or regulations could join a union at minimal cost after the changes mentioned above. This explains, in part, the jump in union membership between 1930 and 1935.