

Between Government and Market: The Political Economics of Labor Unions

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Abstract

We survey and summarize recent literature on labor unions in political economy. While labor unions have been a long-standing subject of study in labor and macroeconomics, until recently they have not been studied by political economists, despite being important political actors in many policy-relevant contexts. We first organize the literature into work on the margins of union political influence, including effects on voting, campaign finance, lobbying, and intraparty bargaining. We then discuss work on the internal politics and organization of unions, including issues of selection and representation, union aggregation of preferences. We pay special attention to the economic and political effects of public sector unions. We also discuss union behavior in weakly institutionalized contexts, where crime, corruption, rent-seeking, political strikes, and violence are all issues. We conclude with directions for future work.

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1 Introduction

There is a resurgence of interest in the economics and politics of labor unions. In labor economics, this scholarship joins a large and venerable literature on the effects of unions on the wage distribution and employment, and recent work is surveyed in Jäger et al. [2024]. In macroeconomics, models of unions have been incorporated into workhorse labor market models [Taschereau-Dumouchel, 2020, Dinlersoz and Greenwood, 2016, Alder et al., 2023], and there is a smaller, older macroeconomic literature on wage coordination and centralized bargaining [Calmfors and Driffill, 1988]. But, with the exception of the few descriptive chapters in Freeman and Medoff [1984], economists have conducted little systematic study of the political effects of unions until recently. This review article reviews this fledgling empirical literature on unions and politics in economics, connecting it to a larger scholarship in political science and sociology.

The modern political economics literature does not have a strong tradition of studying unions. In some sense, this is surprising, as many foundational figures in political economics began their careers studying unions [Riker, 1948, Lindbeck and Snower, 1986]. There is also an active literature in political science that studies the relationships between unions and politics, but this has not traditionally focused on causal identification, formal model testing, or quantification [Ahlquist, 2017, Hertel-Fernandez, 2024].

But political economy, the economic study of endogenous policy making, has only recently begun to incorporate unions as an important component of policy and politics, despite unions being as much political actors as economic ones. Literature in industrial relations and sociology have recognized the co-determination of collective bargaining institutions with many other policies and institutions. Nonetheless, in recent years, economists have begun to consider the political effects of labor market institutions in a systematic way. This review collates and surveys the recent literature on unions as political actors in economics.

We focus primarily on the United States, where linking data on union membership and voting outcomes is more easily accomplished and the English-language literature is large. This U.S. focus is not without costs. In systems like those in the United States, union membership and union coverage are virtually identical (notwithstanding recent sectoral bargaining innovations). In other countries, even when union membership has declined as a share of the workforce, collectively bargained contracts still cover a large share of workers [Jäger et al., 2024]. In France, for example, membership rates are lower than in the United States, but collective bargaining agreements are automatically extended to cover whole sectors. Thus, the coverage rate is much higher than the membership rate.

Although these two dimensions of union power may appear similar from the point of view of labor economists, they are potentially quite different from a political economy perspective. Membership-based organizations are civil-society organizations able to turn their collective action towards both political as well as economic interests. In contrast, simple

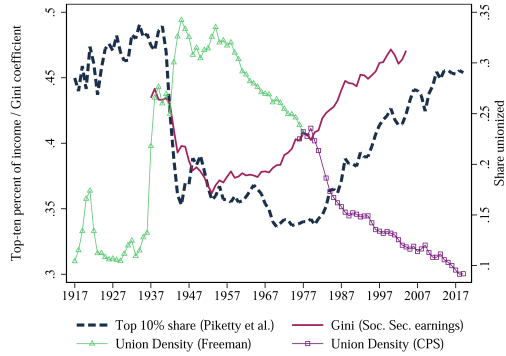
coverage will change wages and working conditions, while leaving political education and mobilization relatively unaffected. This paper will focus on the political effects of union membership in the United States, understanding that this is different from the effect of union coverage in other contexts.

Figure 1 shows multiple dimensions of the union power over time. Panel a, Figure 1a, from [Farber et al., 2021] shows the aggregate time-series of union membership in the United States, alongside measures of inequality. Farber et al. [2021] present a variety of pieces of evidence suggesting that unions compress the income distribution. Importantly, the evidence suggests that unions have spillovers onto the wages of non-union workers, also highlighted in Fortin et al. [2021] and Green et al. [2022]. These spillovers can be due to union threat effects, competition in the labor market, or simple establishment of prevailing wage norms. But an important additional mechanism by which unions may alter the level and distribution of income of even nonunion workers is via the policies chosen in political equilibrium. This view of unions as important political actors, despite potential economic inefficiencies, is highlighted in Acemoglu and Robinson [2013]. They suggest a simple two-period model in which unions distort the economy in a first stage but then act as a countervailing lobby against business, potentially raising welfare in a second stage. They emphasize that the rents secured by unions in the labor market are important to maintain an organization that is able to exercise power in the political domain.

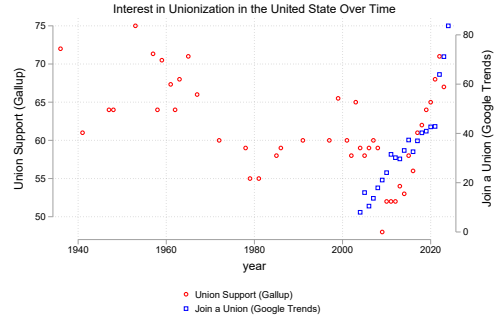
Despite steady and systematic union decline, interest in and support for unions has remained relatively constant, and indeed has increased in recent years. Figure 1 shows a sharp increase in support for unions (from Gallup polls) relative to long-term trends. The figure also shows a sharp increase in recent years in Google trends. Recent research has noted the same trend of increasing support for unions among the American public Macdonald [2023] including increased demand to be a union member [Hertel-Fernandez et al., 2022]. The figure indicates a significant mismatch between the demand for union representation and its supply in the United States. As Naidu [2022] argues, obstacles to workplace collective action and employer opposition to new unionization, together with the natural background exit rate of firms, makes it difficult for union density to keep pace with demand from workers. Even when unions are recognized, effective bargaining power often stems from strikes, creating another level of collective action problems. These collective action problems involve both free-riding and coordination issues that are similar to those faced by social movements and protests, both of which have been studied by the recent political economy literature [Cantoni et al., 2024] though the collective action problems of unions are mediated by more permanent and institutionalized organizations.

In this review article, we highlight recent papers that quantitatively study the relationship between unionization and politics. We organize these into four main bins:

- The causal effect of union membership on politics. This includes the effects of unions on the behavior and beliefs of their members. It also includes political activities of unions themselves in domains like election finance, lobbying, and within-party

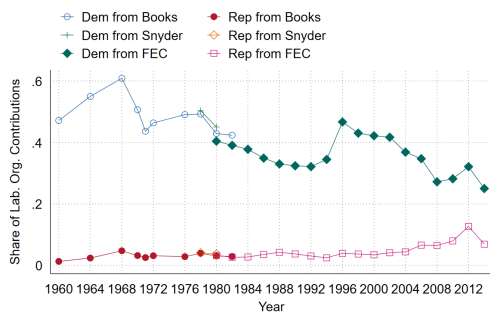


(a) Union Density Over Time and Inequality from Farber et al. [2021]

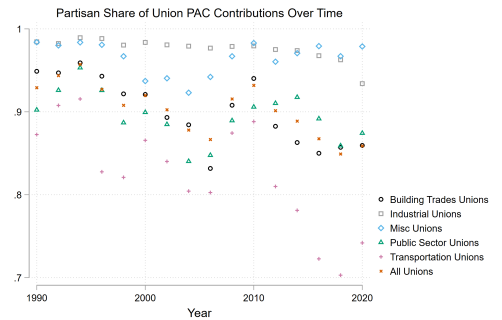


(b) Interest in Unions Over Time from Gallup and Google Trends.

Union share of total committee contributions



(c) Union Campaign Contributions Over Time from Kuziemko et al. [2023]



(d) Share Democrat of Union Contributions by Sector from FEC data.



(e) Note: Business vs labor lobbying expenditures from opensecrets.org, <https://www.opensecrets.org/federal-lobbying/business-labor-ideological>, accessed August 8, 2024. Data in nominal dollars.

Figure 1: Margins of union power in the United States over time

influence.

- The internal political economy of labor organizations, including selection, aggregation, and within-union representation of different types of workers into labor unions including women, minorities, and immigrants.
- The literature on the effects of public sector unions on government performance and political influence. Here, we emphasize what makes public sector unions distinct from their private sector counterparts in terms of political incentives they face and in terms of mechanisms of influence.
- Finally, we discuss the political economy of union corruption and criminality, as well as labor strife as a form of social conflict.

2 Unions and the Political Economy of Institutions

For most of this paper, we focus on the impact of unions within their politico-economic environment. However, historically, unions have been very involved in the creation of both democratic and economic institutions. There is a large literature mainly coming from history [Sassoon, 2010, Eley, 2002], political science [Iversen, 1999, Mares, 2003, Wilensky, 1974] and sociology [Korpi and Palme, 1998, Esping-Andersen, 1990], on the role of labor unions in building economic and political institutions.

The historical literature points out that unions played a large role in pushing for democratic reforms and in creating welfare-state institutions, including rules over collective bargaining. Unions have pushed for everything from franchise extension [Wood, 2000, Rodrik, 1999] to proportional representation [Przeworski, 1986] and in diverse countries and time periods as early 20th century Europe [Rodden, 2019] to South Africa [Wood, 2000] to South Korea [Rodrik, 1999] to many countries in Latin America [Collier and Collier, 2015]. A working paper by Adam Dean [Dean, 2024] finds that democratizations led by labor organizations reduce inequality and increase labor rights and wages, with no such effects when they are led by business or professional groups.

Unions also altered the extent of redistribution following democratization. Sassoon [2010] argues that the welfare states of Europe were built by center-left social democratic parties in coalition with substantially smaller communist parties.

There is also a large cross-country literature, primarily in political science and sociology which argues that modern democratic states differ in the amount of redistribution through public policy largely due to the differences in strength of unions across countries. This literature [Korpi and Palme, 1998, Esping-Andersen, 1990] focuses on policies and institutions as the consequence of class conflict, with unions as a vehicle for the interests of the urban working class. This literature is mostly empirical and qualitatively describes the differences between capitalist democracies. The earlier literature focused more on differences between countries in labor power. However, [Mares, 2003] extends the analysis

to look at the role of more versus less accommodationist employers.

In the cross-national comparative literature, the historical experiences of a few archetypical countries have loomed large. The British labor movement was key in securing the 1867 reform act that expanded male suffrage to non-property holders. British unions then established the Labour Representation Committee, which became the modern Labour Party, and went on to support further expansion of the franchise in 1918 and 1928. The Labour Party would go on to stand up much of the British welfare state, first with the National Insurance Act of 1911, and then with, e.g. support for the National Health Service after World War II.

Another widely studied case is Sweden. The tight link between Swedish labor unions and the Social Democratic party in winning both the franchise and the welfare state has been widely studied. There are also extensive historical microdata. For example, Karadja and Prawitz [2019] measured the effect of frost-driven outmigration in 19th century Sweden, finding that it raised all of union membership, labor strikes, and voting for the Social Democratic party, contributing to Swedish democratization. They further document an intriguing cross-country correlation: countries that sent more migrants to the United States in the 19th century have higher trade union density today.

Finally, another comparative literature has examined change and convergence in the institutions of collective bargaining and the political power of unions in the face of globalization [Streeck, 2005, Dean, 2024]. The bulk of this literature has focused on OECD "Varieties of Capitalism", partly due to the availability of rich data on systems of industrial relations put together by Visser [2019].

3 How do Unions Affect Policies?

To the extent that unions operate in politics, they apply a set of unique tools. Many unions conduct political education and persuasion of their members. Unions leverage their membership as labor for political mobilization, as donors to union Political Action Committees (PACs), as direct donors to union-supported candidates for office, and even as contributors to firm PACs. We turn next to these dimensions.

3.1 Unions Affecting Voter Behavior and Beliefs

In this section, we investigate whether unions influence the political attitudes and political engagement patterns of workers. The literature largely does not distinguish between effects on members and effects on workers who are covered by unions. As discussed, this is because the distinction is not well measured in the data and because in the United States the distinction is minimal.

3.1.1 Individual-level Evidence

There is a widespread perception that unions influence the ideology of those they represent. In part, this perception comes from a robust correlation in the survey data. Yan [2024] provides a comprehensive review of estimates of the effect of unions on beliefs and political behavior in political science, and we refer interested readers to that paper for a critical and detailed interpretation.

For an example of survey-based correlations, Kerrissey and Schofer [2013] show that union members in the United States are more likely to engage in a variety of political activities, and this correlation is larger for less educated workers. For example, the difference in protest participation between educated and non-educated respondents is nonexistent in the unionized subsample. There is no difference in other prosocial activities such as charitable giving or nonpolitical volunteering, suggesting the channel is union political education and engagement.

As another example, Leighley and Nagler [2007] show, using cross-sectional evidence controlling for a large number of individual-level and election-level characteristics, that union members are more likely to vote and more likely to vote Democrat.

These estimates make sense. Though U.S. unions are famously less integrated into a political party than many of the center-left counterparts in other high-income countries, U.S. unions are nonetheless tightly linked to the Democratic party. However, Democratic support for union members has attenuated over time. We can illustrate the historical evolution of this relationship using Gallup and other surveys put together by Kuziemko et al. [2023]. Figure 2, panels a) and b) show that the unconditional and conditional correlation between stated voter support for the Democratic party and union membership is strong and positive both currently and historically going back at least to the period of time of the passage of the National Labor Relations Act. However, it has fallen and become less precise over time.

Macdonald [2021] shows, using matching estimators and survey responses in the National Annenberg Election Survey (NAES) and the American National Election Survey (ANES), that unionized workers know more about politics than similarly educated counterparts not in a union.

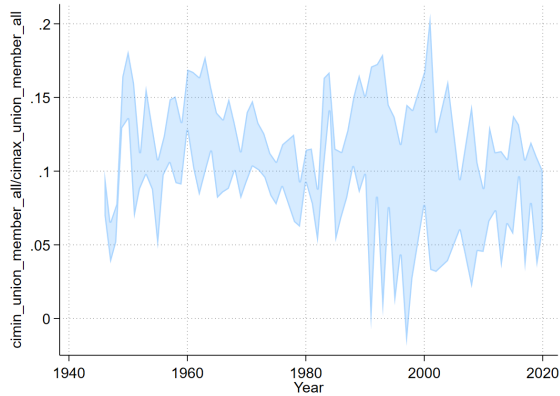
Macdonald [2019] suggests a large role for unions in influencing attitudes towards redistribution. Though in recent years, support for redistribution has been rising [Ashok et al., 2015], for a long time inequality rose with subsequent increases in support for redistribution. Macdonald [2019] discusses the Meltzer-Richard puzzle. In a well known paper, Meltzer and Richard [1981] present a formal theoretical model and show that increases in inequality, for a given level of inequality aversion, leads to greater demands for economic redistribution. However, over the past half a century in the United States, inequality has increased dramatically without an accompanying increase in demand for redistribution. Macdonald [2019] postulates that, consistent with Meltzer and Richard

[1981], inequality increased the demand for redistribution but that offsetting that increase was a decline in unionization and the ideological influence of unions. Using survey data, the paper shows that, controlling for industry as well as a number of individual-level demographic covariates, support for trade protection is significantly higher for unionized members. Though Macdonald [2019] estimates his model using state and time panel effects, his data comes from a repeated cross-section.

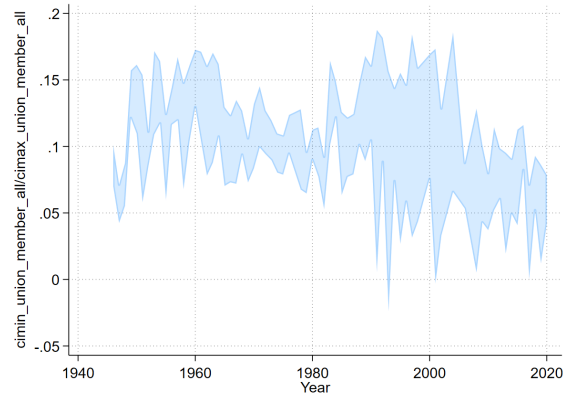
Kim and Margalit [2017] use a targeted survey of 4,000 U.S. workers who work in industries producing globally traded goods who are thus more exposed to globalization shocks. The survey asks detailed questions on occupation and industry, unionization on trade status and support for liberal trade policy. The paper shows that controlling for industry as well as a number of individual-level demographic covariates, that support for trade protection is significantly higher for unionized members. Kim and Margalit [2017] also show that attitudes towards the extension of NAFTA to South Korea changed significantly after the United Auto Workers (UAW) came out against the expansion. However, only union members' attitudes changed. Changes were massive with a decline in support from roughly 80% to 40%. Though firms may also influence worker attitudes Hertel-Fernandez [2018], the change in attitudes towards trade policy that the authors analyze only occurs in unionized work environments pointing towards the ideological role of unions over firms.

Kim and Margalit [2017] also show that workers whose unions communicate more with their members are more knowledgeable about policy, more knowledgeable about union stances, and more likely to agree with the union position. The Kim and Margalit [2017] paper interestingly focuses on a situation where (1.) workers plausibly have less information than unions and than firms and (2.) firms and unions are more likely to agree on policy. As Zaller [1992] has pointed out, individuals are particularly subject to persuasion from perceived experts when they are relatively uninformed. Also, ideological influence is likely to be more effective when firms and unions are aligned as unions do not have to combat an anti-union campaign. Thus, these results are likely not externally valid to situations where unions and firms disagree (i.e. labor law reform) or where workers are better informed and have stronger preferences (i.e. minimum wages).

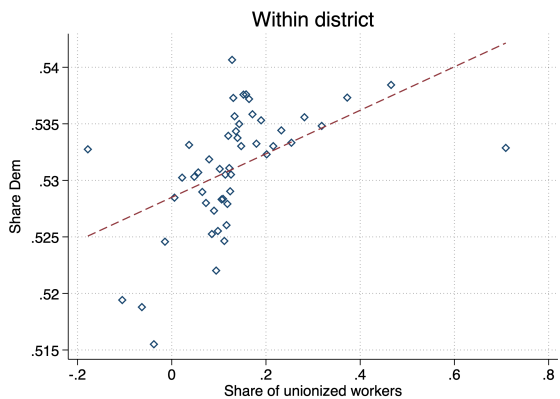
The correlations between unionization and political behavior can also be reproduced at higher levels of aggregation with administrative data, subject to well-known concerns of ecological bias (as well as the usual concerns of omitted-variable bias). In panels c) and d) of Figure 2, we also present a bin-scatter plot showing non-parametrically the change in the share of unionized workers in a precinct and the change in the Democratic vote share. There is a strong positive association. It is even more stark if we show the cross-sectional nonparametric correlation in levels. There is an even tighter correlation between changes in the share of unionized workers and voter turnout.



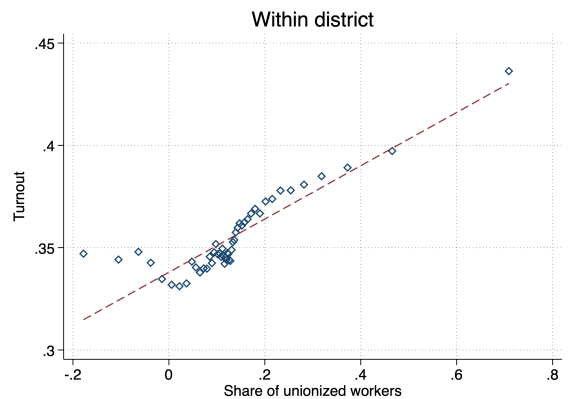
(a) Union Democrat Correlation over Time (No Controls)



(b) Union Democrat Correlation over Time (With Controls)



(c) Within-District-Election Union-Democratic Precinct Correlation



(d) Within-District-Election Union-Turnout Precinct Correlation

Figure 2: *Note: Union-Voting Relationship, Individual and Ecological.* This figure presents four graphs. Each of the top two graphs plots the correlation between union membership and Democratic party identification using data from Kuziemko et al. [2023]. Each of the bottom two graphs is a binned scatter plot of the unionization rate plotted against a political measure at the precinct level. The first figure shows the mean democratic vote share and the second shows the turnout rate. The precinct-level unionization measure comes from county-level unionization rates calculated using Gallup and FMCS measures, then reweighted by commuting patterns from LODES. The democratic vote share and the turnout rate come from Longuet-Marx [2024].

3.1.2 Causal Evidence?

However, it is not clear whether the above correlations reflect a causal effect of unionization on politics or the selection of Democratic partisans into unions.

For example, Frymer and Grumbach [2021]) use the panel structure of the Voter Study Group survey (VSG) and the CCES (Cooperative Congressional Election Survey)¹. They estimate a number of models including cross-sectional regressions controlling for covariates, a matching estimator, first-difference regressions, and lagged dependent variable models. For outcomes, they look at responses to four questions on racial resentment. Their estimates are similar across methods. The most convincing specification is the first-differenced regression estimated in the VSG but not in the CCES. This model is identified off of switchers in and out of union status, and they find that individuals that switch into union status become less racially resentful. In the CCES, controlling for lagged dependent variables but not fixed effects, they find a reduction in measured racial resentment upon entering a union (or a rise upon leaving a union).

An important recent paper by Yan [2024] is unique in estimating individual-level effects of unionization on beliefs, turnout and partisanship using panel data in a fixed-effects specification. Combining a large number of surveys to bolster sample size, he identifies unionization effects on politics from switchers of union status. Using panel data, one can better control for time-invariant confounders of partisanship and turnout, such as race, gender, and public sector employment. He additionally replicates Frymer and Grumbach [2021] using fixed effects and finds a null effect.

[Yan, 2024] goes through great pains to show that his results are correct and robust. He runs a large number of estimates across many data sets and shows that the p-values from his estimates are uniformly distributed as one would expect in the presence of a null effect. He also argues that ceiling effects do not explain his results. He measures union member political attitudes before joining a union and whereas union members are more liberal before joining a union, they are only slightly so. Thus, there is scope for unions to have influence. Yet he finds none. He also shows that there are no time trends in the influence of unions on politics so that the low estimates are not reflective of declining union power. Additionally, he shows estimates in both the short and the long run and does not find that union effects either decline over time or increase with cumulative exposure.

The biggest critique of his work is the possibility of attenuation due to measurement error. Economists have long known that fixed effects exacerbate measurement error [Ashenfelter and Krueger, 1994]. [Yan, 2024] argues first that measurement error of union status is pervasive [Card, 1996] and thus is unlikely to strongly attenuate estimated effects. Second, he argues that when people are prompted to remember union status, they are more likely to be prompted to report more liberal political orientations. This paper reflects the most convincing work done to date. More evidence on whether the addition of fixed

¹The CCES has subsequently been renamed the CES - the Cooperative Election Study

effects attenuate treatment effects, as well as mitigating worries due to endogeneity of changes in union status (for example one could wonder if the effect was due to changing jobs, or the same job changing union status) is warranted for future research.

Feigenbaum et al. [2018] estimate aggregate impacts upon Democratic vote shares. They compare counties in the United States which border each other but lie in different states when one state passes a right-to-work law and the other does not. Right-to-work laws ban closed shop contracts mandating the payment of dues by workers to the union. As a result, they make it substantially more difficult for unions to recoup organizing costs for the establishment of new unions. Right-to-work states have substantially lower unionization rates in comparison with other states. (Feigenbaum et al., 2018) find that following the passage of a right-to-work law, the Democratic vote share for presidential, gubernatorial, house and senate elections all fall by around 3.5 percentage points. Though it is not clear from (Feigenbaum et al., 2018) whether the reduction in the democratic vote share is due to lower mobilization or less countervailing ideological or partisan influence, turnout does fall by 2 percentage points suggesting a potential role for both ideology and mobilization in the union impact on electoral politics.

A few papers have attempted to isolate causal variation in unionization and look at political behaviors besides voting, such as campaign contributions, and we discuss these below. But even with causal variation in union status there is still a concern with "bundled treatment" since unions change political information, wages and benefits along with myriad other workplace conditions, and these may drive political behavior rather than unionization per se.

What would count as a "big" effect of union membership on voting behavior such as turnout? One metric used to quantify ideological impacts is persuasion rates [DellaVigna and Kaplan, 2007, DellaVigna and Gentzkow, 2010, Jun and Lee, 2023] which divides the causal effect of exposure (in this case to a union or union political program) on the share voting by (one minus) the share voting in the control group. Jun and Lee [2023] Table 1 presents estimates of persuasion rates on turnout ranging from 0.045 to 0.204. Leighley and Nagler [2007] find an individual coefficient of 0.35 in the ANES survey, while 2d shows the within-district turnout coefficient on union member is roughly 0.15. If we presume a non-union turnout share of roughly 50% (of eligible voters), we get large persuasion rates of between 0.7 and 0.3. Neither of these estimates are causal, and this calculation is purely illustrative, but it suggests that persuasion rates (bounded to handle non-compliance as in Jun and Lee [2023]) are the political analogues of the widely-estimated union premium. Alternatively, if detailed measurement of union member exposure to union political education was available, then conceptually closer measures of persuasion to the literature could be obtained.

3.2 Unions as Campaign Financiers

Unions can influence election outcomes not just from mobilizing their members to vote (turnout) or convincing their members to support candidates (persuasion), but also from directly providing capital and labor resources to political campaigns. In addition, unions can signal information to voters, including voters outside of their union, by endorsing candidates.

In the United States, the CIO's Political Action Committee was one of the earliest and most effective mobilizers of funds for the Democratic Party, ensuring industrial unions' influence within the party. As shown in Figure 1c, Kuziemko et al. [2023] provides evidence that the union share of campaign contributions to democrats has fallen over time and that this is mirrored by an increase in corporate and educated individual donations over the same period. They argue this contributes to the increase in power of the educated within the Democratic party.

Figure 1d shows that the extent of partisanship among union contributions varies by sector, but virtually all skew Democratic. Nonetheless the variation over time and by sector shows that not all unions behave as general-interest Democratic interest groups, but may also selectively intervene in elections in order to further their interests.

Matzat and Schmeißer [2022] study how firm-level unionization affects campaign contributions. They match FEC contributions data (which has employer) with union recognition election outcomes from the National Labor Relations Board. Using a difference-in-discontinuity approach, along with an instrumental variable coming from health-and-safety violations that increase unionization in a local labor market, they find that unionization changes the composition of employee contributions, both manager and non-manager, towards the Democratic party. [Yan, 2024] and Matzat and Schmeißer [2022] are both well crafted papers which reflect the most convincing research done to date on their respective topics. [Yan, 2024] finds no impact on partisan registration or turnout. [Matzat and Schmeißer, 2022] finds a positive impact. It would be interesting to reconcile these findings. Are differences in estimates driven by differences in research design? Do unions influence members with a pre-existing political orientation to increase their level of activism?

Union campaign financing has often been compared to firms' giving in order to secure preferential policies. However, in their contribution patterns, they are much more similar to voters than firms in that they are highly partisan in their giving behavior [Kaplan et al.]. Even so, as shown in Figure 1d, in recent years, they have become less partisan in their contributions.

Observational evidence on the effectiveness of union campaign spending suggests that union-supported legislators support pro-labor legislation [Burns et al., 2000], but causal effects are lacking. However, a recent literature uses better identified panel methods and finds a positive impact of expenditures. In other countries, unions can directly contribute

to political parties. They do not need to go through political intermediaries, such as PACs. Alexander Fourinaies studies the role that unions played in UK elections as sources of funding in the UK Labour Party. From the party's founding in 1900, candidates competed for formal union sponsorship. Unions, after sponsoring, tried to help their sponsored candidate become the labor party nominee in the candidate's chosen district. Finally, if the candidate won the nomination process based upon voting by local party members, the union would provide both monetary and organizational resources to help the candidate's bid for office. Using a differences-in-differences strategy, Fourinaies [2021] shows that candidates with sponsorship receive a 6 percentage point increase in their final vote share. The paper further shows that the signaling channel is likely not operative since it finds no impact when spending limits are binding. It also shows that union sponsorship does not have an impact by scaring off more robust opponents. Effect sizes are near identical when opponent fixed effects are added to the regression. Finally, Fourinaies [2021] also shows that unions didn't raise vote shares by raising turnout. Although the political economics literature has struggled with estimating the general impact of campaign contributions, it has shown sizable positive effects of expenditure on the two main components of campaign expenditure: political advertisement [Spenkuch and Toniatti, 2018] and get out the vote operations [Green and Gerber, 2019].

One important and interesting question that this emerging literature on the funding channel of union influence has yet to address is whether the impact of labor unions is similar to the impact of any donor of money and time or whether monetary expenditures are more or less effective when coming from labor unions. Are unions similar to other large donors? Are they similar to a membership organization such as the NRA or the Sierra Club? Or are they qualitatively different, and if so, how?

3.3 Unions as Lobbyists

Unions are also active as lobbyists in policy making after elections are over. However, as Figure 1e shows, the labor share of lobbying expenditure is quite small compared to the business share in recent years². Perhaps for this reason, there is almost no quantitative literature that has assessed the role of unions in lobbying. But in particular policy domains that are of interest, unions may exercise outsized influence, and their lobbying contributions may have outsized returns because they are paired with voter mobilization and the campaign finance tools discussed above.

Lobbying over labor market regulation: The theoretical lobbying literature has distinguished between information-based and interest-based lobbying. Information-based lobbying occurs when informed principals (businesses and unions) send signals to an uninformed agent whose interests may diverge. Interest-based lobbying occurs when

²Data from the United States is generally only available since 1995.

principals offer incentives for agents to implement policies in their interests. In this section, we provide examples of policy domains over which unions have information and interests in lobbying based on their impact on union density and influence.

Unions have a natural interest in labor market regulation, and thus closely watch and influence debates on labor market policies. This is most obvious when the policy concerns unions themselves, such as reforms that would make it easier to organize, or laws that deregulate union reporting and weaken union oversight.

But unions also lobby for general interest labor market policies that would benefit both members and nonmembers. Two prominent examples are minimum wage legislation and health-and-safety regulation. Clemens and Strain [2023] present evidence that minimum wages raise union density. Johnson [2020] shows that unions amplify the effect of detected health and safety violations on subsequent compliance.

Lobbying over trade policy: Unions whose members are exposed to international trade also lobby for trade protections, while unions whose members could benefit from international trade may lobby for trade liberalization.

A set of papers have documented effects of trade liberalization on union density. Ahlquist and Downey [2023] find that manufacturing industries exposed to the China shock have lower union density, particularly in right-to-work states, but that this is offset by women reallocating from non-union sectors like retail into unionized sectors like education and health care.

Ogeda et al. [2024] study the political response to trade liberalization in Brazil in the 1990s, finding that municipalities that were more exposed to liberalization had a permanently lower share of left-wing votes. The proposed mechanism is deunionization, induced by trade competition, which weakened the vote share of parties linked to unions.

In small open economies with their own currency and strong centralized unions, like Norway, the union-negotiated wage is determined jointly with central bank monetary policy and employer price setting. This is because the macroeconomy is highly dependent on the competitiveness of exports, and the centralized unions are cohesive enough to internalize the costs of wage pressures.

Lobbying over competition policy: Competition policy is also a domain in which unions have exercised some lobbying interest. Unions can lobby alongside employers for particular mergers or other non-competitive practices that transfer rents from consumers to workers-plus-firms. But unions can also lobby against non-competitive behavior by firms, perhaps as a part of a corporate campaign to win recognition in non-unionized companies, or to win concessions in union bargaining. Finally, alliances with other actors, like community and non-profit groups, may create lobbying positions for unions over competition policy that may not reflect the interests of unions alone.

A recent change in competition policy has been a new focus on labor market competition

as a priority for antitrust authorities. Recent growing literature has shown that employer market power, or monopsony, is countervailed by unions [Benmelech et al., 2022, Dodini et al., 2023, Dodini and Willén, 2022]. U.S. unions have lobbied for neutrality agreements as a merger remedy [Naidu and Swerdlow, 2024] in the recent Microsoft acquisition of Activision, and have used anti-union practices of the University of Pittsburgh Medical Center as evidence that further consolidation would be anticompetitive.³ However, academic research on the role of unions in competition policy is lacking and deserving of more work.

3.4 Unions as Party Factions

The political influence of unions makes union support for parties and candidates important. Unions were important constituents of both social democratic and communist parties. In many countries, the left party has historically been a labor party, a name that continues to be attached to center-left parties (e.g. in UK and Australia) to this day.

While there have been third-party movements in the United States historically, there has never been a labor party with any national traction [Hirano and Snyder Jr, 2007]. Archer [2010] argues that the United States never developed a labor party because of outsized roles for repression of the labor movement and also due to the strength of the religious movement in the United States, but Eidlin [2018] points out that Canadian unions formed a labor party facing even more repression and an arguably even more socially conservative population.

A relatively recent literature [Roemer, 1999, Besley, 2007, Kuziemko et al., 2023], has highlighted the importance of incorporating within-party bargaining between factions into standard models of political competition. For example, [Roemer, 1999] posits the existence of “opportunists”, “reformists”, and “militants” as within-party factions. Opportunists care only about winning, militants care only about policy positions, and reformists care about both. Unions have played all of these roles in labor and center-left parties. For example, Luebbert [1991] argued that urban working class unions together with farmers were the core intra-party coalition securing social democracy (vs either fascism or liberalism) in interwar Europe.

In the absence of a labor party, American labor unions have historically overwhelmingly supported the Democratic party. The correlation between union membership and Democratic voting, as shown in Figure 2, is positive at the individual and precinct level. But the individual correlation has been declining over time, consistent with trends across western democracies. For example, Lonsdale [2023] shows union voting patterns in many countries, finding that union members tend to vote more for the left, but this is also declining in

³Details of these are described in journalistic accounts in <https://blogs.microsoft.com/on-the-issues/2023/10/13/microsoft-affirms-commitment-to-labor-principles-cwa-labor-neutrality-agreement> and <https://www.weirtondailytimes.com/news/business/2024/06/washington-health-system-upmc-merger-now-official>

some, but not all countries.

Unions have been gradually replaced in center-left parties by factions of educated voters. Gethin et al. [2022] documents a movement of educated elites into left parties dominated by organized labor across 21 democracies. They argue that as this has happened, policy and ideology has become more conservative. Kuziemko et al. [2023] study this realignment in detail in the United States, showing that conservative members of the Democratic party (the Democratic Leadership Council) were disfavored by union PACs in primary elections, even as they were favored by individual donors, even out-of-district ones, from high education zipcodes.

3.5 Firm Effects on Politics

An effect of unions on politics would be unsurprising in light of the literature showing that firms have an effect on individual political behavior. In the context of the United States, there is a growing literature on the impact of firms on employee participation in politics. If firms also mobilize workers politically, does this complement or countervail union political mobilization? Are the mechanisms of workplace mobilization into politics similar whether or not the persuasion is done by a union or an employer? Here, we briefly review the literature on firm influence on politics.

Bombardini and Trebbi [2011] shows robust evidence that contributions from firms to politicians follow an inverted U-shape in the number of employees. Firms with a larger number of employees in a district contribute more for smaller firms but for larger firms, the opposite is true. Bombardini and Trebbi [2011] interpret this as due to the interaction of two competing effects. On the one hand, a firm with more employees will have lower bargaining power because it has more funds. On the other hand, it will be better able to satisfy local politicians in bargaining through persuasion and delivery of votes.

Are firms successful however in mobilizing workers? [Stuckatz, 2021] shows that 16.7% of employee contributions are made to corporate political action committees in the United States. This is a particularly large amount given that in 1980, corporate PAC contributions and labor contributions were close to \$40 million for the electoral cycle. However, in 2012, labor PAC contributions remained close to \$40 million, while corporate PAC contributions had increased fourfold to \$160 million for the electoral cycle [Kramer, 2017]. It is not clear whether these substantial contributions of workers reflect actual political alignment, coercion, ideological persuasion, or a perceived opportunity for corporate advancement. Future research could try to distinguish between these motives for the large amount of worker-contributed corporate PAC funds.

Alexander-Hertel Fernandez, in his book, "Politics at Work: How Companies Turn Their Workers into Lobbyists", delves into micro-evidence on how employers mobilize their employees for political support. Using surveys and interviews and citing a wide range of literature in political science, sociology, and economics, (Hertel-Fernandez [2018])

documents multiple methods of employee mobilization on behalf of employers. Employers mobilize their employees to write letters and emails, donate to political action committees, and make calls on behalf of politicians. They also mobilize workers to show up to political events. Some of these activities happen during work hours and others outside of work hours. In addition, employers often implicitly or explicitly incentivize workers to engage politically with promotions and raises.

In some cases, political mobilization by employers is in the narrow economic interests of both workers and firms. An example of mobilization like this would include support for trade policy, which would generate additional revenue for a firm. However, some of the time, employers mobilize workers to support policies or politicians that would be contrary to employee economic interests. Examples would include mobilization to support more conservative candidates or mobilizing against a rise in the minimum wage.

Mobilization of employees is bolstered by increasing homogeneity in politics within the workplace. This has been documented in the United States (Frake et al. [2023], Adrjan et al. [2023]) and in Brazil (Colonnelli et al. [2022]). Colonnelli et al. [2022], in particular, documents a high degree of political homogeneity by workplace using voter records attached to matched firm-worker data and uses an audit study to show that employers select employees based upon politics. Selection on politics facilitates firm mobilization including potentially firm mobilization against unions. However, in some circumstances, it may also facilitate union organization. This has yet to be discussed in the literature.

There is currently less microempirical evidence on union mobilization of employees. Although there is a large body of literature on union mobilizations of workers for the purposes of winning recognition and in collective bargaining (Bronfenbrenner [1998, 2009]), little has been done to date on political mobilization of workers in broader political campaigns.

4 The Internal Politics of Unions

In this section, we focus on the internal politics of unions, which are themselves interesting laboratories for studying a variety of issues in political economy.

4.1 Selection into Union Memberships: Inclusive vs. Exclusive Unions

Labor economists have long studied the determinants of union membership. Besides the effects of unions on members' political views, there is a question of selection: who joins unions as members? Around the OECD, private sector, largely male and industrial unions have given way to more women and public sector unions [Skorge and Rasmussen, 2022].

Unions are highly heterogeneous in their openness to new members. In the labor market, union objectives are constrained by the elasticity of the demand for labor [Friedman,

1951, Rees, 1963]. Some craft-based unions have continued to act largely as “exclusive” guilds, restricting membership, and rationing access to a fixed supply of high-quality jobs. This exclusiveness may be necessary to incentivize investments in costly industry-specific apprenticeship programs, but it can also be a simple tool for rent extraction by a particular subgroup. Other service and industrial unions are more “inclusive”, and prioritize organizing new members, recognizing that they face elastic firm-specific labor demand curves, and high density is a prerequisite to union premia.

Farber et al. [2021] show that patterns of household selection into unions over the 20th century moved with density, even as pay premia stayed constant. That is, when unions were at their peak, the membership was less formally educated and less white than non-union workers, but as union density declined, union membership became whiter and more educated, paralleling the general “upskilling” of center-left political parties. This was despite the increase in non-whites as a fraction of lower income workers due to immigration.

Patterns of racial inclusion are noteworthy, as unions have historically excluded minority groups in a variety of contexts[Draper, 1994]. In the United States, unions such as the Brotherhood of Sleeping Car Porters and Maids, led by A. Phillip Randolph, were majority Black even in the early part of the twentieth century. However, many other unions excluded Black workers either implicitly or explicitly. Frymer [2011] documents how the Democratic party expanded labor rights and eventually civil rights, but the courts played a significant role in opening up racially resistant unions to a diverse membership.

Similarly, many unions also excluded immigrant workers and women. Given this well-known history, a recent paper by Medici [2023] has a surprising finding. He finds that increases in immigration *increase* rather than *decrease* unionization. Medici [2023] estimates a two way fixed effects model where he regresses the union membership to working-aged population ratio on immigration rates. He uses a well known instrument due to David Card (Card and DiNardo [2000]) where, conditional upon the fixed effects, he additionally instruments immigrant flows with prior immigration stocks.

Medici [2023] constructs a variety of new data to answer the question. Medici assembles a data set containing numbers of union members by year, state and union from state-level annual conventions of the American Federation of Labor (AFL). This data will be useful for other researchers interested in the historical evolution of unions. The paper also creatively collects and uses a number of other data sources such as a data set of names of union leaders.

Overall, the paper finds that had immigration been completely shut off during the 1920, unionization rates would have been 17% lower. Of course, immigrants themselves could join unions at high levels and thus mechanically lead to the growth in unionization. However, Medici [2023] uses a list of union members’ names and finds that there was no increase in names that originated in the countries that provided the large migrations of the early 1900s. Ultimately, the paper finds the movement of native workers into

occupations more heavily protected by unions. However, it finds this inflow into more heavily unionized sectors only for skilled workers.

4.2 Categorical Inequalities Within Unions

Even holding membership fixed, unions can aggregate the interests of different subgroups of members more or less than the corresponding share of membership. For example, Corradini et al. [2023] draws on Brazilian administrative data to examine the role of gender representation in union leadership in collective bargaining outcomes. The center-left affiliated Brazilian union federation CUT passed a resolution mandating equal female representation in union leadership. Using natural language processing of collective bargaining agreements, the authors show that the subsequent contracts had language with amenities more favored by women, improving retention of female workers.

These results parallel a cross-country result from Skorge and Rasmussen [2022] who show that in countries where women's share of union members tracks female labor force participation rates, governments provide more family-friendly policies.

Unions may also aggregate the divergent interests of skill groups differently [Becher and Pontusson, 2011, Cronert and Forsén, 2023]. Budde et al. [2024] show that blue-collar workers who become worker representatives provide more job security, in line with preferences of blue-collar workers.

As populations age, a question that has arisen for unions is whether retirees can stay dues-paying members and vote in internal union elections. Pyka and Schnabel [2023] finds that retirees are slowly increasing as a share of union members, as much as 20% in the Netherlands. This could induce interesting intra-union conflicts over prioritizing the interests of current workers vs. retirees (e.g. pensions vs wages).

4.3 Internal Democracy and Union Objectives

A classic political economy question is the aggregation of diverse interests in organizations. Unions have to decide how to allocate scarce resources towards organizing new units, servicing old units, and influencing politics, among other things. They also have to decide when to strike and what to demand from firms in terms of concessions. Union objectives reflect the will of their members and leaders, but are constrained by market and political pressures. Factions, cliques, informal leaders, and networks within union jurisdictions (such as firms or industries) will all determine the priorities of unions [Lipset et al., 1956]. If workers are substitutes in production, then unions may be quite militant, as mobilizing all the workers is important for winning wage increases. If workers are complements, then unions may find more moderate strategies advantageous, as lowering labor demands for any group of workers hurts all groups of workers [Bhuller et al., 2022]. But if labor markets are monopsonistic, this intuition may be attenuated or even reversed.

Kremer and Olken [2009] model a “trilemma” where unions can be any two of large, powerful, or democratic. Democratic unions will tend to demand high wage concessions which will lead to more employer opposition in organizing new unions and firm failure [Wang and Young, 2022]. Large and powerful unions insulate leadership from membership to some degree to keep a focus on growth. Kremer and Olken [2009] empirically examine this idea with time-series data on union membership from the US. They show that unions with indirect leadership elections, where members choose leaders indirectly by choosing delegates to choose leaders, grew more compared to unions with direct elections.

Union elections also provide a natural laboratory for studying theories of voting. Farber [2015] shows that the turnout is higher in smaller NLRB elections. Frandsen [2017] shows that close NLRB elections are disproportionately union losses and that this is concentrated in periods where Republicans have a majority of NLRB appointees. This pattern of lopsided close elections is similar to patterns of incumbent advantage due to mobilization [Vogl, 2014]. Askenazy and Breda [2020] find positive effects of electoral competition between unions in the workplace on union membership in France.

Union leaders may also implement their preferred vision while remaining democratic through influence and persuasion. Boudreau et al. [2023] looks at the role of union leaders in influencing and mobilizing workers. On the one hand, managers can aggregate and coordinate voters by implementing the median preference of the membership (Black [1948]). On the other hand, the union leadership can influence workers to act according to the preferences of the union, which is consistent with the research on the impact of leaders in general by (Lenz [2012]). In terms of influence, union leaders can mobilize workers to take actions that support areas of mutual agreement between union leaders and workers. Alternatively, union leaders may actually alter worker ideology, either convincing the worker to support positions on which they had no prior views previously or to change their positions from prior positions that they held. Boudreau et al. [2023] studies small groups in Burmese unions that report to a bargaining team on preferences over the minimum wage setting. They randomly assign whether groups have a union leader and whether that leader is from their unit. They find (1.) that groups with union leaders tend to report preferred wages closer to leadership preferences, (2.) that leaders tend not to announce their status within the union, and (3.) that effects of leaders are as strong when assigned to their own units as when they are not. Overall, Boudreau et al. [2023] find evidence in support of Lenz [2012], but rule out influence through formal status or social networks. Boudreau et al. [2023] find that the personal traits of union leaders are different from those of rank-and-file members.

Ahlquist et al. [2014] conduct a comparative study of dockworker unions in the U.S. and Australia, contrasting the U.S. east coast ILA with the West Coast ILWU and the Teamsters and WWA in Australia. The dockworker sector is particularly interesting as it has been subject to enormous amounts of automation due to containerization. However, it has also benefited from globalization and increased international trade. [Ahlquist et al.,

2014] contrast economic and political mobilization of unions showing that unions can vary based on who they include in their "community of fate"; West Coast dockworkers had an expansive view of their collective interests (e.g. including not unloading South African ships during the anti-apartheid boycotts), while other unions in the same sector did not (e.g. Teamsters, ILA).⁴ One takeaway from [Ahlquist et al., 2014] is that the economic success of unions is a precondition for their political effects; leaders who are unable to deliver on the bread and butter issues that members care about are unable to mobilize those members politically.

5 Public Sector Unions

While public sector unions often have similar goals as their private sector counterparts, the government is the main employer. Politics plays a much larger role in securing union objectives, and objectives often conflict with those of politicians, other interest groups, and voters.

In addition, the recruitment, retention, and motivation of government employees is a key component of many dimensions of public good provision, including the rule of law, health care, infrastructure, and education. Hence, public sector unions are a non-state organization with a large footprint in government output, and with a correspondingly large interest in the allocation of public resources and the outcomes of elections.

5.1 The Effect of Public Sector Unions on State Capacity

A large literature discusses the effects of collective bargaining in the public sector on the dimensions of government provision, from costs to quality. But little of this literature has been related to the broader political economy literature on state capacity [Acemoglu, 2005] or even to the more microeconomic literature on the "personnel economics of the state" [Finan et al., 2017]. Public sector unions can either exacerbate or mitigate various agency problems in the government delivery of services. If government officials behave as cost-minimizing monopsonists, unions may improve efficiency of government hiring and may act as a lobby in favor of public goods over tax cuts. But unions may also block the adoption of reforms or incentives that would improve public good provision. In this section, we survey some of the literature on the effects of public sector unions on government outputs and costs.

As a suggestion that public sector unions might matter for the practical details of building state capacity, consider Bold et al. [2018]'s experience in scaling up a successful RCT that raised student outcomes by putting teachers on fixed contracts. The government's

⁴Boudreau et al (2021) study the role of union leaders using. Myanmar, finding that union leaders can causally change the beliefs of union members via persuasion.

attempt to scale up the intervention triggered resistance from the teachers' union, and the intervention had no effect on contract teachers who had contact with a union representative.

One benefit of looking at public sector union impact upon productivity is that many public sector occupations have publicly available or attainable outcome data such as test scores and graduation rates for students, mortality and ICD10 (International Classification of Diseases) codes for nurses, and arrest and complaint data for police.

Moe [2011] discusses a number of ways that unions can impact educational production and educational outcomes. He argues that unions try to maximize rents to their workforce and this comes at the cost of educational quality. He discusses, in particular, difficulty in firing, rigid work rules such as formal processes for worker firings (i.e. the 'rubber room' in New York City schools) and other other common features of unionized work environments. The evidence presented in Moe [2011] is largely anecdotal.

Studying a 2011 Wisconsin reform, Biasi and Sarsons [2022] shows that moving away from collectively bargained salaries for public school teachers, largely based on seniority, and allowing for more flexible and individualized wage setting exacerbated the gender gap. Biasi [2021] draws on the same Act 10 public sector reform in Wisconsin used by Biasi and Sarsons [2022] to show that school performance improves.

Using aggregate data, Anzia and Moe [2015] show that teacher unionization is associated with increased public sector expenditures, including higher wages and benefits. Anzia [2013] provides an explanation for how the public sector unions wield additional power than the private sector unions. She shows that sometimes education-related elections are timed to be off-cycle. This leads to low turnout, and thus union organizing turnout drives allow unions to elect sympathetic local public officials, who then oversee school regulation.

Jaume and Willén [2019] point towards another potential channel for union impact on education. In Argentina, teacher strikes are quite common. Moreover, they vary across provinces over time. Jaume and Willén [2019] use this variation to compute the amount of foregone wages due to strikes and find substantial losses (\$2.3 billion in total). They also find that students more exposed to strikes end up in lower wage occupations. Nonetheless, it is possible that the effect of strikes on educational quality is negative but unions on net increase or do not materially affect educational quality.

Hoxby [1996] uses a two-way fixed effects estimator to estimate the impact of public sector unionization on school expenditures and dropout rates, finding an increase in expenditures and dropout rates both. Lovenheim [2009] measures unionization at the district level rather than measuring it at the state level as in Hoxby [1996]. However, he narrows his sample to 3 states: Indiana, Iowa and Minnesota. He finds, similar to Anzia [2013] and Hoxby [1996], that union entry is associated with increased expenditure. However, he also shows that wages and benefits per capita are not impacted. It turns out that unions are more likely to enter into school districts which are expanding and thus increased expenditures go into increased hiring but do not impact class sizes or per capita compensation.

Lovenheim and Willén [2019] use passage of state public sector bargaining laws, similar to Hoxby [1996], and use income and employment data from the American Community Survey. They find a negative impact on wages and employment probabilities. In contrast, both Roth [2017] and Baron [2018] use the reduction in public sector union power coming from the passage of Act 10 in Wisconsin. Baron [2018] uses the staggered introduction of the new rules due to differences in timing of contract expiration across Wisconsin school districts. He finds a decline in student test scores equal to about 20% of a standard deviation, which is a substantial effect in the literature of educational quality.

Moe [2011] implicitly assumes that teacher unions want to maximize rents and principals and superintendents maximize educational quality. However, it is certainly plausible that teachers put more weight on educational quality than administrators and thus union bargaining, on net, increases educational quality.

There is a smaller, but similar, literature on nurse unions. In the United States, many nurses are public sector employees. Many hospitals are public sector hospitals and therefore subject to state-level public sector collective bargaining laws⁵

The literature on nurse unions mirrors that on education. On the one hand, Gruber and Kleiner [2012] use daily frequency regression discontinuity estimates to convincingly demonstrate that deaths spike during nurse strikes. On the other hand, Dube et al. [2016] use a staggered entry difference-in-differences design to show that despite the increased probability of strikes with unionization, health care quality in a large number of nurse-sensitive measures increases after unionization.

The other public sector occupation that has received substantial attention is the literature on police. Goncalves and Tuttle [2024] use a regression discontinuity design in test scores for the police qualification exam and finds that those who marginally pass become more Republican and also turn out to vote more relative to those who marginally fail. However, they do not find this to be differentially true in unionized environments. Goncalves [2021] uses the staggered rollout of police unions throughout Florida to estimate the impact of police unions on police conduct. He finds small, statistically insignificant estimates on misconduct charges against police officers. This suggests that the job protections offered by the police unions do not yield higher rates of police misconduct.

The literature has found mixed evidence on the impact of public sector unions on wages and salaries, as well as on quality of output. This suggests that whereas unions do promote their members' interests, it is not clear whether public sector unions implicitly weight quality of output more or less heavily than public sector administrators. Thus, when politicians do intervene in the negotiation process between public sector organizations and public sector unions, they may be siding with public sector workers over consumers of public sector services or siding with public sector unions and consumers against cost-minimizing or bureaucracy-promoting administrators.

⁵Often hospitals are owned by county governments and thus whether nurse unions are covered by state-level public sector bargaining laws depends upon the particularities of the bargaining laws.

5.2 Political Influence of Public Sector Unions

Acemoglu et al. [2011] suggests a political logic to any inefficiencies involved with public sector unionization. A poorly incentivized public sector workforce will both be an obstacle to redistribution (low capacity) and also a political constituency that will be an obstacle to reform.

In particular, public sector workers can influence the rules of collective bargaining, but additionally, they can also influence their own contracts through influence on politics. Sarah Anzia in her book "Local Interests: Politics, Policy, and Interest Groups in US City Governments" (Anzia [2022]), relates an anecdote from West Covina, California, where the city negotiated a best and final offer through an arbitrator, which the city council then rejected in a 3-2 vote.

Teachers' unions, in particular, are core interests within the Democratic Party. The largest labor union in the United States is the National Education Association (NEA), and from 1996 to 2023, the National Education Association has donated 93% of its campaign contributions to Democratic candidates [Hertel-Fernandez, 2024]. But even within the NEA, there is considerable variation: Hertel-Fernandez [2024] shows that even within an Iowa teachers' union, Republican members are differentially willing to participate in unions with which they politically disagree (measured by PAC contributions and attitudes) where local leaders and union culture communicate strong cultural norms of participation to members.

A recent working paper by Biasi and Sandholtz [2024] finds that the Act 10 reform in Wisconsin decreased the share of Democratic gubernatorial votes and the contributions of labor campaigns. They show that teachers' unions falling revenue and influence is the primary mechanism by which the Republicans benefit.

An overview of the debate is provided by a recent book describing the political strategies of teachers' unions [Hartney, 2022]. After providing additional evidence that teachers' unions do reduce student performance, the author shows that teacher political resources (like association rights) enshrined in collective bargaining agreements have increased over time. The book argues that teacher unions are more effective in blocking reforms at the state and local levels and less effective in altering federal education policy.

Public sector strikes often are aimed at changing government behavior. However, they can do so by inducing solidarity with citizens. Hertel-Fernandez et al. [2021] show that parents with school-aged children during teachers' strikes become differentially supportive of striker demands. However, Hertel-Fernandez et al. [2022] show that this extension of solidarity does not happen in a large private sector strike during roughly the same period.

In summary, the effects of public sector unions and union activity have been extensively studied in economics and political science. But this literature has curiously divorced itself from the political economy scholarship on the political and organizational determinants of state capacity. Public sector unions are key organizational partners of successful government

interventions, and their political power may be either a brake on or a complement to efforts to improve government performance.

6 Corruption, Crime, and Capture In Unions

There is little shortage of qualitative evidence of union corruption in the United States. Union corruption motivated the 1959 Landrum-Griffin Act, which created much of the modern union reporting infrastructure. Influential historical accounts include Hutchinson [1969], Fitch [2006], Witwer [2003]. Thieblot [2006] presents data from 1998-2005 that suggest that simple embezzlement, along with other fiscal improprieties such as campaign finance and pension mismanagement, forms the majority of corruption incidents. But ties to criminal organizations and racketeering remain issues in some unions [Jacobs, 2013], as well as bribery by union leaders.

The prospect of corruption and the specific union-corruption enforcement apparatus can be used by politicians. A recent paper studying corruption is Downey [2023], which shows that congressional members protect politically active union officers from criminal prosecution by using close elections. The paper presents evidence that both union-supported winners protect supporting union officers and union-opposed winners push union prosecution.

Another recent paper studying the effects of union corruption investigations is Venturini [2023], which studies the effect of the McClellan committee investigations on union political influence. Using a dynamic difference-in-differences design, she finds a negative impact on membership and on voting for the Democratic party in counties with at least one of the six large unions under investigation. She shows particularly high newspaper coverage of the committee in high-union-density counties with union locals that were investigated. She finds even larger spillover effects in counties with unions that were not investigated. Finally, she shows that congressional members from districts differentially affected by the investigations are less likely to vote in favor of federal minimum wage increases. All of these pieces of evidence, she argues, show that the McClellan committee's investigations weakened union influence in the United States government.

6.1 Protest, Violence, and Labor Conflict

In environments without institutionally recognized industrial relations systems, unions can appear more as social movements than as formal political actors or organizations. Social movements must solve collective problems of free-riding, coordination, and representation without the benefits of formal incentives and sanctions [Naidu, 2022]. Thus, ideology, networks, and leadership will play an important role in mobilizing union members in these contexts. But as a side-effect, the resulting tapestries of social interactions required to win concessions from an employer can be a general-purpose technology, deployed to

win members benefits from government as well. These struggles can also develop organic, representative leaders who can go on to further careers in politics.

A growing literature on political economy has studied protests as both a determinant of political outcomes and an outcome of economic and political shocks (see Cantoni et al. [2024] for a comprehensive review of this recent literature). These papers tend to lump strikes in with other protests, but strikes are uniquely organized by unions to disrupt economic production. The organizational structure required to stage a protracted strike can be used for both narrow wage gains for insiders at the union bargaining table and more broadly to put pressure on governments (as in the teachers' strikes discussed in the previous section).

Ellman and Wantchekon [2000] present a model of electoral competition under the threat of political unrest, which could include political strikes. Political strikes have not been formally theorized as a specific political economy mechanism, independent of other forms of protests. But there are a few empirical papers studying political strikes specifically. Lindvall [2013] documents an inverted-U shaped relationship between union density and the extent of political strikes, and suggests that it is at intermediate levels of union power that political strikes are both possible (due to enough members for strikes to be politically effective) as well as necessary (not enough members to win electorally).

Although relatively rare in contemporary countries, historically, labor strikes could escalate into armed encounters between strikers and the state. This was particularly true in the United States. Friedman [1998] contrasts French and American government responses to strikes; where the French government generally sided with workers during strikes (as allies against monarchists), the American government generally repressed workers on the behalf of employers. Empirical studies of 19th century US strikes include Currie and Ferrie [2000], Schmick [2018], Geraghty and Wiseman [2011] and Hanes [2000], although none really emphasize causal variation. Naidu and Yuchtman [2018] put together evidence on labor market rents and give a political economy interpretation to 19th century United States labor conflict.

Another nascent literature has emphasized strikes and labor conflicts in China, a non-democratic country without independent trade unions. Between 2000 and 2014, there was a brief window in which strike activity increased noticeably in China, before the Xi Jinping leadership stifled whatever shoots of union independence were emerging [Friedman, 2014, Rho, 2023]. Historically, Braggion et al. [2020] find that economic crises in China led to local strike outbreaks.

7 Conclusion and Directions for Future Research

The political economics of labor unions is a young field and this review is early in its development. We end this overview with a number of interesting areas for future research.

7.1 Some Questions

- Measurement of union membership together with political behavior. Whereas there is a flourishing of new, high-quality data sources for empirical research as evidenced in this review, data linking union status to measures of political activism is still rare. Developing data on the duration of membership, transitions into and out of union membership, and detailed measures of political beliefs and behavior would facilitate future research.
- The impact of labor unions directly on policy. Do unions impact whether laws get passed and what form laws take? If so, how do they wield influence? Recent work on lobbying has looked at how specific sectors (like finance) have influenced legislators on relevant regulation. Methodologically, natural language processing has been used to examine how policy language flows from interest groups into legislation. These tools could be used to examine the effects of unions on policy.
- The effects of union coverage versus union membership: Does the simple effect of having a wage set by a union, despite not being a member, have very different effects? Although coverage and membership are virtually identical in many countries, Jäger et al. [2024] emphasize that coverage is much higher than membership in many countries around the world. Political surveys rarely make this distinction, which may be particularly important for union effects, as only members may be exposed to the political programs of unions.
- Causal effects of union political education programs as persuasion. Many unions negotiate time for political education (learning about economic policy or different candidate positions) and political work (e.g., phone banking or canvassing) for their members in collective bargaining agreements. Are these effective? More effective than other forms of political persuasion such as GOTV or media interventions? Researchers who collaborate with unions could obtain administrative data and even build randomized controlled trials to assess the efficacy of these instruments for the political objectives of unions.
- Accounting for the political effects of unions when assessing union impacts on inequality. Researchers in macroeconomics and labor have studied the aggregate influences of unions, finding significant spillover effects of union density on the incomes of nonunion workers in many countries [Jäger et al., 2024]. Assessing the degree to which union political efforts alter the policy environment can help explain these effects. Integrating the political effects of unions into scholarship quantifying the contribution of unions to wage and income inequality could be a productive cross-field endeavor.

Political economy has a lot to offer the economic study of unions. Labor unions have been a core subject of economic study from Adam Smith to today, but little modern research

has focused on the political, as well as the economic, practices of unions. The literature we have surveyed in this paper is just the first step, we hope, towards systematic and quantitative study of the political effects of trade unions.

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