

# Global Financial Crisis and the Future of Labor Unions: Thoughts on the Pendulum Theory

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## 1. Introduction

The most talked-about subject coming into the 21<sup>st</sup> century has been predicting the future of labor unions. That is to say, the most important issue in

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predicting the future of global labor is whether the decline of labor unions that has been happening for the past few decades will continue, resulting in labor unions becoming nominal at best, or whether labor unions will be able to rebound from their current low status to find a place as the central force in today's market society. In addition, as the global financial crisis from 2008 became more severe than expected it is now predicted that the global political economic foundation itself could be modified. This in relation to the future of labor unions has become an important intellectual curiosity among academics and a major concern of both political and economic agents. This thesis aims to examine several theories regarding the future of today's labor unions, and examine the relation between those and the current ongoing global financial crisis.

This paper will first explain 4 hypotheses that deal with the future of labor unions (Employment Structure Change Hypothesis, Intensification of Competition Hypothesis, Technological Development Hypothesis, and the Pendulum Theory) and examine these based on historical trends and recent data. It will then discuss the 3 hypotheses (Simple Financial Crisis Hypothesis, Neoliberalism Crisis Hypothesis, Capitalism Crisis Hypothesis) relating to the characteristics of the global financial crisis which is currently under the attention of social scientists and discuss the validity of these hypotheses. This paper focused on the Pendulum Theory in order to set up the relationship between the future of labor unions and the global financial crisis.

## **2. Hypotheses and Discussion regarding the Future of Labor Unions**

It is well know that in almost all continents, the current unionization rate looks to be drastically lower compared to 40 – 50 years ago. This has been occurring in almost all main countries, including the U.S.A, Japan, the United Kingdom, Germany, Canada, France, Australia, Sweden, Mexico, and Brazil. In some of the aforementioned countries the unionization rate has severely fallen enough during the past few decades to suggest that there is no longer

any potential for recovery. There are a few exceptions in China, Singapore, and Taiwan, where labor unions have received enough support from the parties in power to maintain or even increase unionization rate. Among the countries where unionization rate has fallen, there exist vastly different cultures and political systems. They are at differing levels in terms of economic development, and the union structure (craft unions, industrial unions or enterprise-based unions) also differs. The decline of labor movements during the recent decades is enough to attract the attention of academia regarding the long-term direction of global labor movements.

In addition futurologists such as Alvin Tofler, Peter Drucker and Jeremy Rifkin are stating significantly pessimistic views regarding the future of labor movements. They assert that in future societies, labor unions will not be able to adjust to the quickly changing environment and, like the dinosaurs, will ultimately cease to exist or their influence will shrink drastically to become a secondary force, nominal at best. Current criticism against labor union's failure to act effectively against the ongoing worldwide trend of restructuring and increase of irregular workers has made these arguments even more persuasive. If in the future these hypotheses turn out to be accurate, it will indicate that the power structure of the future society has changed to be completely different than the current one in place, and this will mean that the pluralistic labor relations theory that has been the basis of the current existing labor relations theory will need to be fundamentally changed. Therefore, it can be said that examining the validity of these hypotheses is an important task.

This paper will examine, in order, the 3 hypotheses supporting the decline of labor unions, and 1 hypothesis predicting the revival of labor unions, and then critically examine the validity of these hypotheses. (1) Employment Structure Change Hypothesis, (2) Intensification of Competition Hypothesis, (3) Technological Development Hypothesis, and (4) Pendulum Theory will be examined in that order. (Refer to Table 1). These arguments that predict the future of labor unions are currently being discussed among

**Table 1** 4 Hypotheses on the Future of Labor Unions

Hypothesis	Effect on Labor Unions	Prediction	Evaluation and Notes
Employment Structure Change	Number of traditional employees that have relatively higher unionization rates (private sector male manufacturing employees and regular employees) is decreasing, and a new type of employee (public sector, service sector, white-collar, irregular worker, female) is expanding, with a lower unionization rate.	Decline of Labor Unions	Underestimated strategic response of labor unions in response to changes in employment structure
Intensification of Competition	Due to intensification of competition inefficient organizations with labor unions will, by market selection, become bankrupt or de-unionized by the employer	Decline of Labor Unions	Overlooked labor's strategic response to intensified competition
Technological Development	Due to rapid technological advancement the future population will be divided into 3; a minority of information elites who have been able to acquire new technology, a large majority of permanent unemployed, and volunteers.	Decline of Labor Unions	Unemployment is not steadily rising.
Pendulum	The balance between labor and management moves back and forth like a pendulum from one end (progressive) to the other (conservative) over a long period of time. It is best if both equity and efficiency are in balance for society, if the pendulum swings too far to one side members of society will consciously and unconsciously choose to push it in the other direction.	Revival of Labor Unions	Has historical support. Recent observations of labor unions reviving exist.

scholars, and therefore consist of relatively fragmentary hypotheses and speculations, and in some cases the main advocate of the hypotheses is not clear. Therefore, in modifying each hypothesis to a complete and logical form the subjective opinion of the author has been involved. For the Technological Development Hypothesis this paper mainly follows Rifkin's arguments,

whereas for the Pendulum Theory the reasoning is mostly constituted by the author's thoughts. While these hypotheses rely on different types of reasoning, they are closely connected and contribute a valuable insight in forecasting the future of labor unions. Table 1 has organized the main arguments and deductions of each hypothesis.

### **(I) Employment Structure Change Hypothesis**

A main trend that has been appearing for the last few decades in advanced countries is that employment structure is slowly, but surely, changing. The traditional male-centered, regular workers-focused manufacturing industry has been diversifying into a structure that includes the service industry, white-collar jobs, irregular workers, non-nationals, and women. The unionization rate of traditional employees (male manufacturers and regular workers in manufacturing industries) is relatively higher than the newer employee group (service industry, white-collar jobs, irregular workers, non-nationals and women) which has a low unionization rate. It can be inferred that the diversification of labor structure indicates a decrease in unionization rate.

Table 2 shows that in almost all countries the percentage of those employed in manufacturing is decreasing, while that of the service industry is increasing. In both developed and developing countries, with the progression of industrialization the percentage of manufacturing employees will decrease after reaching a certain level. For instance, in the case of the U.S.A. in 1970 the percentage of employees employed in manufacturing was 26.4%, however this dropped to 11.2% by 2007. In the case of South Korea as well, an all-time high of 27.8% of the labor force was employed in the manufacturing industry in 1989, however this dropped to 17.6% by 2007, and is expected to continue to drop with the introduction of more advanced technology. As can be seen in Table 2, similar drops can also be seen in the cases of Japan, England, Germany, France, Sweden, Australia, and Singapore. Although the details differ depending on the individual study, scholars of labor relations overall judge

**Table 2** National Percentage of Manufacturing Employees

Year	U.S.A.	Japan	U.K.	Germany	France	Sweden	Australia	S.Korea	Singapore
1970	26.4	27.4	34.7	39.5	27.5	27.7	24.4	13.2	—
1975	22.7	26.1	31.0	—	27.8	28.1	21.3	18.6	—
1980	22.1	25.0	28.3	34.0	25.8	24.3	19.4	21.6	—
1985	19.5	25.3	24.6	32.3	23.2	22.6	16.6	23.4	25.4
1986	19.1	24.7	24.5	32.3	22.7	22.8	16.5	24.7	25.2
1987	18.6	24.3	23.2	32.0	22.1	22.0	15.9	27.0	26.7
1988	18.5	24.4	23.3	31.6	21.6	21.7	15.8	27.7	28.5
1989	18.5	24.5	22.6	31.6	21.4	21.7	15.6	27.8	29.0
1990	18.0	24.3	22.3	31.6	21.3	20.9	14.9	27.2	28.9
1991	17.5	24.6	21.7	30.7	20.9	19.9	14.2	26.8	28.2
1992	17.0	24.6	21.2	29.5	20.4	18.9	14.1	25.5	27.5
1993	16.4	23.9	21.0	28.1	19.3	18.3	14.0	24.2	27.0
1994	16.4	23.4	19.2	26.6	18.8	18.2	14.0	23.7	25.6
1995	16.4	22.7	19.1	25.2	18.7	19.0	13.6	23.4	24.0
1996	16.2	22.5	19.4	24.3	18.5	19.3	13.4	22.5	—
1997	16.1	22.2	18.8	24.0	18.2	19.3	13.5	21.3	22.6
1998	15.8	21.4	18.6	24.1	17.9	19.2	12.8	19.5	21.6
1999	15.0	21.0	17.9	24.1	17.5	18.5	12.3	19.8	—
2000	14.4	20.7	16.9	24.1	17.2	18.1	12.7	20.1	20.8
2001	13.5	20.2	16.2	23.7	17.1	17.5	12.2	19.7	—
2002	12.6	19.1	15.7	23.6	16.7	16.8	12.0	19.1	
2003	12.3	18.8	14.5	23.3	16.3	16.2	11.5	19.0	
2004	11.8	18.3	13.7	23.1	15.9	16.0	11.3	19.0	
2005	11.5	18.1	13.2	22.2	15.4	15.3	10.8	18.5	
2006	11.3	18.3	12.9	22.0	15.0	15.0	10.4	18.0	
2007	11.2	18.3	12.8	22.2	—	14.6	10.3	17.6	

Source: KLI Overseas Labor Statistics (Korea Labor Institute, various years)

that among the causes of decreased unionization rate, the industrial structure change accounts for about 40-70%.

In addition, there is no doubt that the expansion of irregular workers,

which constitute about 20 to 40% of most developed countries, and the increase of white-collar jobs, non-nationals, and female workers have also contributed to the decrease of the unionization rate. Therefore, the changes in labor structure explain the continuous decrease in unionization that has happened for the past several decades. It also implies that unless labor unions respond effectively to these changes, this will become the main reason for the decline of labor unions in the future.

## **(2) Intensification of Competition Hypothesis**

The second hypothesis supporting the decline of labor movements in the future is Intensification of Competition Hypothesis. Simply put, it forecasts that competition between businesses, regions, and countries in the product (service) industry will become much more severe than now. In particular, the advancement of globalization and information – oriented society has fostered global competition between companies, more than any other technological revolution in the past. The development of the information superhighway has not only enabled informationization inside individual companies, but has enabled the sharing of information without regard to business and country boundaries. This has allowed rapid transfers of information and technology in between countries and regions. The technology acquisition speed of developing countries has increased drastically, and together with the development of transportation and the free movement of capital competition has become fiercer in a unified global market. While the 2001 September 11 terror attacks, and the 2003 SARS shock etc., did momentarily slow down globalization, they did not stop globalization altogether.

In particular Table 3 shows the increase of each country's degree of dependence upon foreign trade. This measurement is one index that can show how much globalization and global competition has intensified. Nearly all countries including the U.S.A., U.K., Germany, France, Sweden, Australia, South Korea and Singapore show a steady upward trend. In the case of the U.S.A., 8.4% in 1970 increased to 23.0% by 2007, and in the case of South

**Table 3** National Dependence on Foreign Trade Trends

Year	U.S.A.	Japan	U.K.	Germany	France	Sweden	Australia	S.Korea	Singapore
1970	8.4	18.8	32.9	34.7	25.8	41.5	27.0	34.6	214.1
1975	13.4	22.8	40.8	39.5	31.3	48.0	24.7	59.3	236.0
1980	17.6	25.7	41.9	46.9	37.6	51.9	29.8	65.8	384.2
1985	14.1	22.8	45.1	54.9	40.4	60.1	31.1	67.4	267.9
1986	14.3	17.0	41.4	48.9	34.7	52.6	29.0	61.0	266.7
1987	14.9	15.8	41.3	47.2	34.6	52.8	28.2	64.8	296.1
1988	16.0	15.5	39.9	48.1	36.0	52.4	27.7	61.8	323.7
1989	16.3	16.7	41.5	51.7	38.6	52.6	29.2	55.8	310.5
1990	15.9	17.6	41.6	50.3	37.7	48.7	27.8	53.4	277.1
1991	15.7	15.8	38.4	46.1	37.4	44.0	28.2	52.0	288.1
1992	15.9	15.1	38.7	41.9	36.0	42.9	29.8	50.3	257.4
1993	16.1	13.8	40.5	38.2	32.8	49.8	31.2	48.0	256.8
1994	17.0	14.0	41.6	39.8	35.0	54.7	31.1	49.3	250.2
1995	18.3	14.6	44.7	40.4	36.3	61.3	32.6	53.3	283.6
1996	18.5	16.0	46.3	41.4	36.4	59.6	32.0	54.0	277.7
1997	19.1	17.4	44.7	45.5	39.7	63.7	32.2	54.2	255.6
1998	18.5	16.7	40.7	47.5	40.8	65.1	34.2	72.3	246.1
1999	19.0	16.1	40.2	48.5	41.1	64.2	33.0	65.8	266.6
2000	20.7	17.8	42.8	56.3	46.3	71.0	36.9	72.5	295.0
2001	18.7	17.9	41.0	55.9	44.7	64.4	36.7	69.2	275.6
2002	18.1	19.3	38.9	54.8	42.8	61.8	33.4	57.5	
2003	18.5	20.2	37.9	55.5	40.8	61.3	30.6	61.3	
2004	20.1	22.2	36.6	59.3	42.1	62.7	30.6	70.3	
2005	21.2	24.4	38.1	63.0	43.2	66.3	32.4	69.0	
2006	22.4	28.1	40.6	70.2	45.2	70.1	34.8	71.5	
2007	23.0	30.2	38.1	71.9	45.5	70.5	33.7	75.1	

Source: KLI Overseas Labor Statistics (Korea Labor Institute, various years)

Dependence on foreign trade =  $100 \times (\text{Exports} + \text{Imports}) / \text{GDP}$

Korea 34.6% in 1970 increased to 75.1% in 2007. Similar developments can be seen in Japan, the U.K., Germany, France, Sweden, and Australia. According



to the Intensification of Competition Hypothesis, this competition will significantly affect each country's labor movements and labor relations, and acute competition will bring about the decline of labor unions in future society. The Intensification of Competition Hypothesis asserts that the intensification of competition will inevitably bring about agile decision making and increase of freedom for businesses, in order to respond to the market. For a business to stay alive in an era of infinite competition, business must establish an organization that is as agile and flexible as possible in order to adjust to a quickly-changing environment, and therefore must decrease or eliminate all rigid elements that impede flexibility. Furthermore, businesses that continue to maintain inflexible aspects will inevitably fall behind competition, and only the businesses that succeeded in establishing a flexible organization will be able to survive.

While labor unions have given employees economic security, from the viewpoint of employers this economic security is recognized as an element that strengthens inflexibility, and labor unions are regarded as a factor that hinders an employer's decision. Therefore, companies where the labor union's influence is large will inevitably become a non-competitive, inflexible organization, and will therefore in the long term due to market selection fall behind competition, or become non-unionized by the employer. Therefore in the future the role of labor unions will become significantly lower than it currently is, and in the long term labor movements will decline overall. This Intensification of Competition Hypothesis also affected governments' economic policies, to promote neoliberal economics and strengthen employment policies. In addition, neoliberal ideologies which support competition have also influenced the popular media, and enabled negative or passive public opinion regarding labor unions as hindering the free market.

The argument that increase competition will contribute to the decline of labor unions in the long term holds some validity. For instance, the 1980s U. S.A. employer's Strategic Choice Model set forth by Kochan, Katz and McKersie (1986) can be interpreted as an employer group movement looking to

escape the rigidity imposed by labor unions. In addition, as competition becomes more intense, recently businesses in various countries have implemented reengineering, restructuring and downsizing despite opposition from labor unions, and irregular workers have increased. This indicates that in the face of the new economic forces of globalization and intensified competition, labor unions were not able to fully succeed in protecting their members.

### **(3) Technological Development Hypothesis**

The most drastic argument asserting the decline of labor movements in future society is the 3<sup>rd</sup> hypothesis, Technological Development. According to this hypothesis, the current trends in technology have no precedent in the history of mankind, and such sudden development in technology will significantly affect labor relations and labor unions in the future. Following Karl Marx, the relationship between technology and labor has become the focus of study for numerous labor relations scholars. In part, the question of whether the development of technology has brought on a reduction of labor has attracted wide interest. The general consensus among scholars is that while the development of technology does reduce labor, it also generates new jobs, and these two actions effectively cancel each other out in the long term. To specify, if a new machine is implemented that reduces labor, employees that relied on old technology may lose their jobs, but there will also be new jobs generated due to the implementation of the new machine, and employers will invest the additional financial resources saved from labor reductions in new fields, and the employment possibilities generated in this new field will eventually negate the initial job loss. In short, technological development does not result in employment reduction.

However, since the late 1980s others have started questioning this conclusion. The human labor replacement phenomenon occurring due to relatively recent sudden technological advances (such as computers) is considerably different from anything that has happened before. Especially in the case of computers, it can be recognized that while the employment reduc-

tions that were unimagined of before, the generation of employment from the computer has been extremely insignificant. Word processors and copiers have replaced numerous typists and secretaries, and CNC machines can cut tools much more accurately than the best human mechanic. However, new computers have only generated a few jobs in the computer programmer occupation. Recently it has been said that most organizations that implement reengineering, restructuring and downsizing to reduce their work force by 30 – 40% still have enough labor to fully function normally. This would not have been possible without the recent sudden advances in technology.

The supporters of the Technological Development Hypothesis assert that such rapid advances, together with the intensification of competition stated above, will drastically change the structure of the current labor market. Drucker (2002) predicted that such advances in technology will enable knowledge workers to play the prominent role in future labor markets. Rifkin (1996) takes this one step further and suggests that in the future, society will be divided into 3 groups; a small minority of knowledge elites who are able to acquire the new technology, a large majority of permanent unemployed people, and volunteers. Rifkin proposes that the number of unemployed people will increase as technology advances further. Following this hypothesis, the increase of unemployment due to technological development essentially means that the influence of labor unions will be severely weakened. In a society with a relatively small number of elite employees and a large number of potential labor (the unemployed), the size and bargaining power of labor unions will inevitably be diminished. Essentially, as their members become unemployed the labor unions will decline with them, and even if they manage to stay afloat unions will merely serve as a representative for a minority of high-technology labor. The Technological Development Hypothesis presents the most pessimistic outlook on the future of labor unions.

#### **(4) Pendulum (Cycle) Theory**

Opposite from the above 3 hypotheses, the Pendulum theory, or the cycle

theory, supports the view that labor unions will recover. The power balance between employers and employees shifts from one end (for instance, the progressive end which emphasizes equity) to the other end (the conservative side which emphasizes efficiency) over the long term, like a pendulum. Therefore, in the long term a pendulum effect occurs where ideologies emphasizing efficiency (the employers' interests) and ideologies emphasizing equity (the employee's interests) take turns in being the dominant ideology of society. While labor unions have been shrinking for the past few decades due to the strong power of employers, at a certain point the pendulum will swing back to the other side and labor unions will become stronger once again. In short, when the pendulum swings to an extreme of either progressive (left) or conservative (right), when either equity or efficiency is emphasized too much, this influences negative results on overall society and therefore the society members consciously and unconsciously move the pendulum towards the other way. Such choices usually appear as media representing public opinion supporting or opposing labor unions, ideologies supporting employers, and/or supporting conservative or liberal parties in elections.

When moving from one end to the other, whether it be from efficiency to equity or equity to efficiency, it is extremely rare that the pendulum stay in the middle, most ideal position for a length of time. This is due to the fact that (1) Ideology inertia causes it to continue towards one direction in terms of policy and actions, and (2) due to the generation changes current economic agents are not able to accurately recall the harm that occurred many decades ago when that side was last in power.

If the history of labor movement in the 20<sup>th</sup> century is recreated, According to this theory, employer's power was stronger up to the 1920s, and then starting from the Great Depression in 1930 to 1960 the pendulum moved the opposite direction and labor unions took priority. This indicates that after 1970 employers were back in power. The reason labor unions were able to gain power after the 1929 Great Depression was because public opinion believed that due to capital having too much power in the 1920s, labor unions

were weakened, unemployment rose sharply and the real purchasing power of the public decreased, which caused the Great Depression. The view that capitalists and labor unions must be balanced in order to avoid another crisis was reflected in President Roosevelt's New Deal policy, and brought about the revival of labor unions. In addition, labor unions declined after 1970 due to overly strong labor unions, which lead to a society where equity was emphasized to the detriment of efficiency. One example is the English disease, where competitiveness was hurt from excessive emphasis on labor unions which caused ineffective management. As a result, it was largely a group decision in England where members of society began to suppress labor unions and strengthen the authority of the employers. Based on this theory, it has already been 30 – 40 years since the decline of labor unions started, and therefore it is beginning to be when the public realizes that efficiency only has been excessively emphasized, the problems of neoliberalism appear and that this will eventually lead to a wider gap between the rich and the poor, and worse working conditions. Therefore, the pendulum which has shifted to the right now will start moving back to the left. The current global financial crisis can be considered an event which shows the limitations of neoliberal socio-economic policy.

This opinion views competitiveness (forces for efficiency) and labor movements (forces for equity) as a pendulum, going back and forth. As competitiveness intensifies in the market labor movements tend to weaken, however beyond a certain point employees become alarmed and labor movement are able to obtain widespread support. Thus, labor movements have been seen to start becoming stronger. That is to say, while stronger competitiveness brings about employment instability and worsening of labor conditions, afterwards in order to protect themselves normal workers start looking more favorably upon labor unions, resulting in stronger unions. This theory utilizes historical facts to predict the revival of labor unions, and represents the most positive outlook.

### **(5) Discussion regarding the hypotheses**

Below will be empirical evaluation of the above 4 hypotheses. First, the Employment Structure Change Hypothesis adequately explains the contraction of labor unions that has occurred for the past few decades. As represented in empirical research the increase of the service industry, women, irregular workers and non-nationals caused the continuous decrease of the unionization rate. However, it is not certain whether such structural changes will unequivocally lead to the decline of labor unions in the future. Of course, unionizing this new kind of employee is a more difficult task than organizing regular workers, and new strategies and resources will need to be implemented. However, many labor unions are making new unionization efforts towards the service industry, women, irregular works, and non-nationals, and there are many cases of successful unions from these efforts. If such efforts and experience in organizing employees from new sectors accumulate, this will eventually bring on even more positive results in the future.

According to the history of labor unions when labor unions were first started in the 18<sup>th</sup> century craft unions mainly based on skilled labor were the majority, and for a long time unskilled hands had low individual negotiating power and found it difficult to successfully organize a union. However, general unions and industrial unions were formed which organized the large number of unskilled hands that were excluded from the craft unions, and currently these unions are more common than the original occupation-based unions. Such historical evidence shows that labor unions are not fixed, and can change form as much as the labor public requires. In particular, while currently there are few success stories of irregular workers' labor unions that have low negotiating power as can be seen by the historical evidence, as long as irregular workers' strong need for a successful union exists, there is the possibility that a union that suits those needs will be created and will become the main driving force in labor movements. In short, while there is the possibility that structural change in the future will bring about the decline of labor unions, it cannot be seen as an inevitable eventuality. In the

end, it can be said that the question of whether employment structural change will bring about the decline of labor unions mostly depends on the strategic choice of labor unions in distributing resources, and the capabilities and efforts in the organization process.

Second, the Intensification of Competition Hypothesis explains the negative effects globalization and the information age has had upon labor movements. The progress of the information age, the advances in transportation, the free movement of capital have all spurred on competitiveness, and in the short term this enables the employer to have the upper hand in labor relations and brings about restructuring, more irregular workers, and non-unionization, eventually enabling the contraction of labor unions. However, from a more long-term point of view, the Intensification of Competition Hypothesis only considers the movements of the business side, and overlooks how increased competition will affect labor movements. The intensification of competition is not just a recent event, but instead has continuously happened for centuries, and while it has always in the short run weakened labor unions, in the long run it has actually strengthened it. According to John R. Commons (1918), who established the widely acknowledged theory regarding the origins of labor unions, the main cause of labor movements was the increase of competition underneath the newly capitalist society. As competition in the product market increased due to developments in transportation and communication, businesses attempted to reduce labor costs as an element of competition in production, and in order to protect themselves and their family's livelihoods workers formed labor unions in response. Employment uncertainty and expected deterioration of labor conditions due to more competition actually alarms workers, and this leads to a stronger labor movement. Therefore, the inference that more competition will always lead to the decline of the labor movement is not true, and the current environment of globalization and digitalization might actually encourage workers to pay more attention to unions (Kim and Kim, 2003).

Third, the Technological Development Hypothesis remarks that today's

cutting-edge technology may continuously reduce employment, and as a result labor unions will be severely negatively impacted. However, the weakness of this theory is that it only views the advancement of technology, and not the response of members of society. When machines were first introduced during the industrial revolution there were many worries then as well that machines would replace human workers. In some sense the fear that technological development would obliterate employment would have been much more realistic then than now, and as a result the Luddite Movement in England started as a way to protect workers. However, afterwards the new technology generated a lot of employment, and in the long run jobs in manufacturing in fact increased.

In addition, while more than a decade has passed since information technology such as personal computers and the internet have become widespread, in most countries unemployment has not rose drastically. As shown in Table 4, each country is showing a cycle of rising and decreasing unemployment rates. In particular, in the case of the U.S.A. and the U.K., current unemployment rates for 2007 are 4.6% and 5.4% each, the lowest in the past 20 - 30 years. France, South Korea, Sweden, Germany, Australia and Japan have both passed unemployment highs and are now decreasing as well. Therefore it can be noted that in no country has unemployment been simply steadily rising. Rifkin's prophecy of mass unemployment has been disproven by empirical data. The speculation that the current technological development will not be able to generate new jobs is yet unfounded.

Even if it is acknowledge that technological development would inevitably lead to unemployment, in the face of mass unemployment and the socio-political instability that would cause policy-makers would probably choose a different option. That is to say, mass unemployment will most certainly cause extreme rebellion from the public and labor unions, and this will be detrimental to society. In addition, the welfare budget needed for the unemployed would sharply increase, and become a great financial burden on countries. Therefore, the government will implement policies that will avoid mass



**Table 4** National Unemployment Trends

Year	U.S.A.	Japan	U.K.	Germany	France	Sweden	Australia	S.Korea	Singapore
1970	4.9	1.2	3.1	0.5	2.5	1.5	1.6	4.4	6.0
1975	8.5	1.9	4.6	3.4	4.2	1.6	4.9	4.1	4.5
1980	7.1	2.0	7.0	2.8	6.5	2.0	6.1	5.2	3.0
1985	7.2	2.6	11.2	7.2	10.5	2.8	8.3	4.0	4.1
1986	7.0	2.8	11.2	6.6	10.6	2.6	8.0	3.8	6.5
1987	6.2	2.9	10.3	6.3	10.8	2.2	7.8	3.1	4.7
1988	5.5	2.5	8.6	6.3	10.3	1.9	6.8	2.5	3.3
1989	5.3	2.3	7.2	5.7	9.6	1.6	5.7	2.6	2.2
1990	5.6	2.1	6.9	5.0	9.1	1.8	7.0	2.4	1.7
1991	6.8	2.1	8.8	5.6	9.6	3.3	9.5	2.3	1.9
1992	7.5	2.2	10.1	6.7	10.4	5.8	10.5	2.4	2.7
1993	6.9	2.5	10.5	7.9	11.8	9.5	10.7	2.8	2.7
1994	6.1	2.9	9.7	8.5	12.3	9.8	9.2	2.4	2.6
1995	5.6	3.2	8.7	8.2	11.8	9.2	8.1	2.0	2.7
1996	5.4	3.4	8.2	8.9	12.5	10.0	8.4	2.0	3.0
1997	4.9	3.4	7.1	9.9	12.4	10.2	8.4	2.6	2.4
1998	4.5	4.1	6.2	9.3	11.7	8.5	7.8	6.8	3.2
1999	4.2	4.7	6.0	8.7	11.1	7.2	7.0	6.3	4.6
2000	4.0	4.7	5.5	8.1	9.6	5.9	6.2	4.1	4.4
2001	4.8	5.0	4.8	8.0	8.8	5.1	6.6	3.7	—
2002	5.8	5.4	5.2	8.6	8.8	5.2	6.4	3.3	
2003	6.0	5.3	5.0	9.3	9.2	5.8	5.9	3.6	
2004	5.5	4.8	4.8	10.3	9.6	6.6	5.4	3.7	
2005	5.1	4.5	4.9	11.2	9.6	7.7	5.1	3.7	
2006	4.6	4.2	5.5	10.4	9.5	7.0	4.8	3.5	
2007	4.6	3.9	5.4	8.7	8.6	6.1	4.4	3.2	

Source: KLI Overseas Labor Statistics (Korea Labor Institute, various years)

unemployment. For example, work sharing programs that are being tested in several countries right now that allow several workers to share the same job and reduce their hours instead will probably be implemented more widely.

Also the introduction of new technology could probably be controlled so to not cause mass employment as well.

In addition, it is a question whether capitalists will view a mass unemployed society as desirable, and be content to pursue it. As the Great Depression, which started in Fall 1929 and lasted throughout the beginning of 1930 shows us, a mass unemployed society inevitably decreases the purchasing power of customers. This will then cause a decrease in corporate revenue, and is therefore not the optimal circumstance for employers either. To summarize, it can be said that in the future suggested by the Technological Development hypothesis mass unemployment is highly unlikely due to the rebellion it will cause from labor relations.

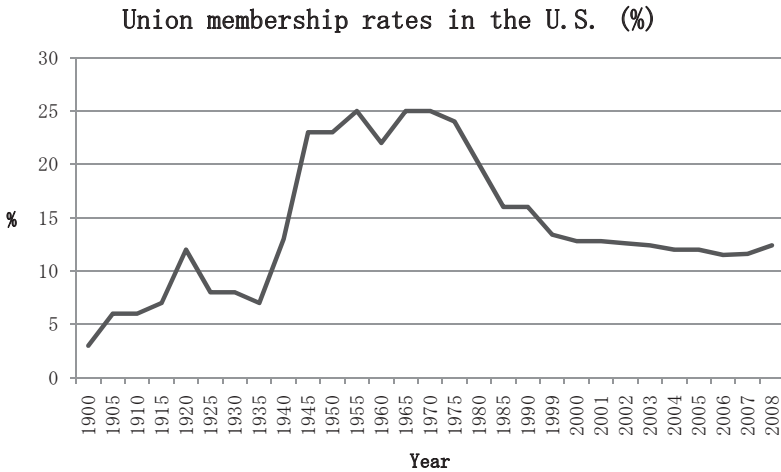
Finally, the Pendulum Theory seems persuasive. In particular the Pendulum Theory has both the support of historical data and recent trends. First, as can be seen in Figure 1 historically the U.S.A., U.K., South Korea, Spain, Belgium and Iceland have all had labor forces ascent and decline repeatedly. This can be seen as evidence supporting the Pendulum Theory. First, the U.S.A. has shown repeated increases and decreases in unionization for the past 100 years. 1920, 1955 and 1970 are the high points, while 1935 and 1960 are the lowest points. Since the mid-to-late 1970s unionization has been decreasing overall. The U.K. has also shown repeated cycles of increases and decreases in unionization for the past 110 years, since 1890. In the case of South Korea, the cycle can be noticed starting from 1960. The fact that each country's unionization rate shows such a cycle strongly supports the Pendulum Theory.

Second, as can be seen in Table 5 in several countries the unionization rate has stopped decreasing, as it had been for the past few decades, and is starting to increase again. In particular, the U.K. rose from 23.6% in 1999 to 28.0% in 2007, and in the U.S.A. unionization rose from a record low of 12.0% in 2006 to 12.4% in 2008. In South Korea the unionization rate went from recording 10.3% in 2005 to rising to 10.8% in 2008. This phenomenon of a continuous decrease halting and eventually reversing its path is not specific to

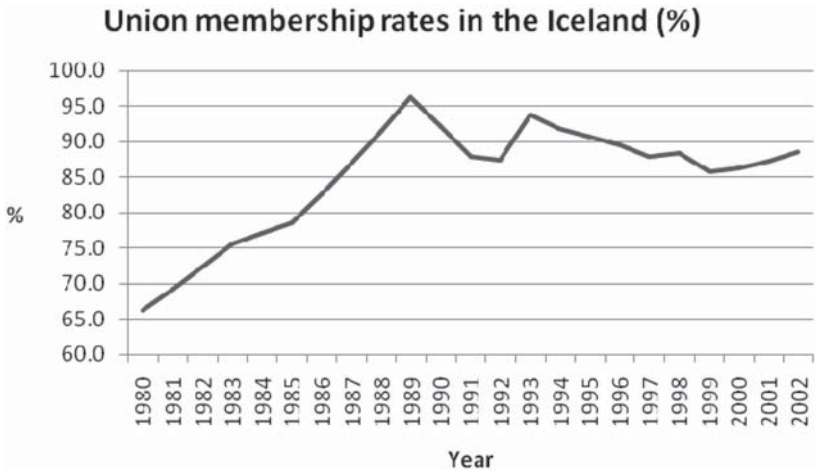
**Figure 1** the historical tendency of union membership rates in developed countries



Source: OECD, union density statistic (2009)



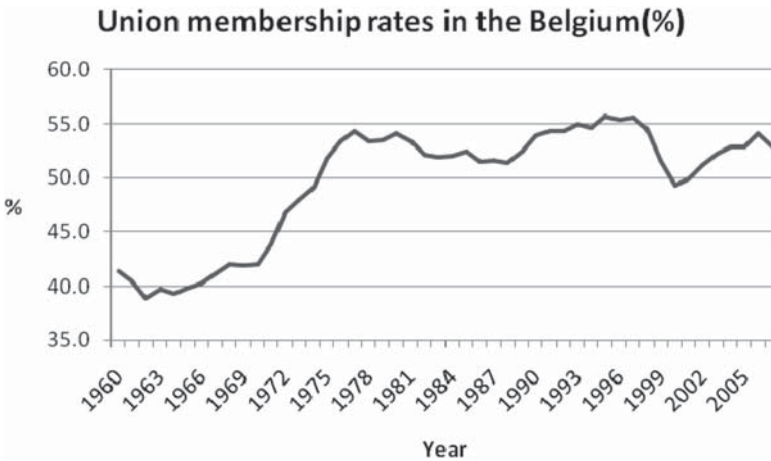
Source: OECD, union density statistic (2009); Alison & Booth (1994)



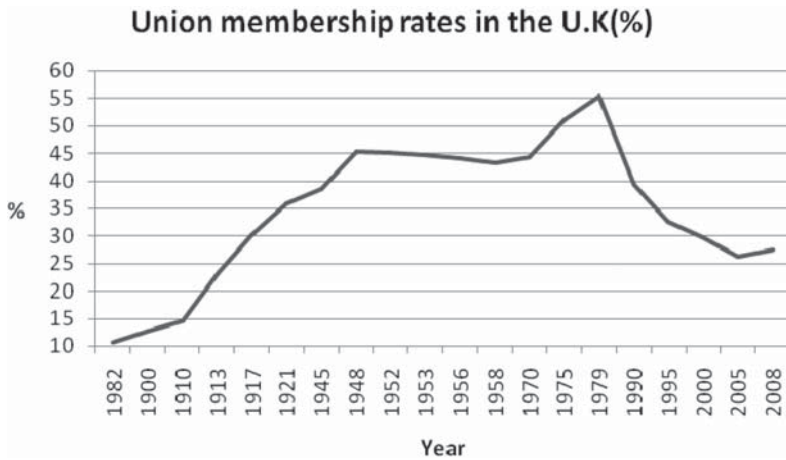
Source: OECD, union density statistic (2009)



Source: OECD, union density statistic (2009)



Source: OECD, union density statistic (2009)



Source: Bain & Price, 1983; Visser, 2006

**Table 5** National Unionization Rate Trends for the Past Decade

	Increase			Maintain				Decrease				
	U.K.	NZ	Belgium	U.S	SK**	Canada	Norway	Australia	Austria	Ger.	Den.	JPN
1999	23.6	21.6	51.6		11.9	31.4	54.9	25.2	37.4	25.3	74.9	22.2
2000	28.1	23.3	49.3	13.4	12.0	30.7	54.9	24.7	36.5	24.6	74.2	21.5
2001	27.5	22.2	49.9	13.3	12.0	30.5	53.9	24.4	35.7	23.7	73.8	20.9
2002	27.5	21.8	51.2	13.3	11.6	30.2	54.5	23.0	35.4	23.5	73.1	20.3
2003	27.1	21.8	52.0	12.9	11.0	29.5	55.1	22.8	34.4	23.0	72.4	19.7
2004	27.1	21.7	51.5	12.5	10.6	29.5	55.0	22.0	34.1	22.1	71.7	19.3
2005	27.1	22.3	51.5	12.5	10.3	29.5	54.9	22.1	33.0	21.5	71.7	18.8
2006	28.0	22.0	54.1	12.0	10.3	29.5	54.9	20.0	31.7	20.6	69.4	18.3
2007	28.0	n/a	52.9	12.1	10.8	29.4	53.7	18.5	n/a	19.9	69.1	18.3
2008				12.4								

Source: OECD, *union density statistics 1999-2007*

\* Bureau of labor statistics, <http://www.bls.gov>

\*\* Korea Bureau of Statistics e-Country Indexes ([www.index.go.kr](http://www.index.go.kr))

the U.K., U.S.A., and South Korea, but can also be seen in New Zealand, Belgium, and Finland. However, Canada and Norway are each maintaining the current unionization rate or repeatedly rising and falling, and in Australia, Austria, Germany, Denmark and Japan the rate continues to fall, albeit very slightly. Therefore, the reviving of unionization is not happening in all countries. However, the fact that a decrease trend that has continued for several decades has reversed itself in numerous countries is very important. It can be interpreted as another evidence to support the Pendulum Theory. History is repeating itself, and the pendulum is moving back towards the left. This is a reaction in several countries towards the recent employment instability, increase of irregular workers and decrease in real wages that followed restructuring, as service industry workers, office workers, professionals (in the case of the U.S.A. a doctor's union and nurse's union were formed), and irregular workers start to form unions.

In conclusion the Employment Structure Change Hypothesis, Intensifica-

tion of Competition Hypothesis and the Technological Development Hypothesis were not able to obtain empirical, logical support. The fourth Pendulum Theory however has earned empirical support from both historical data and current trends. This counters the argument of some futurologists which asserts that labor unions will cease to exist in the long term. The Pendulum Theory also has the support of common knowledge of historians, in that history repeats itself. Below this paper will now discuss analytically the characteristics of the current financial crisis and the relation between it and the Pendulum Theory.

### **3. Hypotheses and Discussion regarding the Global Financial Crisis**

The financial crisis that started in 2008 U.S.A. developed into an international economic crisis, and there is much focus on the cause and future prospects. As it is well known, the financial crisis originated in the U.S.A. The weak subprime mortgages of the U.S.A. not only affected American financial houses but also financial institutions of other developed nations that bought those financial products, including Europe, causing a global credit crisis. The financial crisis eventually lead to a crisis in the real economy, and the 2009 growth rate in major countries fell below 0, reminiscent of the 1920 Great Depression. It is yet uncertain when the economy will recover, and many opinions are being voiced on the true cause of the global economic crisis. Currently the main viewpoints involve some as narrow as the management of the financial system, to the whole capitalist system itself. These perspectives can be largely divided into 3. First, the economic crisis was a temporary credit crunch due to problems in the management of the financial system. Second, the global economic crisis is not simply a financial system issue, but a warning that signals the end of neoliberalism. Third, this crisis is the manifestation of the fundamental problems of capitalism, and is more than a financial system or a social problem but affects the entire capitalist framework itself. Details on each of the viewpoints are below.

### **(1) Simple Financial Crisis Hypothesis**

This viewpoint asserts that the economic crisis is not a deep framework issue, but rather has to do with the financial system, loose morals of investors, and the lack of management from the government. In this instance the cause of this economic crisis is not socio-structural nor political, but is based on the financial system, the problems of the companies themselves, and problems in the financial management policies of the government. The scholars in this sector do not fully agree on everything, but they do share the following commonalities. First, the cause of the financial crisis is the business's and governments' faulty financial policy. After the 1980s, the removal of financial restrictions and the resulting financial freedom enabled that a diverse range of financial products could be made and sold in the market. However financial companies were morally hazardous and focused too much on short-term profits, heightening the risk in 2<sup>nd</sup>, 3<sup>rd</sup> and consecutive products, ultimately becoming untrustworthy, causing the fall of the financial crisis. (Bicksler, 2008; Buiter, 2007). Second, the reason the crisis spread to the whole world was due to the fact that the U.S.A. sold these products globally, spreading the infection everywhere. The financial crisis led to crisis in the real economy, and could spread to the whole world, Third, from a microeconomic point of view in order to solve this financial crisis the financial system must be corrected, the international trading system must be put in order, and transparency policy must be implemented (Bordo, 2007; Hanusch and Wackerermann, 2009; Strier, 2008). Such analysis has the advantage of analyzing companies, focused on American financial institutions, and coming up with a good explanation on exactly what went wrong. However the magnitude of the current economic crisis seems to be too large to suggest that this is simply the effect of a mis-directed policy in an American Bank.

### **(2) Neoliberalism Crisis Theory**

The second view on the current economic crisis suggests that this is not just a momentary financial crisis, but instead comes from structural prob-



lems, which must be fixed by fundamental policy changes including increase government budget and organization of labor resources (Freeman, 2009; Krugman, 2009). While it is true that the current depression, fluctuation, and uncertainty started from a financial crisis, it is difficult to completely explain simply by financial systems and management. According to this view, the current economic crisis is similar to the one in 1920, the Great Depression, and just like the solution then the solution now is to modify the current neo-liberalist policies.

As capitalism went through the Great Depression and the World Wars many Keynesian policies were implemented including the welfare nation, increase of national budget, increase of government intervention. However starting from the end of the 1970s a new Neoliberalism started to emerge. Capitalist countries began to feel more confident about the market and looked for policies to strengthen it even further. As a direct result, competition grew fierces, and in order to obtain fuel for growth government intervention was reduced and the need for labor flexibility policies is becoming more important every day. In particular, the U.S.A. and the U.K., among other developed countries, started to maintain strong ideologies regarding Neoliberalism, and this has expanded to other countries as well.

The Neoliberalism in the 1980 had momentary success, however in the long run it had many problems as well. Neoliberalism supported deregulation, privatization and liberalization, but many problems were pointed out due to deregulation especially coupled with the reduction of government intervention. New problems such as a larger gap between the rich and poor, and social polarization, started to turn up. In particular, as globalization progressed the power of the company grew, while that of countries shrunk, and as the economic powers of businesses stood out the social rights of consumers and workers seem to have been forgotten. This sort of social structural approach argues that neoliberalism slowed down labor union activities, caused employment instability due to labor flexibility, increased unemployment, and aided the increase of irregular workers.

The perspective defining the financial crisis as having a socio-structural cause indicates the following. First, the current financial crisis is considered as a crisis of the capitalist economy, and the most important problem is the imbalance of labor relations that results in weak income raises that do not equal increase in productivity (Supiot, 2003). In the end in order to fill in the lack of aggregate demand, as a solution to expand consumption various financial products were developed. However this in fact caused the crisis. Second, it claims that national and world-wide regulations are needed. Recovering credit and overcoming the damage caused by excessive competition and indiscriminate product development cannot be simply done by policy implementation based on Wall street. It must be on a national and global level. Third, to solve the crisis neoliberalism must be replaced with something similar to the keynesian policy. While the arguments differ slightly, the common factors are that the solution is, for governments to intervene, increase the budget, strongly protect the basic labor rights, increase consumption through income raises, and protect labor union activities, etc; similar to the Keynes model.

The advantage of the Neoliberalism Crisis analysis and solution is that it overcomes a narrow view of the financial crisis on a domestic level only, and considers both the macroeconomic and political aspects of the current situation. This viewpoint looks to the causes and solutions to the 1920 Great Depression for answers, on the basis that history repeats itself.

### **(3) Capitalism Crisis Hypothesis**

The third viewpoint regarding the financial crisis is based on Marxist criticism on capitalism. Marx viewed that capitalism would inevitably fail on its own, due to self-contradiction, and that the new society would pass a step called socialism to end up in communism, a world without classes. Marxists argue that the current economic crisis is an indication of capitalist self-contradiction reaching its extreme, and while it may look like a financial crisis in reality it is a real economy crisis, and a capitalism crisis. The analysis of the

situation is largely similar to that of the Neoliberalism Crisis Hypothesis. However, the solution proposed is very different.

Some Marxists assert that the current crisis is a manifestation of capitalism reaching its 'historical limit', and that it needs to be replaced for conditions of higher social productivity. The current capitalism was the result of the end of modified capitalism in the 1970s, causing labor unions to greatly decline, and was viewed as the ultimate success of the free market economy. However these Marxists insist that this must be evaluated differently. The most direct cause of the current crisis was speculation, banks' maniacal focus on short-term revenue, defective loans, packaging and repackaging, etc., which can be summarized as fictitious capital that cannot be trusted. This is the result of capitalism worsening the crisis to deal with the decline of production capital and decreasing interest rates by producing fictitious capital.

Marxists argue that while today's financial crisis presented itself in the form of anomalous financial methods, the fundamental reason is within neoliberalism and capitalism itself. Marxist analyses of the economic crisis share the following viewpoints. First, while the viewpoint on the economic crisis is similar to that of the Neoliberalism Crisis Hypothesis, the cause is in the problems of the capitalist framework, accumulating profit. They note that the fundamental problem must be found in the period after 1973 when the Western capitalist economy faltered. The long-term decline of the economy after 1973 continues to this day, and the slowing down of the accumulation of capital is the main cause of the crisis. Of course, the capitalist economic system tried to overcome this phenomenon through the vitalization of the financial economy, but this attempt was destined to fail, as the real economy kept declining and this could not be cured by a simple short-term solution (Middleton, 2009). Second, there is strong criticism against the hegemony centered on the U.S.A. They predict that the U.S.A., while strong in the past as the main country representing neoliberalism and possessing key currency, will no longer be as strong in the future. Marxists especially raise questions towards the dollars position as global key currency, and suggest that it will be over-

come by the Chinese yen or the Russian ruble. Third, they agree on inevitable change in framework. Marxists agree that the current crisis is the result of a fundamental flaw in capitalism, and believe that it is difficult to escape this situation by a Keynesian fund injection (Brenner, 2009). Capitalism is already in decline and heading towards destruction, and it is obvious that a new framework needs to be implemented. For Marxists the new framework would be socialism.

The Marxist viewpoint on reasons behind the financial crisis partly overlaps with the Neoliberalism Crisis Hypothesis. In addition, it logically explains the financial crisis, overall economic crisis, and limitation of capitalism. However there are no specifics on the direction and method of the new framework. As socialist countries have essentially become extinct in the current world, their argument has a realistic limitation, and capitalism has proved its strength by going through multiple variations

#### **(4) Discussion regarding the hypotheses**

Above 3 viewpoints regarding the cause and potential solution of the financial crisis were introduced. While the financial crisis is still underway, the 3 hypotheses can be at least partially examined based on statistics already available.

First, Table 6 shows that the percentage of irregular workers has gone up for the last several decades in almost all countries mentioned. In the case of France a low irregular worker percentage of 3.3% in 1983 nearly quadrupled to 12.4% in 2004. In the case of Italy as well, the irregular worker percentage of 4.5% in 1986 rose to 11.8% in 2004. This increase of irregular workers can also be noted in Belgium, Germany, Japan, the Netherlands, and South Korea. This represents a situation where relatively higher income and more stable jobs are decreasing, and lower – income unstable jobs are increasing. Table 7 shows that for the last 10 years in countries where neoliberalism was dominant, labor income distribution has decreased. Labor income distribution indicates the worker's share in added value produced by a coun-

**Table 6** National Percentage of Irregular Workers

Year	Belgium	France	Germany	Italy	Japan	Netherlands	U.K.
1983	5.4	3.3	—	6.6	10.2	5.8	5.4
1984	5.8	3.3	9.9	5	10.1	—	6.1
1985	6.8	4.6	10	4.7	10.2	7.5	7
1986	7.1	6.3	11.2	4.5	10	—	7
1987	5.6	7.1	11.6	5.3	10.3	9.3	6.3
1988	5.5	7.8	11.3	5.7	10.5	8.7	6
1989	5.1	8.5	11	6.3	10.6	8.5	5.3
1990	5.3	10.5	10.5	5.2	10.6	7.6	5.2
1991	5	10.2	10	5.3	10.4	7.6	5.3
1992	4.9	10.5	10.5	7.5	10.2	9.7	5.5
1993	5	10.8	10.3	5.9	10.2	9.9	5.8
1994	5.1	10.9	10.3	7.2	10.2	10.8	6.4
1995	5.3	12.3	10.4	7.2	10.4	10.8	6.9
1996	5.9	12.6	11.1	7.4	10.5	11.9	7
1997	6.2	13.1	11.7	8.1	10.9	11.4	7.3
1998	7.8	13.9	12.1	8.4	11.3	12.7	7
1999	10.3	14	13	9.7	11.9	11.9	6.7
2000	8.9	15.5	12.7	10.1	12.4	13.9	6.7
2001	8.7	14.8	12.4	9.5	12.7	14.3	6.6
2002	7.6	14.1	11.9	9.8	13.5	14.3	6
2003	8.5	12.4	12.2	9.5	13.7	14.5	5.8
2004	8.6	12.2	—	11.8	13.8	14.5	5.7

Source: OECD (2006) Employment and Labour Market Statistics

try, and represents the relative share of labor within a society's total capital. For the past several decades this percentage has been steadily decreasing, indicating the relative decrease of labor power. In particular South Korea obtained a labor income distribution of 63.4% in 1996, however this decreased to 58.2% in 2002. Even after 2 terms of progressive leadership with President Kim (1998 - 2003) and President Roh (2003 - 2008) the ratio only reached

**Table 7** Labor Income Distribution

Year	Korea	Taiwan	Japan	U.S.A.
1995	61.3	50.5	—	57.2
1996	63.4	49.8	54.1	56.6
1997	62.3	49.3	54.1	56.6
1998	61.9	48.3	54.5	57.8
1999	59.5	48	54.2	58.2
2000	58.8	48.5	53.9	59.3
2001	59.5	48.5	54.1	59
2002	58.2	46.1	53.4	58.5
2003	59.8	46.2	52.7	58
2004	59.1	45.7	51.4	57.3
2005	60.7	45.7	51.5	56.9
2006	61.3	45.6	51.6	56.8

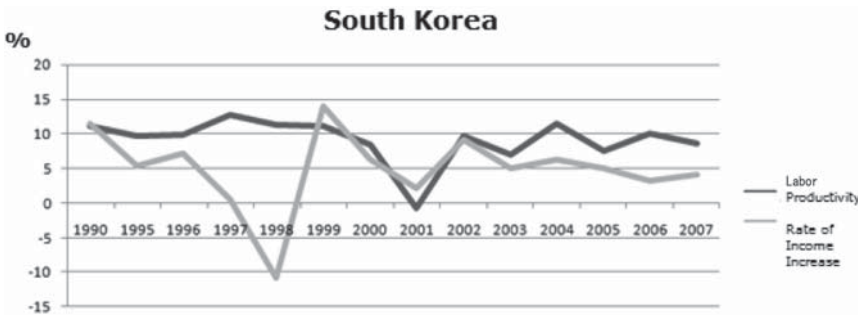
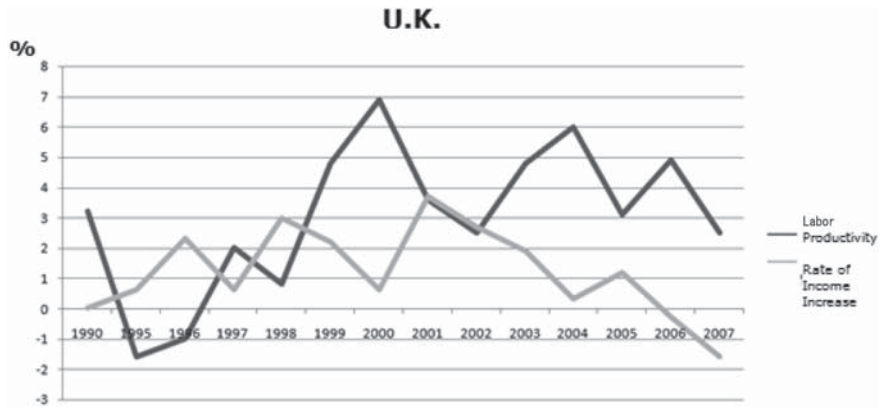
Source: KLI Overseas Labor Statistics (Korea Labor Institute, various years)

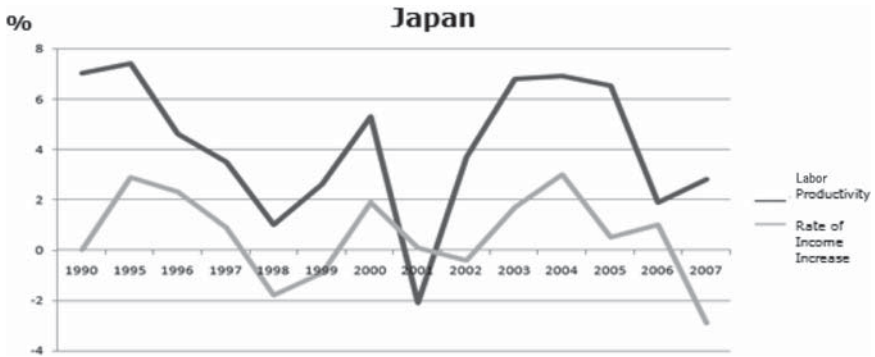
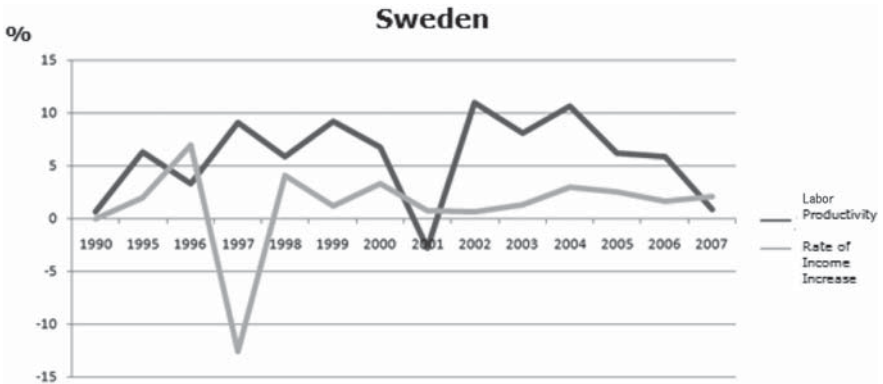
61.3% in 2006. Japan also had 54.5% in 1998, which fell to 51.4% in 2004. This decrease can also be seen in the U.S.A. and Taiwan.

Figure 2 compares the labor productivity and real wages trend from 1990 until now. The real income increase rate of South Korea, U.S.A., U.K., and Japan in almost all years does not reach the level of labor productivity increase rate. This indicates that during the period when neoliberal ideology was dominant, workers did not receive fair treatment in return for increase in labor productivity.

This empirical data seem to support the Neoliberalism Crisis Hypothesis, and not the Simple Financial Crisis Hypothesis. It can be seen that after 1980s, when neoliberalism was firmly established, employers continued to hold the upper hand and workers relatively held less power. As a result the distribution structure became distorted, and this all supports the Neoliberalism Crisis Hypothesis which asserts that decreased aggregate demand for the whole society is the main cause behind the economic crisis. This tends to suggest that unlike the Simple Financial Crisis Hypothesis, the current finan-

**Figure 2** Comparison of each country's labor productivity and increase in real wages





Source: KLI Overseas Labor Statistics (Korea Labor Institute, Yearly)

cial crisis is not simply a financial matter, but the result of serious changes in overall society's distribution structure.

However, this empirical data does not contradict the Capitalism Crisis Hypothesis. As stated previously this is because the analysis is similar between the two hypotheses. However, during the 1929 Great Depression Marxists argued that capitalism would fall, but they were unable to predict that capitalism would evolve into modified capitalism and continue to exist. After the 1929 Great Depression labor unions were revived and modified capi-



talism based on Keynesian economics was introduced, and capitalism went on strongly for the next several decades. This phenomenon cannot be explained by the Capitalist Crisis Hypothesis. Therefore, capitalism is not fixed, but is a moving target according to the wishes, needs and circumstances of members of society. After the introduction of capitalism it has been observed multiple times that criticism against capitalism is also giving it an opportunity to respond and change accordingly. The Capitalism Crisis Hypothesis's weakness is assuming that capitalism is fixed. Capitalism has survived by evolving, and will continue to survive by doing so, and this is one of the reasons why Marxism is not able to attract the following that Capitalism has.

#### **4. Conclusion**

The above discussion has examined 4 hypotheses regarding the future of labor unions, and 3 hypotheses on the characteristics of the global financial crisis. After partially examining empirical data it has been shown that for the future of labor unions the Pendulum Theory is the most persuasive, while for the global financial crisis the Neoliberalism Crisis Hypothesis was the most persuasive. Of course, as the paper only relied on empirical data that could be gathered, the evaluation was not complete and criticism may be made that this is merely a tentative result. However, several inferences could be from this tentative result based on empirical data. The conclusion will be based on inferences drawn by connecting the Pendulum Theory and the Neoliberalism Crisis Hypothesis.

Theoretically, the current financial crisis can also be explained by the Pendulum Theory. According to the Pendulum Theory the current financial crisis may be the first step needed for labor unions to revive. That is to say, as employers grow more powerful and labor weakens, the disparity of wealth becomes worse and aggregate demand decreases, leading to the collapse of the current economic system. For the past several decades, as the power of employers' has steadily increased, government policies have been implemented that put priority on the employers' interests and keep labor unions in

check in order to achieve efficiency. As a result, workers have experienced a wider gap between the rich and poor, the reality of real wages, and employment insecurity. The main argument of the Neoliberalism Crisis Hypothesis is that the accumulation of such circumstances has led to the current economic crisis. Therefore, in the end the economic crisis will become the point where the pendulum will move back left, towards equity. That is to say, if the real purchasing power of the public decreased as result of employers' power growing too strong, there is a chance that policy will change for the better, and lean towards strengthening rights of labor and labor unions, and for the increase of real wages.

Currently the U.S.A. is an example of the abovementioned occurring. With the inauguration of President Barack Obama, it is expected that the EFCA (Employee Free Choice Act) will be passed. This bill ensures that the formation of labor unions and collective bargaining will be easier than it currently is, and can be said to rank next to the 1935 Wagner Act which brought about the revival of American labor unions. Freeman (2009), Krugman (2009) and other progressive American scholars predict that this act will bring up the U.S.A.'s unionization rate up to 10%, leading to the rise of real wages and the revival of the middle class, restore the society's aggregate demand, and in the end overcome the economic crisis. As the current financial crisis is still underway it is yet early to make predictions with certainty. In fact, the validity of the hypotheses covered may be proven as time passes, naturally, instead of through reasoning and empirical evaluation. If the current financial crisis is over in 1 - 2 years the simple financial crisis hypothesis will be the strongest contender, and after enforcing stronger restrictions on the international financial market it is likely that Neoliberalism will continue to be the dominant ideology in market-based countries. On the other hand, if the financial crisis becomes as severe as the 1920 Great Depression, the second social structure approach will be persuasive, and it becomes more likely that policies similar to the New Deal program (strengthening of social security and promotion of labor unions) will be implemented in order to encourage aggre-

gate demand. Finally, while the possibility of this is low, if the current financial crisis cannot be solved by neither the revival of labor unions or by Keynesian solutions, and continues on to become a threat to capitalism itself, new socio-economic systems will attract attention. In such uncertain and volatile economic environments, scholars and policy implementers must look at the big picture, focus on the long-term effects and pay attention to the bigger picture of the flow of capitalism, and paradigm shifts.

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