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Marc Kagan
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Marc Kagan¹ 

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Crises can be moments of opportunity—but for whom? As I write, the stock market flourishes and the Federal Reserve takes unprecedented action to protect corporate America from the fiscal meltdown caused by Covid-19.¹ Yet a social-economic disaster has engulfed the American working class: lost jobs and health insurance, and “essential workers” callously exposed to the pandemic. Next in line are state and local public sector workers. Absent substantial relief from Washington, government employers will cry poverty, try to rip up union contracts, and cut the provision of services.² Will government workers, their unions, and the affected public find ways to push back? Is there the political will to tap heretofore untaxed sources of revenue? Will public employee unions focus only on defending their piece of reduced budgets or attempt to flex atrophied muscles, fighting alongside the communities they serve to chart a more expansive and progressive vision of America?

Absent substantial relief from Washington, government employers will cry poverty, try to rip up union contracts, and cut the provision of services. Will government workers, their unions, and the affected public find ways to push back?

Scholars are naturally drawing parallels between our current crisis and the Great Depression.³ In the early 1930s, the AFL was hesitant to seize the main chance, but despite the

perils of organizing at a time of mass unemployment, working-class struggles ultimately emerged, sparking decades of protest and mass movements that brought a liberatory rise in living standards, the Great Compression, and the end of Jim Crow. Often, labor mobilized whole working-class communities to help them organize and raise wages.⁴ And more often than they are given credit for, unions led fights against racial segregation and economic injustice in the working-class neighborhoods where their members lived. It was not just in historian Herbert Gutman’s studies of the nineteenth century that labor and communities worked together.⁵ Thus was built an imperfect yet, by subsequent standards, golden age of increasing equality.

The Harbinger of Neoliberal Austerity

But another crisis, starting with budget shortfalls and imminent default in New York City (NYC) (1974-1975), would usher in almost half a century of neoliberal austerity and growing inequality. As David Harvey, professor of anthropology and geography, notes, “the management of the NYC fiscal crisis pioneered the way for neoliberal practices both domestically under Reagan and internationally through the IMF [International Monetary Fund] in the 1980s.”⁶ Recently, historian Kim Phillips-Fein has convincingly argued for the central role of

¹CUNY Graduate Center, New York City, USA

Corresponding Author:

Marc Kagan, marckagan@aol.com

Washington in imposing austerity as its price for federal assistance. Treasury Secretary William Simon and Council of Economic Advisors Chair Alan Greenspan saw their opportunity to dismantle NYC's flawed but vibrant form of social democracy as the opening salvo in an effort to unwind the New Deal/Great Society state. New York's symbolic significance as a town where the working class and unions still wielded some power was icing on the cake. Mainstream Democrats, led by Senator William Proxmire, required stiffer concessions from New York's municipal unions before even the limited aid of bond guarantees was proffered. Prodded by Washington, the New York State government established an "Emergency Financial Control Board" (EFCB), headed by financiers and corporate executives, to ride herd on the city budget and union contracts. By mid-1976, significant structural, political, and cultural elements of working-class austerity had been established.⁷

... responses of New York's seemingly powerful municipal trade unions foreshadowed and perhaps even set in motion the subsequent fall of the house of labor nationally.

The halting, indecisive, and ultimately concessionary responses of New York's seemingly powerful municipal trade unions foreshadowed and perhaps even set in motion the subsequent fall of the house of labor nationally. They accepted economic austerity and the ideological premise that the working class should pay for the crisis in exchange for a sort of junior-partner corporatism or tripartitism. Successfully implemented in one labor stronghold, it spread in almost exact form to another—the auto sector—in 1979 via the wage concessions demanded by President Carter as the price for Chrysler loan guarantees. There, the private sector equivalent of NYC's wages tied to productivity and junior-partner tripartitism were "profit sharing, instead of indexed wages, and board representation."⁸ Then came steel—wage cuts for tariff protections. A pattern was set: alongside abrupt bloodletting spurred by industries only too eager to smash unions and cut wages were decades of

managed decline in the wages and working conditions of the American working class. We hear the same mantra today from the head of the Service Employees International Union, who argues that Republican anti-labor recalcitrance can be overcome, "when we get employers, workers and government coming together to solve problems."⁹

But was—and is—a different path possible? In the proving ground of NYC, the municipal labor unions and close observers first thought their wage concessions and the paring of government-provisioned services were a painful but only temporary setback.¹⁰ Later analyses saw the long-term effects more clearly, even mourned them, but largely accept contemporaneous assessments that these were the least bad alternatives.¹¹ Sometimes, solutions were framed on a national scale—not wholly wrong, but relieving local actors from agency and responsibility.¹² I argue, instead, that the present Covid-19-induced economic crisis allows us to see those times more clearly. Although the causes of the two crises were different, the demand of capital and the state requiring the working class to tighten their belts is strikingly similar. Alternatives to austerity existed then, as they do today; some of those alternatives were and are local.¹³ Looking at what labor did wrong then, might help it and working-class movements now, as we hope for better outcomes than deepened austerity.

The Onset of the Crisis

Unlike our pre-Covid neoliberal social welfare parsimony, during the decade prior to the fiscal crisis of the 1970s, government expenditures had risen due to higher wages and better benefits for public workers and increased services and payments to the poor; this was the apogee of the welfare state. Union gains began to slow in the early 1970s, due to federal wage and price guidelines and state legislation which rolled back pension improvements. At the same time, deindustrialization and white flight to the suburbs shrank NYC's tax base, and federal disbursements to cities were slashed by the Nixon administration. Then the 1969-1970 and 1973 recessions increased welfare costs and further reduced tax revenues. For ten years, NYC

addressed budget imbalances with healthy doses of wishful thinking and, encouraged by its banking bond underwriters, increasing amounts of short-term debt.¹⁴ In 1974, banks began to sell their city bonds, bloating an already shrinking market, causing rates for new debt to rise, and further exacerbating financial pressures. In early 1975, banks refused to underwrite new NYC debt. This created a cash flow crisis: bills had to be paid, payroll met—and, of course, bonds were supposed to be redeemed when due.¹⁵

This raised the possibility of default, where the city government and various creditor groups would spar in the courts on which disbursements to prioritize. Here was an unknown, then and now: Would a court give most favorable treatment to bondholders, or would it fear the political dangers of imposing austerity in the nation's largest city? In a January 1975 memo to his boss, the head of the municipal bond department at Chemical Bank raised the possibility that banks would receive funds only after the city payroll had been met. In August, the city's Corporation Counsel declared that "city services would certainly take precedence over noteholders' demands." In September, the First Deputy Mayor listed priorities in case of default: "payroll, welfare, Medicaid, the Health and Hospitals Corporation, day care, and transit. Notably," remarked Phillips-Fein, "the payment of interest on the city's debts was absent from the list."¹⁶ On October 17, 1975, when default seemed imminent, the City Controller stopped distribution of paychecks to sanitation workers, yet simultaneously a State Supreme Court justice "signed a writ at the request of the city to ratify priorities—with vital services heading the list, and meeting city payrolls taking precedence over payment to holders of city debts."¹⁷ So, the banks had plenty to be nervous about.

... Albert Shanker, head of the United Federation of Teachers, blinked first: he anteed up \$150 million of pension fund money to pay off bonds due that day, and default was averted.

But so did union leaders. A court might conceivably undo labor contracts, order layoffs, or

reduce retiree pensions. Later that day, Albert Shanker, head of the United Federation of Teachers (UFT), blinked first: he anteed up \$150 million of pension fund money to pay off bonds due that day, and default was averted.¹⁸ Shanker's decision marked the final chapter in a year-long turn of the municipal unions from bravado to concessions. In this high-stakes game of "chicken," the Simon-Greenspan strategy had worked.

Labor, With and Without the Community

Are unions inevitably defensive organizations rather than weapons of the working class, as economist and labor historian Selig Perlman argued almost a century ago?¹⁹ Must they lose vigor and become institutionalized? That was the intent of NYC Mayor Robert Wagner (1954-1965), who had spent years offering union recognition and bargaining rights in return for pliability and deference. The city's Office of Collective Bargaining (1965) and the state's Taylor Law (1967) were meant to regularize employer-union relationships, mediate disputes, prevent strikes, and limit the scope of bargaining to the "terms and conditions of employment."²⁰ Yet Perlman's argument would have seemed dubious (and government's efforts fruitless) in 1967 New York. The city was in the midst of years of "can you top this?" efforts by its municipal unions, resulting in a spate of strikes despite the legal prohibitions. Lacking union- or agency-shop provisions, unions had to be aggressive enough to convince workers to sign up and become members. Moreover, some strikes had what we now call "bargaining for the common good" goals—demands benefiting the public the union served. Against fierce city resistance, a two-month strike of social workers in 1965 pushed to expand scope of bargaining, to a limited extent winning better treatment of their welfare clients and smaller caseloads. Teachers did the same when they fought for smaller class sizes and increased funding for schools in poverty-stricken neighborhoods.²¹ Some contractual demands can be simultaneously self-interested and altruistic.

But alliances with the public around a common social-democratic vision could also be

ruptured by conflicting agendas, electoral needs, or simply union leadership disinclination toward consultation and deference. The UFT, which had fought so hard to expand teacher autonomy, resisted ceding some of it back to communities and parents who sought more control over curriculum, hiring, and even discipline of students.²² Its infamous two-month Ocean Hill-Brownsville strike in the fall of 1968 pitted the union's line-in-the-sand defense of job security and its seniority system against the neighborhood school board's desire to implement a more Afro-centric curriculum and rid itself of a handful of teachers seen as openly defying that effort.²³ In 1971, municipal workers, upset that negotiated pension improvements were stalled in the state legislature, locked drawbridges in the open position and released untreated sewage into surrounding waterways.²⁴ Here were cases where the "special interests" of public workers and city residents seemed directly counter-posed. In 1975, when it *seemed* inevitable that the expenditure pie would shrink, squabbling over the crumbs intensified. While municipal workers, small businesses, the poor, and the working class fought "defensive battle[s]," economist William Tabb observed, "banks, developers, and corporations expect incentives. . . . these 'bribes' by the state . . . force a reduction in public sector services." It was not inevitable that in 1980, 20 percent of revenue went to debt service, while only 13 percent was allocated for all human resources and social service expenditures.²⁵ Rather, it reflected which class was unafraid to grasp for and seize power.

From Resistance to Concessions

In the first months of the fiscal crisis, prodded by angry and fearful members, and with even some Local presidents calling for a general strike against layoffs, city unions rejected the narrative that there was no money and workers must sacrifice.²⁶ The public apex of union efforts came during the summer of 1975. A June demonstration outside the corporate headquarters of David Rockefeller's Chase Manhattan Bank, meant "to dramatize their assertion that

the banks are bleeding the city by imposing high interest rates on city borrowing," was called "a very, very scary kind of experience" by financier Felix Rohatyn. Thirty thousand rallied against budget cuts at a protest jointly called by the UFT and a Board of Education not under mayoral control. Laid-off police closed down the Brooklyn Bridge. After a two-day sanitation worker wildcat strike, the city rescinded the layoffs of a quarter of that workforce. Mayor Abe Beame, caught between insistent banks and union mobilizations, waffled, announcing layoffs and then postponing them.²⁷

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On the first day of school, UFT leftists led angry teachers facing ten thousand layoffs, mass reassignments, and class sizes of forty and even fifty in an overwhelming rejection of a tentative contract that sanctioned these horrific learning conditions and added a wage freeze.²⁸ "The mood," the *New York Times* reported, "was that of enthusiasm for a fight that, the teachers said, was not for their benefit alone, but for the benefit of their pupils. Their rallying cry was lower class sizes."²⁹ Voting to strike the next day, at least the glimmer of a renewed alliance with parents and communities beckoned.

Meanwhile, though, the unions laid the groundwork for concessions. According to historian Joshua Freeman, the Chase Manhattan demonstration "seemed to frighten [Victor] Gotbaum," the head of AFSCME DC37, New York's largest union.³⁰ Behind closed doors, Gotbaum, Teamsters Local 237 President Barry Feinstein, and trusted consultant Jack Bigel negotiated the so-called Americana agreement (named for the hotel where the deal was struck); meekly, most other unions signed on. The agreement rolled back an earlier wage hike and pledged work rule concessions to fund health benefits.³¹ A handful of labor autocrats decided on austerity: there were no membership votes on these contractual changes, and even discussion in the officer and delegate bodies was squelched.³² Yet the unions received no guarantees against further

service cuts or layoffs, which reached 20 percent of the workforce within a year.³³

A handful of labor autocrats decided on austerity: there were no membership votes on these contractual changes, and even discussion in the officer and delegate bodies was squelched.

Now, the unions' problem became one of managing their members' dashed expectations. The police and firefighters' unions—which had rejected the Americana agreement but found themselves effectively bound by its terms—were the least successful, and for a period of time, their leaders were ousted at each election. Just three weeks after their successful wildcat strike, the city renewed layoffs of sanitation workers, and despite sporadic picketing of garages, the union convinced its members to challenge that action (ultimately, unsuccessfully) in the courts rather than the streets.³⁴ After a week on strike, demoralized teachers narrowly accepted the same pact they had rejected and returned to work. Their lost pay and the fines levied for striking under the Taylor Law subsidized the return of a quarter of the laid-off staff—"the strike has been a tax on teachers," the Board of Education gloated—while additional cuts in payroll costs were effectively achieved by eliminating ninety minutes of schooling a week. Here was an agreement crafted to save the city money at the expense of students.³⁵

Shanker chastised his members: "A strike is a weapon you use against a boss that has money. This boss has no money."³⁶ In fact, the city *did* have money, but it was seemingly committed to using it to prevent default. A month later, when Shanker (following his peers) agreed to load up his pension fund with city bonds, the circle was closed. Heretofore, the unions had worried that payments to creditors would supersede those to workers and retirees; now, their retirees *were* the creditors, seemingly bound by self-interest to support austerity politics. In just a few months, "a fatalism toward the inevitability of cuts had

apparently been projected on taxpayers, municipal workers, and service recipients."³⁷

Shanker chastised his members: "A strike is a weapon you use against a boss that has money. This boss has no money." In fact, the city did have money . . .

Once unions accepted the premise of steep service reductions, imposition of tuition at the City University, and transit fare hikes, they forfeited their ability to rally the people of New York against austerity. Recounting two instances where cuts were partially averted, Phillips-Fein finds no magic bullet.³⁸ In the context of a fragmented opposition, Darwinian competition prevailed. A handful of the best organized staved off the worst consequences of a larger, grimmer story.

Political Insiders, but at What Cost?

What of the unions themselves? Concessions and pension fund money allowed them to maintain their institutional presence, if not substantial influence—a slim silver lining to the cloud of austerity and forty years of increasing inequality. Priding themselves as "political insiders," scholars Marco Hauptmeier and Lowell Turner observe, New York's unions made little attempt to build the social agenda coalitions that might have brought them real power.³⁹ Collective bargaining was "saved"—if it was ever really at risk—but the decades since have exchanged calamitous decline for the slow drip of defeat. Labor scholar Ian MacDonald asks how it can be that New York is both the center of neoliberalism and a "union town," and answers that the victors of the fiscal crisis worked through existing institutions of class relations rather than destroy them.⁴⁰

Three 1977 events show this institutionalization of collaboration, and the rejection of a class perspective, more explicitly. Beginning that January, union leaders and bankers met monthly

over “coffee, doughnuts [for] some very private discussion of economic, fiscal and management issues facing city government ‘I’m amused,’” smirked Mayor Ed Koch, “they really like each other and talk about how they attend each other’s children’s weddings.”⁴¹ In the spring, unions rejected an offer from Governor Hugh Carey to amend public sector labor law to make it more like the private sector. Unions would, effectively, have gained the right to strike, and employers the unilateral right to change contract terms at expiration. They opted instead for defensive stability, and to this day, the Taylor Law’s anti-strike provision is invoked as a threat against restive public sector workers.⁴² And that summer, the state legislature, responding to growing union concerns that angry workers were canceling their union memberships, legalized the agency shop, effectively allowed collection of dues from all represented workers, members or not. New York’s civil service newspaper bluntly explained why:

An agency shop will help unions be more objective in dealing with employers and better able to pursue a more responsible course of action. . . . Unions, even with their own financial solvency at stake agreed to no-raise contracts, wage increase deferrals and fringe benefit give-backs so the city could avoid bankruptcy [The Mayor’s] support of the agency shop bill was, in part, predicated on protecting the solvency of unions so they, in turn, would be strong enough to resist membership pressure. . . . The agency shop will bring greater stability to labor-management relations and will result in more statesmanship on the part of union leaders *who are free from the fear of economic blackmail by their members.*⁴³

Here was the tally sheet: non-responsive to their members, turning their backs on the communities they served, hobnobbing with bankers, abandoning the strike weapon. At best, we can say that for more than forty years, New York labor has fought rearguard actions to defend an unsatisfactory status quo.⁴⁴ Social democracy receded in the rearview mirror.

Can Labor Turn This Crisis into an Opportunity?

Crises are moments of opportunity, but it is not foreordained who will seize the ring. In the first years of neoliberalism, New York’s municipal labor unions, the labor movement as a whole, and other mass movements of liberation were all far stronger and more experienced than they are today, yet shortsightedness and fear meant they failed to rise to the challenge of those times. They fragmented into competing interest groups defending their slice of a shrinking pie, becoming far less than the sum of their parts. The demands of austerity might have led to worker–community alliances, but labor was too timid, too afraid of defeat, too committed to backroom deals, to vigorously defend the New Deal state and the Great Compression. We cannot say for sure what would have happened if labor had acted with the same boldness as capital and its Washington allies, but we know the dismal result of the choices it made: periods of stagnation interspersed with backward lurches. Charitably, we might forgive their decisions as a misjudging of entirely new circumstances, but who will excuse labor today if it treads the same errant path?

The past decade has also shown us tantalizing glimmers of a different trajectory. Occupy popularized the narrative of the 1 percent—a new ideological framework. The State Priorities Partnership, a center-left counterpart to the better-known American Legislative Exchange Council (ALEC), promotes, albeit cautiously, “a just and equitable America.”⁴⁵ Think tanks such as the Rutgers-based Center for Innovation in Worker Organization promote bargaining-for-the-common-good ideas as a pragmatic strategy to win by building alliances and therefore power.⁴⁶ Education unions, such as the Chicago Teachers Union and the UMass Faculty Staff Union, are trying to apply those principles and build alliances with the communities they serve, while teachers in West Virginia blazed a path to mass support in a deeply red state.⁴⁷ The powerful nationwide Black Lives Matter protests remind us that victories are achievable and aspirations can dramatically expand in the course of just a few weeks. Finally, where Gotbaum and Shanker struggled to locate alternate sources of

revenue, now those are clear: “tax the rich” plans are abundant, and the ability of Washington to simply write checks is manifest.⁴⁸

Still, honesty compels us to note that, like the AFL in 1933, there has been more talk than action by labor. As millions have marched, labor as an organized presence has been largely absent from the Black Lives Matter movement, once again missing an opportunity to build solidarity with natural allies. And opposition to forthcoming layoffs and service cuts has been largely limited to insider politics in statehouses and city halls.

Indeed, arguments for extreme caution and prudence are articulated anew, if with different rationales: the race to the bottom is an accomplished ideological dogma; unions are too weak to take risks; workers’ aspirations are more muted, and most lack experience in even tame forms of class struggle; and the economic crisis is only temporary.

There are alternatives to austerity today as there were then, both as to raising revenues and how to spend them.

Labor needs to rethink its shopworn *modus operandi*, starting with a willingness to imagine a wholly different future and a commitment to a strategy of bargaining for the common good. Because labor *is* weak, it is even more imperative that it forges unity with the public it has spurned for too long. There are alternatives to austerity today as there were then, both as to raising revenues and how to spend them. Success is hardly guaranteed, but now we know—as our predecessors did not—what the costs are of shying from that fight.

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ORCID iD

Marc Kagan  <https://orcid.org/0000-0003-0776-8963>

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 28. Lee Dembert, “Shanker Opposed Teachers’ Strike,” *The New York Times*, September 30, 1975, available at <https://www.nytimes.com/1975/09/30/archives/shanker-opposed-teachers-strike.html>.
 29. Leonard Buder, “Teachers Vote to Return but Many Object to Pact: Schools Open Tomorrow,” *The New York Times*, September 17, 1975, available at <https://www.nytimes.com/1975/09/17/archives/teachers-vote-to-return-but-many-object-to-pact-schools-open.html>.
 30. Freeman, *Working Class New York*, 261.
 31. Americana Agreement, July 31, 1975. In possession of author. Lee Dembert, “Union Heads Met Dual Pressures,” *The New York Times*, August 1, 1975, available at <https://www.nytimes.com/1975/08/01/archives/union-heads-met-dual-pressures-faced-impossible-position-of-drawing.html>.
 32. For DC37, see Dyer, *Final Call* and Spear, *Crisis in Urban Liberalism*.
 33. Weitzman, *City Workers and Fiscal Crisis*; 60,000 workers were laid off.
 34. Ibid.
 35. Dembart. “Shanker.” Teachers lost two “prep” periods a week, but their with-students work-day was also shortened by two periods. The cost savings came from the elimination of “specials” teachers—art, music, gym, library, and so on—who taught students during those preps. Buder, “Teachers Vote to Return but Many Object to Pact”; Mary Brested, “Union Solidarity Lacking in Votes on Pact,” *The New York Times*, September 17, 1975, available at <https://www.nytimes.com/1975/09/17/archives/union-solidarity-lacking-in-votes-on-pact.html>. On balance, Michael Spear has argued, union preferred layoffs—those aggrieved workers were no longer members—over spreading pain evenly across an angry membership.
 36. Buder, “Teachers Vote to Return but Many Object to Pact.”
 37. Tabb, *The Long Default*, 34.
 38. Phillips-Fein, *Fear City*, Chs. 14 and 15. The Latinx community saved the newly open bilingual Hostos Community College, but tuition was imposed on the entire CUNY system, and the student body shrank by a quarter. The “People’s Firehouse” in Williamsburg, Brooklyn remained open, but dozens of others, where residents were not quite as well organized, were closed, even as a wave of landlord-inspired arson ravaged New York.
 39. Marco Hauptmeier and Lowell Turner, “Political Insiders and Social Activists,” in *Labor in the New Urban Battlegrounds: Local Solidarity in a Global Economy*, ed. Lowell Turner and Daniel Cornfield (Ithaca, NY: ILR Press, 2007), 130, 141.
 40. Ian MacDonald, “Exceptional New York? Variations in Neoliberal Labour Relations at the Urban Scale,” *Global Labor Journal* 1, no. 2 (2010): 233-64.
 41. Ronald Smothers, “New Tie Binds City Unionists, Bank Leaders,” *The New York Times*, December 2, 1980, available at <https://www.nytimes.com/1980/12/02/archives/new-tie-binds-city-unionists-bank-leaders-candid-exchanges.html>; Steven Weisman, “Bankers and Heads of City Unions Meet,” *The New York Times*, January 29, 1977, available at <https://www.nytimes.com/1977/01/29/archives/bankers-and-heads-of-city-unions-meet-gracie-mansion-talks-on-new.html>.
 42. For a fuller accounting, see Marc Kagan, “When Unions Passed on Gaining Right to Strike,” *The*

- Chief*, November 8, 2019, available at https://thechiefleader.com/opinion/op-eds/when-unions-passed-on-gaining-right-to-strike/article_cabff1d4-00c7-11ea-8783-176eb9e2516a.html.
43. Frank Prial, "Union Security: Agency Shop," *The Chief*, August 12, 1977. Available at New York Public Library.
 44. Joshua Freeman called this "protecting things you think are not good enough" at a CUNY-Gotham Center forum, "NYC's Fiscal Crisis and the Rise of Austerity Politics," May 8, 2017.
 45. State Priorities Partnership, available at <http://statepriorities.org>.
 46. School of Labor and Management Relations, Rutgers, "Bargaining for the Common Good," n.d., available at <https://smlr.rutgers.edu/content/bargaining-common-good>.
 47. For competing views on the Chicago Teachers Union, see Micah Uetricht, *Strike for America: Chicago Teachers against Austerity* (New York: Verso, 2014) and David Kaplan, "The Chicago Teachers' Strike and Beyond: Strategic Considerations," *Monthly Review*, June 1, 2013, available at <https://monthlyreview.org/2013/06/01/the-chicago-teachers-strike-and-beyond/>. For UMass Faculty Staff Union, see New Caucus of the PSC, "Zoom Roundtable: Bargaining for the Common Good in Higher Education," April 22, 2020, available at <https://newcaucus.wordpress.com/2020/04/09/zoom-roundtable-bargaining-for-the-common-good-in-higher-education-2/>. For West Virginia, see Eric Blanc, *Red State Revolt* (New York: Verso, 2019).
 48. As Tabb and especially Moody note, the restructuring of NYC tax policies to markedly favor corporate, financial, and real estate interests was largely a *result* of the fiscal crisis, not its cause.

Author Biography

Marc Kagan is a PhD candidate in the CUNY Graduate Center History Department. His forthcoming dissertation is entitled "The Fall and Rise and Fall of Transport Workers Union Local 100, 1975-2009."