

Understanding the Economy 2000

Virginia Wages: Are We All Better Off?

If you pay attention to our world, you already know that the economy is strong. It is doing so well that the Federal Reserve Bank has raised interest rates multiple times in order to slow it down. What is their fear? That people's wages are going up too fast, and that prices will soon follow. Their priority is to prevent inflation, and working people's paychecks take the back seat.

But in Virginia, how have wages really changed over the last few years? Is everyone getting paid more, or only those in high tech businesses? And if everyone is getting paid more, are they getting paid enough to escape poverty?

What Are We Earning?

Here are some possible ways of looking at the data:

1. What did we earn annually on the job?

In 1998, the average individual in the United States earned \$31,908. The average individual in Virginia earned \$31,384. State averages in 1998 ranged from \$40,915 in Connecticut to \$21,648 in South Dakota. While average pay grew approximately 5.2 percent (in real terms) in the United States between 1990 and 1997, it grew 7.2 percent in Virginia. Virginia experienced the fourth fastest increase in annual pay of all states between 1997 and 1998 (behind Washington, Colorado and Georgia).

2. What did we have available to spend per person?

The average Virginian had \$25,010 at his or her disposal in 1999, compared to \$24,297 for the average U.S. resident. Connecticut residents, on average, had \$31,797 available per person and Mississippi residents only \$18,241 per person.

3. What does a particular job pay?

The following table from the National Compensation Survey presents data from two surveys, conducted in August 1997 and February 1999 in the Richmond-Petersburg area. Data for a larger number of occupations in Virginia and other states and national averages can be obtained from the Bureau of Labor Statistics web site at <http://stats.bls.gov/compub.htm>.

**Hourly earnings, Richmond-Petersburg VA
Aug. 1997 and Feb. 1999**

Occupation	1997 average	1999 average	% change
Accountants and auditors	20.03	21.52	7.4%
Engineers	26.53	28.98	9.2
Computer systems analysts	24.78	29.26	18.1
Social workers	14.41	14.81	2.8
Elementary school teachers	22.79	22.58	-0.9
Registered nurses	18.84	19.97	6.0
Secretaries	12.62	12.61	0.0
Data entry keyers	9.12	9.33	2.3
Police and detectives	15.63	16.02	2.5
Cashiers	6.32	6.68	5.7
Shipping and receiving clerks	8.19	8.78	7.2
Food preparation	6.48	6.88	6.2
Nursing aides and orderlies	6.82	7.40	8.5
Maids and housekeeping cleaners	6.01	6.81	13.3
Bus, truck and stationary engine mechanics	14.42	15.75	9.2
Truck drivers	10.93	12.18	11.4
Laborers, except construction	9.38	10.99	17.2
Vehicle washers and equipment cleaners	9.01	10.46	16.1
Stock handlers and baggers	9.20	9.80	6.5

Earnings increased faster than the cost of living in most occupations. The national increase in the consumer price index from August 1997 to February 1999 was 2.3 percent. Earnings in many blue-collar and entry-level jobs grew as rapidly as earnings in white-collar and skilled jobs. Thus, the strong economy has provided benefits to workers at all occupational levels.

Is Everyone Earning Enough?

Has the extraordinary economic growth of the 1990s allowed most entry-level or low-skilled workers to bring their families out of poverty?

In 1998, the U.S. poverty threshold for a three-person family with two children was \$13,133 – that is, an “average” family of this composition would need at least \$13,133 to cover the bare minimum for food, housing, clothing and other necessary expenses. A four-person, two-child family (i.e., two adults, one or two earners) would need \$16,530.

To avoid poverty, an entry-level or low-skilled individual must generally work full-time, year round. Many entry-level jobs do not provide vacation pay; assuming most workers find it necessary to take some time off for personal reasons, full-time year-round work might reasonably be 40 hours per week for 50 weeks a year (for 2,000 hours).

But a single mother with inadequate childcare coverage, for example, may have difficulty working this many hours. An individual working 2,000 hours per year would need an hourly wage of \$6.57 to meet the poverty line of \$13,133 for a three-person, two-child family. An individual working 2,000 hours per year would need an hourly wage of \$8.27 to meet the four-person, two-child poverty line of \$16,530.

The table below shows the trend in the poverty rate for the U.S. as a whole and for Virginia. The poverty rate in Virginia is lower than the national average. The trend in the Virginia poverty rate, however, is different from the national trend. The rate in the U.S. as a whole has steadily declined since the 1991-92 recession. In Virginia, the poverty rate continued to climb until the 1996-98 period.

Poverty Rates, In Percent		
Year	United States	Virginia
1996-98	13.2	11.3
1995-97	13.6	11.7
1994-96	14.0	11.1
1993-95	14.5	10.2
1992-94	14.8	10.0
Source: Census Bureau, http://www.census.gov/ftp/pub/hhes/poverty/povanim/pvmaptxt.html		

On the other hand . .

The above analysis suggests that many people in Virginia are earning enough to escape poverty. However, there are other important factors that prevent many others from earning enough money:

1. Employment and unemployment – jobs and hours of work

Success in the current economy requires that a worker be able to find a full-time, year-round job AND have an adequate support network available for childcare and personal needs. Although the average unemployment rate in Virginia is quite low (less than 3 percent of the labor force is unemployed), there is considerable variation across the state. The unemployment rate also varies by race and sex, with women experiencing slightly higher rates of unemployment than men and people of color experiencing higher unemployment rates than whites.

In 1998, the highest rates of unemployment in Virginia occurred in the Southwest corner counties of Buchanan (14.1 percent), Dickenson (15.7 percent), Wise (10.3 percent) and Tazewell (8.5) and in the Northern Neck county of Lancaster (10.4 percent) and Eastern Shore county of Northumberland (8.7 percent). The cities of Norton (7.0 percent) and Danville (6.1 percent) also experienced relatively high unemployment. The lowest rates of unemployment occurred in the counties of Albemarle (1.2 percent), Rockingham (1.3 percent), Loudon (1.3 percent), Greene (1.5 percent), Fairfax (1.6 percent), Fluvanna (1.6 percent), Stafford (1.6 percent) and Roanoke (1.6 percent) and the cities of Fairfax (1.3 percent), Harrisonburg (1.4 percent) and Charlottesville (1.7 percent).

The 1998 Virginia unemployment rate for all workers (16 and older) was 2.9 percent. For whites, it was 2.3 percent and for blacks, 5.0 percent (which reflected a 3.7 percentage point drop from 1997). The unemployment rate for women was 3.7 percent and for teenagers (ages 16-19), 12.4 percent.

Some argue that workers in areas with high unemployment rates can and should migrate to areas where workers are in short supply, but there are significant costs associated with doing so. Workers must gain information about job and housing availability elsewhere and must search for employment and housing. They must move themselves and their families and may need to sell a home and other possessions. They must leave family, friends and a familiar environment. Faced with these costs, many workers will choose to remain in an area of high unemployment and continue their local job search.

Also, official unemployment statistics do not capture the phenomenon of underemployment. Underemployment occurs whenever a worker is employed part-time but desires a full-time job or is employed in a job that does not make full use of her skills and pays significantly less than she desires to earn. Workers in these situations are counted as employed but are still likely to be looking for better work situations.

2. The poverty rate

Many (if not most) full-time, year-round workers in entry-level jobs can earn enough to bring their families above the official poverty level. But what does this mean for actual living standards?

Today's official poverty thresholds are based on food consumption patterns of poor people in the 1950s. At the time, poor families spent, on average, 1/3 of their income on food and 2/3 of their income on non-food purchases. To define the poverty line, the minimal adequate food budget (adjusted for family size) was multiplied by 3. This poverty line has been updated annually for cost of living changes since 1963.

Poverty researchers and others have suggested that, given our greater access to information about income and expenditure patterns for poor people, it is time to radically change the way we measure poverty. The Census Bureau has started calculating poverty rates under several experimental definitions of poverty. These are based on actual income and expenditures of poor people relative to the amount of income necessary to purchase basic goods and services. They include market, governmental and other sources of monetary income and in-kind goods and services and subtract tax payments, childcare and other work-related expenses. The implied experimental poverty rates differ from the official poverty rates, as shown in the table below:

Year	Official poverty rate	Experimental poverty rate
1998	12.7	14.6
1997	13.3	15.4
1996	13.7	16.2
1995	13.8	16.9
1994	14.6	17.8
1993	15.1	19.1
1992	14.8	18.2
1991	14.2	17.5
1990	13.5	16.8

Thus, although many current workers earn enough to exceed the official poverty threshold, they do not earn enough to cover their real expenses.

3. The “last hired, first fired” worry

The largest drop in unemployment rates in recent years has occurred for black workers. We can celebrate the increased likelihood of finding a job for people of color. But in an economic downturn, the workers who have held their jobs for the shortest period of time are generally the first ones to lose their jobs, since they have the least experience and seniority. Those workers who have gained employment in our current strong economy may not see their gains persist through an economic downturn.

Conclusion and Policy Responses

It is clear that a strong economy offers benefits for many low-skilled as well as high-skilled workers. However, as strong as our economy is, it does not bring enough economic rewards to some full-time, year-round workers to allow them to cover all of their most basic expenses. Are there policy changes that could allow all workers to exceed a realistic poverty line?

“Market-oriented” economists, who strongly influence our national and state policy at the moment, have favored reducing government regulations on businesses, eliminating the minimum wage to reduce the cost of hiring and training and encouraging increased employment opportunities for low-skilled workers. With most areas of the country experiencing extraordinarily low unemployment rates and most entry-level jobs paying significantly above the minimum wage, it is unclear how simply eliminating regulations to increase employment will provide any real benefits to poor people.

Other economists who focus on the failure of markets alone to achieve social goals of fairness and equity favor programs that increase work incentives but provide a safety net for those who are temporarily or permanently unable to find work. One favorite is the Earned Income Tax Credit, which promotes participation in the labor force and increases the monetary income associated with work for low-income workers. A large increase in the Earned Income Tax Credit at the federal and state level would go a long way towards bringing working families out of poverty. Increased funding for education and training programs (particularly those with apprenticeship or on-the-job training components) would help workers move up the economic ladder. Continued focus on discrimination in employment and in education and training is also necessary.

Current projections are for continued, if slower, economic growth for the next few years. Most poor people will continue to work and earn more, but too many will not earn enough to cover their real expenses. In the mean time, we wait anxiously for the next recession. How many of the recent gains in employment and wages will persist, and will the safety net will be large enough to catch everyone who falls?

Special thanks to Amy McCormick, a labor economist who teaches at Mary Baldwin College in Staunton, Virginia, for her contributions to this article.

Safeguarding Taxpayer Dollars

Connecting Corporate Subsidies and Living Wage Campaigns

Interested in living wages? Interested in corporate welfare? Then you should be excited, because the two go together like peanut butter and chocolate.

Corporate subsidies come in three basic flavors. First is direct financial assistance in the form of grants, or straight cash, which the company doesn't have to pay back. Second is indirect financial assistance in the form of training programs, marketing and site improvements; for example, the Motorola factory in Goochland County, Virginia — which has still never opened for business — received over \$60 million in water treatment infrastructure and at least \$25 million in other incentives like job training and improvements in the road leading to the factory. Finally, there are tax-based incentives and rewards, such as the \$60 million in tax breaks Motorola will receive in exchange for 2,500 jobs.

Living wage campaigns push governments and public institutions to pay their employees an hourly wage that can realistically support a family. The figure varies from place to place. Many campaigns settle on something around \$8 per hour, but with housing costs escalating, often a real living wage is much higher. In Virginia, according to recent studies, \$11.68 is the hourly wage needed for a family to afford the average two-bedroom apartment while paying no more than 30 percent of their income in rent.

How do corporate subsidies and living wage campaigns come together? When a local or state government passes a law regulating the welfare it gives away to businesses, it usually looks to job quality standards as the main way of holding those businesses accountable. These standards are built into the contracts that they sign with industry. If industry doesn't meet the standards, then they don't get the money. These standards can include:

- Providing wages which support a family, plus adequate benefits.
- Investing in worker learning through ongoing training.
- Obeying labor and environmental laws.
- Filing timely reports with the locality or state, including the number of jobs created, wages of new and existing jobs, and other information.
- Agreeing not to relocate to another location offering more subsidies.
- Sometimes the contracts will include stipulations that will force the business to return the subsidy, plus interest, if it fails to meet its end of the bargain.

The costs to governments and taxpayers can be high if we allow our elected officials to give away money with no standards attached. In an October 12, 1999, article from *The Sun*, reporter Jay Hancock describes how South Carolina has given away so much in tax breaks that it finds itself unable to meet its growing budget.

“On its current course, South Carolina will deliver what incentives critics have been expecting for years: a striking case of incentives trauma,” Hancock wrote. Taxes are going through the ceiling for individual property owners and established businesses unable to join the race for public cash. Schools are crumbling away while students achieve the lowest SAT scores in the country. And the big BMW plant has never paid South Carolina a dime in taxes and probably never will.

But the argument for job quality standards in corporate subsidy deals is a hard one to make if you have no data to convince lawmakers. And most states, including Virginia, literally have no idea how much they are giving away to corporations. Disclosure laws are needed to reveal what has been given to whom.

Maine and Minnesota are two states that have passed disclosure laws after grassroots groups pushed campaigns through their state assemblies. Good Jobs First, an advocacy group working to hold corporations accountable, has used the data generated by those disclosure laws to reveal that many of the corporations receiving subsidies actually cut jobs,. And most of the new jobs which were created by public dollars paid below \$10 an hour.

Unfortunately in Virginia, we have no such disclosure law. Even business records, which could be used to determine what companies receive what state dollars, are closed to the public. A first step toward creating statewide job quality standards for all subsidies would be to push such a law through our legislature. Disclosure laws can also be passed on the local level, allowing citizens of cities and counties to examine the subsidies given by their elected officials to attract new businesses.

Some argue that regulating corporate welfare creates another layer of government bureaucracy. But in fact, any attempts to monitor subsidies will cost less than the millions of dollars given away to corporations which produce no public benefit. Elected officials have a duty to safeguard taxpayer dollars, and they must know where the money is going and how it effects actual jobs in order to do it. If corporations find the reporting process too burdensome and refuse to take the money, then they clearly did not need the cash in order to run a profitable business.

Strong arguments exist in favor of attaching wage and other standards to corporate subsidies:

- Subsidized jobs should not create hidden taxpayer costs, such as forcing employees to use food stamps or Medicaid to get by.
- Capital is plentiful in this economy, but workers are not. It makes economic sense to reward labor.
- Schools and their tax base must be protected from corporate welfare.
- Favoritism to some companies is unfair to others.
- Corporate migration to places with better subsidies is a form of piracy, and it is indefensible. One locality loses due to another's gain.

Living wage campaigns and campaigns to regulate corporate subsidies fit together. Attaching living wage standards to corporate welfare will extend the benefits to far more workers than merely asking cities and counties to pay their workers a living wage. And corporate welfare campaigns can use the broad appeal of “living wage” to communicate the importance of job quality standards and the reporting needed to enforce them.

Thanks to Fiona Hsu at Good Jobs First for providing the background and much of the content of this article. GJF can be reached at goodjobs@ctj.org, and their website is www.goodjobsfirst.org. Look for their research paper, “The Policy Shift to Good Jobs.”

Virginia Rides the New Economy

Here is a true story.

A young, idealistic woman graduates from college with the intention of doing public interest law. She goes to law school, does the work, and graduates with honors.

While looking for a job at a Legal Aid society or a firm that will let her do a lot of pro-bono work, she temporarily takes a job at a new business that her computer-engineer-friend is starting up. He needs a lawyer to do the legal papers and negotiations.

There are three other people working for this business.

Within two years, the number of employees has grown to over 200. The employees who began the company, including our lawyer friend, have seen their stock options increase in value many times over.

Without intending it, wanting it, or working toward it, she is a multi-millionaire. Her computer-engineer-friend who founded the company? He is building a mansion in the country, and last month he brought home a Porsche on a whim.

Twenty years ago, this story would have been unbelievable. Today, it happens on a daily basis thanks to an information revolution that some call the New Economy.

What is so new about it? As the people of Martinsville can attest, there has been a shift from manufacturing to service industries. Factories that make actual products have moved to cheaper labor markets, and many more people are now employed at desk jobs.

There has also been a dramatic speed-up in technological development, centering on the Internet and the networking and communication that it makes possible. And finally, knowledge and information have become increasingly important when it comes to making money.

When Bill Gates, the president of Microsoft, has more personal wealth than the gross national product of some small countries, it is a clear sign that something new is happening. Gates got so rich by getting in on the ground floor of the New Economy with a product that he pushed by any means possible.

Increased and sometimes ruthless competition is another aspect of the current economy. As technological advances permit businesses to go global, they suddenly find themselves competing with new businesses in new markets, many of which are unregulated in terms of tariffs and trade barriers, environmental regulations and labor standards.

They move factories, downsize their staff, and rapidly shift their business strategies according to changing markets. They have to, or they won't survive. Companies that shift quickly and streamline effectively reap huge profits, so a lot is at stake.

How did we get here? According to the Progressive Policy Institute (PPI), the previous economic pattern lasted from around 1938 to 1974. Its foundation was manufacturing, where stable and hierarchical corporations churned out products for a domestic market.

Examples such as General Motors, textile factories and the steel industry come to mind.

But by the late 1970s and on through the 1980s, our economy underwent a series of shocks as recessions rolled through the old manufacturing centers. Productivity slowed down as well as growth in wages. Many businesses failed, and many others went through a massive restructuring process.

IBM may be an example of a company that straddled both economies, leading the new computer revolution but using the tools and internal order of the old manufacturing system. Eventually it toppled under its own weight, unable to keep up with the rapid pace of change set by new companies like Microsoft.

As further indication of our changing economy, PPI claims, “Between 1969 and 1995, virtually all the jobs lost in the production or distribution of goods have been replaced by office jobs. Today almost 93 million American workers (holding approximately 80 percent of all jobs) do not spend their days making things — instead, they move things, process or generate information, or provide services to people.”

Virginia has fared relatively well in this New Economy. At least, parts of it have fared very well and other parts much less so

We rank 12th out of the 50 states in “The State New Economy Index,” a project that uses 17 categories to examine how states have participated in the new system.

The table on page 7 shows the categories and Virginia's score in each one. It tells us a number of things: first, our workforce ranks very high in so-called Knowledge Jobs, which must look good to high tech companies looking for a home.

Second, as a state we have taken great advantage of the Internet, with almost 40 percent of adults having access to it. And finally, high tech jobs compose a relatively high percentage of our jobs in comparison to other states.

Even though the implications of the New Economy push far beyond mere high tech industries, our solid base in computer, telecommunication, and electronics-related businesses makes us a strong participant in the changes overtaking our economy.

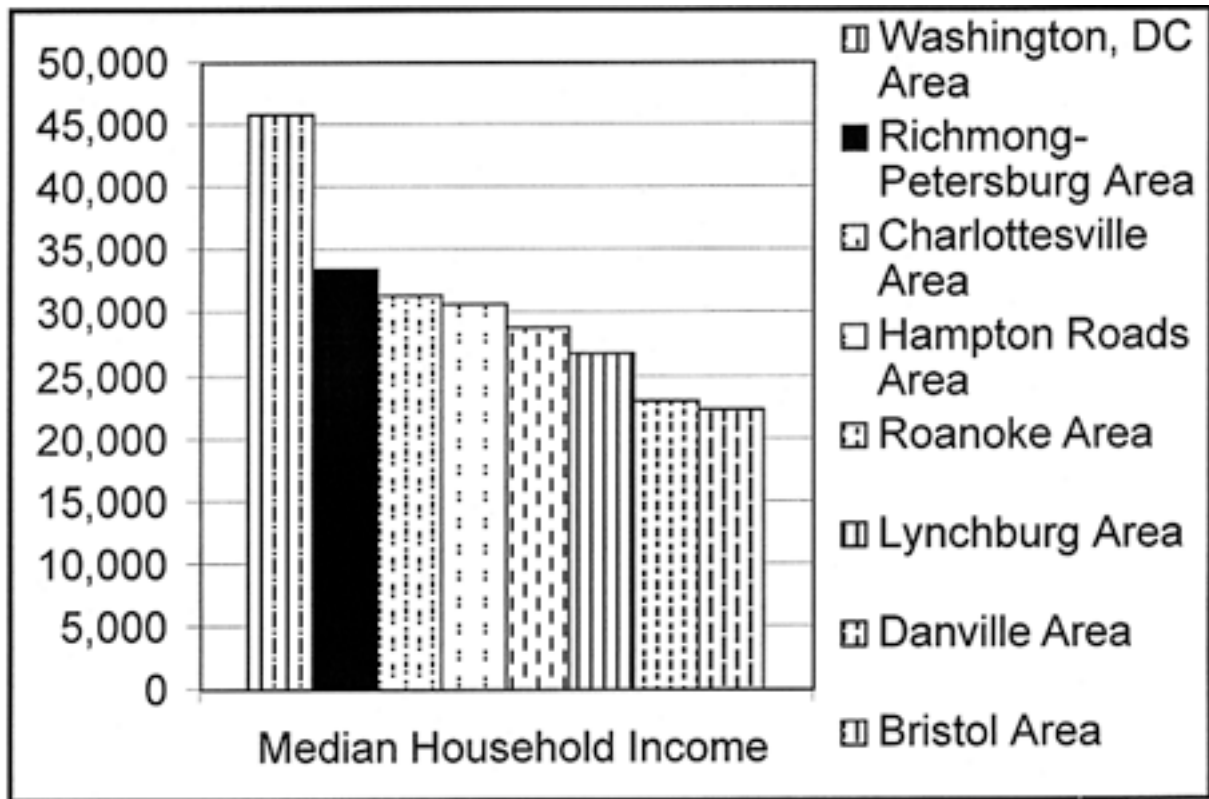
But all parts of the state have not participated equally.

High tech jobs are overwhelmingly concentrated in a corridor running from Charlottesville to Hampton Roads and from Richmond to Northern Virginia. Virginia Tech creates a pocket in Blacksburg, but much of the rest of the state is left out.

New business announcements include a Nextel expansion in Hampton, NEC America's engineering plant in Fairfax, Avenir's software facility in Prince William County, and Intel in Fairfax again.

In contrast, Super Sack Bag will be expanding its plant making bulk containers in far southwest Lee County, and Martinsville on the southside will be getting a customer service call center from National Catalog Corp. (a poor replacement for Tultex.) And southwest and southside Virginia also get new prisons, hardly indicators of strong participation in the New Economy.

The chart below shows that any changes in our economic system have not changed the historical distribution of money in our state. The areas with highest median household income have remained the same as those in the old economy, with Northern Virginia far above the rest.



But this doesn't show the whole picture.

Within the parts of Virginia with the highest income, there are significant pockets of people who live close to the edge. For example, in Hampton Roads, core city poverty is a serious problem in Norfolk, Portsmouth, Hampton and Newport News, and a number of those cities have been destroying public housing at a rapid rate.

In Charlottesville, there is a double economy in which those on the bottom make minimum wage cleaning the buildings where the New Economy thrives.

And in Northern Virginia, where the median household income runs above \$70 thousand a year, there are one million households who face the high cost of living but earn under \$30 thousand a year.

Built into this New Economy are almost all the topics which have come up in the Virginia Organizing Project's "Understanding the Economy" articles: globalization, living wage, corporate welfare, the actions of the Federal Reserve Bank, and increasing inequality in wages and wealth. The problems pointed out in earlier articles show that this economy is creating as many problems as it is solving.

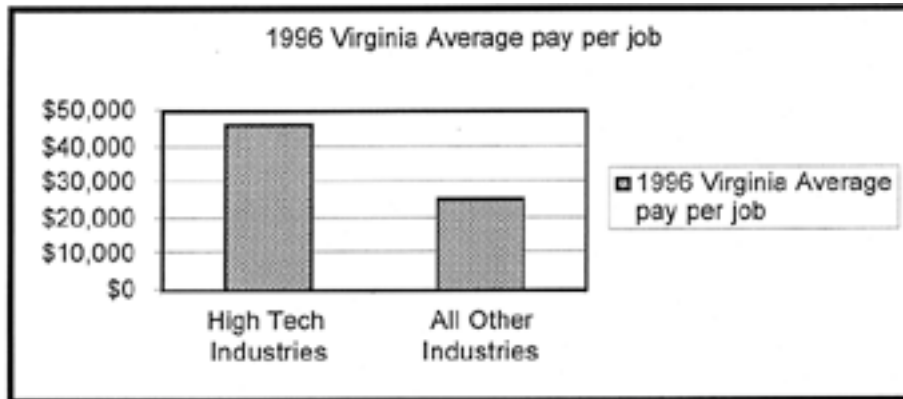
Wages around the state have just begun to grow in the last two years, and they still have not surpassed the levels of 1989, before the last recession. In response, local groups in Richmond, Charlottesville, Alexandria, Williamsburg, and Wythe County have realized that they must push their cities, counties, or major employers to establish living wage standards to force prosperity to trickle down to those on the bottom.

The profits of the New Economy have been centered in managerial and technological workers, and the service workers have been left behind.

The rapid growth of the New Economy has frightened the Federal Reserve Bank (Fed) numerous times in the last few years. Concerned that inflation was over the next rise, they have taken a hard line on interest rates.

Whenever economic indicators showed that wages were beginning to rise, the Fed increased rates in order to slow down the economy.

So far, the Fed has been successful in holding down wages and prices, and thus inflation. But without doubt those actions have hurt low-paid workers and increased the wage gap.



The Fed will continue to control our economy using the only tools available to them, and they will continue to hurt working class members of our society as a result.

Globalization is a direct result of this New Economy, and it has put new competitive pressures on corporations and workers. Competition in wages forces factories overseas, leaving cities and communities with empty mills and long lines at the Virginia Employment Commission.

Rapid flows in capital (money) from country to country threaten to destabilize entire regions of the world, as in Asia a few years ago.

Also the pressures on the environment threaten our natural world to an extent never seen before. The disturbing news of the rapid warming of our atmosphere over the last decades fails to have an impact on international economic policy. The lure of big profits is too strong.

Finally, the New Economy has driven corporate welfare to new heights of excess. States and cities gush tax breaks in order to keep that last textile mill or auto factory in town.

The Virginia Economic Development Partnership passes out subsidies like crackers to any high-tech business that looks their way. One way or the other, taxpayers are bankrolling a lot of the costs which corporations could themselves afford to pay.

“Our state is riding a new wave,” said VOP Secretary Denise Smith, “just as the industrial revolution changed how business was done so will this new Information Age. We have to understand the impact of this new wave on our people, its shape, its height, its underlying force, when it will break or whether there are rocks below, who will ride it to shore and who it will drown.”

“We have to understand the New Economy in order to respond and live in it. We can take advantage of the new tools it gives us like e-mail Action Alerts only if we can ensure access to those resources and then we can fight the parts of the new economy that hurt our friends and loved ones,” Smith said.

“No citizen can avoid becoming a part of this New Economy; it permeates everything in our lives everyday, from the scanners at the checkout counters to our medical records. It is not beyond our reach to understand what this means in our lives, nor is it beyond our reach to control it. This economy can control us, or we can organize to control it. The power is in our hands,” Smith said.

Tultex a Virginia Victim of Free Trade

A corporation founded in Martinsville, Virginia, in 1937 has become the latest victim of globalization and free trade this month, leaving 1,500 residents of that city out of work.

Tultex Corp., which helped make Martinsville “The Sweat Shirt Capitol of the World” and supported a number of other plants in the area, filed for bankruptcy in early December.

In all, it laid off 2,600 of its 4,300 workers, closing plants at a number of sites in North Carolina and Virginia. This followed closings earlier this year of their plants in Roanoke, Bastian and South Boston.

Management has no hesitation saying what caused the closings. Tultex CEO Randolph Rollins said at the closing of the Bastian plant in September, “Tultex's costs must come down if we are to be competitive and return to profitability. By shifting Bastian's sewing operations to non-U.S. facilities, we are taking steps to achieve those results.”

Rollins said much the same when the Roanoke facility closed in November. And in December, in the press release announcing the bankruptcy and Martinsville closings, he claimed, “Practically every company in the textile and apparel industry is suffering today and is deciding that the only way to survive in the face of foreign competition is to outsource manufacturing needs. Simply put, America's textile and apparel industry has too much high-cost, domestic manufacturing capacity.”

How ironic that the announcement occurred only one week after the meeting of the World Trade Organization (WTO) in Seattle. Protesters there were able to disrupt the proceedings and contribute to a breakdown in new negotiations among delegates. It was likely that their massive presence convinced President Clinton to push so strongly for labor standards to protect workers' rights around the world. Delegates representing the elite of poor countries — along with those of rich countries who exploit them — refused to allow such standards, despite last minute negotiations.

For many years the WTO, along with the International Monetary Fund, the General Agreement on Tariffs and Trade, and other worldwide organizations, has been a watchdog making sure that the flow of cheap labor from poor countries continues. It is this cheap labor which has excluded the majority of the world's population from the economic prosperity enjoyed by owners and investors around the globe. It has also caused companies like Tultex to choose between closing their doors or moving operations to countries that allow or encourage exploitation of their workers. Where workers are paid dollars a day, costs are low. When costs are kept down, corporate profits go up, and investors make more money.

Mark Levinson, policy director of the textile union UNITE, says, “The situation at Tultex highlights the situation in the world economy at present. There is a race to the bottom in wages and working conditions. For example, the Asian financial crisis forced those countries to earn capital to pay back investors by dramatically increasing their exports. They also had to cut production costs, causing massive unemployment and lowered wages. Those low-wage textiles flood into the U.S. market and the industry here reacts by closing plants and moving to Mexico. Workers overseas are hurt, workers here are hurt, and banks and investors profit. In the global trading system, we can't just protect the rights of investors. We have to protect the rights of workers, including the right to form unions, strike and bargain collectively. This would give workers the ability to raise their own standard of living all over the world. The sort of cheap labor which put Tultex out of business would cease to exist.”

The connections between the WTO and the global economy flow right through our state, and Tultex is the proof. When world organizations are run by those with economic power in order to increase their own wealth, the rest of us suffer.

The solution is not to lower wages to make workers in this country more competitive, though it seems that is the intention of recent welfare reform and the policies of our Federal Reserve Bank. Instead, the solution is to organize on multiple levels: support unions in exploited countries, strengthen our unions here in Virginia, and create strong citizen coalitions who demand our government change its economic policies.