# Labor History: The Twinkie Debacle

*By Ed Leavy, SVFT Executive Union Representative*

My appearance to the contrary, I have never been a dessert or sweets eater, and therefore do not have that sense of nostalgic loss that others may have in hearing that Hostess has gone out of business. Actually, I always found Twinkies kind of gross, and the knowledge that they have no known expiration date – Twinkies literally never go stale – made me more apprehensive than hungry. Still, it is impossible to consider the bankruptcy of Hostess without recognizing its implications for the American economy and the relationship between labor and management in this country.

Early headlines identified the November strike of the unionized Hostess employees precipitated the closing of the company. Hostess had been preparing for liquidation months before the strike began, however. Lance Ignon, a spokesman for Hostess, acknowledged the company had been "engaged in contingency planning including the preparation of liquidation analysis, given the uncertainty around labor negotiations… [not being bound to union contracts is] a core component of the restructuring." It is not surprising that they thought the labor negotiations would be "uncertain"; Hostess was proposing an 8% pay cut for workers in the first year, then 3% raises over the next three years, and a 1% raise the final year, leaving the workers approximately where they are now after half a decade. Hostess workers, whom Forbes magazine used as an example of the "absurd levels of compensation demanded by unions," make an average of $43,000 per year. While demanding the 8% concession from workers, Hostess gave its CEO a 300% raise, increasing his annual compensation from $750,000 to $2,225,000.

The strike has become a Rorschach test on how we view the role of labor in this country. John Tamny wrote in Forbes Magazine, "[A]mid Hostess's hurtle toward bankruptcy copious amounts of ink were spilled on how the snack maker's decline signaled the horrors of labor unions stuck in the past… Not asked enough amid Hostess's decline was why its managers employed American workers to begin with. Forget about the fact that the workers were unionized and led by unions demanding absurd levels of compensation, the better question was why Hostess snacks were being baked in the U.S. at all… [T]he real, unreported story was that Hostess's decision to bake goods in the U.S. was a waste of limited labor and, as such, anti-profit." Tamny goes on to state that whoever eventually buys Hostess will move production "to Mexico or some reasonable facsimile," a move he heartily endorses; after all, bankruptcy "really only means a positive change in ownership."

An opposite tact was taken by Paul Krugman, the Nobel-Prize winning economist, in The New York Times. (A link to the entire article has been on our Facebook page). Krugman points out that in the 1950's, when Twinkies and Wonder Bread became iconic American products, the top 0.01% of the wealthiest Americans paid 70% federal income tax, more than double what they pay now. Additionally, these moguls "also faced a labor force with a degree of bargaining power hard to imagine today. In 1955 roughly a third of American workers were union members." As Krugman points out, these differences had a dramatic impact on the wealthiest Americans; he refers to a Fortune magazine article from 1955 that indicated the "vast mansions, armies of servants, and huge yachts of the 1920s were no more; by 1955 the typical executive, Fortune magazine claimed, lived in a smallish suburban house, replied on part-time help and skippered his own relatively small boat." While the lives of the very wealthy may have been diminished from the past (and clearly the present day), the same is not true for the country as a whole; the American economy in the "high tax, strong-union decades after World War II were in fact marked by spectacular, widely shared economic growth." Krugman views the Hostess experience as a symbol of why we must return to the policies and practices that allowed Hostess, and America, to be successful.

It would be easy to conclude this article by saying that these two visions – one, in which the need to maximize profits demands that companies outsource jobs to underdeveloped countries; the other, where companies think in terms of stakeholders and not simply shareholders – are competing for the soul of the American economy, but that is not the case. The competition seems over. Maybe corporate bankruptcy "really only means a positive change in ownership," but 18,000 Hostess employees are out of work, their pensions threatened. Hostess was, however, able to find the money to pay 19 executives a total of $1.8 million in bonuses as part of its liquidation plan; none of them will be put in the unenviable position of having to skipper their own boats for a while. The response from the public was not outrage, but a collective shrug. It's what we have grown to expect. The soul of America's economy, the soul of America itself, has been taken by a small group of people who believe their bonuses are far more important than 18,000 families now struggling to survive. As long as the rest of us are willing to accept it, that is the way it is going to be.

*This article is based on a number of articles gathered from the internet, most notably "The Twinkie Manifesto" by Paul Krugman and "Michigan's Right-to-Work and The Hostess Bankruptcy: The Two Non-Stories of the Year" by John Tamny.*