BOOK REVIEW

Labor in the Age of Finance: Pensions, Politics, and Corporations from Deindustrialization to Dodd-Frank. By Sanford M. Jacoby. Princeton, NJ: Princeton University Press, 2021. 368 pp. ISBN 9780691217208, $35 (hardcover).

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Sandy Jacoby's new book, *Labor in the Age of Finance*, is a must read for labor, management, and finance scholars and their students. It should inform labor and social activists and policymakers as well. It is about who controls the governance of the American corporation and chronicles unions' strategies to use pension funds—workers' capital—to curtail corporate power.

At a time when financialization, extreme inequality, and calls for "accountable capitalism" are center stage, Jacoby's book is timely. He offers a landscape of historical examples of labor's financial strategies, what has worked and what has not, and why it is so difficult to change deeply embedded government rules and corporate norms that favor the rich and powerful.

His research is painstaking and impeccable, bringing to life his inside stories of union shareholder campaigns and political struggles over financial regulation. He integrates data from company and government archives; extensive interviews with key actors; union newsletters and internal documents; original pension fund documents; Congressional testimony; and trade, industry, media, and web sources.

Jacoby's first reminder is that financialization is not new, nor is the range of strategies for using workers' capital. He reminds us, for example, of the rise of labor banking in the 1910s and '20s, with the Amalgamated Bank of the Amalgamated Clothing Workers of America (ACWA) being the most successful and still operating today.

To frame the present, he identifies three moments of financialization:

> Industrialization (1890–1929)—when union density was low, ownership concentration was high, and inequality of wealth was extreme;
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> The New Deal (1933–1973)—when union density expanded, shareholder concentration fell, and inequality was moderated through collective bargaining and the democratization of pension funds via defined benefit plans;
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> Neoliberalism (1974 to the present)—when union density plummeted, shareholder power re-concentrated via the rise of institutional investors, and inequality hit new highs.

Jacoby focuses the rest of the book on the third period, beginning with efforts in the 1960s and 1970s. Recall Ralph Nader and his Corporate Accountability Research Group, which submitted shareholder proposals to reform General Motors' Board; or the anti-apartheid divestment movement led by the Interfaith Center on Corporate Responsibility, which coordinated shareholder activism and gained the support of pension funds such as the California Public Employees' Retirement System (CalPERS), the nation's largest.

Jacoby humanizes this history by highlighting the important roles of key leaders over time. Jack Sheinkman, while Secretary General of ACWA, launched the union's "move into financial activism" with its 1972 national boycott of Farah products in El Paso, Texas, backed by pension funds and the social investing world, which yielded a major victory for Latina women

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there. Sheinkman went on to JP Stevens, and brought on Bill Patterson, who masterminded the support of an interlocking set of institutions and banks that the corporation depended on. Patterson would go on to play a leading role in capital strategies at the Teamsters, the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), and Change to Win (CtW). In the 1980s, the United Food and Commercial Workers (UFCW) and Service Employees International Unions (SEIU) followed suit with their massive national campaign against the Beverly Enterprises nursing home chain.

Drawing on this experience, individual unions built organizational capacity to sustain capital strategies in the 1990s, while the AFL-CIOs set up the Office of Investment, the Center for Working Capital, a Capital Stewardship program, and Trustee training programs covering fiduciary, pension, and securities law for union representatives on pension plans. They also expanded power via external alliances with other institutional investors and faith-based and community organizations seeking to expand shareholder rights. CalPERS continued to play a leading role in pushing for the "double bottom line"—social and financial standards for investing. The many examples Jacoby highlights are precursors to environmental, social, and governance (ESG) principles, which multinational corporations and even private equity investors espouse to now.

In the '90s, the unions also began battling the Securities and Exchange Commission (SEC), which allowed companies to exclude from proxy voting in annual meetings almost any shareholder proposal, regardless of the level of support it had. Proposals touching on "social or political" issues, including executive pay, were routinely excluded.

Momentum for shareholder activism exploded in the wake of Enron and the slew of corporate scandals of the early 2000s. Chapter 5 illustrates how Jacoby's analysis embeds the history of labor's financial turn into the broader evolution of financial deregulation, the growth of finance capital, the massive fraudulent behavior of the late 1990s and 2000s, and the political fights over re-regulation thereafter. He skillfully juxtaposes the broader economic landscape and the Great Recession with labor's financial strategies as shareholder activists and the AFL-CIO's important political role in the Dodd-Frank reforms of that decade.

Shareholder activist proposals during this period focused on three main issues: CEO power and compensation, proxy access, and the rules governing how new board members were elected (majority voting). Shareholder proposals sought board independence by prohibiting CEOs from being Board Chairmen simultaneously. Excessive CEO pay (due to stock options and earnings manipulation) became labor's "signature issue," especially in light of poor corporate performance (Chapter 6). Proxy access would allow shareholders to gain board representation by requiring companies to allow shareholders to put alternative director nominees on the company ballot (proxy card). Unions promoted the majority-voting rule because the existing plurality rule allowed corporations to seat a new board member with just one vote (Chapter 7). Jacoby chronicles in painful detail the hundreds of union attempts to advance reform proposals in annual stockholder meetings: "Shareholder activism was a slow slog, company by company, vote by vote. It required time-consuming meetings and costly proxy solicitations, often to no avail because in the end, directors and executives were free to disregard investor sentiment" (p. 128).

Jacoby also provides an inside view into the political dynamics of union strategies for dealing with private equity firms that took over companies, often leading to job and wage losses (Chapter 8). Here, unions were compromised as pension plans supplied some 30% of private equity funding—undermining the kind of united front that European trade unions developed to oppose these "vulture capitalists." US unions, by contrast, were quiescent or tried to make private deals. An exception perhaps is the multipronged international campaigns of SEIU and CtW against private equity firms Carlyle and KKR. At home, SEIU's Andy Stern and UNITE-HERE's Bruce Raynor (leading unions most affected by PE) tried to leverage private equity's dependence on pension fund capital and their plans for IPOs to gain neutrality agreements, but critics charged they undermined union democracy.

Was there payoff to labor's financial strategies? Jacoby's history is instructive and sobering. Yes, the unions and the AFL developed organizational capacity. Its experts played critical roles in Congressional testimony that informed Dodd-Frank legislation and agency regulations. Unions helped establish Americans for Financial Reform (AFR), an important watchdog group that has monitored and advanced financial reform since the Great Recession.

And the results of shareholder activism in corporations? By 2018, 70% of S&P 500 companies had adopted proxy access; but as of 2019, it had been invoked only twice (similar to the

European experience). Of S&P 500 companies, 90% relied on majority voting and adopted annual director elections instead of staggered boards. The number of companies combining CEO and Chairman positions dropped by half since 2001. More generally, the long slog of shareholder activism brought to light corporate abuses that in some cases were later dealt with in federal legislation, such as Dodd-Frank, which incorporated a shareholder Bill of Rights.

The book is important both in illuminating the many creative financial strategies undertaken by labor over four decades while recognizing their limitations. Jacoby stays close to the historical facts without passing judgment. But the facts speak for themselves: The impact on CEO and corporate behavior appears minimal and pension funds have *increased* their allocations to private equity. CEOs pay lip service to stakeholder and ESG principles but their anti-union practices and actual primacy of shareholder value practices continue, along with massive stock buybacks, which were never seriously challenged by labor. The history and outcomes mirror the experience of corporate campaigns to establish labor standards in global supply chains—firm-focused private regulation does not work.

Moreover, simply expanding shareholder power over corporations is certainly not a solution, as it favors the more powerful shareholders: wealthy individuals, hedge funds, or large institutional investors simply focused on returns.

So *Labor in the Age of Finance* leaves us with detailed evidence for launching the next debate over what labor's financial strategies should be. The minimal gains at the firm level suggest that labor needs to shift to system-level efforts, just as in union representation. One firm at a time will not work compared to the massive pay increases that some 23 million Americans gained from the Fight for Fifteen; but of course that didn't bring in new union members. The AFL's involvement in Dodd-Frank and the AFR's ongoing efforts to reform the financial system signal a path forward. Current efforts to push for new fiduciary rules that allow fund managers to take ESG principles into account are particularly important to push pension funds to drop their obsession with yield and embrace longer term benefits for all.

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