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On the Persistence of Labour Market Insecurity and Slow Growth in the US: Reckoning with the Waltonist Growth Regime

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Abstract
In this essay I systematically incorporate empirical work on rising income inequality and wage stagnation into a regulation theoretic framework for analysing macroeconomic growth. The rise of job polarisation and income inequality coincides with a long period of macroeconomic stagnation, both continuing through to the present (with the exception of a brief period of strong growth and declining inequality in the second half of the 1990s). The corporate scramble to restore profit rates after the crisis of Fordism has transformed the institutional configuration of the political economy. In particular, institutions supporting upward mobility and middle-class incomes in the economy have been eroded by the twin forces of internationalisation (leading to the reemergence of wage-based competition) and employment externalisation (outsourcing, downsising, antiunionism, etc). The current growth regime, which may be characterised as Waltonist, based on the Wal-Mart model of buyer-driven global supply chains focused on cutthroat wage-based competition and deunionisation, is not transitional but rather embedded in apparently long-term institutional settlements that amount to a dysfunctional regime.
The dramatic rise in inequality in the US since the early 1970s is well documented (Piketty and Saez 2003). Likewise, the increase in low-wage jobs and careers, decline of internal labour markets and expansion of labour market uncertainty have also been amply demonstrated (Bernhardt et al. 2001). Together, these and related trends can be summarised in terms of a structural expansion in labour market insecurity, broadly understood as a decline in access to an employment trajectory leading to a stable job or occupation with a livable wage. These changes can be characterised as structural not simply because they are secular rather than cyclical, but also because long-standing regularities in economic relationships have changed. For instance, the link between productivity and wage growth has been severed (Mishel et al. 2007) and the long-term payoff to higher education has become more variable (Bernhardt et al. 2001). These changes suggest a broad transformation in the institutional configuration of the American economy.

Labor market researchers have produced a growing body of indispensable empirical work on growing labour market insecurity, which is generally attributed to discrete changes in specific institutional domains, such as the internationalisation of financial markets or decline of unions (see, for instance, Appelbaum et al. 2003), but without systematically examining how various institutional changes may be related to each other or may be part of a broader structural transformation in the economy. In contrast, regulation theorists (Boyer 2004) have focused analysis directly on the complex ways in which various institutional domains – such as corporate governance, industrial relations and financial systems – interact and coalesce to form distinct growth trajectories. However, regulationists, like most other comparative political economists,
have not systematically addressed the rise of low-wage employment and inequality in
their research on comparative performance and macroeconomic growth.

In this essay I link well-known problems in the US labour market that have
dramatically increased over the last four decades – job polarization, wage stagnation and
rising inequality – to the ongoing problem of slow macroeconomic growth. Regulation
theory has elaborated a compelling argument that the golden age of American capitalism,
from around 1950 to the early 1970s, was based on a distinct growth regime, referred to
as Fordism, which provided an institutional framework able to generate strong growth in
middle-income employment levels resulting in high levels of effective demand and thus a
virtuous circle of growth based on mass production and mass consumption. But as Fordist
institutions began to collapse in the early 1970s, job polarisation and income inequality
began a steady rise while macroeconomic growth began a long period of stagnation, both
continuing through to the present (with the exception of a brief period of strong growth
and declining inequality in the second half of the 1990s). I argue that both sets of
problems – labour market insecurity and slow growth – can be traced to a changing
institutional configuration in the political economy whereby the institutions supporting
upward mobility and middle-class incomes in the economy have been eroded by the
growth of the twin forces of internationalisation (leading to the reemergence of wage-
based competition) and employment externalisation (outsourcing, downsizing,
antiunionism, etc).

Among regulationists, the postfordist period from the 1970s to the present has
generally been seen as a sort of transitional phase, as the economy awaits the
establishment of a new growth dynamic based in a new institutional settlement (Lipietz
1992; Boyer 2000; Friedman 2000). In contrast, I am arguing here that the postfordist growth regime in the US is not transitional but rather constituted by apparently long-term institutional settlements that amount to a dysfunctional regime. I argue here that the current accumulation regime of the US economy is usefully characterized as Waltonism, based on the fact that the Walton family’s Wal-Mart has become the largest employer in the US economy, which now has a larger share of employment in retail trade than in manufacturing. The central problem concerns institutional transformations in the economy which have led to the diffusion of a model of externalised employment relations, based on vertical disintegration, subcontracting, downsizing, deunionisation and contingent work. These forms of employment externalisation have been driven by a declining profit rate along with intensified competition resulting from the internationalisation of production (and ideologically facilitated by the ascendance of the shareholder value model of corporate governance). While these transformations by no means all trace back to Wal-Mart, the latter represents both the internationalisation of the economy (via buyer-driven global supply chains) and the externalisation of employment (vehement anti-unionism and low-wage competition) that has made it the most successful American company in the broader postfordist context.

**Accumulation regimes as institutional models of capitalist growth**

With the concept of general equilibrium, neoclassical theory attempts to analyse as stable and harmonious what are, as a matter of historical record, industrialising and industrialised market societies characterised by extended periods of conflict, with relatively short spans of stability punctuated by times of extreme instability and/or
economic crisis. Given that human society is constantly undergoing transformation, that the institutions that provide the glue of society – from cultural understandings to norms to formal organisations – are variable across time and space, a central issue for political economy is the question of reproduction. Indeed, the language of equilibrium and efficiency serve to whitewash all of the debilitations and inefficiencies endogenously generated by the competitive struggle over profits (Vidal 2009; Vidal 2011a). In contrast, as Aglietta (2000 [1979]) has forcefully argued, the concept of regulation, broadly understood, can be used to anchor an alternative economic theory – one that can accommodate the question of reproduction and account for crisis – in a manner equivalent to that of general equilibrium for neoclassical theory.

Regulation theory approaches the problem of growth through the concept of a regime of accumulation, which refers to a macroeconomic pattern of growth based on an institutional settlement within and across various domains of a national economy (Boyer and Saillard 2002). In seeking to define how institutional settlements have contributed to growth within particular countries, most regulationists have maintained that stable, strong growth occurs when institutional relations within and across these various domains coalesce into a so-called mode of regulation that supports and guides a regime of accumulation. A mode of regulation is supposed to ensure coherency and vibrancy within an accumulation regime when the two are structurally coupled, and slow growth when the former gets out of sync with the latter, ultimately leading to a structural crisis due to incompatibility between the accumulation regime and its mode of regulation (Jessop 1997; Boyer and Saillard 2002).
Such theoretically-driven preoccupations with institutional coherence in comparative political economy are increasingly giving way to an emphasis on ‘disruption, incompleteness and incoherence’ (Froud et al. 2007; see also Crouch 2005). In this spirit, I have argued elsewhere in detail that the concept of a mode of regulation, and its associated assumptions of functionalism and institutional coherence, should be rejected by regulation theorists because it is empirically suspect and has ultimately hindered theoretical development (Vidal 2011c). In that essay I address the recent regulationist literature in detail and argue that not only is the concept of a mode of regulation theoretically indefensible – on what analytical grounds could one rigorously distinguish between the underlying social relations constituting the accumulation regime and the surrounding institutional environment? – but that a consistent distinction between which social relations are part of an accumulation versus which are part of a mode of regulation cannot be found in the literature. Rather than searching for emerging modes of regulation, regulation theory should return to its original Marxian formulation as a disequilibrium approach (Aglietta 2000 [1979]), focusing on the problems generated by existing institutional settlements without assuming an eventual return to strong growth.

While Marx demonstrated that it is theoretically possible for expanded reproduction with balanced growth, because aggregate demand – wages – is a component of capitalist investment (Shaikh 1978), this theoretical possibility by no means ensures smooth accumulation and balanced growth in the real world. Its realisation depends, among other things, on the distribution of the total social product among the population, the structure of investment opportunities and the composition of actual (private and public) investment; in short, on the state of the class struggle.
When Marx theorised the possibility of balanced growth by dividing the economy into two major sectors, the producer goods (Department I) and the consumer goods (Department II) sectors, he provided the first analysis of the ‘Keynesian’ problem of effective demand. Aglietta built on Marx’s model of expanded reproduction to articulate a theoretical framework for the institutional analysis of transformation and growth in the capitalist economy. The 20th century ushered in a regime of intensive accumulation based on the extension of capitalist production into the consumer goods sectors, but it did not develop into a stable and vibrant growth regime – Fordism – until a new norm of consumption was established with the institutionalisation of a class compromise in the form of wages indexed to productivity (via pattern bargaining based on the collective agreements reached in the auto sector) (Aglietta 2000 [1979]: Ch 1, section II). In short, the central institutional settlement underlying the Fordist growth regime is found in a system of employment relations that allowed the growth of middle class consumption patterns. This may be termed an internalisation model of employment relations, based on the existence of mid-level jobs via internal labour markets in vertically integrated firms and the payment of relatively high wages indexed to productivity via collective bargaining. The widespread adopt of internalised employment relations was made possible in part by the structural context of an oligopolistic, nationally-bound market, which allowed competitive pressures to be subordinated to progressive employment relations.

*The rate of profit and effective demand: Fordism as a historically unique growth regime*
Some early Marxist regulationists, such as Lipietz (1982), placed the profit rate at centre stage: as the profit rate began to decline at the end of the 1960s, capital could no longer afford to fund the relatively high wages that supported effective demand. Indeed, a well-documented decline in the profit rate (Figure 1) from around 1966 through to the early 1980s, is the best single measure of the crisis of Fordism. Unfortunately, the critical role of the profit rate has been lost as regulationists have moved away from Marxism toward post-Keynesianism. However, my argument here is that the profit rate determines the conditions within which class compromise can take place; wage-led effective demand can only occur when a satisfactory profit rate can be maintained without cutting into labour’s share of the total product. Yet, such a situation appears to have been historically limited to the Fordist period; the recovery of the profit rate in the 1990s has come precisely at the expense of labour’s share, likely undercutting effective demand and certainly contributing to an explosion of household debt.²

While Marx argued the rate of profit will tend to fall as a result of the increasing organic composition of capital – an argument supported by the data for the 1966-79 decline (Wolff 2003) – he also noted this tendency may be offset by other countertendencies, including the periodic ‘destruction of capital through crises’ (Marx 1989: 127, quoted in Kliman, 2010 #262). Thus, the Great Depression and WWII led to a massive decline in the value of physical capital and the nominal value of financial assets, setting the stage for a resurgence in the profit rate. By one measure (‘net profit
rate, private economy’ in Figure 1), the profit rate rose from 17.1 per cent in 1947 to a peak of 19.1 per cent in 1966, then falling to a low of 10.7 per cent in 1982 and recovering to 17.3 per cent by 1997 (Duménil et al. 1984; Shaikh 1987; Moseley 1999; Wolff 2003; see also Kliman 2010).

These data suggest that the historically high profit rates of the Fordist period made possible the class compromise leading to an expansion of middle class consumption patterns. Examining the profit rate from the 1880s through the 1980s, Duménil and collaborators (1985) find that the Fordist period of exceptionally high profit rates appears to be an historical anomaly. That the postfordist decline in profit rates set off a frantic struggle by corporations to restore profitability is an observation accepted by many non-marxist scholars (e.g., Bluestone and Harrison 2000). The resurgence of the profit rate to near-historical highs around the turn of the century appears to have been the fruit of wage concessions, employment externalisation and global outsourcing, and the decline in the real value of wages (Moseley 1999), but the period of resurgence is based on a short and turbulent period that would suggest caution in extrapolating longer-term trends regarding a return to profitability (Nichter 2008). In any case, as will be shown below, the restoration of the profit rate has come at the expense of middle class consumption patterns, being based in an assault on labour and wages therefore exacerbating the problem of effective demand.

Noting the long-standing interpretive dispute over Marx’s reproduction schemes in Volume II, Kliman argues for an unbalanced growth interpretation, which has fallen out of favor among Marxists since WWI vis-à-vis the balanced growth interpretation (1992 [1885]; 2001). The latter views Marx as arguing that for expanded reproduction to
occur, there must be a balance between growth in the producer goods sector and the consumer goods sector; if there is not sufficient demand from consumers, investment in capital equipment will lead to overproduction due to a lack of demand for such equipment by producers in the consumer goods sector. Kliman (2001) argues, in contrast, that capital investment itself can generate effective demand. While possible in principle, this argument does not account for the possibility that investment may be diverted from productive uses into speculation à la Magdoff and Sweezy (see Foster and Magdoff 2009). I largely follow Aglietta’s interpretation, which is that there is a tendency toward uneven development in the producer goods sector, but that stable, strong growth requires expanded markets for consumer goods. This interpretation is borne out by the US case, where the prefordist period was characterised by ‘jerky’ growth with overproduction the producer goods and a retarded market for consumer goods, only giving way to more stable and vibrant growth based on the commodification of the consumer goods sector and the Fordist class compromise that substantially increased effective consumer demand.

The upshot is that the profit rate and the income distribution are complementary explanations. There does appear to be a long-term tendency for the rate of profit to fall, as Marx predicted, which sets the conditions for the class struggle/compromise. Within these constraints, however, the distribution of income does matter; unbalanced growth based in investment demand, with limited consumer demand, will lead to spasmodic growth and ultimately a crisis of overproduction. Restoring and expanded middle class consumption patterns to drive effective demand – through wage income rather than debt – could provide a basis for stronger and more stable growth, but there remains a question
as to whether Fordist-level profit rates are compatible with labour’s share of the national product also at Fordist levels in the postfordist context. If it is the case that Fordist profit levels were an historical anomaly driven by the massive destruction of capital values in the Great Depression and WWII, the prospects for a Fordist-type compromise are not good. As I argue below, the Waltonist regime of accumulation in the US is predicated on antiunionism and a substantial growth in peripheral, low-wage employment. This suggests that the restoration of the profit rate has been achieved through a decline in labour’s share, an interpretation consistent with all of the data presented below. And the more general problem of internationalised production has undercut the conditions for relatively high-wage employment as a widespread domestic employment strategy. The problem is that in the postfordist period, slow growth appears to take place in a situation where the profit rate can only be restored at the expense of labour’s share of the national production. There does not appear to be a clear institutional fix other than either partially separating the link between employment and income, such as through a basic income guarantee, or public control of investment decisions. I now briefly review the Fordist growth regime before turning to systematic analysis of the Waltonist growth regime in postfordist America.

*The Fordist growth regime and its decline*

The golden age of Fordism, characterised by extraordinary growth combined with decreasing inequality, was experienced by the major capitalist democracies for roughly two-to-three decades following WWII. Although the dates for individual countries differ, the data on growth rates and other key variables tend to date the Fordist period roughly
from 1950 to around 1973. Looking at the average for 16 advanced capitalist economies, GDP grew at an average rate of 4.9 per cent from 1950-73 versus 2.5 per cent from 1973-9; GDP per capita for the same periods was 3.8 per cent versus 2.0 per cent (Glyn et al. 2007, their emphasis). By 1973, profit rates had dropped by one-third from their peak year in the US (1966), Europe (1960), and Japan (1970) (Glyn et al. 2007). After 1973, there was a general fall in output, productivity and export growth across the countries. Looking specifically at the US, Figure 2 presents average annual growth rates for the eight decades from 1930 through 2009. The Fordist decades of the 1950s and ‘60s saw average growth rates of 4.2 and 4.4 per cent respectively, followed by 3.3 per cent in the ‘70s, 3.1 per cent in the 80s, 3.2 per cent in the ‘90s, and just 1.8 per cent in the 2000s. Annual nonfarm business productivity growth in the US (Figure 3) averaged 2.8 per cent from 1947-73, dropping to just 1.1 per cent from 1973-9 and 1.4 per cent from 1979-90, never reaching its Fordist level again through 2009.

[FIGURES 2 AND 3 ABOUT HERE]

Not only was Fordist growth remarkable in absolute terms, but also for being broadly shared among the population. As Figure 4 shows, the US economy experienced an unprecedented period of historically-low wage inequality in the 1950s and ‘60s, roughly corresponding with the period of Fordist growth. Examining the Gini ratio for families shows that inequality trended downward throughout the Fordist period, beginning a steady rise from the early 1970s through to the present, as the economy saw waves of deunionisation and restructuring in a corporate scramble to regain a satisfactory
profit rate. It is a key argument of regulation theory that the dynamic of strong, stable
growth with equity is not coincidental; rather, the fact of broadly shared prosperity made
possible strong demand which is a crucial component of the virtuous circle of Fordist
growth. The data clearly bear out a close connection between wage growth and
productivity growth under Fordism. As shown in Figure 6, average wages grew in
tandem with productivity throughout the Fordist period until 1973, when a sustained
period of wage stagnation set in. The Fordist compromise began to unravel in the late
1960s, became widely apparent around 1973, and saw the final nails hammered into its
coffin in 1979/1980 with the appointment of Paul Volcker to the Fed and the election of
neoliberal Ronald Reagan to the US presidency.

[FIGURES 4 AND 5 ABOUT HERE]

The postfordist regime of accumulation in the United States

Erosion of Fordist institutions through internationalisation and financialisation

Along with internationalising markets, internationalised production has burst asunder the
national-level institutions of Fordism – nationally-bound, oligopolistic markets;
internalised employment relations; national-level pattern bargaining – that ensured wages
were a source of effective demand, largely keeping them out of competition. Fordist
employment and compensation norms included internal labour markets and a family-
supporting wage in exchange for a commitment of lifetime loyalty to a firm. Effectively,
within the core of the economy, labour had been decommodified under the welfare
capitalism of vertically-integrated Fordist firms with their internal labour markets. But
this internalised model of employment relations became unsustainable in the face of internationalisation, in particular, competition from low-wage countries. Thus, an increasing number of workers have been subjected to market pressures for wage determination, skill formation and job mobility, and employment tenure, effectively expanding the periphery of the labour market.

At the same time as the US economy began to experience intensified international competition, it also experienced a well-documented productivity slowdown. In response, corporate America began a wave of intensive restructuring to shed costs. The costs of the internalisation model of employment relations had become too great due to the build up of labour costs in vertically-integrated firms. One of the most common responses was for corporations to shed assets. While such restructuring may have generated many organisational efficiencies for more flexible organisations in new network configurations, the other side of the coin was the growth of peripheral employment conditions, including non-unionised and insecure employment. All of these pressures for externalisation of employment found their ideological expression, and justification, in the rise of the shareholder value model of corporate governance. Further, in addition to putting pressure on internalised employment relations, the internationalisation of production has also facilitated financialisation in another way: Milberg and Winkler (2009) have shown empirically that cost reductions generated from outsourcing increased profits in the non-financial corporate sector, which, in turn, channeled the increased profit into purchases of speculative financial assets (rather than more productive investment).

While the economy was experiencing internationalisation and deindustrialisation, it was also becoming increasingly financialised, largely due to a growing surplus of
financial capital and an exhaustion of opportunities for investment in the productive sectors of the economy (Foster and Magdoff 2009). Thus, financial sector profits rose from just 8 per cent of total corporate profits in 1945 to nearly 18 per cent in 1999 and the ratio of portfolio income to cash flow for non-financial corporations rose from less than 10 per cent in 1950 to 40 per cent in 2001 (Brenner 2003; Krippner 2005). The deep changes in the economy leading to financialisation ushered in a context conducive to the shareholder value model of corporate governance, a model that explicitly encouraged ‘asset light’ strategies. During the period of Fordism, corporations experienced high levels of growth both internally and through merges and acquisitions. The dominant model of corporate governance was based on retaining both money and people in order to reinvest in the both physical and human capital, a model that Lazonick and O’Sullivan call ‘retain and reinvest’ (2000). However, when hit with a profit crisis in the 1970s, institutional investors associated declining corporate performance with vertically-integrated firms and the retain-and-reinvest model of governance. As a result of the growing power of institutional investors and the emerging corporate takeover market, corporations began to recruit finance-oriented CEOs (Fligstein and Markowitz 1993). At the same time, policy makers began to deregulate the financial sector, resulting in a perfect storm that institutionalised the shareholder value model of the firm, leading corporations to be managed on the new principle of ‘downsize and distribute’ (Lazonick and O'Sullivan 2000). A key outcome of the shareholder revolution was thus a new norm of externalised employment relations.

Waltonism in the United States
The changes just discussed have developed as part of an organic process of transformation from a Fordist accumulation regime into something new. However, dysfunctional this something new is, it appears to be rooted in a relatively stable set of institutional settlements in the broad system of employment relations, specifically within firm governance and interfirm relations. In general, these postfordist settlements are reactions to a dual institutional shift, as production has been subordinated to finance (hence shareholder value) while employment relations have been subordinated to new forms of competition (hence externalised employment). For the remainder of this essay, I develop my analysis of the postfordist accumulation regime in the US, a regime that may be termed Waltonism, in reference to the Wal-Mart business model pioneered by Sam Walton, representing a model of ‘lean retailing’ (Abernathy et al. 1999) and low-wage competition in an internationalised economy.

By 2003 Wal-Mart was the largest employer in the US, Canada and Mexico, and the largest profit-making company in the world. It has become so powerful that it has effectively been able to determine the real minimum wage in the US and shape popular consumption patterns as well as force the restructuring of entire global supply chains (Lichtenstein 2006; Petrovic and Hamilton 2006). While it is important to remember that many of the practices that characterise the Wal-Mart business model were developed by other companies in the retail sector, in particular by other discounters over the 1960s-80s, Wal-Mart forged these practices – along with some of its own homegrown technical innovations and managerial strategies – into a business model allowing it to have more sales by the early 2000s than Target, Home Depot, Sears, Kmart, Safeway and Kroger combined (Lichtenstein 2006; Strasser 2006).
The Waltonist accumulation regime may be contrasted with the Fordist regime on four points symbolised by the contrasting strategies and positions of Ford and Wal-Mart. While the following points are made with reference to individual firms, they are meant to capture dominant tendencies within the broader political economy, focusing on employment relations and competitive strategy. First, whereas Ford represented the manufacturing-based, nationally-oriented economy, Wal-Mart symbolises the service-dominated, internationalised economy. Second, and closely related, while Ford pioneered the supply-driven, producer-dominated supply chains, Wal-Mart was a leader in establishing demand-driven, buyer-dominated global supply chains (Gereffi 1994). Essentially, Wal-Mart was able to capitalise on a sectoral transformation and the shifting balance of power from manufacturers to retailers, honing existing industry practices and adding many of its own technological innovations to become a paragon of lean retailing.

Information technology-intensive inventory management methods such as point-of-sale scanning and Universal Product Code (UPC) tracking were developed in the supermarket industry in the 1970s. During the 1980s, it was Kmart and Wal-Mart, along with some apparel retailers, that were the leaders in extending these technologies, chiefly by pressuring suppliers to tag their products before delivery, and to develop new capabilities for just-in-time delivery to automated distribution centers. In addition to the systematic use of codes, tags, scanning and automation, this system of lean retailing is based on the adoption of strict communication standards through the supply chain. Wal-Mart pioneered logistical systems connecting suppliers, distribution centers and stores in real-time, providing a level of just-in-time supply-chain responsiveness that would be the envy even of Toyota (and, in the process, gaining the largest privately owned satellite
network in the country and the largest private collection of data in the world). But IT has only been part of the story. Given its extensive market power – 15 per cent of domestic sales in general merchandise and food and nearly 30 per cent of household staples and basic apparel; 30 per cent of total foreign buying in China – Wal-Mart has been able to force suppliers to open their books and to dictate – as a matter of getting the business – that suppliers commit to its own strategy of high volume, rapid-turnover, and low-margins (Petrovic and Hamilton 2006).

Third, in contrast to the relatively high wages paid by Ford, Wal-Mart has become the largest employer in the country through its cut-throat, wage-based competition. While mass merchandisers initiated the high-volume, low-markup strategy in the early 20th century, major players such as Sears adopted a welfare capitalism model of internalised employment relations similar to manufacturing firms, and national chains courted unions as partners in the 1930s (Strasser 2006). But as discount stores like Kmart and Wal-Mart began operating on a new low-cost business model in the 1960s and ‘70s, they introduced a model into the competitive field in which low-wages were absolutely necessary for profitability. When margins are so low that the only way to make a profit is through volume, keeping labour costs to an absolute minimum is of paramount importance.

Whereas relatively high wages were considered part of business for Ford (they were internalised into the business model) ruthlessly minimising wage costs is a core element of the Wal-Mart business strategy. From its earliest years, scheming on wage costs has been a systematic part of Wal-Mart’s business strategy. For instance, Sam Walton had set up the first three Wal-Marts as legally different companies so that each would have low enough employment levels to be exempt from paying the national minimum wage. Stores
are staffed with unskilled employees who were subject to any number of rules restricting worker autonomy or skill. Customer-worker interaction is governed by strict rules and an overall environment of intimidation and peer monitoring is encouraged (Adams 2006). Managers are given tight labour budgets that ensure chronic understaffing, leading to work intensification and all manner of illegal activities such as forcing workers to work off the clock, to the extent that in 2004 Wal-Mart faced 38 lawsuits for wage abuse (Rosen 2006). Fourth and finally, rather than participating in a class compromise through accepting unions as legitimate actors in the system of employment relations, Wal-Mart has pursued a vehement anti-union strategy, having successfully fended off myriad unionisation attempts to this day.

It is important to recognise that these four elements of the Waltonist growth regime are not intended to apply uniformly to all firms across the economy. Indeed, the first two elements – a service-based, internationalised economy and the dominance of buyer-driven supply chains – are not individual firm strategies as such, but are the outcomes of broader institutional transformation associated with technical change and competition common across a range of industrialised countries. That is, they are characteristic of postfordism more generally. The second two – low-wage competition and vehement antiunionism – are specific firm strategies associated with Wal-Mart as a market leader (although of course they are not exclusive to Wal-Mart). But they are better understood as dominant tendencies. There is variation in the extent to which such strategies are dominant and legitimate within other national contexts.

[TABLE 1 ABOUT HERE]
These four differences between Fordism and Waltonism are schematic. A more elaborate set of distinctions can be found in Table 1. The regulationist wage-labour nexus can usefully be separated into two components: the labour process and employment relations. The former refers specifically to the concrete organisation of tasks, processes and relations in the workplace, whereas the latter refers the organisational structure of employment and the system of collective bargaining. This distinction is of fundamental importance for two reasons. First, under postfordism the conditions of employment relations have been severed from the organisation of work, due to the relative institutional shift toward wage-driven competition and shareholder value. For instance, manufacturers may be implement lean production with outsourcing or insourcing, with a union partnership or as part of an anti-union strategy. Second, although regulation theory has commonly focused on the labour process as central to defining an accumulation regime, I am arguing that the Waltonist regime is best defined in terms of the externalised model of employment relations, rather than in terms of a dominant labour process. The model of the labour process in Fordist discussions and early postfordist debates was squarely focused on manufacturing. I address the postfordist labour process in both manufacturing and services in detail elsewhere (Vidal 2011b). Briefly, the postfordist manufacturing labour process par excellence is lean production, which in fact is increasingly diffusing throughout the service sector, although it appears to be less applicable to more discrete service labour processes, such as retail sales. The core elements of the postfordist labour process listed in Table 1 thus do not come from Wal-Mart or the retail sector but rather from the lean production model developed by Toyota. However, these practices are
directly related to the Waltonist model via the lean retailing strategy, and demand-driven production more generally. Turning from the labour process to the broader system of employment relations, Wal-Mart’s own employment model includes ruthless price cutting in supply chain management, extremely limited internal labour markets and bare-bones staffing, and vehement anti-unionism. More generally, the US economy has experienced widespread vertical disintegration, the recommodification of labour – including declining internal labour markets and career ladders and the growth of peripheral employment relations – and anti-unionism.

Transformations toward externalised employment relations have been driven by new forms of competition. Nationally-bounded product markets of the Fordist period have given way to international markets that are increasingly segmented into high quality versus low-cost markets, with a resulting segmentation in consumer markets, with hence potentially negative implications for growth (Petit 1999). With wages under intensified competitive pressure, Fordist-style local, regional and national compromises are increasingly hard to sustain, particularly in internationally traded sectors. These transformations in forms of competition have generated increased differentiation both within and between sectors, with critical implications for employment relations. In particular, increased outsourcing and subcontracting has exacerbated labour market segmentation. Due to both vertical disintegration and product market segmentation, peripheral work conditions have grown, making it more difficult to enter the core of the labour force, thus limiting access to good, stable employment and internal labour markets (Petit 1999; Friedman 2000).
What is striking about this set of organisational and institutional forms is that the technological trajectory they together constitute does not appear to be able to provide a basis for a stable, mid-range pattern of growth in the same manner the Fordism did, due to the reassertion of wages into competition, the decline of internal labour markets and increase in low wage jobs, and new forms of labour market segmentation. My argument here is that this lack of institutional coherence is not a refutation of the concept of postfordism (Thompson 2003) but a defining feature of the organic social formation of the postfordist period, which, rather than a transitional phase is better seen as a dysfunctional accumulation regime.

Employment externalisation, debt, and growth in the postfordist accumulation regime

It is important to not over-romanticise the Fordist period. There were many economic problems in the Fordist period too, including that fact that in 1963 fully 21 per cent of the year-round, full-time (YRFT) workforce were in low-wage jobs, where the latter are defined as jobs making 50 per cent or less of the median annual earnings (Bluestone and Harrison 1988). There was also employment insecurity and underemployment within peripheral segments of the labour market. When there is talk of good jobs and livelihoods under Fordism, it must be remembered that this generally refers to the core of the economy. Yet, we have seen that the Fordist period is unique in the history of US capitalism for both its spectacular growth rates and relative wage compression. In essence, while there were bad jobs under Fordism, a central characteristic of the Fordist accumulation regime was an institutional compromise which helped to grow the middle class, providing an organisational-level basis for effective demand. In sharp contrast, the
postfordist period has been characterised by the lack of such a compromise, thus
witnessing skyrocketing inequality. Looking at changing income shares by percentile
from 1979-2003 shows that the top fifth percentile of the income distribution was the
only group to see its share rise; every quintile in the bottom four-fifths of the income
distribution saw its share decline over that period (Mishel et al. 2007: Figure 1Q). And
the turnaround in average wages during the second half of the 1990s did not extend into
the next decade. In fact, between 2000 and 2005, every quintile in the family income
distribution saw its income decline, from -0.9 per cent in the top quintile to -7.8 per cent
in the bottom quintile. It appears that the productivity boost to average incomes in the
latter half of the 1990s was aberration from the general trend of growing wage inequality.

Underlying this long-term secular trend of growing wage inequality is a sharp
polarisation in the job market – that is, a declining middle class. This can be seen in
different ways from a number of recent studies. In terms of skill levels, between 1980 and
2000, Autor and collaborators (2006) find a rapid increase in high-skill jobs, a modest
increase in low-skill jobs, and very slow growth in the middle. Comparing the decades of
1960s to the 1990s, Wright and Dwyer found that growth was, respectively, 2 versus 17
per cent in the lowest job-quality decile, 30 versus 11 per cent in the middle two deciles,
and 40 versus 50 per cent in the top three deciles (2000/2001). Comparing a cohort
entering the labour market in the mid-1960s with one entering in the early 1980s,
Bernhardt and collaborators (2001: 111) find that low-wage careers have doubled from
the earlier cohort to the more recent one, from 12.2 per cent of workers to 27.6 per cent.
The number of workers in low-wage careers even increased for workers with a bachelor’s
degree, from 10.4 to 14.1 per cent Underlying these trends is the growth of externalised
employment relations and deunionisation (Vidal and Kusnet 2009), leading to overall wage stagnation. The real annual average wage for men lost 22 per cent of its value from 1973 to 1995 but recovered about a third of that loss by 2000, when strong economic growth reversed a long-term trend of decline in the real value of the average annual wage. (Appelbaum et al. 2003). But as shown above, this turnaround was brief, and the long-term trend remains one of decline or stagnation. Remarkably, over the 39 year period from 1969-2008, wage and salary income for high school educated males aged 25-44 and college educated males aged 25-34 declined in real terms (Madrick and Papanikolaou 2010). While wages and salaries for college educated males aged 35-44 and 45-54 grew slightly over the same period (0.2 and 0.5 per cent, respectively), the former declined from 1969-89 and the latter declined from 1979-2008.

The foregoing has provided strong evidence of a qualitatively different employment structure under postfordism from that of Fordism: a substantial decrease in mid-level jobs and a substantial increase in low-wage careers, leading to a highly polarised job structure resulting in wage stagnation and high levels of income inequality. While strong wages drove high levels of aggregate demand and vibrant growth during Fordism, the situation has become both more complex and precarious in the postfordist age of internationalisation cum financialisation. The institutional argument presented here suggests that weak aggregate demand due to a decline in labour’s share has played a central role in stagnant growth under postfordism, although as discussed in note 2, the empirical findings on this are mixed. In either case, the Kaleckian demand regime models do not take into account the composition of consumer demand, which, after all, constitutes 70 per cent of GDP. Such high levels of personal consumption expenditures
have been maintained in the face of stagnating real wages and growing inequality through debt: the ratio of consumer debt to income rose from 62 per cent in 1975 to 127 per cent in 2005 (Foster and Magdoff 2009). In brief, the restoration of profitability has come at the expense of labour’s share, in the process expanding the labour market periphery and generating long-term wage stagnation, but with aggregate consumer demand maintained through increased household debt.

Whether or not investment growth can make up for consumption growth at existing levels of demand, then, the Waltonist growth regime has experienced growth dampened growth due to overcapacity, while it has maintained existing levels of growth via a massive increase in debt, all in the context of ever-expanding surplus capital. And, in terms of increased precariousness and sources of instability, consumer debt is only the tip of the iceberg. Including government, corporate and financial-sector, total debt to GDP skyrocketed from about 1.5 times GDP in 1975 to 3.5 times GDP in 2005, with the greatest increases being seen in the financial sector (Foster and Magdoff 2009). To be sure, there are other sources of growth that have produced some variation around a long-term trend of tepid growth. On the positive side, the maturation of the information revolution boosted productivity in key sectors leading to a brief turnaround in the 1990s – a turnaround likely led by Wal-Mart with its lean inventory management practices. On the negative side, another aspect of financialisation is the ascendance of neoliberal monetary policy, which, with its obsessive focus on price stability (along with anti-deficit fiscal policy), has effectively imposed slow growth by policy fiat, because running the economy ‘hot’ would risk inflation that is unacceptable to Wall Street, in particular, the bond market (Bluestone and Harrison 2000).
In sum, the Waltonist regime of accumulation in the US has an inherently-limited growth potential, due to overcapacity, financialisation, wages stagnation and growing labour market insecurity in the context of neoliberal monetary and fiscal policy. Some of the sources of this situation appear to be structural features of postfordism in general, including deindustrialisation, internationalisation and financialisation. Regarding deindustrialisation, while it remains unclear how much the sectoral shift to services contributes to slow growth – among other reasons because there are high wages and high productivity in parts of that sector, as well as growing low-wage jobs in manufacturing (Petit 1986) – it is arguable that the service sector does have a higher proportion of low-wage and low-productivity-potential jobs. Other sources appear to be more specifically related to Waltonist employment relations, namely, employment externalisation in general and antiunionism in particular. These transformations have been part and parcel of a shift in the relative articulation of institutional domains, with employment relations being subordinated to wage-based competition and a shareholder value model of corporate governance.

The financial crisis and the prospects for the dysfunctional Waltonist accumulation regime

At root of the subprime mortgage crisis was the systematic enactment of extremely risky, speculative, and predatory behavior by bankers. At the height of the mania, bankers were proactively marketing no-income, no-asset (NINA) loans that were contrary to long-standing banking customs. Manipulative and predatory subprime loans, beginning years before the crisis came to a head, were just the beginning. Ultimately, the financial sector
fueled a housing bubble with a system-wide infusion of high-risk loans that were questionable at best, ratings agencies consulted on how to repackage these high-risk assets that would then be certified as nearly risk free, and banks used collateralised debt obligations to engage in regulatory arbitrage so they could increase leverage to unsustainable levels. Because many of these exotic new financial instruments greatly increased the interdependence of the financial system – in the process, increasing instability and uncertainty rather than reducing risk – what began as a crisis in the subprime lending market quickly spread, first into a meltdown of the entire mortgage market and then into a system-wide credit crunch, ultimately bringing the entire system to its knees in a full-blown, global financial crisis.

The Marxist regulationist theory presented above provides significant explanatory leverage on the financial crisis the late-2000s. In particular, the US economy is a specific institutional context where financialisation is most advanced – due to overaccumulation and overcapacity – and where the norms of free-market individualism and unrestrained profit-seeking are deeply embedded. Industrial capacity has been used at an average of 81 per cent over the last thirty years (Foster and Magdoff 2009). As the scope for productive investment has narrowed, speculative investment has increased. As Wall Street financial wizards developed ever more exotic instruments to facilitate speculation, making superprofits in the process, the anarchy of the market contributed to competitive mimesis, that is, a bandwagon effect (Vidal 2011a). For instance, many bankers knew from experience and existing principles that giving NINA loans to subprime borrowers was a disaster waiting to happen, but they felt pressure to do the same given that there competitors were doing it and making millions. As strategies like pushing NINA loans
continued to return outsized profits without any official scrutiny, established norms became replaced with new standards. Likewise, if one investment bank was making millions off using collateralised debt obligations for regulatory arbitrage, then others would experience intense pressure to follow suit. The same could be argued for rating agencies, which provided consulting services showing banks how to repackage their loans into securities that would get AAA ratings.

Rather than assuming that markets always generate efficiency, Marxist regulation theory focuses on the distorting and debilitating effects of the profit motive and competition. In a context of intense market competition, often infused with uncertainty, mimetic behavior should be expected. Most market actors are imitators not innovators. The Waltonist regime in the US thus provided an ideological context of neoliberalism – including the dominance of the ‘efficient market’ hypothesis of self-stabilising financial markets and the exaltation of profits and bankers – within a structural context of overaccumulation, overcapacity and financialisation.

While I am hesitant to make any predictions about such an open, complex system as the contemporary economy, and am also skeptical of talk of unsustainably in the face of the remarkably resilient history of capitalism, I do need to briefly elaborate my argument that Waltonism is a dysfunctional yet stable accumulation regime. By dysfunctional I refer to its long-term inability to reproduce itself on a high-growth/high-wage trajectory, that is, its recovery of profit rates at the expense of stagnating wages and growing labour market insecurity. Waltonism is not working for the majority of the population. By stable I mean to argue that, while the system does contain pronounced contradictions and crisis tendencies, human beings and capitalist institutions are
exceptionally resilient and, in the absence of an outright crisis in the profit rate or a sustained decline in GDP, or perhaps a major shift in the US-China relationship, the system is likely to continuing functioning and evolving without collapsing. The fact that the US economy made it through the financial crisis, on the backs of workers to be sure, is testament to this. Indeed, the top six US bank holding companies posted a combined $51 billion in pre-tax profits in 2009 (Lenzner 2010).

The primary contradiction of Waltonism is the existence of overaccumulation and overcapacity in the context of stagnant growth and wages. In addition to being the ultimate source of the financial crisis, this growth regime has generated the unprecedented levels of debt, which in turn is a potential source of further crisis. Yet, from the perspective of capital, the system has effectively recovered from the greatest crisis since the Great Depression within a dramatically shorter time period. The Waltonist regime is thus dysfunctional yet stable, in large part precisely because American workers are so apparently willing to absorb the routine tremors, economic stagnation, and growing underemployment and insecurity generated by the accumulation regime. Much of this willingness, in turn, stems from the fact that while Waltonism generates wage stagnation and high levels of underemployment, effectively cutting the masses out of the slow-yet-significant growth of the economy, Fordism dramatically reduced the overall level of poverty. In 1959 the official poverty rate was 22.4 per cent, declining to its lowest point at 11.1 per cent in 1973, and climbing again to 14.3 per cent in 2009, higher than the low point although still one-third of the 1959 rate (but highest among the OECD). The Fordist regime expanded the core of the labour market and provided career ladders therefore reducing poverty. This trend is being reversed under Waltonism, but so far only partially.
More generally, the broader working class that has seen stagnating wages has seen an increased living standard due to Marx’s process relative surplus value production, whereby productivity increases reduce the value of labour by making it cheaper to provide basic commodities for the working class. Wal-Mart has been central to this process by providing cheap consumer goods from China and other low-wage countries. Regulation theory thus provides significant leverage on the class analysis of Waltonism via its analysis of the effect of changing (global) production on the conditions of existence of the working class, but this analysis will have to be elaborated elsewhere.

**Conclusion**

I have sought here to systematically bring to bear the empirical evidence of growing job polarisation and inequality on the enduring problem of slow growth in the US economy. The polarisation of the labour market and the growth of low-wage careers has been driven by a number of forms of employment externalisation, including forced wage concessions and other forms of renewed wage cutting; outsourcing, downsising and subcontracting; internal restructuring toward flatter hierarchies with core jobs enlarged in tasks but reduced in number; and deunionisation. I have argued that externalised employment has been the result of two sets of transformations. First is a declining profit rate with the maturation the Fordist regime and the transition to a postfordist context of intense international competition, both of which have put wages again back at the center of the competitive struggle. Second is the specific national-organisational response to this general postfordist context, which I have called Waltonism. The latter refers to an economy organised in terms of demand-driven, buyer-dominated supply chains, based on
cutthroat wage-based competition and vehement antiunionism. In short, a declining profit rate and internationalisation led to the erosion of the Fordist compromise, and employment externalisation has been the corporate response.

The restoration of the of the profit rate around the turn of the century to near 1960s levels – a restored profit rate coinciding with the lowest rates of growth since the 1960s – has come at the expense of employment conditions and labour’s share. Increased labour market insecurity and a decreased share for labour have two likely effects on growth. First, they may lead to a deterioration in effective demand, although the preliminary data addressing this question are mixed, as it is possible that capital investment can offset any losses from deficient consumer demand. Second, and much more certainly, the 65-70 per cent of GDP that is accounted for by consumer demand has been maintained through increased household indebtedness. This is a potentially catastrophic problem with no clear way out (other than a radical program of income redistribution). If the foregoing is correct, the conditions for class compromise under Fordism – exceptionally high profit rates and nationally bound, oligopolistic competition – were historically unique, and the postfordist period is characterised by a more zero-sum context for class struggle.
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Figure 1. Trends in the profit rate, 1947-97

Notes: ♦, net profit rate, private economy; △, gross profit rate, private economy; □, net profit rate, corporate sector.
Figure 2. Real GDP growth, USA, 1947-2009

Source: US Bureau of Economic Analysis, 2005 chained dollars
Figure 3. Productivity change in the nonfarm business sector, USA, 1947-2009

Figure 4. Family income inequality, USA, 1947 to 2010

Source: US Census, historical income tables
Figure 5. GDP per capita, median individual income and average wages, USA, 1947-2004

Source: Joel Rogers and Matthew Zeidenberg, Center on Wisconsin Strategy (COWS), personal communication, based on data from EH.net, Economic History Association (GDP per capita); US Census (individual income); US Bureau of Labor Statistics (average wage).
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*Note: EI = employee involvement.*
1 For previous criticisms of functionalism in regulationist research see Hay (1995) and Ward (2003).

2 Post-Keynesian macroeconomists distinguish whether accumulation regimes are wage-led or profit-led. The models measure the effect of a shift in the profit/wage share on investment and consumption growth. Regarding the US case, covering some or all of the period from 1960-2007, at least one study indicated that the US is a profit-led regime (Naastepad and Storm 2006-7), but the majority find evidence for a wage-led regime (Bowles and Boyer 1995; Hein and Vogel 2008; Onaran et al. 2010). Most of the authors suggest caution in interpreting these results because their models are highly sensitive to estimation procedures. Onaran et al. suggest that the failure to take financialisation variables into account may have generated biased findings of profit-led regimes. It would likely be fruitful to investigate further the complementarities or inconsistencies between my institutional approach and the statistical demand-regime approach, particularly in terms of long-run dynamics, but such is beyond the scope of this paper. Briefly, however, the qualified underconsumptionist component of my argument would suggest a wage-led regime. While robust findings of a profit-led demand regime would invalidate a strict underconsumptionist argument, I think the current findings are as-yet too inconsistent to make any strong claims. The central concern of these models is whether wage-led (i.e., high wage share) demand regimes are viable and, if so, under what conditions.

While the empirical estimations have generally covered the whole period from 1960-2000, as Marglin and Bhaduri (1990) argued it may be that there was a general shift in the 1970s from a wage-led to a profit-led regime across the OECD, which may play a role in the inconsistent findings covering the period as if it were a single regime. This would be consistent with my core argument: Fordist growth levels were extraordinary, and while a high wage share played a critical role in effective demand under Fordism, it may not be possible within the the profit rate constraint under postfordist internationalisation. If the postfordist economy is becoming profit-led, this is precisely because of its opening up (Bowles and Boyer 1995). If, further, a wage-led regime is increasingly unlikely as the economy continues to internationalise, then a return to the golden years is even more distant.