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ON THE PERSISTENCE OF LABOR MARKET INSECURITY AND SLOW GROWTH IN THE US:

Reckoning with the Waltonist Growth Regime

by

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

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Bio

Matt Vidal received his PhD in sociology from the University of Wisconsin-Madison. He is currently Lecturer in Work and Organizations at King's College London, Department of Management. His publications include *Organizing Prosperity: Union Effects on Job Quality, Community Betterment, and Industry Standards* (2009, EPI), "Temporary Employment and Strategic Staffing in the Manufacturing Sector" in *Industrial Relations* and "Routine Inefficiency: Operational Satisficing and Real-World Markets" in *Research in the Sociology of Work* (2009, Emerald). Matt is currently working on a book about the implementation and institutionalization of lean production in the U.S. manufacturing field and a large-scale qualitative research project on the competitive, institutional and local contextual determinants of variations managerial strategy and work organization in UK manufacturing.

Abstract

In this essay I systematically incorporate empirical work on the increase in labor market insecurity and income inequality into a regulation theoretic framework for analyzing macroeconomic growth. In particular, I link well-known problems in the American labor market that have been increasing over the last four decades to the ongoing problem of slow macroeconomic growth. The rise of job polarization and income inequality coincides with 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 – labor 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 twin forces of internationalization (leading to the reemergence of wage-based competition) and employment externalization (outsourcing, downsizing, antiunionism, etc). This growth regime, which may be characterized as Waltonist, based on the Wal-Mart model of buyer-driven global supply chains focused on cutthroat wage competition and deunionization, is *not transitional* but rather embedded in apparently long-term institutional settlements that amount to a *dysfunctional* regime.

I. Introduction

The dramatic rise in inequality in the US since the early 1970s is well documented.[1] Likewise, the increase in low-wage jobs and careers, decline of internal labor markets and expansion of labor market uncertainty have also been amply demonstrated.[2] Together, these and related trends can be summarized in terms of a structural expansion in labor market insecurity, broadly understood as a decline in access to an employment trajectory leading to a stable job or occupation with a livable wage.[3] These changes can be characterized 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, and the long-term payoff to higher education has become more variable.[4] These changes suggest a broad transformation in the institutional configuration of the American economy.

Labor market researchers have generally attributed growing labor market insecurity to discrete changes in specific institutional domains, such as the internationalization of financial markets or decline of unions, without systematically examining how various changes may be related to each other or may be part of a broader structural transformation in the overall economy.[5] This is understandable because, in the context of a highly politicized set of debates over the health of the economy, scholars of low-wage labor markets have tended to be mainly preoccupied with correctly documenting the empirical story. And many of these same researchers are actively involved in policy debates,[6] where relating clear empirical findings to discrete institutional changes – changes that can feasibly be addressed through the legislative process – is of paramount importance.

In contrast to scholars of low-wage employment, those taking an institutional approach to macroeconomic growth, in particular comparative political economists from the varieties of capitalism, historical institutionalism or regulationist perspectives, 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.[7] Surprisingly, however, the comparative institutionalists have generally not systematically addressed the rise of low-wage employment and inequality – which have been common, if not uniform or universal, across the OECD countries[8] – in their research on comparative performance and macroeconomic growth. An important exception in this regard is the work of Bluestone and Harrison, which has directly addressed the role of rising inequality in contributing to slow growth in the US via a decline in effective demand.[9] Their work has been very important to debates on low-wage work, inequality and growth. But while they are left political economists sympathetic to institutional theory, they remain more economistic than institutionalist, having more in common with the policy-oriented scholars of low-wage work than with the comparative institutionalists, who tend to be more interested in developing theoretical accounts of economic *systems* based on thicker explanations of the historical evolution of institutional configurations within and across national political economies.

In this essay I systematically incorporate empirical work on the growth of labor market insecurity and income inequality into a regulation theoretic framework for analyzing macroeconomic growth. In particular, I link well-known problems in the American labor market that have dramatically increased over the last four decades – job

polarization and rising inequality – to the ongoing problem of slow macroeconomic growth. Regulation theory has provide 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 polarization 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 – labor 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 internationalization (leading to the reemergence of wage-based competition) and employment externalization (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.[10] 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. With some hesitation due to the complexity of intertwined national and international forces, but based on my argument that this growth regime is not

transitional, I label the new institutional configuration of the US economy Waltonism, based on the fact that Sam Walton'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 *externalized employment relations*, based on vertical disintegration, subcontracting, downsizing, deunionization and contingent work. These forms of employment externalization have been driven by a declining profit rate along and intensified competition resulting from the internationalization of production, and 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 a specific form of externalization – vehement anti-unionism and low-wage competition – that has made it the most successful American company in the broader postfordist context.

Equilibrium versus regulation

Beginning with the foundational work of Michel Aglietta, scholars working in the tradition of regulation theory have sought to develop a comprehensive theoretical framework for political economy that can serve as an alternative to the hegemony of mainstream neoclassical economics.[11] Because of its ahistorical framework, the latter has been unable to provide an account of the historical development of capitalist market economies, yet this critical and utter explanatory failure has not significantly diminished its influence. The reason, argues Aglietta, lies in the "reassuring vision of society" embedded in its central concept, general equilibrium, which is "seductive because it

suggests the collective harmony of a community whose subjects preserve their absolute autonomy yet where all conflict is excluded."[12] Aglietta points to the systematic failure of mainstream economic prescriptions to help underdeveloped countries. To this failure could be added the ubiquity of manifestly false predictions of neoclassical models regarding human behavior in general – one of its explicit aspirations – as well as market behavior in industrialized societies. On the former, experimental economics has systematically demonstrated that game theoretic models routinely fail in their predictions regarding human interaction. On the latter, as has been widely observed, contrary to marginal theory and its prediction of equilibration, markets for labor, goods and services typically do not clear. Similarly, macroeconomic forecasting is plagued with failed predictions. Such problems, Boyer notes, stem largely from the fact that neoclassical economics is "built on the fiction of a representative [hyper-rational] agent operating in an institutional void."[13]

As codified in the concept of general equilibrium, neoclassical theory attempts to analyze as stable and harmonious what are, as a matter of historical record, industrializing and industrialized market societies characterized by extended periods of conflict, with relatively short spans of stability punctuated by times of extreme instability and/or economic crisis. Of course, the implicit assumption of neoclassical economics is that the market is a natural human institution that became an organizing principle of society after it shed its medieval constraints, only to be hindered in modern times by the inefficient interventions of governments, unions, and a whole range of other "imperfections."[14] However, if one takes history and sociology seriously, it is hard to escape the conclusion that these so-called imperfections are generally social institutions

that are constitutive of order in society, a point articulated eloquently by scholars ranging from Durkheim to Polanyi and beyond.[15] This position, known as social embeddedness, is a central to modern economic sociology.[16] One of the distinctive additions of Marx was a theoretical framework that placed economic conflict and crisis at center stage. Regulation theory was developed in part to articulate a mid-range institutional Marxist analysis of the economic crisis of the long 1970s decade – declining profit rates and multiple recessions – resulting from overaccumulation and labor unrest. Only now, after the Great Financial Crisis that began in the US economy around the turn of the century and quickly spread around the globe,[17] are a few in the mainstream of the economics profession doing a bit of theoretical soul searching in order to deal with the "The Return of Depression Economics."[18]

While returning to Minsky may help mainstream economists get some traction on financial crises, however, it cannot rescue orthodox economic theory from its increasing irrelevance to real world economies. As has been a staple of economic sociology and heterodox economics, a realistic economic theory must place institutions at the center of analysis, rather than dispense with them by theoretical fiat as "imperfections" that distort mathematically-pristine models. Given that human society is constantly undergoing transformation, that the institutions that provide the glue of society – from norms to formal organizations – are variable across time and space, a central issue for political economy is the question of *reproduction*. Aglietta has argued forcefully that the concept of *regulation*, broadly understood, can be used to anchor an alternative economic theory – one that can accommodate the question of reproduction – in a manner equivalent to that of general equilibrium for neoclassical theory.

In this view, the central question that needs to be answered is how a society based on norms of individualism and competition can be stably reproduced. As Shaikh elaborates:

> Consider how peculiar capitalist society is. It is a complex, interdependent network, whose reproduction requires a precise pattern of complementarity among different productive activities: and yet these activities are undertaken by thousands of individual capitalists who are only concerned with their private greed for profit. … It is a cooperative human community, and yet is ceaselessly pits each against the other: capitalist against worker, but also capitalist against capitalist and worker against worker. The truly difficult question about such a society is not why it ever breaks down, but why it continues to function.[19]

The Smithian invisible hand suffers the same fatal error as its neoclassical successor, namely, an analytical blindness to the institutional fabric of human societies resulting from an obsessive focus on the properties of a *theoretical* market composed of atomistic rational individuals. When refined via mathematical logic free market theory becomes ever more divorced from real-world social conditions. All of the inefficiencies and debilitations endogenously generated by the competitive struggle over profits and wages are whitewashed with the language of efficiency and innovation.[20] And while many varieties of institutional economics have generated compelling analyses of a variety of real-world economic phenomena, none have developed an overarching framework that could conceivably compete with the hegemony of neoclassical economics. None, that is, except regulation theory.

Accumulation regimes as institutional models of capitalist growth

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: the wage-labor nexus, forms of competition, forms of state, forms of monetary regime, and methods of insertion into the international regime.[21] 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.[22] 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 has ultimately hindered theoretical development. [23] 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 view accumulation regimes themselves as social formations, which may or may not display periods of relative institutional stability. A social formation may be anchored in one or more institutional settlements, but these will always be contingently complimentary and may or may not adhere coherently.

Balanced growth and the (meso) institutional sources of effective demand

Marx posed the problem of reproduction – and therefore the problem of expanded reproduction, known more commonly as economic growth – in terms of capital accumulation. In Marxian terms, "capital accumulation must be understood as *the reproduction of capitalist social relations on an ever-expanding scale through the conversion of surplus value into new constant and variable capital*."[24] In non-marxist terms, capital accumulation refers to economic growth through investment of a portion of profit in physical and human capital. While Marx demonstrated that it is theoretically possible for expanded reproduction with balanced growth, because aggregate demand – wages – is a component of capitalist investment,[25] this theoretical possibility by no means ensures smooth accumulation and balanced growth in the real world. Its realization 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 theorized 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. A regime of accumulation is an endogenous model of economic growth, in which growth occurs through transformations in the productive forces, that is, changes in the labor process driven by competition. Aglietta distinguished between two accumulation regimes.[26] In the *predominantly extensive accumulation regime*, profitability is achieved mainly through the growth of the labor force and geographical expansion, but without transforming the conditions of the working class, who continue to rely on traditional means of subsistence. Aglietta dates the regime of extensive accumulation in the US from the 1840s, beginning with the construction of railways and the irrigation projects, leading into the mechanization of agricultural production. The transition to the *regime of predominantly intensive accumulation*, began with the long depression that started in 1873 and lasted until 1897, resulting from the uneven development of the producer goods sector due to the build-up of heavy industry, but with a limited market due to an insufficiently developed consumer goods sector.

The 20th century ushered in a regime of intensive accumulation based on the extension of capitalist production into the consumer goods sectors, thus realizing the domination of commodity relations over non-commodity relations. But while the labor process in the consumer goods sector was being revolutionized by the introduction of new forms of energy, integrated machine systems, the assembly line and the Taylorist division of labor, the market for consumer goods was retarded because of the defeat of the labor movement and the resulting stagnating wages during the 1920s. The regime of intensive accumulation did not develop into a stable growth regime until it reached its

Fordist stage, which arrived with the institutionalization 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) and therefore the establishment of a new norm of consumption.[27] In addition to *channeling* the class struggle through collective bargaining, a virtuous circle of balanced growth required the development of an institutional structure to support effective demand closely linked to productive capacity. Mass markets and mass consumption were supported with a variety of institutional mechanisms, according to Aglietta, including public insurance and public assistance (Social Security programs) and a system of collective bargaining which generalized the class compromise of relatively high and growing wages in return for labor peace throughout the core of the economy. 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. I argue that this was an *internalization model of employment relations*, based on the existence of mid-level jobs via internal labor markets in vertically integrated firms and the payment of relatively high wages indexed to productivity via collective bargaining. The widespread adopt of internalized 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 Fordist growth regime and its decline

The golden age of Fordism refers to a period of remarkable growth, decreasing inequality and economic stability that was experienced by the major capitalist democracies for

roughly three decades following WWII. Based on a careful review of the data on the US, the UK, Japan, Germany, Italy and France, Glyn et al. argue that "the length, steadiness, speed, and spread of the post-war boom are revealed to be so exceptional in the history of capitalism as to suggest that an explanation for its occurrence must be found in a unique *economic regime*."[28] 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% from 1950-1973 versus 2.5% from 1973-1979; GDP per capita for the same periods was 3.8% versus 2.0%. While slowdowns in productivity and profitability can be seen in many countries in the few years before 1973, Glyn et al. argue that the death knell of the Fordist growth regime is 1979 when Paul Volcker was appointed to the US Federal Reserve, leading to the replacement of Keynesian macroeconomic policy with a new monetarist orthodoxy.[29] Figure 1 presents average annual growth rates in the US 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%, respectively, followed by 3.3% in the '70s, 3.1% in the 80s, 3.2% in the '90s, and just 1.8% in the 2000s.

[FIGURE 1 ABOUT HERE]

The Fordist period was also characterized by a broad improvement in economic stability. Across the six countries mentioned above, the period from 1950-1973 witnessed substantially lower fluctuations in GDP and export growth than the preceding decades,

and a lower average unemployment level than the decades before or after the period.[30] After 1973, there was a general fall in output, productivity and export growth across the countries. By 1973, profit rates had dropped by one-third from their peak year in the US (1966), Europe (1960), and Japan (1970).[31] Annual nonfarm business productivity growth in the US (Figure 2) averaged 2.8% from 1947-1973, dropping to just 1.1% from 1973-1979 and 1.4% from 1979-1990, never reaching its Fordist level again through 2009.

[FIGURE 2 ABOUT HERE]

Not only was Fordist growth remarkable in absolute terms, but also for being broadly shared among the population. The share of national income received by the top 10% of the US population fluctuated between 40-45% in the interwar period. Within four years after the end of WWII, the share of the top 10% dropped to 30% and remained there, going no higher than 32% until the 1970s, when it began to increase steadily until moving above 40% again by the mid-1990s.[32] Other measures tell a similar story. Looking at weekly wages of men over 21 working more than 35 hours per week, the difference between the 90th versus the 10th percentile was a ratio of 1.45 in 1940, dropping to just 1.06 in 1950 and remaining below 1.15 through the 1960s, only to begin rising in the 1970s and reaching 1.46 – equal to the level in 1940 – in 1985.[33] In other words, 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. While wage inequality did rise slightly over the Fordist period from its historical

low point in 1950, inequality really began to surge in the 1970s (Figure 4) as the economy saw waves of deunionization and restructuring in a corporate scramble to regain a satisfactory profit rate. Breaking out wage inequality into upper (90/50) and lower (50/10) tails and examining more recent data shows another turning point at 1979 (Figure 3), when inequality began to grow at an even faster pace, leveling off for the lower tail in the 1990s but continuing for the upper tail unabated through 2004.

[FIGURES 3 AND 4 ABOUT HERE]

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 5, 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.

[FIGURE 5 ABOUT HERE]

A caveat on effective demand: The rate of profit

While I am arguing that lack of effective demand from consumers (unbalanced growth) has been a central problem causing a long-term slowdown in macroeconomic growth, there remains an enduring question as to whether the restoration of middle class consumption patterns is possible in the context of a long-term decline in the rate of profit. As Marx noted, movements in the profit rate determine the overall growth potential of the system: A low expected profit rate will result in low levels of investment. In fact, the data on the US case bear out Marx's prediction of a tendency of the rate of profit to fall. According to Marx, this tendency is periodically interrupted by "the destruction of capital through crises."[34] 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. The before-tax profit rate shot from around 0% in 1930 to above 30% in five years after the war, falling to around 20% from the mid 1950s until around 1979, when it dropped to below 18% and remained there through the turn of the century.[35] 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 find that the Fordist period of exceptionally high profit rates appears to be an historical anomaly.[36]

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.[37] 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, global outsourcing and the decline in the real value of wages,[38] 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.[39] In any case, the restoration of the profit rate has come at the expense of middle class consumption patterns, being based in an assault on labor and wages therefore exacerbating the problem of effective demand. Although some Marxists deride underconsumptionist arguments as Left Keynesianism,[40] such arguments are critical if one takes the class struggle seriously. The profit rate may define the possibilities for class compromise, but it simply cannot explain specific distributional outcomes. If the distribution of the national surplus matters for growth – as in underconsumptionist/effective demand models – there must be an institutional explanation for the overall growth pattern that compliments the profit rate explanation.

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. [41] 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 argues, in contrast, that capital investment itself can generate effective demand.[42] 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 characterized 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. While Kliman argues that balanced growth interpretations of Marx are equilibrium models inconsistent with Marx's nonequilibrium arguments, Aglietta's interpretation – a tendency toward uneven development that is "partially neutralized" by the progressive commodification of consumption and the institutionalization of class compromise – is consistent with the broader arguments of *Capital* regarding nonequilibrium processes such as uneven development and crisis.[43]

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 the 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 fortify effective consumer demand could provide a basis for stronger growth, but there remains a question as to whether Fordist-level profit rates are compatible with labor'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 labor's share, an

interpretation consistent with all of the data presented below. And the more general problem of internationalized 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 labor'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. With this intractable problem in mind – how can middle class consumption patterns be restored when a satisfactory profit-rate appears to depend precisely on a reduced share for labor – I now turn to systematic analysis of the Waltonist growth regime in postfordist America.

The postfordist regime of accumulation in the United States

Institutional transition or settlement?

A core argument accepted by most if not all regulationists is that the growth dynamic of Fordism centered on the wage-labor nexus, in which wages were indexed to productivity gains through the Fordist class compromise, effectively subordinating competitive pressures therefore allowing expanded reproduction of the middle class. [44] Based on the growth model in which an accumulation regime is at first fostered by a mode of regulation but eventually the two become out of sync, most regulationists saw the crisis of Fordism resulting from a breakdown in the Fordist mode of regulation and the postfordist period therefore as a transition to a new growth regime.[45] It was originally assumed by many that the new growth regime would be rooted in a new, more flexible

production system and labor market, which would be stabilized and stimulated by a new mode of regulation.[46] More recently, it has been argued that with the financialization of the economy, the wage-labor nexus may no longer serve as the basis for a new growth dynamic.[47] Other regulationists have focused more on internationalization, arguing that new forms of competition have come to dominate the wage-labor nexus.[48]

While I agree that central institutional changes include the ascendency of financial capital and the re-emergence of wage-driven competition under internationalization, I do not have any assumptions about or expectations for the return of stable and strong growth rooted in some sort of institutionally-coherent and progressive accumulation regime. Again, as I have argued elsewhere, the accumulation regime/mode of regulation model of growth is theoretically ambiguous, untenable and distracting.[49] But without the baggage of the concept of mode of regulation, the remaining conceptual apparatus of regulation theory remains highly fruitful. In particular, what is needed is a focus on the changing articulation between institutional arrangements within and across the core domains.[50] My argument here is that the institutional settlement of the Fordist wage-labor nexus established an internalized model of employment relations based on strong wage growth, internal labor markets and clear career ladders for a substantial core of workers in the economy. With the growth of internationalization and financialization – in particular, the shareholder value approach to corporate governance – an *externalized model of employment relations* has become the norm, resulting in a drastically shrunken core and expended periphery in the labor market. The outcome is wage polarization, rising inequality and declining effective demand. Let me discuss internationalization and financialization before turning to the details of the postfordist growth regime in the US.

Along with internationalizing markets, internationalized production has burst asunder the national-level institutions of Fordism – nationally-bound, oligopolistic markets; internalized 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 labor markets and a family-supporting wage in exchange for a commitment of lifetime loyalty to a firm. Effectively, within the core of the economy, labor had been decommodified under the welfare capitalism of vertically-integrated Fordist firms with their internal labor markets. But this internalized model of employment relations became unsustainable in the face of internationalization, 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 labor 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.[51] The costs of the internalization model of employment relations had become too great due to the build up of labor costs in vertically-integrated firms. One of the most common responses was for corporations to shed assets. While such restructuring may have generated many organizational efficiencies for more flexible organizations in new network configurations, the other side of the coin was the growth of peripheral employment conditions, including non-unionized and insecure employment. All of these pressures for externalization of

employment found their ideological expression, and justification, in the rise of the shareholder value model of corporate governance.

While the economy was experiencing internationalization and deindustrialization, it was also becoming increasingly financialized, in part due to a growing surplus of financial capital and an exhaustion of opportunities for investment in the productive sectors of the economy.[52] Thus, financial sector profits rose from just 8% of total corporate profits in 1945 to nearly 18% in 1999 and the ratio of portfolio income to cash flow for non-financial corporations rose from less than 10% in 1950 to 40% (5 year moving average) in 2001.[53] The deep changes in the economy leading to financialization 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."[54] 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.[55] At the same time, policy makers began to deregulate the financial sector, resulting in a perfect storm that institutionalized the shareholder value model of the firm, leading corporations to be managed on the new principle of "downsize and distribute."[56] A key outcome of the shareholder revolution was thus a new *norm* of externalized 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 the shareholder value model of corporate governance) while employment relations have been subordinated to new forms of competition (hence vertical disintegration and the growth of peripheral employment conditions). 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"[57] and low-wage competition in an internationalized 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.[58] While it is important to remember that many of the practices that characterize the Wal-Mart business model were developed by other companies in the retail sector, in particular by other discounters over the 1960s-1980s, 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.[59]

The Waltonist accumulation regime may be contrasted with the Fordist regime on four points symbolized 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 symbolizes the *service-dominated, internationalized* 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 supply chains*.[60] Essentially, Wal-Mart was able to capitalize 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.[61] 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% of domestic sales in general merchandise and food and nearly 30% of household staples and basic apparel; 30% 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.[62]

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 internalized employment relations similar to manufacturing firms, and national chains courted unions as partners in the 1930s.[63] 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 labor costs to an absolute minimum is of paramount importance. Whereas relatively high wages were considered part of business for Ford – they were internalized into the business model – ruthlessly minimizing 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.[64] 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.[65] Managers are given tight labor 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 was facing 38 lawsuits for wage abuse.[66] 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 unionization attempts to this day.

It is important to recognize 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, internationalized economy and the dominance of buyer-driven commodity chains – are not firm strategies at all but are more general characteristics of the broader political economy across a range of industrialized countries, that is, they are characteristic of postfordism more generally. The second two – low-wage competition and vehement anti-unionism – are firm strategies associated with Wal-Mart in particular (along with other companies within and beyond the retail industry). 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-labor nexus" can usefully be separated into the labor process versus employment relations. The former refers specifically to the concrete organization of tasks, processes and relations in the workplace, whereas the latter refers the organizational 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 organization 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 *labor process* as central to defining an accumulation regime, I am arguing that the Waltonist regime is best defined in terms of the externalized model of *employment relations*, rather than in terms of a dominant labor process. The model of the labor process in Fordist discussions and early postfordist debates was squarely focused on manufacturing. I address the postfordist labor process in both manufacturing and services in detail elsewhere.[67] Briefly, the postfordist manufacturing labor 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 labor processes, such as retail sales. The core elements of the postfordist labor 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 labor 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 labor markets and bare-bones staffing, and vehement anti-unionism. More generally, the US economy has experienced widespread vertical disintegration, the recommodification of labor – including declining internal labor markets and career ladders and the growth of peripheral employment relations – and anti-unionism.

Again, the concept of Waltonism is serving here mainly as a symbol for the dominance of buyer-driven global supply chains and externalized employment relations. More broadly, transformations toward externalized employment relations have been driven by new forms of competition. These can be divided into sectoral-level changes and organizational-level changes. At the sectoral level, 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 potential.[68] With wages under intensified competitive pressure, Fordist-style local, regional and national compromises are increasingly hard to sustain, particularly in internationally traded sectors. At the organizational level, competition has shifted toward either a high quality and flexibility market – which has been met with the implementation of lean production – or a low-cost market met with scale economies and work intensification. The reemergence of intensified wage competition underlies the recommodification of

labor and the assault on unions, while the ascendency of flexibility as a new basis of competition underlies vertical disintegration and antiunionism.

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 labor 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 labor force, thus limiting access to good, stable employment and internal labor markets.[69]

What is striking about this set of organizational 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 labor markets and increase in low wage jobs, and new forms of labor market segmentation. My argument here is that this lack of institutional coherence is not a refutation of the concept of postfordism[70] 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.

Problems of employment and growth in the postfordist accumulation regime

It is important to not over-romanticize the Fordist period. There were many economic problems in the Fordist period too, including that fact that in 1963 fully 21% of the year-round, full-time (YRFT) workforce were in low-wage jobs, where the latter are defined

as jobs making 50% or less of the median annual earnings.[71] There was also employment insecurity and underemployment within peripheral segments of the labor 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 (American) 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 organizational-level basis for effective demand. In sharp contrast, the postfordist period has been characterized by the lack of such a compromise, thus witnessing not just skyrocketing inequality but, in fact, a sharp polarization in the labor market – that is, a declining middle class. Thus, the share of low-wage YRFT jobs declined from 21% in 1963 to just 13% by 1970. It fluctuated between 13-14% through 1979, where it began to grow until hitting 17% in 1986.[72]

More recent data show a continuous increase in low-wage employment continuing from the 1970s until around 1995, when strong economic growth reversed a long-term trend of decline in the real value of the average annual wage. Specifically, the real annual average wage for men lost 22% of its value from 1973 to 1995 but recovered about a third of that loss by 2000.[73] But, again, these averages conceal as much as they reveal. 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.[74] 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% in the top quintile to -7.8% 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 polarization in the job market. Thus, between 1980 and 2000, Autor and collaborators find a rapid increase in high-skill jobs, a modest increase in low-skill jobs, and very slow growth in the middle.[75]

Wright and Dwyer compiled data to directly compare job growth during the 1960s to the 1990s based on job quality deciles, where good jobs are defined as those above the median income and bad jobs those below the median.[76] For 1960s they found that 2% of job growth occurred in the lowest job-quality decile, 30% in the middle two deciles, and 40% in the top three deciles. In contrast, in the 1990s 17% of job growth occurred in the lowest job-quality decile, 11% in the middle two deciles, and 50% in the top three deciles. These data clearly demonstrate that, in terms wages the Fordist period was characterized by strong growth in mid-level jobs – with the strongest growth at the top and the weakest growth at the bottom, as Wright and Dwyer state, “unequivocally a process of upgrading the employment structure” – whereas the postfordist period has seen job polarization. With the hollowing out of mid-level jobs, career mobility is increasingly hard for those in the worst jobs; a jump from the first decile to the sixth decile is highly unlikely. In short, the data clearly show a declining middle, suggesting that the rises in inequality during the postfordist period are driven by the growth of peripheral employment and low-paying jobs at the expense of mid-level jobs.

Bernhardt and collaborators have compiled a unique data set which shows both a decline in long-term wage mobility and growth in the low-wage sector of the economy.[77] They compare longitudinal data on a cohort of young men who entered the labor market in the middle to late 1960s with a second cohort that entered the early 1980s, both of which were followed for around 15 years. The find that the cohort who began working in the 1980s experience a 21% fall in permanent wage growth, relative to the earlier cohort, along with significant polarization in income, leading to fully 40% fewer workers in the cohort landing in the central part of the distribution of wage growth. Looking at jobs rather than incomes, Bernhardt et al. define the low-wage service sector as all industries with median annual wages below 1.5% of the poverty line for a family of four, excluding managerial, professional and technical occupations. The remaining occupations-within-industries are mainly front-line, dead-end jobs, that is, low-wage careers. They find that low-wage careers have doubled from the earlier cohort to the more recent from 12.2% of workers to 27.6%. The number of workers in low-wage careers even increased for workers with a bachelor's degree, from 10.4% to 14.1%. Looking specifically at mobility from ages 16 to 37, they find more workers starting out the low-wage sector (66% in the recent cohort vs 59% in the early cohort) and a larger proportion of them remaining in that sector (60% vs 49%). These data strongly suggest that the changes in the employment structure "are permanent, long-term changes that will persist over the life course."[78]

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

polarized job structure resulting in high levels of income inequality. At an aggregate level, the outcome of this employment structure, with all its associated institutional changes, is a secular decline in labor's share of the national income. While labor's share of the national income increased by 5% from the end of WWII through the late 1960s, it decreased steadily from then until the present time.[79] The result has been a sustained drop in aggregate demand. While strong wage growth underlied high levels of aggregate demand driving strong growth during Fordism, weak aggregate demand has played a central role in stagnant growth under postfordism. To be sure, there are other sources of growth that have produced some variation around a long-term trend of relatively low growth. On the positive side, the maturation of the information revolution boosted productivity in key sectors leading to a brief turnaround in the 1990s[80] – a turnaround likely led by Wal-Mart with its lean inventory management practices. On the negative side, another aspect of financialization 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.[81] However, while productivity and monetary policy are important elements of overall growth, the critical importance of aggregate demand cannot be understated. As Marx, Keynes and many others have demonstrated, without sufficient demand, economic output will be unbalanced and suboptimal. Given the US current account deficit, banking on international demand is not an option.

In sum, the Waltonist regime of accumulation in the US has an inherently-limited growth potential, due to both its extensive low-wage sector and neoliberal monetary

policy and fiscal policy. Some of the sources of this situation appear to be structural features of postfordism in general, including deindustrialization, internationalization and financialization. Other sources appear to be more specifically related to Waltonist employment relations, namely, externalization in general and anti-unionization in particular. While some forms of employment externalization, such as outsourcing and temporary employment, were developed and are more pronounced outside of the retail sector, Wal-Mart has honed the externalization model to a near-science, including extremely limited internal labor markets, bottom-barrel wages for workers and managers, cost-obsessive global supply chain management, and vehement anti-unionism.

While slow growth cannot be blamed exclusively on the sectoral shift to services, because there are high wages and high productivity in parts of that sector, as well as growing low-wage jobs in manufacturing,[82] it is arguable that the service sector does have a higher proportion of low-wage and low-productivity potential jobs. Perhaps more importantly, with internationalization, the core of the economy has lost its Fordist institutional bulwark, hence being newly subjected to destructive international competition. Destructive domestic competition has thus hit the economic peripheries with a new vengeance at the same time as the peripheries have been expanded due to postfordist disconnections. 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.

Conclusion

I have sought here to systematically bring to bear the empirical evidence of growing job polarization and inequality on the enduring problem of slow growth in the US economy. Just as the broadly shared prosperity of the Fordist period generated strong demand allowing high levels of mass production and therefore strong growth, the increase in low-wage work and a decline in labor's share of the national income have led to a deterioration in effective demand and therefore low to moderate levels of growth. The data strongly suggest that the decline in labor's share is a result of changes in the employment structure and the broader system of employment relations. The employment structure itself has become dominated by service sector jobs, many of which, like those in retail sales, are likely to have an inherently lower potential for productivity and innovation. But more important seems to be a decline in the middle-income jobs and, with them, career ladders joining jobs at the bottom of the employment structure to those at the top. In the 1960s, 30% of growth was in the middle two job-quality deciles, versus just 11% on those two deciles for the 1990s.[83] Another data set comparing a cohort of employees from the 1960s versus one from the 1980s finds that low-wage careers have doubled from the earlier cohort to the more recent from 12.2% of workers to 27.6%.[84]

The polarization of the labor market and the growth of low-wage careers has been driven by a number of forms of employment externalization, including forced wage concessions and other forms of renewed wage cutting; outsourcing, downsizing and subcontracting; internal restructuring toward flatter hierarchies with core jobs enlarged in tasks but reduced in number; and deunionization. I have argued that externalized employment has been the result of two sets of transformations. First is the general transition to a postfordist context of intense international competition and a declining

profit rate, both of which have put wages again back at the center of the competitive struggle. Second is the specific national-organizational response to this general postfordist context, which I have called Waltonism. The latter refers to an economy organized in terms of demand-driven, buyer-dominated supply chains, based on cutthroat wage-based competition and vehement antiunionism. In short, internationalization and a declining profit rate led to the erosion of the Fordist compromise, and employment externalization 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 expensive of employment conditions and wages.[85] This suggests that the restoration of middle class consumption patterns, necessary for strong growth, is unlikely in the postfordist context of a low profit rate, at least through non-redistributionary means. 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 characterized by a more zero-sum context for class struggle.

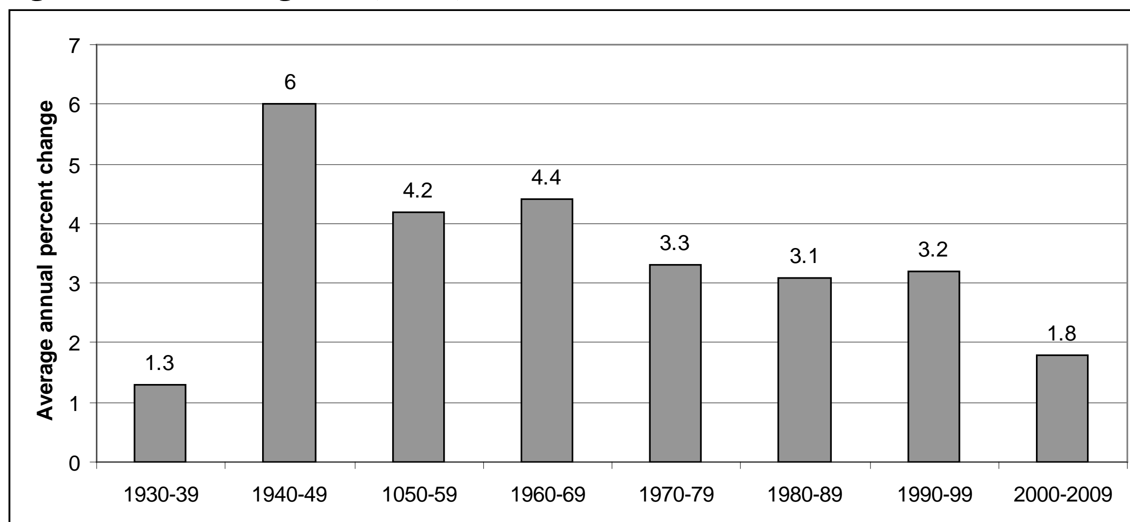
To be clear, my argument is not intended to focus too much attention on condemning Wal-Mart, a single mega-corporation. This is why I chose the label Waltonism rather than Walmartism, and why I mentioned hesitation even at labeling the growth regime Waltonist. Rather, it is about the institutional domain of employment relations – and, in particular, its Fordist configuration – being subverted by competitive forces and finance capital. The real problem is not a particularly successful business or business model per set, but rather the reemergence of wage-driven competition under internationalization and the growth of financialization, including the shareholder value

model of corporate governance but also the eclipse of employment-focused macro policy by inflation-targeting policy. These changes have led, in the US case, to the proliferation of an externalized model of employment relations resulting from vertical disintegration, subcontracting, downsizing, delayering, and antiunionism have transformed the structure of the labor market. The outcome has been a push on the demand side of the labor market toward increased segmentation and polarization, which, in turn, have contributed to a vicious circle of slow growth by generating a pattern of consumption fractured between low and high-end segments, thus leading to segmentation in firms' market strategies, hence a growing market for discount retailers like Wal-Mart. The latter has indeed helped improve the standard of living for its customers with its low prices, but at the same time the discount retail industry, led by Wal-Mart, has set in motion a system-wide dynamic of *domestic* low-wage competition that has exacerbated and railed against any to establish a national-level institutional bulwark against international wage-based competition more broadly.

The prospects for a significant portion of the population under postfordist capitalism are not good. Postfordist capitalism refers to a period in the history of capitalism after which national-level settlements – those characteristic of the relatively brief period of Fordism – are increasingly difficult to forge due to internationalized competition and labor-cost arbitrage. Certainly there appears to be no organic form of class compromise on the horizon, as happened with Fordism. International wage-based competition is combined with financialization, itself driven in part by overcapacity, which is a problem of lack of effective demand. The problem here is the control of the

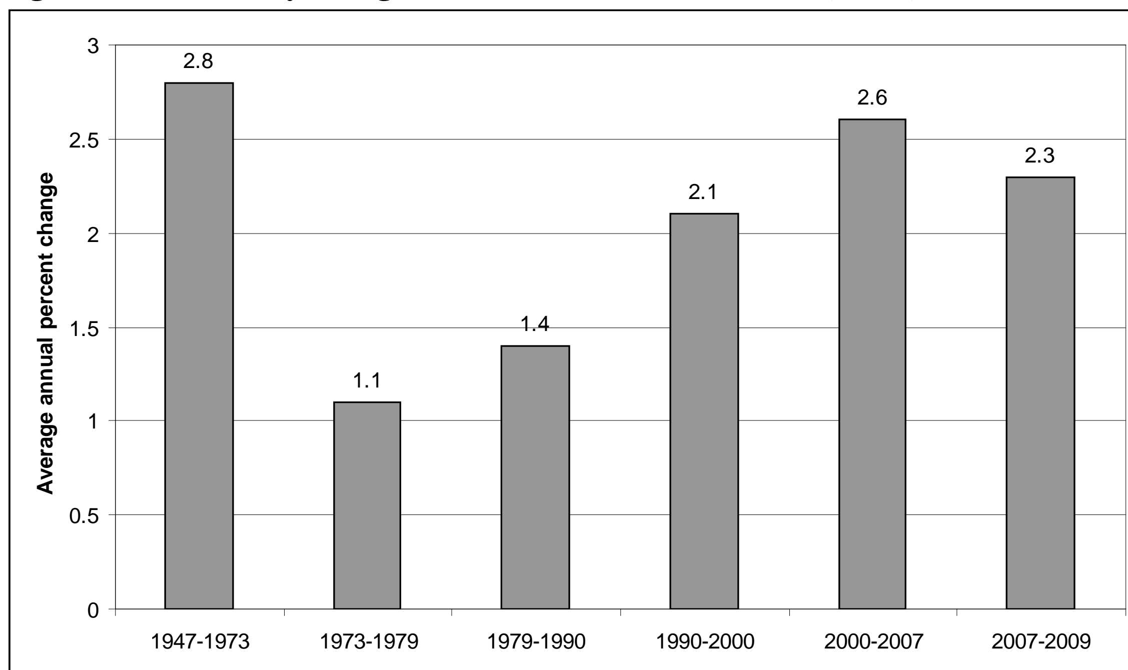
social surplus for investment, which in capitalist hands will continue to chase high rates of return in financial circuits divorced from the needs of the working population.

Figure 1. Real GDP growth, USA, 1947-2009



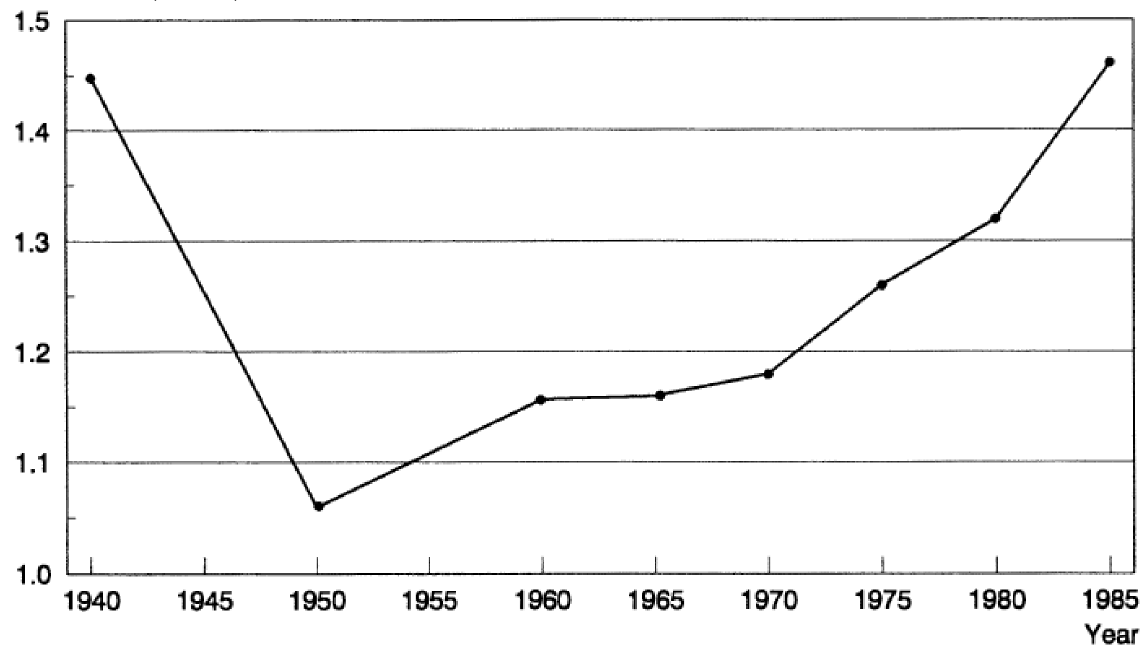
Source: US Bureau of Economic Analysis, 2005 chained dollars

Figure 2. Productivity change in the nonfarm business sector, USA, 1947-2009



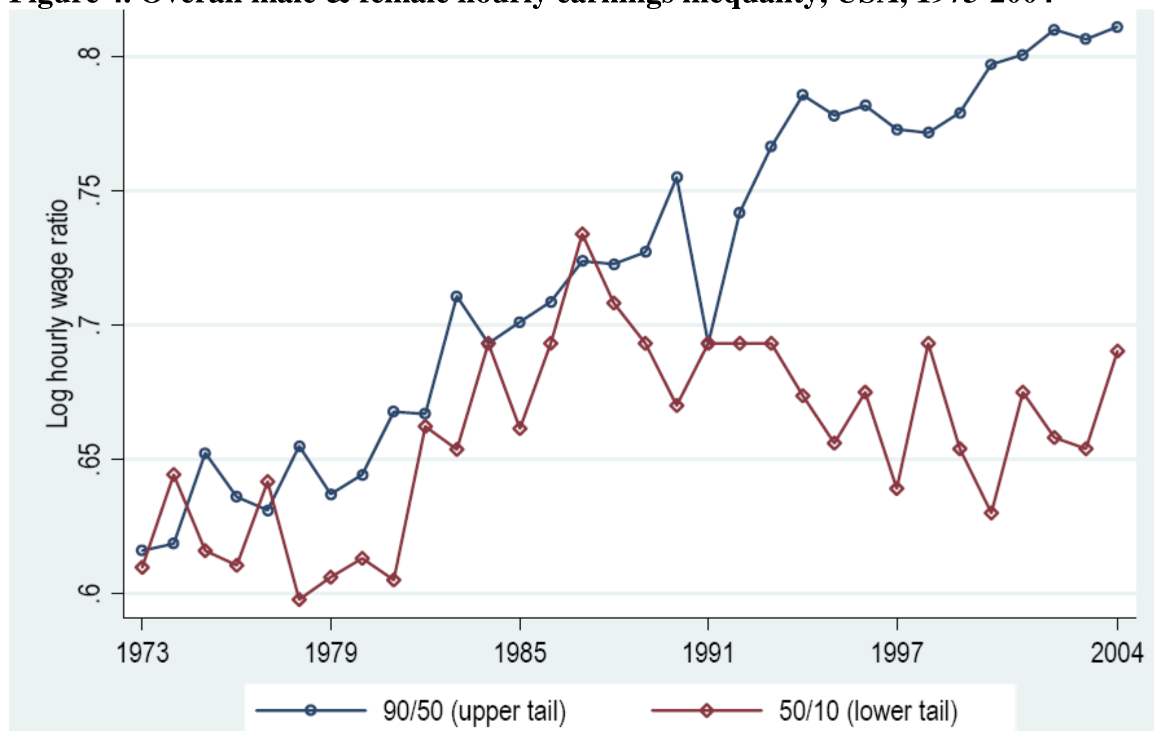
Source: US Bureau of Labor Statistics

Figure 3. Wage dispersion: Difference in the Log Wage at the Ninetieth and Tenth Percentiles, USA, 1940-1985



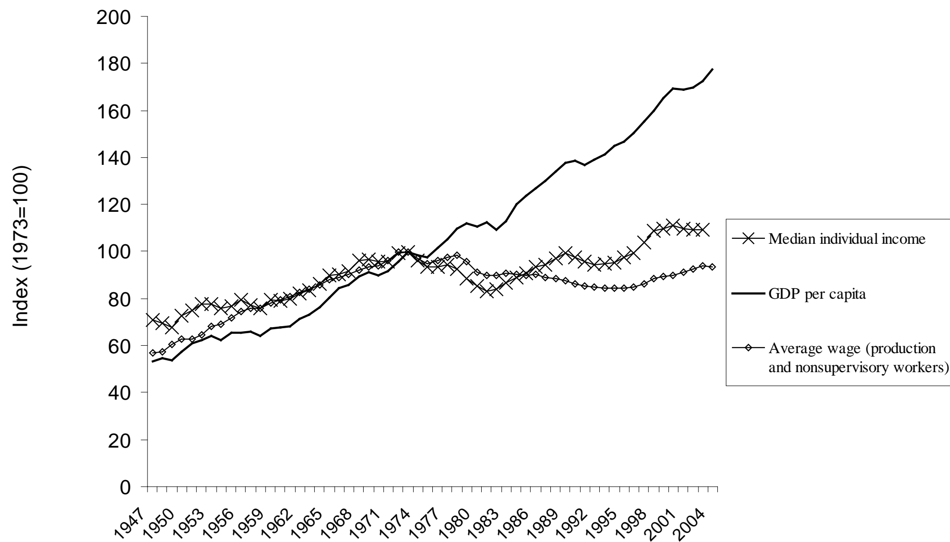
Source: Goldin, Claudia, and Robert A. Margo. "The Great Compression: The Wage Structure in the United States at Mid- Century." *The Quarterly Journal of Economics* 107, no. 1 (1992): 1-34.

Figure 4. Overall male & female hourly earnings inequality, USA, 1973-2004



Source: Autor, David H. , Lawrence F. Katz, and Melissa S. Kearney. "The Polarization of the U.S. Labor Market." *American Economic Review* 96, no. 2 (2006): 189-94.

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).

Table 1. Core institutional domains of Fordism and Waltonism

Fordism	Waltonism
	Labor process
Supply-driven organization (large lots based on forecast)	Demand-driven organization (smaller lots based on demand)
Taylorism (task fragmentation, standardization, no EI)	Neotaylorism (multitasking or task integration, teams, consultative EI w/ standardization)
	or Post-taylorism (task integration, teams, substantive EI w/ autonomy)
	Employment relations
Vertical integration	Vertical disintegration
Decommodified labor (internal labor markets)	Recommodified labor (market-mediated employment)
Acceptance of unions	Anti-unionism
	Competition – sectoral level
National oligopolistic industries/markets	Segmented industries and international markets
Supply-driven, producer-dominated supply chains	Demand-driven, buyer-dominated supply chains
	Competition – organization level
Cost	Cost, quality, flexibility
Wages as part of business	Wages as source of competition
Retain and reinvest	Shareholder value (short-termism)

Note: EI = employee involvement.

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