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The (International) Political Economy of Falling Wage Shares: Situating Working-Class Agency

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Abstract

This pap ary
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economi evelopment
validat m to
finar upports a
class-ce e to
successf radigm.
Crucially dering
increasir by
conside nt financial
crisis. On the one hand, the financial crisis offers an opportunity to link its particular

interests to the general interest of macroeconomic management since low wage share inhibits growth rates. But how might trade unions assert a higher wage share in the face of the structural power of (financial) capital?

Keywords: wage share inequality class income distribution finance-led capitalism neo-liberalism

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Notes

† This ar ... Wage Share
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Swedish

1. Furthe ... y call
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share. Pensions savings is perhaps the most important of these. It is clear that

pensions-savings, especially after pension funds have been integrated as institutional investors into financial markets, imply that some part of investment income benefit workers. At the same time, pension-savings in this form has further commodified labour power and increased risks in life-cycle management. But even in the limiting case of the Netherlands, which stands out as the most labour-inclusive case of integrating pensions-savings into financial markets, pensions do not 'compensate' for a declining wage share (Salverda 2011).

2. Duménil and Lévy use as indicator the net output of all firms minus the cost of labour to the net stock of fixed capital after depreciation. The 'big-three' western European countries (Germany, France and Britain) are used as proxies for 'Europe'.

3. Brenner (2006) interprets the cause of the decline of the profit rate in the 1970s somewhat differently. For him, the main cause did not reside on the 'supply side' in the form of technological change, but on the 'demand side' and in changing terms of oligopolistic competition. The entry of East Asian competitors reduced the scope for price markups. Nevertheless, he agrees that the labour carried the burden of adjustment, and his interpretation of post-1970s developments agrees with that of Duménil and Lévy.

4. Other indicators that Duménil and Lévy invoke for the increased centrality of the financial fraction of capital are the increased ratio of net worth of financial corporations to non-financial corporations (14 per cent in the USA in 1960 and 22 per cent in 2000) and the ratio of funds held by mutual and pension funds to the net worth of non-financial corporations (35 per cent in the USA in 1960 and 160 per cent in 2000).

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largest negative impact of 3.3 per cent. By contrast, the impact of welfare state retrenchment was 1.9 per cent, globalisation 1.3 per cent and technological change 0.7 per cent.

6. Hancké (2012) uses wage share data from the OECD from 1970 to 2010 and shows that the wage share has actually fallen more in what the Varieties of Capitalism school calls 'coordinated market economies', countries such as Germany and Sweden, than in 'liberal market economies', such as the USA and the UK. Hancké's explanation is that in the coordinated market economies, there have been switches to non-accommodating monetary policy in the period, and the encompassing (Olson 1982) and 'responsible' trade unions have adjusted their wage policy accordingly, following wage restraint strategies that have led to large decreases in the wage share.

7. Glyn (1997) finds a strong correlation between unemployment and manufacturing wage shares in the 1980s, and makes a Marxian argument about the industrial reserve army. Unemployment is included also in a row of other (non-Marxist) empirical studies: for example, in Daudey and Decreuse (2006) and Hancké (2012), it has a negative effect on the wage share.

8. See, for example, Schor (1985) on the use of restrictive economic and monetary policy to increase unemployment to decrease wage pressure, and the studies referred to in Note 7 for econometric evidence on the negative relationship between unemployment and the wage share.

9. Please recall Note 5, and that Stockhammer identified welfare state retrenchment as the seco

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1970 and 2001 with a focus on 'network industries': electricity, gas, telecommunications, postal service and transport. They show negative effects on the wage share of privatisation in these sectors.

12. Young (2010), following up on a previous study by Solow for the 1929–54 period, looks at 35 industries from 1958 to 1996. He finds that within sectors the wage share has decreased but at the same time the sectors with higher wage shares (service sectors) have grown as a share of the economy, so the total economy's wage share looks more constant than the within-sector shares do. From 1980 to 1996, Young (2010: 97) finds about a ten percentage point drop in the manufacturing sector wage share but more or less constancy in the service sector.

13. Guscina (2006) and Ellis and Smith (2007) are good examples of how the results from the econometric literature are reconcilable with the story that we tell: their independent variable in focus is the alleged switch from labour-augmenting to capital-augmenting technological change, but they do not have a measure of this. Instead, Ellis and Smith (2007) include a linear time trend in their regressions and Gustina (2006) uses a temporal division in the regressions between the pre-1985 and post-1985 periods, assuming that the revolution in ICT, which supposedly is capital augmenting, started around 1985. Of course, their results of a decreasing wage share over time/after 1985 are equally supportive of our argument about an epochal shift in capitalism, as with their story of technological change.

14. Arpaia and Pichelmann (2008) work from a neoclassical perspective but do not actually present any evidence for their interpretation, and in their conclusions can only
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technological change explanation, and again the problems of measurement highlights

the need, in relation to the extant econometric literature, for an historical–structural and epochal interpretation like ours of the falling wage share: the process is difficult to reduce to separable, small, measurable units.

Related Research Data

The effects of the distribution of mortgage credit on the wage share: Varieties of residential capitalism compared
Source: Springer Science and Business Media LLC
Mortgage Credit: Denmark's Financial Capacity Building Regime
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