The (International) Political Economy of Falling Wage-Shares:

Situating Working Class Agency

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Rejecting Say’s Law, scholars inspired by the Keynesian and Marxist traditions agree that the wage-share plays a central and problematic role for growth in capitalism. This paper presents my contribution to the ‘Wage Share Project’, sponsored by the Swedish Transport Workers’ Union and the Friedrich Ebert Foundation, which was to situate working class agency in relation to the decline of wage shares that characterises the contemporary global political economy. After a brief discussion of appropriate measurements, I draw on EU’s AMECO database to show that wage share developments are punctuated and support an epochal conception of transnational capitalism. In other words, the paper suggests that wage-share developments support the now much maligned régulationist narrative of recent capitalist history: After an increase of the wage-share in OECD in the 1970s, expressing Fordist crisis, it drops dramatically below the level characterising the postwar Fordist phase. Moreover, increases in the profit-share have gone to financial capital, supporting the idea of a finance-led growth regime, which, however, now has entered its own crisis-phase.

Drawing on the concepts ‘accumulation regime’ and ‘hegemonic project’ (Jessop, 1983), I argue that in last instance the dynamics in question can be explained in terms of the political balance of class forces, where a transnational capitalist class under the leadership of financial capital in transnational forums and in key states asserted neoliberal hegemony. Whilst this argument is not new (e.g. Dumenil & Levy, 2004; van der Pijl, 2006 for standard references), this paper contributes to the literature in three ways. First, it systematically relates this argument to the aforementioned reflection of measurement and empirical indicators of wage shares. Second, it engages systematically with competing explanations for the fall of the wage-share, such as changing sectoral compositions (e.g. Canry & Lechavalier, 2007), changes from labour augmenting to capital augmenting technology (Guscina, 2006), and neoclassical Cobb-Douglas explanations that stress the increase of the labour pool in the global economy (e.g. Jayadev, 2007). Third, the paper addresses anomalies such as unchanged wage share levels in the US (Boggio, 2009; Young, 2010) and the lack of correlation between national union density and falling wage shares (Visser, 2005). I argue that these factors can be synthesized into a politically sensitive variant of regulation theory which operates with a broad conception of (class) power, including both structural and agential aspects.

The paper concludes by invoking Notermans (2000) and asks whether the prospective exhaustion of the finance-led growth regime, and the current concern with deflation as opposed to inflation as in the 1970s, offers trade unions with an opportunity to recast the class interests that they represent as a central part of the general interest in the sense that rising wage shares will be necessary for the resurrection of sustainable economic growth.