



Postfordism as a dysfunctional accumulation regime: a comparative analysis of the USA, the UK and Germany

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Abstract

The article seeks to reanimate the early regulation theory project of building Marxist political economy through the development of mid-range institutional theory. The concept of a mode of regulation – central to the Parisian wing of regulation theory – is rejected in favour of a distinction between functional and dysfunctional accumulation regimes. The Fordist regime of accumulation provided a unique institutional context allowing an extraordinary combination of high profits, rising real wages and strong GDP growth. In contrast, the postfordist regime is shown to be inherently dysfunctional, characterized by manifest tendencies toward stagnation and associated regressive trends in work and employment relations. A comparative analysis of profit rates, wage shares, growth rates and debt in the USA, UK and Germany shows that the single model of postfordism as a dysfunctional accumulation regime fits all three countries, although with important differences in forms of dysfunctionality.

Keywords

accumulation regimes, crisis, debt-led growth, deunionization, financialization, Fordism, job polarization, Marxism, regulation theory, postfordism

Introduction

During the 1980s and 1990s the concepts of Fordism and postfordism animated lively debates in the sociology of work. Many accepted Fordism as a good characterization of traditional mass production and the wider institutional context of the 1950s and 1960s. However, some influential scholars developed a theory of postfordism promising industrial regeneration through post-Taylorist forms of work organization and decentralized production, prompting heavy criticism in the pages of this journal (Dawson and Webb,

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1989; Smith, 1989; Thompson, 2003; Williams et al., 1992). In particular, various 'postfordist scenarios' (Thompson, 2003) were seen as inconsistent with the diversity of employment arrangements in advanced capitalism, including regressive trends such as declining employment security, work intensification and rising inequality. At the same time, there were calls in this journal for moving beyond labour process analysis to examine how work and employment relations shape and are shaped by larger dynamics of capitalist accumulation (Hyman, 1987; Thompson, 2003) and class relations (Crompton, 2010).

The argument of this article is that while critics of utopian versions of postfordism were largely correct, they tossed the baby out with the bathwater. The bathwater consisted of approaches that took the Fordism/postfordism framework from its critical, Marxist roots and recast it as a theory of industrial regeneration, most influentially the theory of flexible specialization (Piore and Sabel, 1984). The baby was that very critical, Marxist framework – regulation theory – which saw Fordism as a unique period of class compromise, rooted in Taylorist mass production, providing two decades of strong growth with rising real wages. This article argues that the regulationist research programme continues to provide a unified theoretical framework for analysing the interrelations between labour processes, employment relations, corporate forms, class relations and accumulation dynamics. But it also criticizes and rejects a core concept of the Parisian wing of regulation theory – the 'mode of regulation' – which was a key theoretical development marking a broader shift in regulation theory from an approach in which stable and strong growth under capitalism was viewed as an unlikely and remarkable feat to one preoccupied with searching for a new mode of regulation to anchor strong growth (Boyer and Saillard, 2002b; Lipietz, 1992).

The article begins by responding to the core criticisms of the concept of postfordism elaborated in this journal. The second section develops a distinction between functional and dysfunctional accumulation regimes by integrating regulation theory with other approaches to Marxist political economy. The argument developed here is that Fordism was a uniquely functional (but not functionalist) accumulation regime in its ability to temporarily contain inherent capitalist tendencies toward stagnation, but these have now been permanently unleashed under postfordism which, as such, is a dysfunctional regime. This dysfunctional regime provides the structural context within which deunionization and employment externalization have led to polarized job growth. The final section presents a comparative analysis of profit rates, wage shares, growth rates and household debt in the USA, the UK and Germany. The outcome shows that the single model of postfordism as a dysfunctional accumulation regime fits all three countries, although with important differences in forms of dysfunctionality. As such, regulation theory provides an alternative framework to the varieties of capitalism approach, which, in its exclusive focus on institutional difference, tends to obscure the common nature of *capitalist* economies.

Postfordism as a model of production

The conceptual apparatus of Fordism and postfordism was developed by French *régulation* theorists as a research programme of mid-range, institutionalist Marxist political

economy. Based on the US case, Aglietta (2000 [1979]) articulated a multilevel conceptualization in which Fordism was both a model of production – mass production of standardized products with a Taylorist division of labour – and a macroeconomic regime of accumulation in which mass production was realized through mass consumption, the latter enabled by an institutional class compromise based in union contracts and the Keynesian welfare state. The Fordist regime generated strong growth and rising real wages from the end of World War II to the late 1960s, but then experienced declining profits, productivity and growth. Following Palloix (1976), Aglietta suggested that the organizational response was likely to be neofordism: mass production combining flexible automation with the new flexible working arrangements going under names such as job enlargement and group work.

In an influential book, Sabel (1982: 220) shifted the focus of the framework from its critical emphasis on neofordism to a more optimistic, prescriptive approach focused on the notion of a post-Taylorist model inspired by the neocraft ‘high-technology cottage industry’ of the Italian industrial districts. In a later, even more influential book with Piore (1984), they developed the same arguments but shed the language of Fordism and introduced the concept of flexible specialization. As Smith (1989) perceptively noted, the terminological shift was not simply semantic. Flexible specialization was meant to be a more encompassing concept, going beyond the industrial districts of Italy to include incipient changes in mass production sectors, thus narrowing the distance between Fordism and flexible specialization.

A few early contributions in *Work, Employment and Society* (WES) were more sympathetic to the arguments of Piore and Sabel, in particular Streeck (1987) and Lane (1988: 165, 167) who saw merit in the post-Taylorist model but were sceptical about the possibility for its widespread adoption, particularly in countries like the UK with an entrenched history of Taylorism. The more common reception in WES was to be deeply critical of this framework, seeing flexible specialization as the leading postfordist alternative to neofordism. Dawson and Webb (1989) argued that the flexible specialization thesis was problematic because it assumed the dominance of a single organizational model based on manufacturing. Smith (1989: 216) observed similarly that ‘industrial diversity is endemic to capitalist competition and reflects the separation of capitals, and the costs attached to innovation and inertia.’ For Thompson (2003: 359, 361) Fordism was ‘the least worst term available to describe a set of social relations that manifest a degree of connectedness and coherence’. In contrast, ‘postfordist scenarios’ were ‘not only radically at odds with reality; they are, as widely observed, lacking any analytical or empirical coherence.’ Rather than the radical discontinuity proposed by postfordist theories, there has been a partial break with Fordism. Managers attempt to gain more mental effort and commitment from workers to engage in flexible work practices, but are unable to reciprocate commitment and provide security because of increased market pressure due to the rise of shareholder value, deregulation and internationalization.

In sum, postfordism has been criticized for using a single model of production based on manufacturing to explain broad societal change, thus being unable to deal with empirical diversity. It has also been criticized for proposing radical discontinuity between paradigms, thus missing important elements of continuity and for being utopian. The latter two criticisms are more easily dealt with. Utopian formulations are indeed problematic

but they were simply one vein in the development of the broader analytical framework. But why continue with the terminology rather than adopting something with less baggage? Because Fordism refers to a unique institutional period in the history of capitalism in which the ravages of market competition were tamed. Using the concept of postfordism, shorn of utopian or monolithic formulations, helps bring the uniqueness of the Fordist period – and the problems of postfordism – into sharp relief. Furthermore, it captures the institutional interconnectedness between trends such as tertiarization, financialization and neoliberalism. This simply need not imply a radical break. ‘Post’ simply means ‘after’, and there is no theoretical reason why such a conception cannot include elements of continuity and change. Within manufacturing, lean production is the predominant postfordist production model, which includes continuities in terms of neo-Taylorism and mass production, but is new and distinct in three respects: demand-driven rather than supply-driven production; vertical disintegration rather than vertical integration; and diversified rather than standardized output (Vidal, 2011). Beyond manufacturing, as will be argued below, there are important additional elements of discontinuity in the shifting international division of labour, state intervention, employment relations and forms of competition.

The third criticism is sound: a singular model of production based on a particular manufacturing labour process does not provide a good basis for distinguishing between economic periods. Rather than seeing Fordism and postfordism as particular types of labour process, they are better conceptualized as accumulation regimes within which a variety of distinct labour processes and employment relations may be established (Vidal, 2013). In this respect the theory of accumulation regimes provides a basis for analysing the interconnections between trends in work, employment relations, accumulation dynamics and class relations, allowing for diversity of arrangements but focusing attention on how structural pressures common to capitalism are filtered through and shaped by particular institutional configurations.

Theoretical reconstruction: postfordism as a dysfunctional accumulation regime

Functional versus dysfunctional regimes of accumulation

Marx (1992 [1885]) anticipated the ‘Keynesian’ problem of effective demand with his discussion of the problem of ensuring balance between what he called Departments I and II, respectively, the producer goods and consumer goods sectors. Aglietta (2000 [1979]) examined the US case to show how expanded reproduction – relatively stable, internally driven growth – could happen only when there was balance between the two departments. Such balance was achieved historically through a transition from an extensive to an intensive regime of accumulation. That is, from a period of uneven development in the productive forces focused heavily on the producer goods sector, whose main markets were agricultural industries and infrastructure development, to one where capitalist production spread to the consumer goods sector, thus extending commodification *by establishing a norm of market-based consumption*. The Fordist regime established intensive growth based on rising real wages (hence mass consumption) via a class compromise with unions and vertically integrated, internalized employment.

For Aglietta (2000 [1979]), the analysis of expanded reproduction through the theory of regulation is a crisis approach offering a complete alternative to equilibrium theory. The term 'mode of regulation' did not appear in Aglietta's 1979 text, where he used the concept of accumulation regime to refer to the entire social formation in a given period. In terms of English language publications, Boyer (1979) introduced the idea in a foundational article where he distinguished a competitive *régulation* – written as a noun, like a mode of regulation – from a monopolistic *régulation*. In the former, wages do not follow productivity growth, so real wage growth has to occur through price reductions. In the latter, explicit wage indexation became standardized through collective bargaining. Boyer's argument about types of regulation of wage determination was compelling and his body of work is remarkable, contributing numerous theoretical advances and empirical insights. But the growth model he developed is deeply problematic. In this model (Boyer, 1988; Boyer and Saillard, 2002a; Boyer and Saillard, 2002b), strong growth is achieved only when an underlying accumulation regime becomes stabilized and guided by a mode of regulation. The latter is realized only when coherent interrelations are established across five institutional domains: work and employment relations, forms of competition, money and credit, the state and the insertion of the national economy into the international system. But given the myriad ways in which the variety of institutions would have to cohere, such a formulation is not empirically viable. In theoretical terms, the ontological or analytical status of the distinction between 'regularities' of the underlying regime and the 'institutional forms' of its mode of regulation (Boyer, 1988: 71, 75) is vaguely elaborated and remains unclear.

In place of that distinction what is proposed here is a distinction between functional and dysfunctional accumulation regimes. Rather than seeing institutions as distinct from an underlying accumulation regime, in this formulation accumulation regimes are *constituted* by the full range of institutions relevant to supporting or hindering capital accumulation, including the five institutional domains of regulation theory. However, there is no expectation that the various institutions will congeal into anything resembling a coherent mode of regulation. This idea is developed through engagement with other approaches to Marxist political economy.

Profit is the basis of capitalism. The higher the average profit rate, the more attractive investment and vice versa. If the rate of profit is falling, it will increasingly discourage investment, hence output and employment. The central source of the tendency of the rate of profit to fall for Marx was the rising technical composition of capital, that is, increasing physical capital per unit of labour input. If surplus labour is the source of profit and competition spurs capitalists to substitute machines for labour, this will put downward pressure on profits, hence undermining the basis of the system. Many Marxists (e.g. Shaikh, 1978) argue that Marx correctly saw the tendency of the rate of profit to fall, driven by the rising technical composition of capital, as the central crisis tendency of capitalism. However, Clarke (1990–91: 448) persuasively argued that the central crisis tendency under capitalism – the one that makes crises a necessary feature of the system – derives from a tendency toward overproduction, itself an outcome of 'the contradiction between the tendency for capital to develop the productive forces without limit [...] and the tendency to restrict the consumption power of the mass of the population, by displacing living labour, forcing down the value of labour-power and expanding the reserve army of labour.'

Continuing with Clarke's (1990–91: 453) interpretation, the falling rate of profit is not the source of crisis but a tendency that intensifies the above contradiction. Overproduction is an inherent tendency because capitalists experience limits in the market – 'barriers to the production and realization of surplus value' – as 'barriers to be overcome'. Fuelled by credit, capitalists will attempt to overcome the limit of the market by expanding production and some will be successful in expanding it by making cheaper products or creating new ones, but the economy will always hit a new limit as innovations are generalized. In aggregate, the tendency to overproduction can take the form of either a glut of commodities or imbalances (disproportionalities) in capacity between departments and sectors, as more dynamic sectors develop the forces of production more rapidly. This results in periodic crises of overaccumulation – a surplus of capital with a lack of sufficient outlets for investment – in which capital is devalued, capacity destroyed and unemployment increased through bankruptcies, mergers and acquisitions. Such crises set the stage for renewed profitability and accumulation.

The tendency toward overproduction is permanently manifest through 'the class struggle over the production of surplus value, and the competitive struggle over its realization' (Clarke, 1990–91: 465). Although Clarke does not explicitly elaborate it as such, the implication is that class struggle may generate more contingent crisis tendencies, either a profit squeeze due to high wages or underconsumptionism, depending on which class is prevailing. Underconsumptionism in this analysis is not the crude version based on a theory of consumer demand as the ultimate purpose of capitalism, an argument vehemently rejected by some Marxists (e.g. Kliman, 2012) who correctly insist that surplus value is the primary drive of capitalism. Rather, underconsumptionism is a contingent expression of the necessary tendency toward overproduction.

Based on this reading I elaborate a distinction between accumulation regimes that are functional, dysfunctional or in crisis. This terminology should not be confused with functionalist reasoning. It is simply a way of distinguishing between accumulation regimes that are prosperous and those that are stagnant, not an argument that certain institutions exist due to the functions they serve for the system.

Following Harvey (2010), the term 'crisis' is here reserved for periods of severe slow-down in growth, typically associated with bubbles (due to speculation with surplus capital and/or disproportionate growth fuelled by loose credit) and always followed by large-scale devaluation of capital. Harvey noted that global crises fitting this description have occurred in 1848, 1929, 1973 and 2008, the latest of which has resulted in losses of \$50t in asset values so far. If we want to reserve the term 'crisis' to refer to extended recessions resulting in extensive bankruptcies, the destruction of capital value and widespread corporate restructuring, then it makes sense to refer to the other tendencies associated with crisis theory as something else. We suggest *stagnation tendencies*, referring in particular to the rising technical composition of capital, a profit squeeze and underconsumptionism. Each generates fragility, instability and stagnation, intensifying the contradiction between the tendencies toward overproduction and the restriction of consumption power.

Marx and subsequent Marxists have also discussed counter-tendencies (elaborated in the following section) to what we call stagnation tendencies; hence an accumulation regime is *functional* when all of the stagnation tendencies have been offset. In such a

context the economy will grow at a steady rate, probably well above the 3 per cent per annum that is deemed 'normal' growth among mainstream economists. The stagnation tendencies may become manifest, however, without developing into a full-blown crisis. An accumulation regime is *dysfunctional* when there is evidence that one or more stagnation tendencies are no longer being offset, but the economy remains out of crisis for an extended period of time.

In addition to the two stagnationist tendencies of a low profit rate or underconsumptionism, it is argued that a third tendency is debt-led growth, an idea borrowed from Kaleckian macroeconomics (Onaran et al., 2010; Stockhammer, 2012). Briefly, Kaleckians distinguish investment-led regimes, where investment demand can internally drive growth and compensate for declining consumer demand, from wage-led regimes, where investment demand does not compensate for declining consumer demand. Debt-led regimes are wage-led regimes in which consumer credit plays a significant role sustaining consumer demand. Debt-led regimes are fragile because high debt servicing levels mean that even temporary reductions in income will lead to increasing defaults (Stockhammer, 2012). Finally, there are also export-led regimes, where exports are a significant component of demand.

Based on the manifestation of stagnation tendencies, we define the following three forms of dysfunctional accumulation: a *declining or historically low profit rate* along with an associated rise in the capital/labour ratio (composition of capital) or the wage share (profit squeeze); *underconsumptionism*, as indicated by declining or historically slow growth (growth below 3% p.a.) along with a decline in the wage share; and *debt-led growth*, as indicated by moderate growth levels and a declining wage share offset by rising/high household debt levels.

The Fordist and postfordist accumulation regimes

The model of Fordism and postfordism developed in this section is heavily based on an in-depth analyses of the USA (Vidal, 2012; Vidal, 2013). The general outlines of the model will also hold for the UK and Germany, although with distinct institutional configurations within the general model. The main goal here is to develop a general theoretical model of the postfordist accumulation regime and present a comparative macroeconomic analysis for all three countries in support of this model. In-depth institutional analysis on the UK and Germany will have to await future research.

The Fordist accumulation regime is defined here as a nationally bound, mass production-based economy with producer-driven supply chains, oligopolistic competition in core sectors and a Keynesian welfare state. The canonical case was the USA, in which the structural context allowed a class compromise between capital and labour, led by the big three auto companies and the United Auto Workers and diffused through pattern bargaining, in which wages were indexed to productivity, allowing a satisfactory profit rate *and* an economy-wide rise in real median wages (Vidal, 2012). West Germany and the UK developed a similar structural context, the former realizing class compromise rooted in family-oriented Christian Democracy (Gottfried, 2000), the latter largely failing to reach a sustained class compromise over production control and wages (Tickell and Peck, 1992).

In the US case, there is strong evidence that the Fordist regime effectively offset the various crisis and stagnation tendencies for 15 or so years. The profit rate in the Fordist period was high initially because it followed a massive decline in the value of physical capital and the nominal value of financial assets during the Great Depression and World War II (Kliman, 2012). A rise in the technical composition of capital was offset by a continuous rise in productivity (Wolff, 2003) generated by intensive growth (Aglietta, 2000 [1979]), underconsumptionism offset by rising real wages (Lipietz, 1986) and overproduction moderated through nationally bound, oligopolistic competition, again with balanced growth via standardized mass production and institutional supports for mass consumption (Aglietta, 2000 [1979]). Beginning in the mid to late 1960s, the US and other OECD countries experienced secular declines in their profit rates as Fordism turned dysfunctional before going into crisis. Shaikh (1987) presented evidence for the USA and Duménil and Lévy (2004) for the USA, Germany, France and the UK, showing a rising technical composition of capital. Wolff (2003) and Mohun (2009) provided evidence that the US profit rate decline was driven both by a rising technical composition of capital and a profit squeeze. Glyn and colleagues (2007) presented data showing a profit squeeze due to full employment for the USA, France, Germany, Italy, the UK and Japan.

In response to Fordist stagnation, corporations engaged in widespread restructuring, accelerating the changing division of labour through global outsourcing and diversification of large corporations into a range of service sectors, resulting in a shift in power from manufacturing firms toward large retailers controlling global supply chains (Vidal, 2013). This corporate restructuring (along with technical change) ushered in the post-fordist accumulation regime, which is service-based with buyer-driven, internationalized commodity chains, intensified, wage-driven competition even in core sectors and a neo-liberal state. On the shift to services, the top 10 US employers in 1955 were all manufacturers, while the top 25 in 2011 included only two manufacturers, seven general merchandisers and three restaurant companies (Vidal, 2013).

Because there is no such thing as a coherent mode of regulation, accumulation regimes cannot be dated with precision. It takes many years – around a decade – before institutional transformations such as internationalization, tertiarization and financialization settle into new configurations. While closely interrelated, such institutional transformations happen through a diffuse array of organizational changes that are coterminous neither within nor across national accumulation regimes. But we can roughly date Fordism from 1945 through to the early 1970s when profit rates were rapidly declining in all three countries, stagflation kicked in, the Bretton Woods system of fixed exchange rates collapsed and firms began a wave of restructuring to recover profitability and increase flexibility. As a matter of convenience, we might date the consolidation of postfordism in these three countries from 1982–3. As the empirical analysis in the following section will show, in a quite remarkable convergence all three countries experienced a turnaround in the profit rate decline in this two-year period (Germany and the UK in 1982, the USA in 1983), although none experienced a sustained recovery to Fordist rates.

A central focus of regulation theory is the historical process of changing articulation among institutional domains (Boyer, 2000). What is commonly referred to as the standard model of employment – full-time, long-term employment with a single employer,

including security and opportunities for training and promotion – is something historically specific to the Fordist regime. This model was made possible because competition and finance were subordinated to work and employment relations, the former through oligopolistic competition in the core manufacturing sector, the latter because Fordism still provided opportunities for intensive growth and profit based on mass consumption. Among the institutional shifts in the postfordist regime are that core employers are now large service firms, that supply chains are buyer-driven and that competition and finance have come to dominate employment relations in new ways, most importantly by putting wages, even for core firms, back at the centre of competition.

In terms of employment, Fordism was characterized by a logic of internalized employment relations, meaning that best business practice was understood to include vertically integrated firms with internal labour markets – including detailed job ladders with well-defined training and promotion opportunities – and administratively determined wages associated with positions rather than individuals. The pressure of the declining profits provided the context within which intensified competition and financialization began to shape employment relations. In particular, the internationalization of production and the rise of the shareholder value model of the firm (Lazonick and O’Sullivan, 2000) combined to generate a new predominant logic of externalized employment relations, that is, outsourcing and deunionization, reducing employment security, training and promotion opportunities and returning to market-determined wages (Vidal, 2013). The shareholder value model ensured that the externalization logic took hold even in core service sectors like retail sales, leisure and hospitality that were ostensibly more shielded from international wage competition than jobs subject to offshoring.

In addition to the shareholder value revolution and the dramatic rise in power of financial markets, workers’ revenue has become financialized via credit-financed consumption, allowing banks to extract profit directly from wages (Lapavitsas, 2011: 615, 618). Lapavitsas is correct to state that financialization is not a simple ‘triumph of the rentier over the productive capitalist’ as post-Keynesians have argued, but still plays a critical role in mobilizing capital for the accumulation process. However, he is wrong to reject the argument that financialization is also in part an attempt to generate profits in response to overproduction. Total capacity utilization in the USA averaged 87.2 per cent from 1967 to 1969, 82.8 per cent in the 1970s, 79.6 per cent in the 1980s, 82.4 per cent in the 1990s and 77.4 per cent in the 2000s.¹ As Marx argued,

accumulation comes up against difficulties of application, against a lack of spheres of investment, i.e. if branches of production are saturated and loan capital is over-supplied, this plethora of loanable money capital proves nothing more than the barriers of *capitalist* production. (Marx, 1981 [1894]: 639, his emphasis)

Indeed, daily trading on world currency markets skyrocketed from \$18b per day in 1977 to \$1.8t per day by 2008. In 2004 the daily turnover of foreign exchange and interest rate derivative contracts was \$2.4t and, in 2005, 92 per cent of futures contracts were on financial instruments with only 8 per cent on commodities (Foster and Magdoff, 2009). These data provide strong support for the argument that overcapacity and overaccumulation were key drivers of financialization.

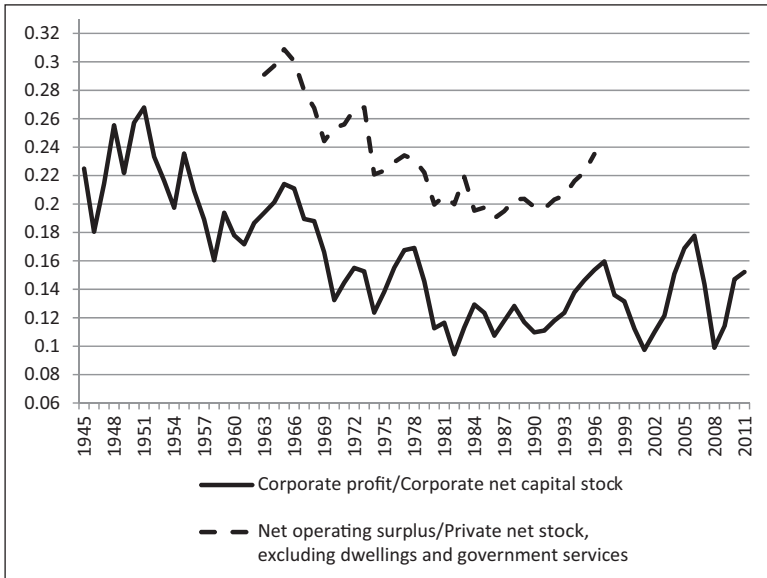


Figure 1. Profit rates, USA.

Sources: For corporate: US Bureau of Economic Analysis (NIPA Table 1.14, line 11); Fixed Assets (Table 6.3, line 2). For total economy: National Accounts of OECD Countries, Volume II, Detailed Tables, 1963–69, print; OECD iLibrary, 1970–96; Flows and Stocks of Fixed Capital, 1963–96, print.

Comparative analysis of postfordist accumulation regimes

This article uses all available data back to 1945, but there are differences in availability for particular series in each country. On profit rates, I follow Kliman (2012) in using corporate profit as a proportion of net capital stock at historical cost for the USA and the UK. However, because data specific to the corporate sector are not available for many other countries (including Germany), I also present a broader measure of the profit rate, using net operating surplus of the total economy as a proportion of private net stock, excluding dwellings and government services. While the latter measure is only a rough estimate, the focus is primarily on trends and the two measures are effectively identical regarding trends for both the USA and the UK. As a result one can be relatively confident in using the broader measure for Germany.

As shown in Figure 1, the US corporate profit rate was high from 1945 to 1965, averaging 21 per cent. It then began a steady decline from 1965 to a trough of 9 per cent in 1982 (averaging 15% in the latter period). It then rose from that trough to a post-1970s peak of 16 per cent in 1997 and 18 per cent in 2006, but only averaging 13 per cent between 1983 and 2006. Figure 2 presents profit rates for the UK. Following the extensive damage inflicted in Britain during World War II, the UK corporate profit rate was abnormally high at 44 per cent in 1950, falling more or less continuously until hitting a low of just 8 per cent in 1975. It remained at or below 10 per cent until 1981, after which

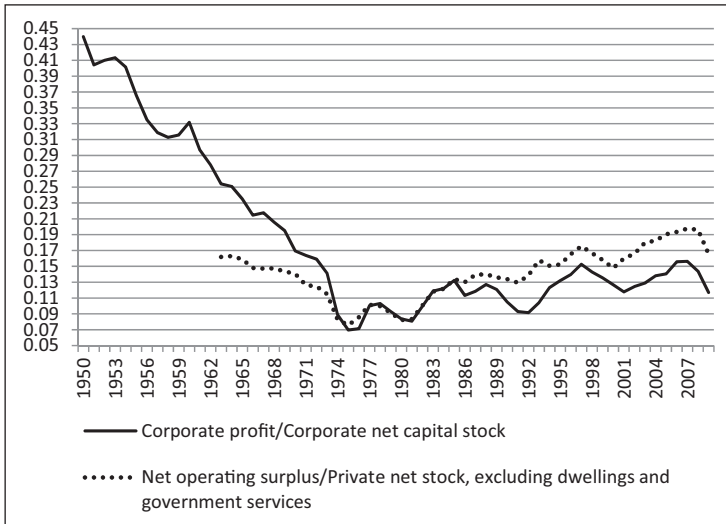


Figure 2. Profit rates, UK.

Sources: For corporate: Historical data on gross operating surplus, consumption of fixed capital and net capital stock, all for private nonfinancial and financial corporations, provided by various members of the UK Office of National Statistics. For total economy: National Accounts of OECD Countries, Volume II, Detailed Tables, 1963–69, print; OECD iLibrary, 1970–2009; Flows and Stocks of Fixed Capital, 1963–93, print; UK Office for National Statistics, 1994–2009.

it began a slight recovery with peaks of 13 per cent in 1985, 15 per cent in 1997 and 16 per cent in 2007 as the global financial crisis began. Figure 3 presents three different estimates for Germany, again based on data availability. By the broad measure, it peaked at 16 per cent in 1963 and again at 16 per cent in 1968, then dropped steadily to a trough of 8 per cent in 1981, thereafter recovering slightly to a peak of 10 per cent in 1994, the last year for which there are data on these measures. Based on the same numerator and a similar denominator measuring private fixed capital, the German profit rate recovered slightly further to 11 per cent in 2007.

Figure 4 shows the share of labour's income (total compensation) in total national income. The wage share for the USA peaked at 68 per cent in 1982 and fell to troughs of 64 per cent in 1997 and 63 per cent in 2010–11. The wage share did bump up to 66 per cent in 2001–2, reflecting the hit to profits from the 2001 recession ending the decade-long 1990s boom; apparently firms were not able to lay off workers fast enough to sustain profits. Importantly, however, non-wage forms of compensation have risen more quickly than wages, meaning that the actual income received by employees has dropped even more sharply, from a peak of 60 per cent in 1970 to 51 per cent in 2005 (Kliman, 2012: Figure 8.1).

In the UK, labour's share averaged 66 per cent from 1960 to 1973, spiked briefly to 74 per cent in 1975 before dropping to an average of 68 per cent over 1977–80 and then dropping to troughs of 58 per cent in 1997 and 60 per cent in 2008. The average for the period from 1960 to 1980 was 67 per cent versus 62 per cent for 1981–2011. The spike

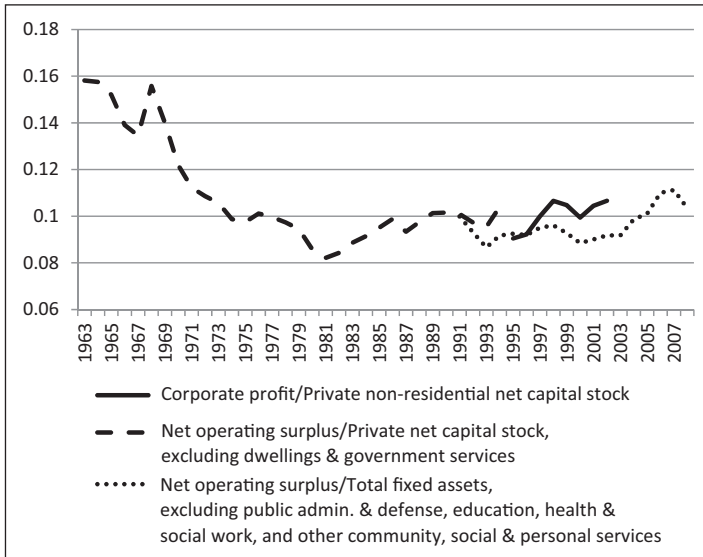


Figure 3. Profit rates, Germany.

Sources: For corporate: OECD iLibrary; Database on Capital Stocks in OECD Countries, Kiel Institute for the World Economy. For total economy: OECD iLibrary, 1963–2008; Flows and Stocks of Fixed Capital, 1963–94, print; OECD iLibrary, 1991–2008.

in labour's share from 1973–5 reflects the hit on profits from the deep recession beginning in 1973 and likewise the 1991 recession produced a brief bump in labour's share. In Germany labour's share rose steadily from a much lower point of 50 per cent in 1960 to a peak of 65 per cent in 1981 and another peak of 66 per cent in 1993, falling after that to a trough of 57 per cent in 2007.

These data provide support for Lipietz's (1982) argument that in response to the declining profit rate capital began a sustained and multipronged assault on labour, attempting to recover profits in part through increasing the profit share. In the USA income received from the wage share dropped from 60 per cent in 1970 to 51 per cent in 2005, but the drop in total compensation was smaller. A substantial part of rising non-wage compensation in the USA is health care costs, which are uniquely high among advanced capitalist economies due to the waste involved with myriad 'free market' insurance companies and private health maintenance organizations (HMOs). Additionally, Mohun (2006) showed that a rise in the rate of surplus value after 1979 went almost entirely to the wages of supervisors. Thus, even though capital attacked labour's wages, there has been no sustained recovery of the profit rate to Fordist levels in the USA. In the UK the profit rate had a slight recovery after 1980 and the data suggest that a decline in labour's share helped drive the slight reversal of the long decline, although the UK private sector also failed to see a sustained recovery, its profit rate averaging just 12 per cent over the 1981–2009 period. In Germany there has also been no sustained recovery of the profit rate to Fordist levels, although an upward trend began in 1981 with a faster rise beginning in 1993. The decline in German labour's wage share did not occur until later

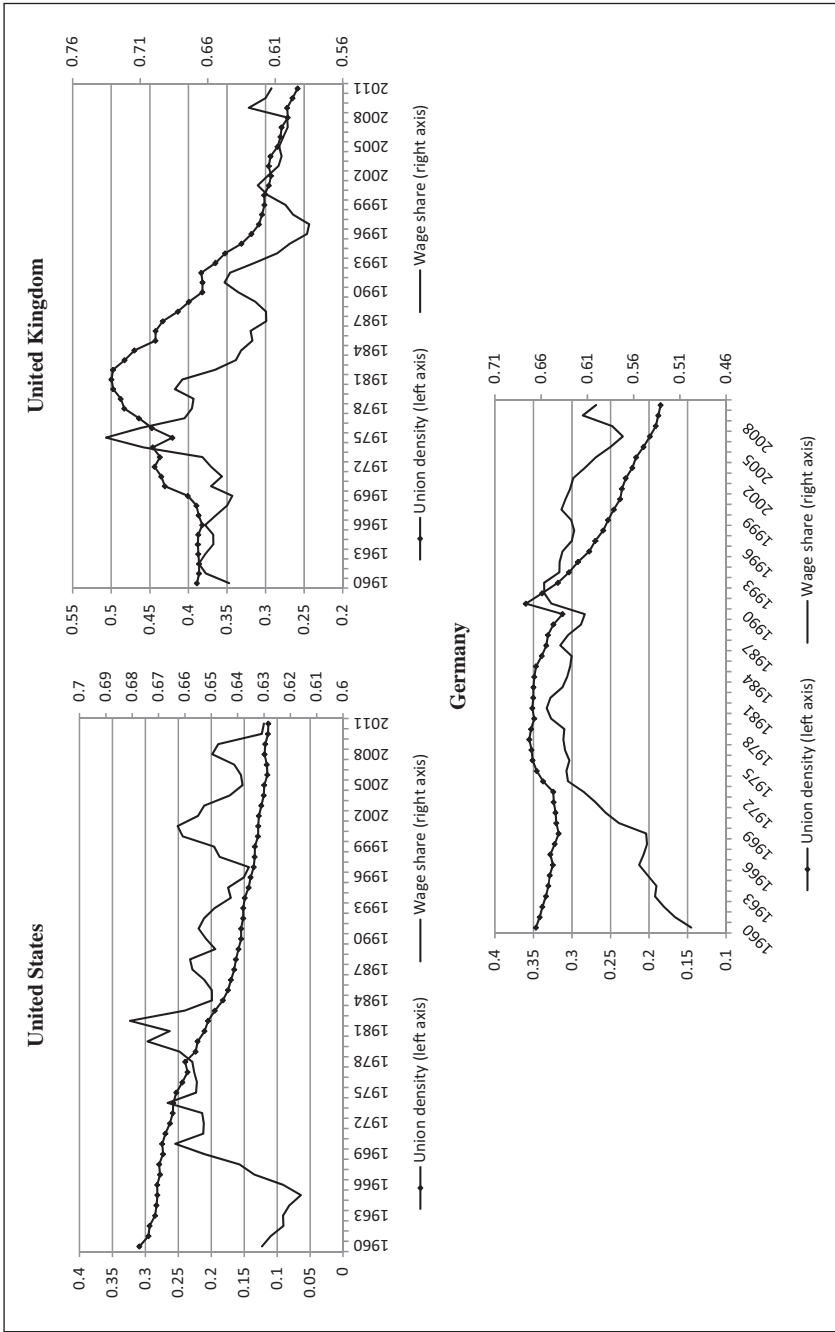


Figure 4. Labour's share of national income and union density, 1960–2011.
 Source: OECD StatExtracts, Trade Union Density, Wage share (Total employee compensation over Gross national income), AMECO database, European Commission.

than in the other countries, with a sharp decline in 1993, dropping 9 percentage points by 2007, providing a boost to the profit rate.

We now turn to examine the labour market mechanisms employers used to reduce labour's share of income, before turning back to the question of growth and the dysfunctionality of the postfordist regime. Figure 4 also charts union density rates alongside the wage share. In all three countries a visual inspection suggests the two trends are closely linked, particularly for the postfordist period. Indeed, the simple correlation for union density and labour's share between 1975 and 2010 is .63 for the USA, .71 for the UK and .72 for Germany. While the correlation, of course, says nothing about causality, these correlations are consistent with the standard understanding of unions as organizations designed to bargain for increases in member wages. The higher correlations in the UK and Germany likely reflect the more powerful unions and higher levels of bargaining in these countries, as against the weaker and more decentralized US union movement. The UK had multi-employer agreements that set minimum terms and conditions within sectors and industries until the 1980s and Germany had the same until more recently, suggesting that unionization matters more for wage setting across the economy. In the USA, with only 25 per cent of the workforce covered by union contracts in 1975, employers were freer to reduce wages without having to gain concessions from unions.

We argued above that the postfordist regime in the USA has seen a shift from a dominant logic of employment internalization, including opportunities for promotion and administratively determined wages, to one of externalization, including flatter organizational structures due to outsourcing and downsizing and market-determined wages. Evidence of such externalization is found in polarized job growth. Wright and Dwyer (2003) presented evidence on the USA comparing the decades of the 1960s to the 1990s. They 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. Goos and Manning (2007) presented evidence on the UK showing that job growth from 1979 to 1999 was entirely concentrated in the bottom two and top two wage deciles. Goos and collaborators (2009) presented data on the UK and Germany. Examining changes in shares of hours worked over 1993–2006 for the four lowest paying occupations, the nine middling and the eight highest paying occupations, they found rates, respectively, of 5.8, -10.3 and 4.6 per cent for the UK and 3.1, -8.7 and 5.7 per cent for Germany. Fernández-Macías (2012) presented further evidence of change in employment levels from 1995 to 2007, showing that UK job growth was concentrated in the second lowest and top two wage quintiles and that German job growth was entirely concentrated in the bottom one and top two quintiles.

Such patterns of job polarization are consistent with widespread employment externalization by corporations. In the US case, there is extensive quantitative and qualitative evidence (reviewed in Vidal, 2013) that employers have been reorganizing work by outsourcing and reducing job classifications with lean staffing strategies. This, along with the broader transition to a service economy, has generated a rise in entry-level jobs with no training or promotion opportunities. Concurrent with this has been the broader transition to a service-based economy. The extent to which corporate employment strategy and the occupational structure of the UK and Germany are similar to the USA will have to await future research, but the data on declining wage shares and rising job

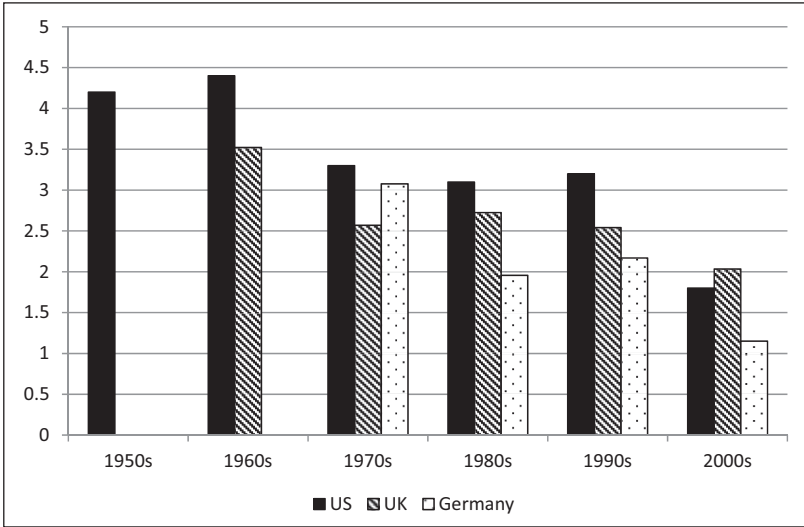


Figure 5. Average decennial GDP growth.

Source: BEA National Economic Accounts (US), ONS Quarterly National Accounts Time Series Dataset (UK), World Bank: GDP growth (Germany).

polarization in the UK and Germany are strongly suggestive of common underlying institutional labour market trends.

Finally, what has been the effect of declining shares for labour on growth? Is there evidence of a problem of underconsumptionism? Figure 5 presents decennial GDP growth rates. By the mainstream standard of 3 per cent as normal, Fordist growth in the USA and the UK was well above normal (data were not available for Germany). The USA managed to maintain moderate levels of 3.2 per cent over the 1970s, 1980s and 1990s but experienced a dismal 1.8 per cent in the 2000s. The UK has come in below 3 per cent in each of the decades since the 1960s with just 2.03 per cent in the 2000s. Germany managed 3.08 per cent in the 1970s but hovered around 2 per cent in the 1980s and 1990s, dropping to just 1.15 per cent in the 2000s. These data indicate that the UK and Germany have been stagnationist for the entirety of their postfordist regimes while the USA was able to achieve moderate growth for much the first two decades of the postfordist regime before it became fully stagnationist in its third decade.

As Figure 6 shows, between 1995 and 2007, the debt-to-income ratio rose by 49 per cent in the USA and 70 per cent in the UK. In contrast, the ratio has been essentially stable in Germany, rising only by 4 per cent. These data are evidence of the financialization of workers' revenue (Lapavistas, 2011) in the USA and the UK, but not in Germany. A common suggestion regarding low debt in Germany is that memories of Weimar inflation have stoked fears 'that excessive debt-financing would spark inflation' and so Germans have 'stuck rigidly to neoliberal orthodoxies' (Harvey, 2010: 141). Perhaps, but explanations based on national culture are suspect. A more structural explanation would be Germany's comparatively low homeownership rate of 43 per cent, versus around 70 per cent for the UK and the USA before the housing bubble burst and the financial crisis

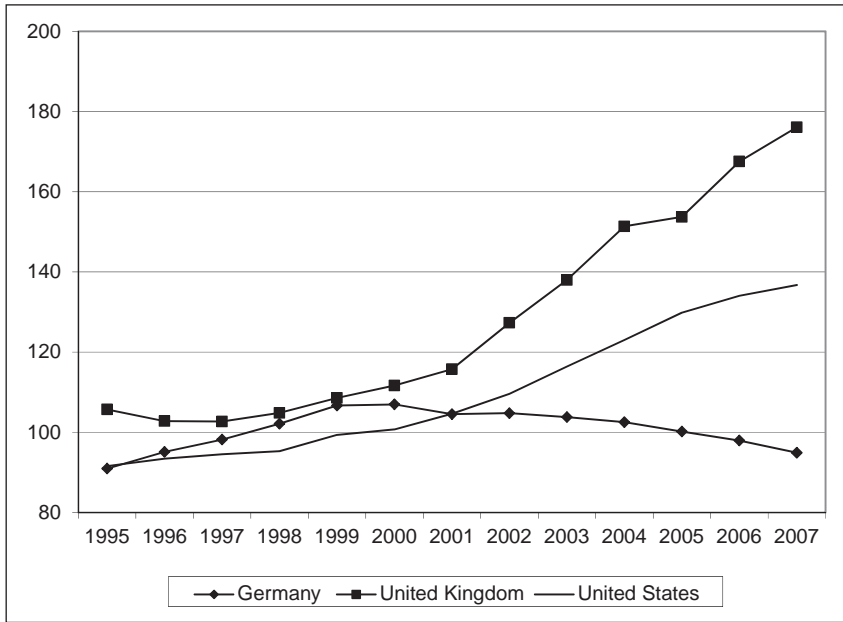


Figure 6. Household debt to income ratios, 1995–2007.

Sources: OECD StatExtracts, Factbook 2010: financial crisis.

Note: For a longer-term view, the US household debt ratio was 34 per cent in 1950 and 58 per cent in 1960.

went global.² In the USA, mortgages are the primary means of debt-financing for most of the population, including home equity withdrawals, although low-income non-homeowners primarily turn to credit card debt (Barba and Pivetti, 2009). Lower home-ownership may be an indication of less financialization in Germany. In any case, these data support the argument that the higher growth rates in the USA were sustained in part by consumer debt. Macroeconomic demand regime analysis provides further evidence that the USA is a debt-led regime, whereas Germany is an export-led regime (Onaran et al., 2010; Stockhammer, 2012).

Discussion

The article has developed a theory of dysfunctional accumulation regimes and presented an empirical analysis showing that the model of postfordism as an inherently dysfunctional regime applies to the USA, the UK and Germany. Table 1 presents a summary of the findings. The postfordist regime in the USA has been and continues to be dysfunctional insofar as it has not experienced a sustained recovery in the profit rate (despite a declining wage share for labour) and because it has maintained moderate growth levels for two of its three decades via debt-led growth. Its stagnant growth in the 2000s despite rising household debt suggests more serious problems associated with overproduction. As of 2001, 20 per cent of the 55 million American homeowners were delinquent on their

Table 1. Sources of dysfunctional accumulation in post-Fordism.

| Manifest stagnationist tendencies | US | UK | Germany |
|-----------------------------------|-----|----------|---------|
| Declining profit rate | Yes | Yes | Yes |
| Underconsumptionism | – | Yes | – |
| Debt-led growth | Yes | Possibly | – |

mortgages or owed more than their house was worth (Greider, 2011), consistent with Stockhammer's (2012) argument about the inherent fragility of debt-led growth.

The postfordist regime in the UK has been and continues to be dysfunctional because it has not experienced a sustained recovery in the profit rate (despite a declining wage share for labour) and it has experienced four decades of stagnant growth. Stagnation began in the 1970s while the decline in labour's share and the profit rate recovery both began in 1980, suggesting a shift in the cause of stagnation from the profit-rate decline under Fordism to underconsumptionism in the postfordist regime. As a result of declining purchasing power, household debt rose but has not been sufficient to boost growth out of stagnation, suggesting it may not be a debt-led regime, although it is possible that growth would be even more dismal without credit-driven consumption. The answer will have to await future demand regime analysis.

Finally, the postfordist regime in Germany has been and continues to be dysfunctional because it has not experienced a sustained profit rate recovery (although it did see a slight rise in the profit rate due to a declining wage share for labour) and because it has experienced three decades of stagnant growth. Its wage share did not begin a sustained decline until 1993, suggesting that the stagnant growth is not driven by underconsumptionism but largely by a consistently low profit rate, likely in combination with overproduction.

The focus here has been on the macroeconomic analysis of dysfunctional accumulation, but it has been emphasized that the underlying mechanisms shaping profit rates and wage shares are rooted in labour market institutions, in particular deunionization and job polarization in a service economy. Based on the US case it was argued that job polarization resulted from a new logic of employment externalization in the form of reduced security, training and promotion opportunities and market-determined wages. In this analysis, these trends, along with neoliberal policies, are not simply one alternative among many, but are necessarily driven by the structural context of postfordist capitalism. Indeed, as Heyes (2011) has shown, employment security has been decreasing across Western European economies, despite flexicurity being the dominant labour market policy prescription of the European Commission. The extent to which a logic of employment externalization and its cousin, shareholder value, underlie job polarization in the UK and Germany is an important topic for future research. These labour market outcomes have been driven by competition between capitals and struggle between classes, which, following Clarke (1990–91), can be viewed as manifestations of a permanent tendency toward overproduction in capitalism. This provides the general context within which the stagnationist tendencies variably become manifest, depending on the

state of the class struggle within particular national institutional frameworks. This article has provided evidence that Germany is stagnating due to a low profit rate and the UK due to underconsumptionism, while the USA diverted underconsumptionist stagnation for the first two decades of postfordism through debt-led growth.

Opponents of underconsumptionism argue that investment demand can produce strong growth as businesses sell to each other (Kliman, 2012; Shaikh, 1978). But as Foster and Magdoff (2009) showed, in the USA a surplus of capital with a lack of sufficient outlets for productive investment lead to rampant speculation through the development of a raft of esoteric financial instruments, a housing bubble and predatory mortgage lending. And empirical demand regime models have demonstrated that US growth is debt-led (Onaran et al., 2010). Together, these findings provide strong support for the underconsumptionist argument. But the data from Foster and Magdoff also indicate overproduction. It seems clear that financialization in the USA played a significant role in the latest crisis by increasing financial instability, more specifically by inflating the housing bubble and setting up the 2007 collapse due to widespread default by sub-prime mortgage borrowers (Appelbaum, 2011; Stockhammer, 2012). But financialization, including debt-led growth, grew out of the general condition of overproduction: surplus capacity with surplus capital (Foster and Magdoff, 2009).

This analysis implies that underconsumptionism cannot easily be remedied by redistribution because it was produced through class struggle in the labour market as capital attempted to recover profit rates. In the postfordist regime, any redistribution of income to labour would put downward pressure on profit rates that are already historically low. Similarly, it has been argued by Marxists (e.g. Duménil and Lévy, 2004) and other critical economists (e.g. Stockhammer, 2012) that the primary source of declining wage shares and financialization is neoliberalism. This suggests that the current problems result from a policy regime that could be reversed. In contrast, the argument of this article is that dysfunctional accumulation and the maladies it has inflicted on labour and labour markets are fundamentally structural economic problems inherent to the postfordist regime. The reason for using the concept of postfordism is because of the fundamental uniqueness of the Fordist regime. With the demise of Fordism, capitalism has again been unleashed. In the postfordist condition, the prospects for a return to the employment norms and declining inequality of the Fordist period are bleak. The plight of postfordism appears to be long term and without any institutional fix that is consistent with capitalism as we know it. The time for more widespread consideration of alternatives to capitalism is long overdue.

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1. *Economic Report of the President, 2012*, Table B-54 (Economic Report, 2012).
2. I am indebted to Ian Greer and Hyunji Kwon for helping me tease out this point.

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