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Neoliberalism, Piven and Cloward's Bargaining Theory, and Wages in the United States, 1965-2006

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The political economy of the United States during the last thirty years has been described as neoliberal. Part of the neoliberal turn involves reducing or eliminating income support programs such as AFDC/TANF, waging war against organized labor, and increasingly conservative (i.e., neoliberal) public policies. Following an analysis by Lewis (2001) which showed that wages increased in response to higher average monthly AFDC payments, I update and expand this test of Piven and Cloward's bargaining power theory of wages by looking at other factors which may influence worker bargaining power: unions, interest rates, policy liberalism, and economic growth. I use time-series data on the U.S. covering 1965-2006 and find that AFDC/TANF benefits have a short-term positive effect on private-sector wages while declining union membership, punitive interest rate shocks, and increasingly conservative public policies have reduced the bargaining power of private-sector workers.

Key words: *Wages, neoliberalism, Piven and Cloward, bargaining theory*

Neoliberalism is the institutional arrangement marking the last thirty years of U.S. capitalism. While politicians and mainstream analysts have presented "free market" neoliberal policies as a means to restoring economic growth, economic data indicate the neoliberal era has not been marked by exceptionally strong economic growth, but instead by the

hyper-concentration of income streams among the richest asset owners (Duménil & Lévy, 2004, 2011; Harvey, 2005, 2010). Part of this new economic regime includes politicians' attacks on the welfare state—most notably during the first Reagan administration. Not only were attacks on the welfare state paramount in the early 1980s, but so were attacks on organized labor and "liberal" (in the North American sense) public policies. The 1996 welfare reform bill that fundamentally restructured the Aid to Families with Dependent Children (AFDC) program into Temporary Aid to Needy Families (TANF) was a major event in North American neoliberalism.

Piven and Cloward, writing at the dawn of neoliberalism (1982/1985) argued that social welfare benefit levels provide workers with protection and bargaining power in the labor market. More generous AFDC benefits compel employers to pay higher wages and employees feel less intimidated in bargaining situations when they have a more generous social safety net upon which to fall back. Other analysts, such as Schor and Bowles (1987) and Bowles, Gordon, and Weisskopf (1990), argued that strong welfare state institutions allowed workers' real wages to rise through the late 1970s by reducing the "cost of job loss."

Lewis (2001) tested and found support for the hypothesis that private-sector wages increase in response to a rise in average monthly AFDC benefits using annual time-series data from 1960 through 1995. I build upon Lewis' test of Piven and Cloward in several ways. First, I argue that reduced AFDC/TANF payments are part of the broader neoliberal project to diminish the wage-bargaining power of workers. Second, I examine other variables that may influence workers' wage-bargaining power: union membership, interest rates, economic growth, and an overall index of the ideological tone of public policy—policy liberalism (Kelly, 2009). Third, I use data on inflation-corrected hourly earnings of production/non-supervisory workers and single-equation Error Correction Models (ECMs) with data from 1964 through 2006 (the latest year for which average monthly TANF benefits are available) to test the Piven and Cloward hypothesis. This time-frame spans the historical periods of the capital labor accord (which lasted until the late 1970s) and neoliberalism (which approximately begins

in 1979). One should note that it is not yet certain whether the economic crisis of neoliberalism that began in 2008 signals a transitional period or the end to this particular institutional configuration of the American political economy.

Neoliberalism as Class Warfare

Neoliberalism is characterized by the state's repudiation of the regulatory frameworks laid down in the wake of the Great Depression and the expansion of the welfare state that occurred during the War on Poverty in the 1960s. The core ideology espoused by neoliberals is that there exists a self-regulating free-market and they have used Adam Smith's "invisible hand" metaphor to argue that markets without government interference are the best of all possible worlds (Steger & Roy, 2010). Despite neoliberal ideologists' attempts to appropriate ideas from Adam Smith's (1776/1828) *Wealth of Nations*, Smith was not the pure "free marketer" he is often portrayed as by neoliberals (Chomsky, 1993). For instance, in the *Wealth of Nations*, Smith (1776/1828) stated,

> No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, clothe, and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, clothed, and lodged. (p. 131)

In the far-right political climate of the United States in 2011, such a statement might be grounds for an accusation of "socialism."

In a complex political economy like the United States, the idea of free markets is at odds with reality. "A market looks free only because we so unconditionally accept its underlying restrictions that we fail to see them," (Chang, 2011, p. 20). When free-market ideologues say they are courageously trying to protect society from politically-motivated regulation of markets by the state, they "... are as politically-motivated as anyone," (Chang, 2011, p. 21). Instead, what has happened is that government policy has been used to restructure markets

to redistribute income to the richest asset owners (Baker, 2010), in part by punishing wage earners (Galbraith, 1998; Palley, 1998). Other modern critiques of the ideology of free markets have been offered by Baker (2006, 2009) and Brockway (1995). One of the most interesting is Galbraith (2008), who describes how many of the original monetarists and supply-siders from the Reagan era have largely abandoned their own doctrines. What remains then may be free market rhetoric designed to obfuscate the use of government policies to advance capitalist class interests.

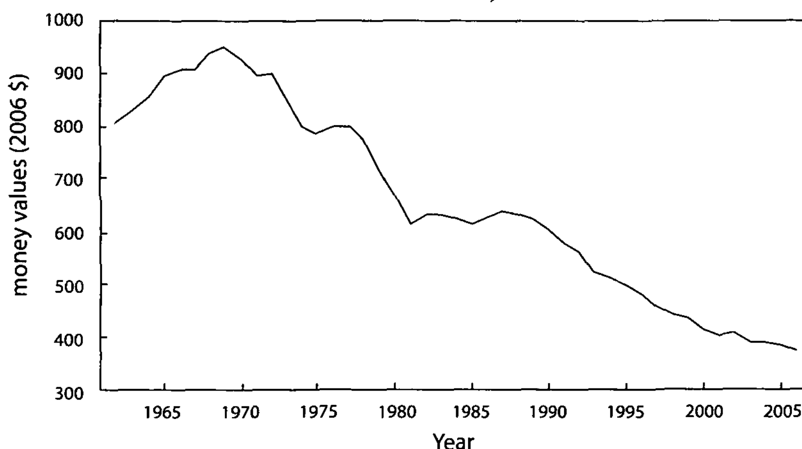
Welfare Benefits as Labor Market Regulation

The Piven and Cloward hypothesis implies that income maintenance programs serve as a form of regulation. That is, more generous welfare benefits function to regulate labor markets by protecting workers from employer attempts at wage exploitation through compelling capitalists to pay better wages. In the context of a "tight" labor market (low unemployment rate), higher wages would have to be paid to prevent low-wage workers from withdrawing from the labor market if income support programs are too generous. But even if the labor market is not tight, generous income support programs could still force employers to pay higher wages. Additionally, one can argue that more generous AFDC/TANF benefits have a less direct "primer-pump" effect by increasing the demand for goods (and the labor used to produce those goods) that people purchase with their public assistance benefits. Another possibility is that higher benefits prevent some recipients from partially entering some low-wage labor pools and competing with other workers (possibly working for pay "under the table"). Neoliberalism has been about attacking income-maintenance programs. The initial public assistance benefit slashing pursued by the first Reagan administration included Social Security, but that was quickly abandoned as the potential wrath of the public in the face of such action was quickly realized (Greider, 1986).

Figure 1 is a plot of the average monthly AFDC/TANF payment per family (adjusted for inflation in constant 2006 dollars). The estimates were reported in the 2008 Indicators of

Welfare Dependency (the latest year of available benefits data is 2006). Average monthly benefits move from $806 in 1962 and peak at $950 in 1969. Surprisingly, the average benefit stayed roughly constant through the 1980s. Most of the decline in average monthly benefits came in the post-Reagan 1990s. In 1990, the average monthly benefit was $600, but by 2006 the mean TANF benefit was $372. The decline in AFDC/TANF benefit levels under neoliberalism suggests a reduction in the bargaining power of workers.

Figure 1. Average Monthly AFDC/TANF Benefits, 1962-2006

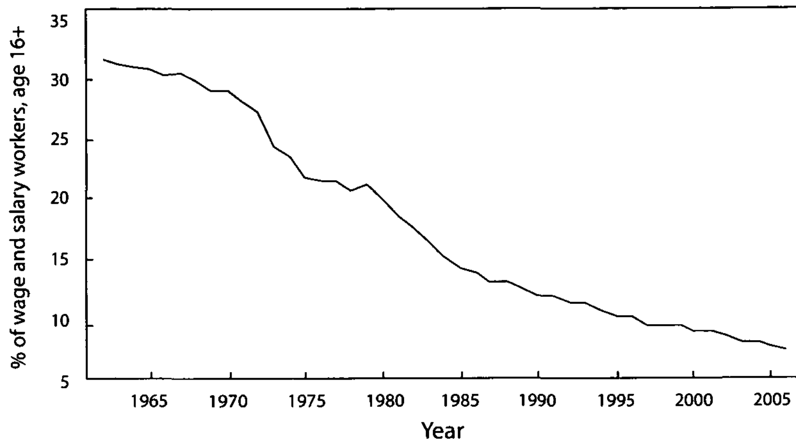


Decline of Unions Under Neoliberalism

Another institution that regulates the labor market is organized labor. During the neoliberal period, capital clearly has dominated labor as unions have declined in power and prevalence (Rosenberg, 2010). Union membership figures bear this out. Looking at the private sector, union membership in 1973 was about 24.2 percent and 20 percent in 1980. By 2010, union membership was estimated at about 7 percent (Hirsch & Macpherson, 2010). The major exception to this is in the public sector, where union membership has fluctuated between 35 and 37 percent since the early 1980s. What this tells us is that the business community was very successful at fighting unions in the private sector. Since there are no capitalists in the

public sector, anti-union campaigns are less effective (but this changes when capital runs out of investment opportunities and desires to privatize segments of the public sector, and in so doing, attacks municipal unions). Union membership data (from Hirsch, 2008) is plotted in Figure 2.

Figure 2. Private-Sector Union Membership, 1962-2006



The Federal Reserve Bank and Interest Rates

A certain mystique surrounds the Federal Reserve Bank in the minds of the public. The bank's chair from 1987-2006, Alan Greenspan, was nicknamed "the maestro" due to a perception that his monetary policies contributed to strong economic growth and a booming stock market in the 1990s and early 2000s (Canterbery, 2006; Shiller, 2005). But what does the Federal Reserve Bank do? This is an important question, for although the central reserve chair "... had risen to rock star status by the end of his long reign ... it is unlikely that most people had any clear idea of what he did," (Baker, 2006, p. 29). The evasive and confusing public statements and testimonies of reserve bank presidents are suggestive of this mystique.

The Federal Reserve Banks are a series of privately-owned yet partially publicly-empowered financial institutions which have the authority to regulate the U.S. money supply. Essentially, the policy of the Federal Reserve Bank results in the active manipulation of interest rates and exerts a major

influence on U.S. economic activity (Canterbery, 2000; Greider, 1987). Even many Presidents have failed to grasp monetary policy. Nixon is reported to have regretted not understanding what goes on at the Federal Reserve Bank (Greider, 1987, p. 121), but other studies (looking at the newly released Nixon tapes) indicate he pressured the Federal Reserve Chair, Arthur Burns, to expand the money supply in time for the 1972 election (Abrams, 2006). Jimmy Carter dealt with the consequences of these actions as high inflation in wages and commodities coupled with high unemployment (stagflation) characterized the late 1970s. Carter appointed Paul Volcker to be the new Chair in 1979 and Volcker's "practical monetarism" of restricting growth in the money supply (relative to economic growth) put the United States through a recession in early 1980 (and then again in 1981-1982) with the first "Cold Bath recession" (Bowles et al., 1990) ultimately delivering the 1980 election to Ronald Reagan.

Economists and Federal Reserve Bankers are well aware that they can influence the unemployment rate. As Dean Baker notes, "The Fed has a more direct effect on the state of the economy than any other institution in the country," (2006, p. 29). In the dispassionate language of monetary economics, the "costs of deflation" are referred to as "sacrifice ratios" (Francis & Owyang, 2004). A related ideological obfuscation is the idea of a NAIRU (non-accelerating inflation rate of unemployment) that suggests keeping the unemployment rate higher to keep inflation lower.

The Federal Reserve Bank can influence the supply of money in the economy, and by restricting the supply, it can drive up interest rates. By doing so, there is a contagion effect of slowing down economic activity that can raise unemployment rates (with the aim of restraining inflation). This means that central bankers are effectively able to manage the "reserve army of the unemployed" under the publicly stated aim of reducing inflation. This might be interpreted by some as an ideological obfuscation. An alternative perspective is that moderate inflation is indicative of bargaining power shifting to workers that drives up prices and adversely impacts wealthy asset holders (stock and bondholders). This is because the Federal Reserve Bank's response to inflation (raising

interest rates) reduces bond prices and adversely impacts the income streams of the rich in the high volume bond market (Canterbery, 2000, 2002). Therefore, in order to quell the first sign of inflation, the Federal Reserve Bank raises the federal funds rate to reduce workers' bargaining power and thereby their wages. Low inflation then operates to sustain the economic position of wealthy asset holders at the expense of those who sell their labor power.

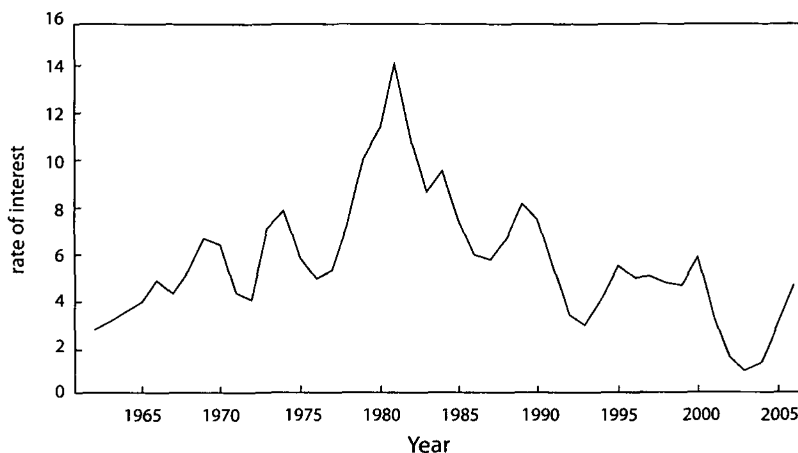
For instance, the period between 1979 and 1982 is when a radical shift in monetary policy ("practical monetarism," see Axilrod, 2009) was imposed by the Federal Reserve to stamp out inflation by causing two recessions and bringing the unemployment rate up to its highest level since the Great Depression. Part of the problem faced by the Federal Reserve Bank was that through the late 1970s, the disciplining effect of unemployment had lost its power due to the institutionalization of the welfare state and proliferation of income-maintenance programs (Bowles et al., 1990; Piven & Cloward, 1982/1985). A crisis of stagflation (high unemployment and high inflation) by the late 1970s adversely impacted the economic fortunes of rich asset holders (Greider, 1987).

The rise of Wall Street is predicated on low inflation. At the faintest hint of inflation, the Wall Street model suggests that the Federal Reserve Bank should restrict monetary growth to raise interest rates (Baker, 2006; Canterbery, 2000). How does this work? An interest rate can slow the economy in many ways (see Baker, 2006, Ch. 2). An interest rate hike, for someone purchasing a car, can change the cost of paying back the loan used to purchase the car (say if the loan now had an interest rate of 7% instead of 6%) and reduce the demand for automobiles. The same thing goes for home buyers who would then need to come up with a higher monthly mortgage payment. This can reduce demand for automobiles and homes and the people who build and sell them. When the economy grows "too fast" the Federal Reserve Bank "slams on the brakes" by imposing rate hikes.

Figure 3 is a plot of the short-term interest rate: the Three-Month Treasury bill rate. Between 1962 and 1968 the rate ranged from 2 to 5.3 percent. There is some volatility beginning in 1969 with rates ranging from 4 to 7 percent. The

Volcker-shock that operated to discipline workers and usher in neoliberalism occurs between 1979 and 1982 when the short-term rates average between 10 and 14 percent. Duménil and Lévy (2011) refer to this as "the 1979 coup" and Bowles et al. (1990) described the effect of these interest rate shocks as imposing a "cold bath" recession. After the Volcker shock, wages never recovered to their 1970s levels.

Figure 3. Interest Rate on 3-Month Treasury Bills, 1962-2006



The Ideological Tone of Public Policy

The political landscape of the United States has changed drastically under neoliberalism. Consider MSNBC commentator Rachel Maddow's assessment of President Barack Obama's 2011 State of the Union Address on her January 26, 2011 broadcast. Maddow quoted Eisenhower:

> Should any political party attempt to abolish Social Security, unemployment insurance, and eliminate labor laws and farm programs, you would not hear of that party again in our political history. There is a tiny splinter group, of course, that believes you can do these things ... but their number is negligible and they are stupid. (also quoted in Lieberman, 2001, p. 115)

She then noted:

> But the whole of American politics has shifted so far

> to the right in the last fifty years that what used to be thought of as conservative, what used to be thought of as a conservative position, is now considered to be off-the-charts lefty. (The Rachel Maddow Show, January 26, 2011)

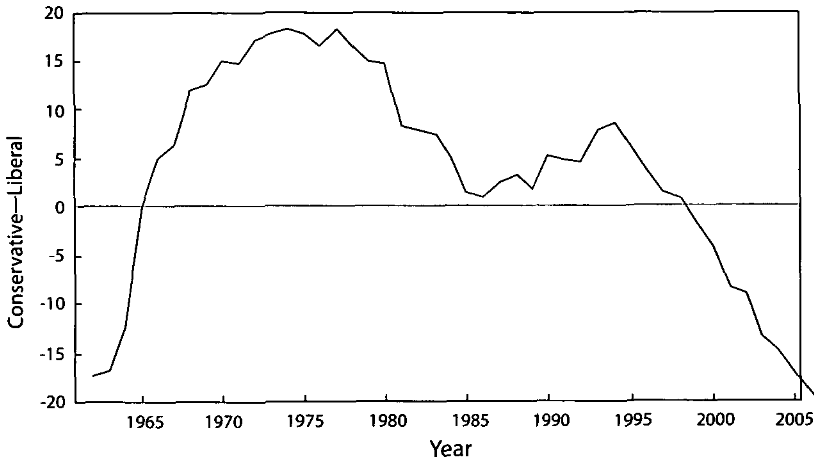
Similarly, Richard Nixon quipped "We are all Keynesians now" in the early 1970s, whereas equivalently, Bill Clinton or Tony Blair could have easily stated, "We are all neoliberals now," (Harvey, 2005). Thus, there has been a major ideological shift in the state's approach to public policy.

Recently, political science scholars have developed a concept called "macro policy" (Erikson, MacKuen, & Stimson, 2002) including an index updated and implemented by Kelly (2009) in his study of income inequality. Instead of looking at any specific policy out of the dozens or potentially hundreds of domestic policies passed each year, we can look at the ideological tone of all the significant domestic policies passed within a year. Laws of national significance were originally coded by David Mayhew in his study *Divided We Govern* (Mayhew, 2005). Mayhew uses year-end reviews of legislation (from major news outlets) and determines whether bills were significant or exceptionally significant. Erikson et al. (2002) created their policy innovation or policy liberalism measure using the laws identified by Mayhew (but focusing on domestic laws and policies) and then coding whether laws were generally viewed as liberal or conservative (Erikson et al., 2002, p. 330). More specifically, Erikson et al. (2002) coded for whether laws and policies expanded government (liberal in the sense of American politics) or were conservative (contracting government) with a +1 for liberal laws and -1 for conservative legislation, and highly important liberal laws as +2 or -2 if conservative, for each year since 1947, with the index score as a sum of the liberal and conservative policies (Erikson et al., 2002; see Kelly, 2009, p. 128). If the ideological tone of policy is becoming increasingly liberal (increasing the size of government) then the index will increase, whereas if policies are increasingly shrinking the reach of government then the index will decline (as conservative neoliberal policies become more prevalent).

The rise in the index in the 1960s and into the 1970s

corresponds to the War on Poverty and expanded regulation (e.g., EPA, Consumer Protection, OSHA). By the early 1980s, we see the rapid fall, even if still in the liberal-expansive direction, but much lower index scores than in the 1960s and 1970s. We see the effects of the 1994 Republican revolution (takeover of Congress) and later into the 2000s as policy drops below zero and is increasingly negative (indicating the increasingly rapid rise of conservative and neoliberal policies) through 2006. I hypothesize that greater liberal (government expanding) legislation, in the aggregate, results in increased worker bargaining power and, consequently, higher real wages.

Figure 4. Policy Liberalism Index, 1962-2006



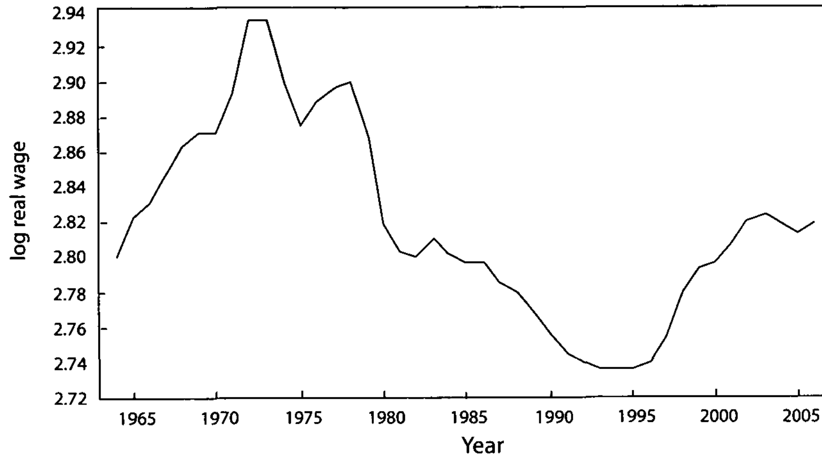
Dependent Variable

The dependent variable in this analysis is real hourly private sector earnings for non-supervisory/production workers. I adjusted for inflation by deflating current-dollar private sector hourly earnings (AHETPI, available from the Federal Reserve Economic Database, 2011) using the Consumer Price Index for Urban Consumers (CPI-U where is this from?). The natural log transformation of this wage measure is plotted in Figure 5.

Wages peak in the late 1960s and 1970s. Looking at the unlogged series, wages were $18.80 in 1972 and hovered between $17.60 and $18.79 until 1979. Between 1979 and 1995, there was

a relatively permanent fall where wages stuck around $15 per hour. By 1997, wages finally started recovering and maxed out at $16 per hour until 2006. Thus, hourly private-sector wages have not recovered to their historic levels of the 1970s.

Figure 5. Log of Real Hourly Wage in Private Sector, 1962-2006



Time-Series Method

The estimation strategy used here is a single-equation (or "one-step") error correction model (ECM). This method is favored over the Engle-Granger two-step procedure because it does not impose a cointegration assumption on the series analyzed (De Boef & Keele, 2008) and is preferable when analyzing small samples (see Kelly, 2009, pp. 104-106). Some readers might note that this is simply an algebraic re-arrangement of the familiar Autoregressive Distributed Lag (ADL) model. The bivariate single-equation ECM can be represented as:

$$(1)\ \Delta Y_t = a0 + \alpha Y_{t-1} + \beta_2 \Delta X_t + \beta_3 X_{t-1} + \epsilon_t$$

The model allows us to estimate the short and long-term impact of X on Y. β_2 tells us how much of an initial change in Y is due to a shock in X. β_3 provides an estimate of the long-term impact of X on Y (if and how the impact of X on Y is distributed over future time periods) dictated by α, the error

correction rate. The error correction rate will be between 0 and -1.0. The long-term impact of X on Y equals β_3/α. The ECM in this study was first estimated with OLS, but evidence of residual autocorrelation in the initial model indicated that it was best to proceed with the Prais-Winsten Generalized Least Squares (GLS) estimator (Keele & Kelly, 2006). I also include a control variable for GDP (economic growth). This variable was deflated to real (2006$ using CPI-U) Gross Domestic Product transformed by the natural log.

Analysis of Results

Model 1 in Table 1 estimates the effect of real average monthly AFDC/TANF benefits on log real wages controlling for GDP growth. The long-term effect of welfare benefits is not significant, while the immediate effect is, and is in the predicted direction. A real $1 increase in average monthly welfare benefits results in a 0.03% immediate increase in real hourly earnings—a $50 increase in AFDC/TANF increases earnings by 1.5%. The effect is immediate, and the non-significance of the level of welfare benefits suggests there is not a long-term effect.

Model 2 in Table 1 includes the other components of bargaining power: union density, short-term interest rates, and the "liberalness" (in the American liberal sense) of policy. The adjusted R^2 increases substantially in Model 2 to 0.871 and the BIC′ model statistic declines, indicating a superior fit. The effect of AFDC/TANF benefits is reduced such that a $1 increase in benefits is now associated with a 0.01% increase in real earnings—a $50 increase in benefit produces a 0.5% increase in real hourly earnings. For someone earning $7 per hour, a $50 increase in benefits would be expected to increase their earnings by 0.035 cents per hour.

As predicted, union density increases the bargaining power of workers in both the short-run as well as the long run. A single percentage point increase in union density immediately increases real hourly earnings by 0.3% and by another 4.6% in future years. The error correction rate of 0.176 indicates that disequilibriating errors are corrected at a rate of about 17.6% per year. Thus, a year after a percentage point shock to

Table 1: Single-Equation Error-Correction Models of Log Real Hourly Average Private-Sector Wages, 1965-2006.

	Model 1	Model 2
ΔWelfare Benefits$_t$	0.0003*** (3.21)	0.0001** (2.17)
Welfare Benefits$_{t-1}$	0.0001 (1.383)	-0.000 (0.039)
ΔUnion Density$_t$		0.003* (1.97)
Union Density$_{t-1}$		0.008*** (10.58)
Δ3-Month Treasury Bill Rate$_t$		-0.004*** (6.42)
3-Month Treasury Bill Rate$_{t-1}$		0.002*** (2.93)
ΔPolicy Liberalism Index$_t$		0.001** (2.29)
Policy Liberalism Index$_{t-1}$		0.0009*** (4.63)
ΔLog Real GDP$_t$	0.320*** (5.27)	0.667*** (11.71)
Log Real GDP$_{t-1}$	0.043 (1.14)	0.210*** (8.82)
Error Correction Rate (Y_{t-1})	-0.218** (2.21)	-0.176*** (6.56)
Constant	0.154	-1.553***
Adj. R^2	0.683	0.871
BIC′	-25.8	-41.2

Notes: Prais-Winsten (GLS) estimates. Dependent variable is log real hourly wage for non-supervisory/production workers. T-ratio in parentheses.
*p<.10; **p<05; ***p<.01 (two-tailed tests).

union density, the average hourly wage is too low (relative to its equilibrium relationship with union density) and subsequently increases by about 0.8% the next year, by 0.66% in year 2, 0.54% in year 3, and so on after the initial shock. The error correction rate indicates that disequilibriating errors are corrected relatively slowly.

The short-term interest rate, the rate on 3-month Treasury bills, indicates that a shock to the interest rate produces an immediate downward response in average wages of 0.4% for each percentage point increment in short-term interest rates. However, in subsequent years this penalty to wages will be slowly corrected upwards, compensating for the initial penalty after two years. Interest rate shocks can be used to put the brakes on wage growth immediately, but the long-term effect cancels out the initial loss, as wages subsequently grow by 1.14% over future years—0.2% of which is in the first year after the shock.

The Policy Liberalism Index also has statistically significant short- and long-run effects on real average hourly wages. A shift of the index (increasing liberalism) by one law is associated with a 0.1% immediate increase in wages. But this increase is too low, and wages increase by another 0.5%, 0.0009% of which is in the first year after the shock. A shift of 5 conservative laws (a net -5 law change in the index) immediately reduces wages by 0.5% and another 2.5% distributed as 0.45% the first year after the shock, 0.37% the second year, 0.31% the third year, 0.25% at year four, and so on. This suggests that wages have stagnated and declined as national policies have become more conservative. Thus, an increasingly conservative aggregate macro-policy seems to reduce the bargaining power of labor.

Discussion

Thirty years of neoliberal economic policies that resulted in reducing income maintenance programs, attacking unions, minimizing inflation, and slowing economic growth have resulted in the greatest economic collapse since the Great Depression. The stagnation of wages since the early 1980s (and rising inequality) are a contributing factor in the economic collapse. Low and stagnating wages resulted in unprecedented borrowing by households via credit cards, auto loans, and home mortgages, resulting from the housing bubble (Baker, 2009; Foster & Magdoff, 2009; Konings, 2010) connected to a long wave of speculative bubbles and their financial instability. The stagnation of wages is a product of several neoliberal trends identified in the analysis above: declining union

membership, interest-rate policies designed to punish wage-earners, and conservative macro-policies.

Piven and Cloward's (1982/1985) bargaining power argument suggests that welfare benefits (in the form of public assistance income programs like Aid to Families with Dependent Children) impact the labor market. The reasoning is that when benefits are higher, the cost of job loss decreases (Schor & Bowles, 1987) and the bargaining power of workers increases. In this analysis, I extended a previous study by Lewis (2001) that tested Piven and Cloward's bargaining power hypothesis. I argued that union membership, policy liberalism, interest rates, and economic growth also impact the bargaining power of workers. Higher real AFDC/TANF benefits do have an immediate and positive impact on wages—but there is no long term effect. Annual increases in AFDC/TANF benefits, therefore, can help produce immediate increases in private-sector wages (see also Vartanian & McNamara, 2000).

Union density, interest rates, economic growth, and policy liberalism, however, have both short- and long-term effects on wages. Short-term interest rate shocks can immediately restrain wage growth, but the effect of the shock will allow wages to increase in subsequent years. Thus, if the Federal Reserve Bank fears commodity and wage inflation, then they can raise interest rates to reduce worker wage-bargaining power. This causes wages to immediately fall, and the reduced wages from the initial shock will take three years to be overturned.

The effect of union density on wages is positive. Wages adjust immediately and in the long-run to an increase in the percentage of private-sector workers in a labor union. Union contracts and the the threat of unionization can compel employers, broadly speaking, to raise earnings (Kim & Sakamoto, 2010; see Leicht, 1989). The long term effect of unionization is quite strong; this also implies that a downturn in unionization is felt as a wage-penalty for many years after it occurs. Similarly, the neoliberalization or repudiation of American liberalism and turn to conservativism in macro-policies is also responsible for the stagnation of wages. Much wage stagnation is due to the increasing conservative ideology of national public policies. Therefore, the stagnation could be reversed if there were a major shift in public policies away from the

neoliberal direction. Workers' bargaining power is stronger when the macro-policy is more liberal (in the American sense). Additionally, strong economic growth also supports wage-bargaining power. The Wall Street Capitalism model (see Canterbery, 2000) implies keeping economic growth slower by having the Federal Reserve bank raise interest rates at the faintest sign of inflation. A reversal away from this model that allows stronger economic growth (with less hostility toward wage and commodities price increases) would go a long way in supporting workers' bargaining power, along with stronger pro-worker labor market regulations.

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