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THE NEXT TRANSFORMATION

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With the breakdown of so-called socialism, the world is now entering the twenty-first century ten years in advance. The great hope of the twentieth century, that is the transition from capitalism to a more progressive mode of production, or, as Karl Polanyi would have put it, a more "Christian" organization of society,[1] has collapsed. It is now clear that the October 1917 Revolution led to nothing more than a form of authoritarian State capitalism, which proved to be less efficient and socially fair than many market-capitalisms. A new international order is now developing, with its first geopolitical crisis: the Kuwaiti war. At the same time, it has proved by now impossible to resolve the last major economic crisis of the twentieth century, which started at the beginning of the 1970s, the market-capitalist countries experienced tremendous transformations in the 1980s. The breakdown of the "socialist camp" does not appear as a victory of the former Western leaders, but as the claim to hegemony of Japan in the Pacific Rim, and Western Germany in the Atlantic one.

In other words, capitalist societies are now experiencing a "great transformation," in the meaning explained in Karl Polanyi's path-breaking book. Undeniably, Karl Polanyi overestimated the originality of the 1930-1940 period, and underestimated the transformations

which capitalism had already undergone. The model he proposed then now looks a bit oversimplified. Yet his approach brilliantly enlightens our times, as it did his.

We shall first look back to this approach, to its insights and to the limits that could be formulated from the point of view of the so called "French regulation approach." Then we shall reinterpret *what* the "great transformation" of Karl Polanyi's time was, and then ask why there is a need for a new transformation, a transformation which is not predetermined. In fact, a first attempt was made in the 1980s which looked much like a reversal of the "great transformation." Yet other possibilities remain, seductive for "workers, citizens and lovers."[2] The possibilities for this "next transformation" will be the content of the last sections.

KARL POLANYI, THE "REGULATION APPROACH," AND THE CONCEPT OF TRANSFORMATION

It is well known that, while dedicated to the explanation of the "transformation" of the 1930s, *The Great Transformation* is mainly concerned with a *former* transformation, the one that led from feudalism to the "self-regulating market." Karl Polanyi's thesis could be summarized as following:

a. Before this "former transformation," market relations existed and productive activity existed, but were embedded in the more general frame of social life.[3]

b. The outburst of the industrial revolution within the frame of a market economy led to the destruction of any social regulation that could oppose the growth of a "self-regulating market."[4]

c. This destruction was carried on by the State.[5]

d. The autonomization and domination of market relations over any social relation implied that labour, land and money would be considered mere commodities.[6]

e. This was a utopia, leading to the self-destruction of society.[7]

i. To consider human beings as mere "manpower" would lead to the exhaustion of the majority of population.

ii. To consider nature as a spot of soil dedicated to feeding the industrial population would lead to the exhaustion of nature and ecological crises such as erosion, dust bowls, etc.

iii. To limit the movement of the productive apparatus by the "sound" reproduction of commodity-money would lead to a recession of productive activity.

f. As a result, antimarket countertendencies developed in an uncoordinated way all through the nineteenth century and up to the 1920s: labour legislation, tenure and environmental legislation, credit money and central banking, protectionism. For the "liberal creed," this was no less than a "collectivist conspiracy."[8]

g. While the breakdown of the international order triggered off the crisis of the 1930s, this crisis expressed the fact that the contradiction between the laws of a free market and the needs of society had become incompatible. The New Deal (i.e., social-democracy), socialism (of a Stalinist type) and fascism are the three solutions for this crisis. Polanyi's choice is the first one, in the name of a correctly conceived freedom.

Though connected to the old Austro-Marxist tradition, Polanyi's book was surely a great leap forward. Too often, Marxist theorists of his time had considered capitalism as a well-defined mode of production, with its immutable social relations, subject to some variations and which could be substituted by socialism only through a general revolution.

The history of capitalism is much more complex. Capitalist socio-economic relations experienced more dramatic changes from 1848 to the present than any socialist of the early times would ever have thought possible. In that process, major social tensions and economic problems are a constant trigger of crisis, political struggles, and sometimes...revolutions. Yet, for fairly long periods, capitalism works. A general framework, rules for the game, must be more or less reluctantly acknowledged. Three times since 1848, a major, long crisis occurred: first, at the end of the nineteenth century; second, in the 1930s; and, finally at the end of the 1960s.[9] But between these major crises, a great compromise seems to have been accepted "by workers, citizens, and lovers." This compromise includes the acceptance of a "pattern of development" as the economic basis for what could be considered as the best thing humankind may expect from economic activity. A large spectre of political tendencies, from the Right to the Left, battle about marginal improvements that could be implemented within the same compromise, but the model itself is not questioned.

We are now, as in the 1930s and 1940s, in one of these periods of struggle, not about "how to carry out an (already given) economic design," but about what should be the new compromise, hence what

should be the *next* transformation. We are not only in an economic crisis, but in a "great compromise crisis," or, in the words of the Italian Marxist sociologist Gramsci, a "crisis of hegemony."

At least, this is how the "French regulation approach" would put it nowadays.[10] Both similarities and differences with Polanyi are striking. "Regulationists" would fully accept to embed economic relations in a more general social framework (point (*a*)). They acknowledge that "competitive capitalism" was not natural but imposed by politics (point (*c*)). They insist that wage relations, land ownership relations, and the reproduction of the currency are *not* commodity-relations, despite their form in competitive capitalism.[11] They show that contradictions should emerge between these different social relations, which cannot be regulated by the market (point (*e*)). They maintain that social movements (not only class movements) develop reactions against these shortcomings, eventually merging into the making of new modes of regulation (point (*g*)).

Yet they mitigate the singularity of the "great transformation" of the 1930s, while acknowledging that Polanyi grasped the kernel of it. Other major transformations happened at the end of the nineteenth century. And the "great transformation" just led to a new model of development, which in turn collapsed during the 1970s.

Moreover, while they share the point of view of Polanyi on the open-ended nature of history (Stalinism, Rooseveltism or social-democracy and fascism were equal candidates in front of the breaking-down liberal conservatism in the 1930s), they do not accept the technological determinism of point (*b*). "Industrial revolution," in its material form, was also an effect of social relations. Changes in labour organization from the late 1890s to the 1930s (the "Taylorist revolution") are also the material form of a social conflict. Some scholars, making reference to regulation approach, such as Piore and Sabel (1984), are now ready to say that the "next transformation" (which they call, precisely, the "second industrial divide"), will be determined by a shift from "mass production" to "flexible production," but most French regulationists think that even this point is still open-ended.[12]

As may be seen, the regulation approach is not an assault against Polanyi's approach. On the contrary, it may be considered as an enlargement, an "*aufhebung*" of Polanyi's work. So let us now "re-read" *The Great Transformation* (in the real world), and then come back to the next one.

THE "FORDIST" TRANSFORMATION

In order to understand the present world crisis, we have to understand the logics of the post-World War Two period. That period of economic boom expressed the hegemony of a peculiar "pattern of development" within the main advanced capitalist countries, and the stability of a "world configuration" between these countries.

A *pattern of development* can and must be analyzed from three different angles at the national level:

- As a *model of industrialization* (or a *technological paradigm*): the general principles which govern the evolution of the organization of labour during the period of supremacy of this model;
- As a *regime of accumulation*: the macroeconomic principle which describes the compatibility over a prolonged period between the transformations in production conditions, and in the types of usage of social output (household consumption, investment, public expenditure, international trade);
- As a *mode of regulation*: the combination of forms of adjustment of the expectations and contradictory behaviour by individual agents to the collective principles of the regime of accumulation. These forms of adjustment may include cultural habits as well as institutional features such as laws, agreements etc.[13]

The regime of accumulation therefore appears as the macroeconomic result of the workings of the mode of regulation, *based* on a model of industrialization. Using a term first proposed by Gramsci but also by Henri de Man (a Belgian theorist who moved from socialism to fascism: a trajectory that Polanyi makes understandable), some French and Italian economists labeled the post-World War Two hegemonic pattern of development as "Fordism."

Its *industrial paradigm* included the Taylorist principles of rationalization, plus constant mechanization. That "rationalization" was based on separation of the intellectual and manual aspects of labour, this did not mean that there was no longer intellectual involvement of the manual workers. This involvement had to remain "informal," the social knowledge being systematized from the top, and incorporated within machinery by designers. When Taylor and the Taylorian engineers first introduced those principles at the beginning of the twentieth century, their explicit aim was to enforce the control of management on the workers. The first three decades of the twentieth century saw a resistance of the skilled workers, and

their evolution (including amongst communists) toward a new compromise: acceptance of the Taylorist forms of control, against the sharing out of the gains in productivity.

This sharing-out was at first rejected by the great majority of bosses, except a few like Henry Ford and some economists like J. M. Keynes. Yet Keynes and Ford were preaching in the desert until the dramatic confirmation of their prophecy: the Great Depression of the 1930s. As Polanyi rightly noted, "capitalist production itself had to be sheltered from the devastating effects of a self-regulating market."[14] The conservative liberalism of Hoover, Lloyd George or Laval was unable to deal with the problem. Three alternatives were competing: a fascist organization of social demand, a Stalinist-type revolution toward some State-capitalism, and a new "social-democratic" compromise between management and workers. Fortunately, the coalition of other forces defeated the first (fascist) solution during World War Two. And within ten years, the competition between the Stalinist-type and the Fordist compromises within the advanced industrialized world had turned to the advantage of the latter. This compromise materialized as a new regime of accumulation warranted by a new mode of regulation.

This *regime of accumulation* was characterized as follows:

- Mass production with polarization of skills, high productivity growth, growing capital-output ratio (in volume, but not in value);
- A constant sharing-out of value-added, hence real income of wage earners growing parallel to productivity;
- Thus the rate of profit remained rather stable, with full employment of productive capacity and the labour force.

In other words, the "Fordist compromise" consisted of matching mass production and mass consumption. It was accepted all over the world as "the American way of life": a productivist and hedonist model which was only contested by a few radical intellectuals like Herbert Marcuse, and considered as a goal by political forces ranging from Christian Democracy to Western communist parties, with conservative political forces supporting it in spite of the initial prejudices of a majority of bosses.

But which forces could finally induce individual bosses to accept that compromise, which was in conformity with their middle-term interests ? That was the task of the mode of regulation.

The *mode of regulation* included more or less (according to countries):

- Social legislation of growing minimum wages, and a strong collective bargaining mechanism, inducing *all* bosses to grant annual improvements in real wages parallel to gains in national productivity;

- A developed Welfare State granting nearly all the population the possibility to consume, even in case of temporary or indefinite incapacity to earn money from one's work: illness, unemployment, retirement, and so on;
- A credit money supply regulated by central banks, issued by private banks according to the needs of the economy (and not according to a stock of gold).

All these institutions provided new structural "rules of the game." These rules granted the State an active responsibility in the "fine-tuning" of expansion (the so-called "Keynesian policy").

As may be noted, the main "transformation" within the mode of regulation consisted in withdrawing two of the three "pseudo-commodities" (point (*d*)) from the "self-regulating market": labour and money. And what about land? Certainly, huge reforms were carried out from the 1930s to the 1950s, in the United States, Europe, and Japan, as far as farming and food markets were concerned. In some cases, environmental issues were mixed with these new regulations (in the English meaning of the term!). But in general, nature was the great loser in the "great transformation," in the "great compromise" between the requirements of capitalist production and the needs of society. Karl Polanyi may have been correct in writing: "The congenital weakness of nineteenth-century society was not that it was industrial, but that it was a market society."[15] This statement should be revised as far as the Fordist model is concerned. The dramatic world industrial growth allowed for by the "great transformation" would eventually lead to the most dreadful ecological crisis since the Great Plague crisis of the fourteenth century. Among the congenital weaknesses of Fordism, we have to note first its *productivism*.[16]

Moreover, at the international level, the world economy never reached such a degree of macroeconomic organization. The Fordist model was hegemonic only in OECD countries. This regime excluded most of the third world from international trade in manufactured goods, and the world currency was *de facto* the credit money issued by the United States. There was a semi-free trade between mainly auto-centered industrial countries, with fine-tuning of trade balance through changes of parity and slight cooling of inner markets.

That was possible because the superiority of the United States in

the industrial production paradigm was such that its capital goods were both necessary and competitive. So the other countries were induced to accept the dollar as the international general equivalent. At the time, the trade balance of the United States was structurally positive and its capital balance structurally negative. The United States gave Europe and Japan both the technical and financial means to "catch-up."

It may be useful to emphasize the similarity of this United States international attitude, stemming from a real hegemonic leadership position in the context of competition with the USSR, with the domestic, "Fordist" compromise. After 1947, the United States administration rejected the temptation to "crush" possible competitors by enforcing complete free trade. On the contrary, as Spiro has pointed out,

> The United States encouraged European and Japanese trade protectionism and discrimination against the dollar. And it promoted European and Japanese exports to the United States...To encourage long-term adjustment, the United States promoted European and Japanese trade competitiveness. Aid to Europe and Japan was designed to rebuild productive and export capacity. In the long run it was expected that such European and Japanese recovery would benefit the United States by widening markets for American exports.[17]

As far as the third world was concerned, a similar attempt was Kennedy's "alliance for progress." But then, shortsighted neocolonial interests prevailed most often, except in countries exposed to communist competition such as South Korea and Taiwan where the United States fostered land reform, import-substitution and national capitalist development.

THE END OF THE GOLDEN AGE

This regime began to weaken for two different sets of reasons. Some are "internal," that is, they stemmed from the very development of the Fordist regime in each individual country. The second set is "international" in that it stemmed from the linkage of national economies. The concrete development of the crisis, roughly from the second half of the 1960s, may be explained only through the interweaving of these two sets of reasons.[18] Yet, for the purpose of this text, it is sufficient to acknowledge the two-sided explanation of the crisis. Let us start with *internal reasons*.

Basically, all advanced capitalist countries experienced, from the end of the 1960s, a slowing-down in the growth of productivity, in contrast with ever-growing real wages (including welfare), and an acceleration in the rise of the capital-output ratio in volume, engendering also its rise in value. The combination of these trends led to a fall in the share of profits in annual value added, and in the ratio of capital-revenues (profits) to the capital advanced: the rate of profit.

The reasons for these developments can be found in a latent weakness of the very pattern of the organization of labour: the crisis of "informal involvement." That weakness may have been triggered by the outbreak of workers' militancy due to the full employment situation at the end of the 1960s. More precisely, the incorporation within the active population of young people, women, immigrants from countryside and the third world had facilitated at first the implementation of Taylorist principles. But, in the late 1960s, the increase in education and in social consciousness, in the desire for self-development and dignity at work, led to a growing revolt against the denial of any human responsibility within the crudest forms of separation between "conceptors" and "operators." And this separation was still largely responsible for the exhaustion of the sources of productivity gains (because only a minority within the labour process was in charge of improving collective efficiency) and for the increase in fixed capital per worker (because that minority could improve the productivity of the majority only by increasing the complexity of machinery).

The resulting fall in the profitability of firms led them to react by reducing real wages, thus leading to a sectorial and general underconsumptionist crisis, and spreading and socializing their losses through mark-up policies, entailing a "cost-pushed" inflation allowed by the nature of credit money.[19]

But the main result of this complex process was growing pressure on the social compromise. In fact, declining profitability, hence a declining rate of investment, combined with a declining number of new jobs created by each investment, and later with the shrinking of inner markets, led to growing unemployment. In the early 1970s, both the economic and social logics of Fordism induced governments to raise transfer payments for unemployed people (dole, social programs). This effectively limited the social and economic risks of cumulative depression (a great contrast with the 1930s). But eventually these transfers were felt as too heavy a burden on the productive economy, further reducing the profitability of firms. It led to a fiscal crisis of the Welfare State, and kept the legitimacy of State social policies at bay. Hence, from inner tendencies alone, the Fordist compromise had become economically unsustainable in the 1970s. And this root of the crisis was on the supply side: a "crisis of labour" inducing a crisis in profitability, and not on the "society side," *à la* Polanyi.

International factors were also responsible for that erosion. In the 1960s, and even more in the 1970s, the search for a higher scale of production and for regions with lower wages led to an international interweaving of productive processes, contrasting with the national nature of economic regulation. Thus, the competition of "newly industrializing countries" (NICs) became disruptive for old industries, replacing well-paid workers by poorly paid workers, hence leading to a "negative-sum game" on world effective demand. On the other hand, the quest for equilibrium in trade balance within increasingly free trade led each country to recessive policy, either in the name of "price-effect" (lowering the per-unit labour cost) or in the name of "volume-effect" (lowering of domestic demand). Here, the "self-regulating market" was vindicated, and began to act again as a "satanic mill" against world society.[20]

It may be argued that, at the world level, the crisis was directly of the Marxist "underconsumptionist" type (or, in Keynesian terminology: lack of effective demand), due to this negative-sum game. On the other hand, from the internal point of view, and as far as the regime of accumulation is concerned, the "Keynesian" character of the crisis (underconsumption) is only a by-product of a more fundamental "classical" crisis (fall in profitability).[21]

Of course, the reactions of firms, trade unions, and States shifted several times during the crisis from one policy to another, thus leading to various world configurations.[22] The major tendency during the 1970s, within the OECD, was demand-side Keynesian-type policies. Incentives were given to growth through development of the Welfare State, easy money, including risky recycling of Eurodollars toward

NICs. That led to an opportunity for the acceleration of a real industrial revolution in several countries of the third world. But, due to the inefficiency of this policy in advanced capitalist countries, a shift towards "monetarist" policies occurred in the late 1970s. The inflation of the 1970s led key States into restrictive issuing of credit money and high rates of interest. This "monetarist shock" restricted the possibilities for the firms to invest and triggered off a debt crisis in the NICs, thus adding an unnecessary Keynesian (demand-side) component to an unsolved, classical, crisis of profitability. After 1982, a more lax policy from the FED and from the United States Treasury induced a deficit, Keynesian based expansion in the United States. All the rest of the world, including the NICs, benefitted from this "world social demand." But different types of countries appeared, according to the form of their adaptation to world competition and to the "supply-side" of the crisis.

Indeed, some attempts were made as early as the 1970s to attack directly the "inner" roots of the crisis (too much capital-intensive technologies, inadequate gains in productivity, and too many people on the shoulders of the Welfare State). The "new technological revolution" was supposed to provide solutions. Yet, the discovery of new productive social relations is not purely a matter of technology, as we are about to see.

A ROLL-BACK OF THE GREAT TRANSFORMATION

Just like in the 1930s, the question of the ways out of the crisis is a political one. There is no such thing as "the solution" that could be dictated by the knowledge of the "actual" economic laws. Nor is it true that the crisis is an inevitable calamity. And, like in the early 1930s, the main competitors for a solution may not include the next winner. Moreover, I must say that "socialism" is not a competitor either, if by "socialism" one understands a ready-made model of a new mode of production. After the present crisis of capitalism, that is at the beginning of twenty-first century, there will exist all over the world market relations between productive units and wage relations between management and the labour force: hence capitalism. The question is: *what sort of capitalism is it to be?* How good for people and how promising for further steps will it be?

With all these *caveats*, we shall begin with an examination of the

first competing model for the title of "the way out of the crisis": *liberal productivism*.

I give this name to the ideology expressed by the Reagan and Thatcher administrations, and more or less accepted in the mid-1980s by most West-European governments and the main international economic institutions (IMF, OECD, but not the UNCTAD). The great strength of this ideology stems from the breakdown of the Fordist compromise (let alone the disaster of "socialisms"). Hence there was a great temptation to simply assess that a restoration of the old "self-regulating market" would be "the" solution: just rewind the "great transformation."

The story seems to be as follows. There is a "technological revolution." But the "rigidities" imposed by the State (social and environmental legislation, social security, etc.) block the way. So let us get rid of rigidities, and the laws of free competition will automatically impose the new model of development consistent with the new technologies. This is very similar to the nineteenth-century confidence in technical progress that could be limited only by inefficient social relations: the "former transformation" in Polanyi. However, there are some constrasts with the utilitarian liberalism of the eighteenth and nineteenth centuries. That was "utilitarian" and "hedonistic" liberalism. The aim of technical progress and free enterprise was the enrichment of economic agents. Of course, that possibility still exists within the new liberalism. But more and more often technical change and deregulation are presented as a *necessity* stemming from international competition: "modernize or perish," "lower wages or perish," "be flexible or perish." But the results are the same: we are back to the central chapters of *The Great Transformation*.

First of all, this trend leads to a polarization of society: "Brazilianization" looks like the future of the model.[23] At the top, the "winners in competition" will benefit from the advantages of the technological revolution (such as there are). In the middle, one group of permanent skilled or semi-skilled workers will benefit from regular employment, but with no more prospect of permanent improvement in real wages (contrary to the Fordist compromise). At the bottom, a crowd of "job seekers" will float between cheap employment and unemployment, without the benefits of the Welfare State. The political consequence is obvious: it is the comeback of the nineteenth century "dangerous classes problem," with the possibility of their disruptive collective action (the most positive result, in my view), or the generalization of individual delinquency and social diseases (drugs, etc.).

Second problem: this solution does not solve the crisis in Taylorist industrial relations. On the contrary, there is a risk of an evergrowing gap between the workers and their firm. So the noninvolvement of manual workers in the battle for quality and productivity remains a problem. Of course, "technology" is supposed to solve that problem. But "technology" is nothing but the embodiment of skilled activity into machinery. If direct workers are not involved in technical change, the implementation of highly sophisticated technologies requires a great deal of work at the design and maintenance levels. Hence new growth in the capital/labour ratio and no clear recovery in direct labour productivity.

The alternative is obviously the choice of less sophisticated technical systems, involving machine-worker interaction during the production process. This involvement (or "responsible autonomy," as opposed to Taylorist "direct control" of the workers as Friedman (1977) suggests) could not remain "informal" any more. The gamble lies in inducing the working teams not only to involve themselves willingly in the permanent tuning and maintenance of the plants, but to do so in such a manner that the improvements they make can be systematically embodied in the hardware and the software. The "know-how" acquired through learning-by-doing within the day-to-day maintenance of the labour process should be capable of formalization and assimilation by the methods, design, and engineering staff. In fact, the problem is *to reconnect what Taylorism had disconnected*: the manual and intellectual aspects of labour.

Nowadays this latter kind of industrial relations looks more "rational" than the former.[24] In fact, the 1980s may now be read as a great economic war between two solutions to the "supply-side" of the crisis of Fordism. On the one hand, the "flexible-liberal-productivist countries"—United States, Great Britain, France, Spain, Brazil—try to relax the "rigid" aspect of Fordist industrial relations. On the other hand, the "involving-the-workers" models—Japan, Scandinavia, West-Germany, and partly South Korea—try to relax the Taylorist direct control of the workers. And the great news is the following: the second group is winning that war! I will come back later to the important differences within the second group, but the fact is that "Taylorist direct control plus flexibility in the wage contract" (neo-Taylorism) was not such a good solution, even from the capitalist point of view.

The third problem with the liberal-productivist model is macroeconomic: the great comeback of business cycles. Since there is no longer explicit expression of collective prospects, individual expectations have no other guideline than an evaluation of other's expectations. If the "animal spirits" of the other capitalists are understood to be turned toward investment, there will be investments, leading to a growth that will justify these investments until...some industrialists, merchants, or bankers will notice that there is not sufficient effective demand for the products of past investments. Hence, panic, crashes... The classical solution to this old problem is State expenditure. But "classical State expenditure," excluding welfare, is *warfare* expenditure. Militarism reappears as the major tool of macroeconomic policy, i.e., the United States post-1983 boom. But, by the end of the 1980s, the United States deficit (due to its less competitive industrial paradigm) became so important that this macroeconomic policy reached its limits.

Anyway, the "free trade" spirit of productivist liberalism is in itself a source of international instability, and it is the fourth problem. As we have already noticed, the "golden age" did not follow the path of ultra-free-tradism which was the primary ambition of the United States administration in 1945. Difficulties eventually stemmed from the lack of a more complex world organization when the conditions of global competition became more intense. To these new difficulties, liberalism's answer is: still less organization. Free trade was supposed to provide mutual adjustment to multilateral balance in trade and capital flows. In fact (and apart from the problem of OPEC surplus in the 1970 structural imbalances appear. In a free-trade situation, the only solution for a deficit country is to organize domestic deflation. Of course, if all the deficit countries organize deflation (and, first of all, the United States), the external markets of surplus countries are contracted in the same proportion, with a deflationist effect in these surplus countries. The aggregate result of this "beggar-my-neighbour" game is stagnation. A very clear case is the European Community, a free trade zone without coordination in policies.[25]

But the situation is far more serious in the case of the third world, since here trade problems are connected with credit problems, with dramatic consequences for welfare and even for ordinary lives.

The "miracles" of the NICs in the 1970s were made possible by a peculiar world configuration: there were still prospects of growth in industrial countries (due to Keynesian policies); there was great purchasing power in the OPEC countries, and the lax United States monetary policy induced private transnational banks to grant easy credit to the NICs. When the United States reversed their policy with the "monetarist shock" of 1981, the NICs were trapped: their prospects of exportation worsened, and credit was becoming extraordinarily expensive. Once again (but with terrible social consequences) the only solution was domestic recession. Today, only Korea is able to "pay for its debt" while allowing for a growth of the purchasing power of its working class. Even the leading country (both the most powerful and the herald of liberalism), the United States, experienced the shortcomings of "*laissez-faire*," when their trade deficit became overwhelming in the middle of the 1980s.

Besides the story of the battle between two ways out of the "supply-side crisis," the 1980s may thus be read as the long result of an initial monetarist shock. Not so far from the 1920s, as described by Polanyi:

> Stabilization of currencies became the focal point in the political thought of peoples and governments; the restoration of the gold standard became the supreme aim of all organized effort in the economic field. The repayment of foreign loans and the return to stable currencies were recognized as the touchstones of rationality in politics; and no private suffering, no infringement of sovereignty, was deemed too great a sacrifice for the recovery of monetary integrity. The privations of the unemployed made jobless by deflation; the destitution of public servants dismissed without a pittance; even the relinquishment of national rights and the loss of constitutional liberties were judged a fair price to pay for the fulfillment of the requirement of sound budgets and sound currencies, these *a priori* of economic liberalism.[26]

Last but not least, this economic war is leading to the most dramatic ecological crisis that humankind has ever faced.[27] In fact, capitalism had multiplied by fifty the industrial world product within

one century. But four-fifths of this growth were obtained in the Fordist period, after the Second World War. And liberal-productivism fosters a completely insensitive use of the "natural" environment. This ecological debt of past and present generations to the future ones (destruction of the ozone layer, the greenhouse effect, etc.) has to be paid in the next forty years.

FOR A NEW DESIGN WITHIN THE LABOUR PROCESS, AND A NEW WAGE-CONTRACT[28]

Whereas liberal-productivism appears to be a backlash from the "great transformation," its flaws could be cured by a new progress of society (but, this time, world society) against the "self-regulating market." The "supply-side" of the crisis of Fordism, on the other hand, escapes from Polanyi's paradigm. We have now to take as a political issue what Polanyi considered as an exogenous *primum mobile*: the form of industrial activity. For a "next transformation" alternative to liberal-productivism, we are to start with this point.

At the root of the current economic crisis, there is the crisis of labour, a crisis of Taylorism. I think that the labour movement and all democratic movements should challenge and even promote an anti-Taylorist revolution. Not only as a compromise, but as a first step toward their historical goals: a more and more democratic, self-managed society, a step toward the humanization of humankind.

The crux of the matter is the following. When management tries to reconnect what Taylorism has separated, this increases the shop-level bargaining power of the workers. So, how could a compromise between the new involved and multiskilled collective producer, and the management be regulated? Obviously, in the pure "flexible" version of the wage-contract consistent with the liberal ideology, this is impossible. "Involved workers" must feel that their interest is linked to the firm's interest! But there may be different forms of bargaining. One form could be a nonmarket agreement (on employment, careers) between management and skilled or semiskilled workers at the *firm* level, like in Japan. In this case, there is a compromise between capital and a part of the waged population, with growing competition inside the "privileged" segment of the labour force (the workers aristocracy) and an overexploitation of the other components (women, ethnic minorities). Another solution is bargaining at the *sectorial* level, like in Germany. Here, the advantages for workers are certainly greater than in firm-level bargaining, but some sectors (especially in services) are once again neglected (and once again, women and ethnic minorities). Taking it one step further, bargaining could be settled at the *society* level, like in Sweden. This is certainly the better solution for workers, though with some problems for capitalist profitability and competition.[29]

Summarizing a long debate,[30] one may assess that, while being economically and (at least in the privileged segment of its labour force) socially superior to Thatcherism and Reaganism, Japanese industrial relations do not avoid some of the shortcomings of liberal productivism. One reason is that, since the compromise is negotiated firm by firm, it allows for a deep segmentation and competition in society, solidarity being restricted to the family in a way that isolates women at home or in neo-Taylorist sectors at work. This is partly true also in Germany.

Yet, what Japan (and Germany, and Sweden) showed to the rest of the world is that the supply-side of the crisis of Fordism could be solved through the negotiated involvement of workers. This is the productive basis for a progressive alternative, but it is only a basis.

It should *also* be a compromise. Of course any boss would welcome workers enthusiastically working, with all their intellectual capacities, for the greatest glory of their firm. If the Taylorist movement chose to cancel those capacities, it was for political reasons, which were both micropolitical, shop-floor, and macropolitical, State level. The Taylorist revolution was not only directed against the "dawdling" of skilled workers in the shop, but also against the political capacities of a proud, self-conscious working class, against the dangerous idea, widespread in Europe from 1917 to 1936 as Polanyi reminds us, that "those who can rule the factories can rule society." And that was a success: with the loss of the knowledge of productive process, the working class lost any ambition toward self-management. In exchange, and after the 1930-1945 crisis, workers acceded to the Welfare State and "consumerism."

If we are to reunify what Taylorism has divided, what could the bargain be? What could the working class (men *and* women, citizens *and* migrants) get *at once* in exchange? In exchange, the first bargain is obviously *more stability in employment*. No worker would exercise his or her cooperative spirit in search of gains in productivity entailing his or her own redundancy. The problem is that most single firms cannot warrant a job on the same task for a while. So job

guarantee should be a dynamic guarantee, involving both intrafirm and social aspects. That raises the issue of "mobility." Most workers are not ready to accept any mobility, in job and in space. They are right. Labour is but a part of human individual and social life. As Polanyi noticed,[31] friendship and love relations are the main part of happiness, a strong basis for social mobilization, and they depend on material conditions: existence of stable groups, linked to territories. So the compromise should not entail "employment anywhere" but the "right to live and work in a homeland." This implies a collective concern of unions about the dynamic creation of new jobs, as and when old jobs become redundant. Workers' involvement in "how do we work?" entails involvement in "what should we do?"

Another major point of the compromise should be settled. What about the *sharing-out of the gains in productivity*? Assuming that the new industrial relations entail a comeback to the high rates of growth in productivity of the Golden Age, who should benefit from these? At least, the workers as much as the firms. If it were not the case, sluggish social demand contrasting with roaring productivity would lead to overproduction and unemployment or to an export war (with its losers). But the new regime of accumulation could solve that problem either through higher wages per worker, or through less labour-time per worker. In my opinion (and this is my major point), *the compromise should be based on more and more free time*. The reasons for that choice are many.

First, a majority of people in advanced capitalist countries are reaching sufficient quantitative conditions of living (the situation being different in the third world). The "right to the search of happiness" is at present constrained, not by a lack of "having," but by a lack of "being." *Second*, a dramatic reduction in labour time is the only efficient solution to quickly reduce unemployment. *Third*, logics suggests that, in the long term, an active, involved worker inside production-time should be a citizen active in democratic life, with free time for cultural life and permanent increase in his or her degree of education. *Fourth*, such a regime of accumulation, where full employment is based on slower growth of market relations and expansion of free, nonmarket social relations, is less subject to economic disturbance stemming from international competition. *Fifth*, the global and local ecological constraints are now weighing heavily against any increase in the production of material goods (with the consumption of raw materials and energy that any production implies). Since a large part of the third world population *has* to increase its material welfare, Northern populations should prefer a form of progress based upon the growth of *free time*.

SOLVING THE CRISIS OF THE WELFARE STATE: SPEENHAMLAND VINDICATED

As emerges from a century of union militancy, the Welfare State is a powerful but very peculiar form of social solidarity. Basically, it consists in a compromise between capital and labour in the form of a compromise between citizens. A part of direct revenue is subtracted from individual purchasing power and directed to a pool. That pool provides with money-revenues people who, unwillingly, cannot, or can no longer, earn their living through a direct wage. The active sector provides the taxes that feed the pool of the Welfare State. When this burden becomes too heavy, the active sector begins to protest: it pays for "lazy" people, people who do not work. Actually, these people would like to work, but they are not allowed to work while receiving welfare transfers. They bear the burden of this inconsistency.

The reason for this inconsistency is well exposed in Polanyi's critique of the Speenhamland experiment. At the time (1795), a "generous" form of Welfare State consisted in warranting a total minimum revenue whatever be the amount of the wage. As a result, this "social minimum wage" induced workers not to work, and employers to pay very low wages. Indiscriminate subsidies to workers were from this time considered as a bonus to laziness, or an indirect subsidy to employers.

In addition to the generally unjust and stupid accusation of laziness, the Welfare State is now attacked by conservative liberalism as being economically counterproductive in one microeconomic argument. "If there were no (or less) tax on the active sector for the Welfare State, then the total cost of labour would be less. Then a lot of new workers could be hired." That may be true at a microeconomic level, but it is a fallacy of composition. If there were no tax for the Welfare State, there would be no welfare transfer, with all the entailed dangers for macroeconomic stability.

Some proponents of the reduction of the Welfare State outline the alternative possibility of "family welfare," including housewives cares and private insurance. It should be pointed out that, from a macroeconomic point of view, any transfer at a definite period is

financed by the production of the same period, so any system of social security is based on redistribution. As for family solidarity, it is too often based on the patriarchal oppression of women.

However, there is a way to eschew the two-sided schizophrenic argument against the Welfare State, taking into account the "Speenhamland" argument—the microeconomic argument—but avoiding its composition fallacy and the feminist attack on sexual division of labour. It is the creation of a *new sector of activity*, limited in size, whose workers (or more precisely the agencies paying for them) would receive from the Welfare State the normal dole. The workers would not have to pay any more tax for the welfare than if they were unemployed, though they would receive a net normal wage for their activity. This activity should be dedicated to socially useful tasks, the kind of tasks that are expensively covered by the Welfare State (care for old people or convalescents), or covered by women's free labour, or not covered (improving the environment, such as poor neighbourhoods, and so on).

The development of this sector would eliminate many problems of the Fordist Welfare State. Active taxpayers would know what they are paying for: useful social services. Workers of that sector would have a useful job from which they can receive more social and self-esteem than from "moonlighting" or from part-time jobs such as in fast food or shoe-polishing. The microeconomic argument will be acknowledged to develop a new sector of activity with stable revenues and which does not compete with others, hence with no composition fallacy or "Speenhamland" effect.

But there is more. With that new economic sector, new social relations may be experienced. First, within the sector. It could be organized in self-managed small agencies; with the help of psycho-sociologists, it could mix labour and professional retraining. In its relations with the "customers," it could innovate in nonmarket, non-patriarchal forms of contract, with constant democratic control from the contractor (a local community, an agency of protection of the environment, etc.) on the permanent social usefulness of activities of the self-managed group.

Thus, this new "alternative" sector could be a school for self-management, gender equality, and democracy in the social definition of tasks. Though it would be immersed in market, wage relations (but protected by its connection with the Welfare State), it could be another step toward the humanization of economic relations.

A NONAGGRESSIVE INTERNATIONAL ECONOMIC ORDER

Let us assume that the reader likes the above design for a "next transformation." She or he will certainly object: "Well, it is all right if some nation chooses that design, but this nation will be in trouble in the context of international competition. How could a worker working thirty hours a week compete with a Korean? On the other hand, a democratic Korea might choose to work hard and improve his popular standard of living." That is right. The problem with the present international economic order is that the burden of balance adjustments usually falls on the shoulders of the most expansionist country, even if economic expansion is a vital necessity for its citizens.

At first, protectionism looks like the easiest way to solve the problem, and it was the most obvious feature of the 1930s "great transformation." If one country agrees on one "good" inner compromise, and if this compromise is formulated so that the capacities of citizens answer to the necessities of the community, why should such an agreement be disturbed by the arbitrary law of free trade? Now, protectionism has its counterparts. The spread of new products and processes may be slowed down, economies of scale are lost, heavy investments are uselessly engaged in what could be complementary countries. Those were the reasons for the creation of the European Common Market. It was all right as long as the European countries, all together, were seeking the speediest growth. Once some of them had to deal with trade imbalance, and when they did so through competitive deflation, problems arose. And that remained the only solution when competitive devaluations were forbidden with the European Monetary System.

Let us take the European Economic Community (EEC) example as a reduced model to study the problems of international trade between advanced countries. The European community is a multinational economic space with an explicit mode of regulation, with rules of the game. These rules penalize too fast growth, or too fast labour-time reduction. One solution could be precisely an explicit agreement on coordinated faster growth, or labour-time reduction. But such an agreement supposes that the rules of democracy lead *at the same time* to coalitions supporting such a design in all the separate countries of Europe. That appears unlikely, and an institutional "putsch" of the European Parliament against national governments is also unlikely.

So we have to look for a "second best." Not an international agreement for the same design, but an agreement not to penalize the best designs. One rule could be the following. If a country experiences a trade-deficit with a higher rate of creation of jobs than the European average (either through growth, or labour-time reduction, or development of an alternative sector) then, after six months, that country has the right to improve its trade balance through nondeflationist protectionist devices (devaluation, quota, import taxes). These privileges are suppressed when its situation is matched by the average. The adjustments are induced at the top and not at the bottom.[32]

Such a settlement is more difficult at the international level: the best one can hope for is a gentleman's agreement. When the United States administration started anxiously to beg Japan and Germany to increase their growth in 1986, because "if they did not, it would be impossible to hold back United States Congressmen from adopting protectionism," was it not a good demonstration of the sensibleness of a new set of rules of the kind I propose?

Let us consider now the implementation of this new multilateralist spirit in the case of trade between newly industrializing countries and advanced capitalist countries. At first (in the early 1970s) the latter benefitted highly and willingly from the misery wages of the former. Then the low labour-costs of NICs appeared as "unfair conditions of competition," entailing unemployment in the North, and justifying protectionist reactions in the 1980s (including against Korea). This is the clearest consequence of the fallacy of composition in the free-tradist belief that all countries could develop by becoming net exporters at the same time. If a new industrial revolution is to spread to the third world, then the third world will have to create new markets for its new products. This implies the possibility for third world countries to protect their young industries. But on the other hand, the exports from the NICs should not be too disruptive for employment in the North. A rule could be the following. The North could be protectionist versus countries whose competitiveness is based on dictatorship, and low wage imposed through terror. On the contrary, the North should be open to exports from countries engaged in rapid increase of the standard of living of their population, with full union liberties. The referee could be the International Labour Organization at Geneva.

Such a rule would protect the new democracies in the third world against savage competition, and it would be an incentive for the ruling classes of dictatorships to shift toward democracy, ecological and social policies. It would secure a better consistency between growth in the North and faster growth in the South. In a word, it would induce a positive-sum game for the world economy and employment. But there is a rub: debt crisis.

The weight of past debts induces the NICs to "adjust" toward export-led growth, which is exactly in the opposite direction of that needed by a more stable world economic order. The best solution would be the cancellation of debt. This is neither a foolish, nor a "generous" idea. It is in the macroeconomic middle term interest of the North. The problem is that debt cancellation could entail lenders' bankruptcy. Hence we reach the problem of the "lender of last resort." If the South does not pay, the losses in the international banking system should be fed with some money. Up to 1979, the world lender in the last resort was the United States Federal Reserve. After its conversion to monetarism, the world monetary situation became too tightened for the requirements of world economic expansion (another reason for the negative-sum game of the early 1980s, and for the crash of October 1987). At present, there is no other candidate among national central banks to be the lender of last resort, issuing the world key currency according to the needs of international trade. A national currency could be the world currency if the bills of that nation are accepted as a means of payment, and that is possible only if these bills are secured by the uncontested economic leadership of the issuing nation. There is no longer such a nation. On the other hand, private multinational banks, no matter how big, cannot be lender of last resort. They cannot issue more credits when they are nearly sure that old ones will never be repaid. That is the reason for the relative failure of the Baker Plan, and later of the Brady Plan.

An international institution should be in charge of issuing fresh credit money. A renewed International Monetary Fund, for instance, could issue some kind of special drawing rights, with international legal tender, according to the needs of world recovery.[33]

CONCLUSION

In this text I have proposed a new design, according to an analysis of the shortcomings of the post-World War Two hegemonic model

of development, Fordism. The problems of these shortcomings are on the agenda of all the competing designs. That is the reason why similar proposals could appear both in the "liberal-productivist" project I criticized, and in the alternative project I proposed. In the same way, in the 1930s the idea of "corporatism" (explicit cooperation of State, firms and unions in the regulation of economic life) was on the agenda of fascism, social-democracy and Stalinism, and Karl Polanyi gave the correct reason for it: the main problem appeared to be overproduction stemming from anarchy in the market.

The "next transformation," I propose, is only one possible transformation. So the differences between the projects could not emerge from comparisons between partial solutions. It is the completeness of the design that makes the difference. The alternative design I propose includes:

- New social industrial relations based on conscious involvement of direct workers in exchange of their right to control the implementation of technical progress, the right to live and work in one's homeland, and more free time;
- Preservation of the degree of socialization of revenues so as to maintain social security, but a thorough reform of the Welfare State so as to develop a new self-managed sector contracting for socially useful services with communities;
- New international relations based on multilateralism and international credit money, but rejecting systematic free trade in favour of a new set of rules making room for faster social progress in separate democratic nations.

This alternative design is aimed at the social and intellectual promotion of everybody; at more freedom and welfare for everybody; at more democracy and peaceful international relations; and at an ecologically sustainable development. It accepts wage and market relations, the existence of a hierarchy of management. It is not a revolutionary project, not "the *last* transformation." It is only one step forward, a compromise for the next decades.

As may have been noted, the "next transformation" shares two targets with the "great transformation": it tends to remove from both labour and money the status of "commodity." More generally, it is clearly an "anti-*laissez-faire*" option, especially at the international level. And it adds two issues to those of Polanyi's: the organization of labour and the creation of a new sector of activity.

But one could say again: "And what about land?" My answer is clear: today, it is impossible to consider environmental issues as only soil issues. Ecology (the interaction between humankind and nature) involves all aspects of social life. The setting-up of a really "sustainable" model of development is the great challenge of the twenty-first century. Environmental regulation will be important. Growth of free time instead of purchasing power will be more important.

Ecological issues are much more than a question of economy. They are a matter for cultural revolution, breaking with a tradition that established itself long before the "former transformation." And that may not be a new transformation but, really, *the great transformation*.

NOTES

1. K. Polanyi, *The Great Transformation* (Boston: Beacon Press, 1957), p. 258A.
2. *Ibid.*, p. 154.
3. *Ibid.*, pp. 56-57.
4. *Ibid.*, p. 40.
5. *Ibid.*, p. 35.
6. *Ibid.*, chap. 6
7. *Ibid.*, chap. 11.
8. *Ibid.*, chap. 12.
9. On the differences between these crises, and on the core economic and political problems which they expressed, see A. Lipietz, *Le Monde enchanté. De la valeur à l envol inflationniste* (Paris: La Découverte-Maspéro, 1983).
10. This methodology was progressively elaborated by M. Aglietta, *Régulation et crises du capitalisme* (Paris: Calmann-Lévy, 1976); R. Boyer, and J. Mistral, *Accumulation, inflation, crises* (Paris: P.U.F., 1978); B. Coriat, *L'atelier et le chronomètre* (Paris: C. Bourgeois, 1979); A. Lipietz, *Crise et inflation: pourquoi?* (Paris: F. Maspero, 1979); A. Lipietz, *Le Monde enchanté.*; A. Lipietz, *Mirages et miracles. Problèmes de l industrialisation dans le Tiers Monde* (Paris: La Découverte, 1985b). Here I follow the presentation in A. Glyn, A. Hugues, A. Lipietz, and A. Singh, *The Rise and Fall of the Golden Age: an Historical Analysis of Post War Capitalism in the Developed Market Economies* (Helsinki: United Nations University/WIDER, 1986). For a longer presentation of the main concepts of the "regulation approach" and their connection with a broader approach to social theory, see A. Lipietz, "Réflexions autour d une fable. Pour un statut marxiste des concepts de régulation et d accumulation," *Couverture Orange* CEPREMAP, no. 8530 (1985c), and A. Lipietz, "La trame, la chaine et la régulation: outils pour les sciences sociales" (paper presented at the Congrès International sur la théorie de la Régulation, Barcelona, June 16-18, 1988).
11. Point (*d*). Contrary to what Karl Polanyi says (*The Great Transformation*, chp. 6, p. 72, footnote 3), this idea is fully enlightened by K. Marx (Vol. III) under the heading of "the enchanted world." See A. Lipietz, *Le Monde enchanté*.
12. D. Leborgne, A. Lipietz, "Avoiding two-tiers Europe," *Labour and Society* XV, no. 2 (199Oa).
13. The word "régulation" in French connotes this adjustment of contradictory tendencies. It belongs to the vocabulary of biology and cybernetics. In English, "regulation" mainly connotes the legislative and administrative action of the State (in French: "règlementation"). Of course, legal rules are part of social self-control, but the latter must not be reduced to the former. In this text, we shall use the word "regulation" in its more general French meaning.
14. *The Great Transformation*, p. 132.
15. *Ibid.*, p. 250.
16. More on this in A. Lipietz, *Choisir l'audace. Une alternative pour le XXIè siècle* (Paris: La Découverte, 1989), p. 93.
17. J. E. Spiro, *The Politics of International Economic Relations* (London: G. Allen and Unwin, 1977).
18. *Mirages et miracles*; *The Rise and Fall of the Golden Age*.
19. *Le Monde enchanté*.
20. *The Great Transformation*, p. 73.
21. This distinction between two different dimensions of crisis was popularized by E. Malinvaud, *The Theory of Employment Reconsidered* (Oxford: Oxford University Press, 1977). But it was well known among Marxists since *Das Kapital*, Volume III. (For an application of the twosided explanation of crisis in Marx to the present crisis, see, for instance, A. Lipietz, *Le Monde enchanté*.)
22. *Mirages et miracles*; *Choisir l'audace*.
23. *Mirages et miracles*.
24. M. Aoki, *Intrafirm Mechanism, Sharing, and Employment: Implications of Japanese experience* (Helsinki: United Nations University/WIDER, 1987).
25. "Avoiding two-tiers Europe."
26. *The Great Transformation*, p. 142.
27. See the United Nation report, *Our Common Future*.
28. All the following is deeply influenced by numerous discussions among economists and activists, about the failure of the attempt of Mitterrand's two first governments (1981-1984) to get out of crisis through a radicalization of social-democracy (See A. Lipietz, *L'audace ou l'enlisement* (Paris: La Découverte, 1984)). It is more developed in my last books: *Choisir l'audace*, and *Vert-espérance* (Paris: La Découverte, 1993).
29. Mahon, "Crises, Transition and Chance Discoveries: Solidaristic Work as an Historically Progressive Strategy for the Shaping of Post-Fordism?" (paper presented at the 7th International Conference of Europeanists, Washington, March 23-25th, 1990).
30. See "Avoiding two-tiers Europe"; A. Lipietz, "Capital-Labour relations at the dawn of twenty-first Century." United Nations University/WIDER Project on Capital-labour Relations, 1990.
31. *The Great Transformation*, p. 154.
32. "Avoiding two-tiers Europe."
33. On "fair" trade and debt issues, see A. Lipietz, "Trois crises," Colloque La crise actuelle par rapport aux crises antérieures, Binghamton, November, 1985a; and *Choisir l'audace*.

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