

**Cities and regions in the new Europe:
the global-local interplay and
spatial development strategies**

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**15 The regulation approach and
capitalist crisis: an alternative
compromise for the 1990s**

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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, the transition from capitalism to a more progressive mode of production, has collapsed. It is now clear that, despite some early successes for primitive socialist accumulation, the October 1917 revolution led to nothing other than a form of authoritarian state capitalism, which proved less efficient than many variants of market-capitalism.

A new world configuration is now developing, and has faced its first geopolitical crisis: the war in Kuwait and Iraq. At the same time, the last major economic crisis of the twentieth century, which started at the beginning of the seventies, remains without a solution. While the war in Kuwait has triggered a new recession, the recession itself is mainly the result of the mistakes of the 1980s. Yet in that decade there were tremendous transformations in market-capitalist countries. The breakdown of the socialist camp does not appear as a victory for the former leader of the Western world but as a move towards the establishment of Japanese hegemony in the Pacific Rim and Western German hegemony in the Atlantic and European zones.

Marxist theoreticians were not prepared for these changes. Too often, they had considered their object (capitalist economies) to be characterised by a set of eternal laws and behavioural rules. Capitalism was, they had argued, a well-defined mode of production, with immutable social relations, subject to some variations (for instance, in the degree of concentration of property), which could be replaced by socialism only through a general revolution.

The history of capitalism is much more complex. Capitalist socio-economic relations underwent greater changes in the years from 1848 to the present than any socialist of that earlier era would have ever thought possible. In almost one and a half centuries, major social tensions and economic problems were a

constant trigger of crises, political struggles and, sometimes, revolutions. Yet, during fairly long periods, capitalism worked. The existence of a general framework and a general rule for the game must therefore be more or less reluctantly acknowledged. Three times since 1848, there has been a major crisis: first, at the end of the nineteenth century; second, in the 1930s; and finally at the end of the 1960s¹. But between these major crises, different social classes accepted a historical compromise. These compromises included the acceptance of a model of development as the economic foundation for what was considered the best thing humankind could expect from its economic activities. A large spectrum of political tendencies, from the left to the right, fought over marginal improvements that could be implemented within the same compromise, but the model itself was not questioned.

As in the 1930s and 1940s (when Social Democracy and Rooseveltians were challenging conservative liberalism, Stalinism and Fascism), we are now in one of these periods of conflict, not over how to carry on an (already given) economic design, but over what the new compromise should be. The crisis is not only an economic crisis but a major compromise crisis, or, in the words of the Italian Marxist sociologist Gramsci, a '*crisis of hegemony*', that is a crisis of consensus. In fact, hegemony is a form of leadership which implies taking care of the interests of the whole and therefore of some of the interests of dominated supporters of the hegemonic group.

In this chapter, I shall first outline and explain the hegemonic pattern of the post-war boom in market capitalist societies. To enumerate its constituent elements I shall draw on the methodology which is internationally known as the French regulation approach. Then I shall have to explain what went wrong from the end of the 1960s onwards. Finally I shall propose some features of a new compromise for the post-crisis period: a compromise for the twenty-first century or even for the 1990s.

However what I propose will be no more than an option. It is an option which is at present defended, more or less, by the European Greens, alternative ecological and self-management movements, and some streams within American radical grassroots movements. It should not be interpreted as a conclusion drawn from the imminent necessities of economics for, as Marx pointed out, 'humankind makes its own history'.

15.1 The 'Fordist' compromise

In order to understand the present world crisis, it is necessary to understand the developmental logic of the post-war period. The economic boom was an expression of the hegemony within the main advanced capitalist countries of a peculiar 'pattern of development' and of the stability of a 'world configuration' that linked them together.

At the national level a *pattern of development* can and must be analysed from three different angles:²

- as a *model (or paradigm) of industrialisation*: the general principles which govern the evolution of the organisation of work during the period of

supremacy of this model (these principles are obviously not confined to industry);

- as a *regime of accumulation*: the macro-economic principle which describes the compatibility over a prolonged period between transformations in production conditions and in the use of social output (household consumption, investment, public expenditures, international trade and so on); and
- as a *mode of regulation*: the combination of forms of adjustment of the expectations and contradictory behaviour of individual agents to the collective principles of the regime of accumulation. These forms of adjustment may include cultural habits as well as institutional elements such as laws, agreements etc.³

The regime of accumulation therefore appears as the macro-economic result of the operation of the mode of regulation on the basis of a model of industrialisation. It may be noticed that these notions have some connections with the classical Marxist concepts of degree of development of productive forces, schemes of reproduction and superstructures. Indeed they are derived from a Gramscian deconstruction of these old concepts. Using a term first proposed by Gramsci but also by Henri de Man (a Belgian theorist who moved from socialism to Fascism), some French and Italian economists labelled the post-war, hegemonic pattern of development 'Fordism'.

The Fordist industrial paradigm included the Taylorist principles of rationalisation, plus constant mechanisation. Taylorist rationalisation was based on a separation of the intellectual and manual aspects of labour. Separation did not mean, however, that there was no intellectual involvement of manual workers, but that this involvement had to remain informal, as social knowledge was systematised from above and incorporated into machines by designers. When Taylor and Taylorist engineers first introduced these principles, at the beginning of the twentieth century, the explicit aim was to impose management control on the direct workers. In the first three decades of the twentieth century skilled workers resisted these developments and moved (communists included) towards a new compromise: acceptance of Taylorist forms of control in return for a sharing-out of productivity gains.

At first the great majority of employers refused to accept that sharing-out. There were some exceptions, such as Henry Ford, and some economists like John Maynard Keynes were also in favour. Yet Keynes and Ford were preaching in the desert until the dramatic confirmation of their prophecy: the Great Depression of the 1930s. The conservative liberalism of Hoover, Lloyd George and Laval was unable to deal with the problem. There were three competing alternatives: a Fascist organisation of social demand; a Stalinist-type revolution leading to a variant of state-capitalism; and a new social-democratic compromise between management and workers. Fortunately, the coalition of social-democratic and Stalinist forces defeated the first, Fascist, solution during the Second World War. And within ten years, the contest between the Stalinist and Fordist compromises in the Second and First Worlds turned in favour of the latter. At that stage the Fordist compromise

materialised as a new regime of accumulation warranted by a new mode of regulation.

The Fordist *regime of accumulation* was characterised by:

- mass production with a polarisation of skills, high productivity growth, and an increasing capital-output ratio (in volume, but not in value); and
- increases in value-added that were shared out so that the real income of wage earners grew parallel with productivity; so that
- the rate of profit remained relatively stable, with productive capacity and the labour force fully employed.

In other words, the Fordist compromise involved a correspondence between mass production and mass consumption. It was a productivist and hedonistic model which was accepted all over the world as 'the American Way of Life', which was contested only by some radical intellectuals like Herbert Marcuse, and which was considered a goal by political forces ranging from Christian Democracy to Western communist parties, with conservative political forces supporting it even against the initial prejudices of a majority of employers.

Which forces however could finally induce individual employers to accept the compromise, which was consistent with their medium-term interests? That was the task of the mode of regulation.

The *mode of regulation* included, in ways and to extents that varied between countries:

- social legislation for an increasing minimum wage, and a strong collective bargaining mechanism which required all employers to grant annual improvements in real wages in line with gains in national productivity;
- a developed welfare state granting to nearly all the population the possibility to consume, even in case of temporary or indefinite incapacity to earn money from work due to illness, unemployment, retirement and so on; and
- a credit money supply regulated by central banks and issued by private banks according to the needs of economy (and not according to a stock of gold).

All these institutions provided new structural rules of the game. These rules gave the state active responsibility for fine-tuning economic expansion. Through its direct expenditures, through its taxes and deficits, and through its power of regulating minimum wages and welfare payments, it gained the ability to influence the level of social demand. Through its capacity to regulate the extension of credit, it could raise or lower firms' and households' expenditures. The use of these tools was called Keynesian policy.

However it, should be pointed out that the new mode of regulation did not necessarily imply state ownership of the productive sector. State ownership was indeed common in France and Italy, but not in Sweden. What was more, the regulatory framework and agreements were not consciously designed: 'for the Fordist model to work, we need these agreements'! That argument may have been put forward by some intellectuals of the time, such as Keynes or

Beveridge. The mode of regulation was, however, the product of political struggles, that occurred in the context of competition with the 'unacceptable' Soviet and Fascist models. It was for that reason that the various institutions of the mode of regulation varied in their achievements from one country to another.

At the international level, the world economy never reached a similar degree of macro-economic organisation. The Fordist model was hegemonic only in OECD countries. Most Third World countries were excluded from international trade in manufactured goods, and the world currency was *de facto* the credit money issued by the USA. There was semi-free trade between mainly self-centred industrial countries, and trade balances were fine-tuned through changes in parities and cooling-off policies and other controls over domestic markets.

That particular international order was possible because the international productive superiority of the USA was such as to make its capital goods both necessary and competitive. Other countries were therefore induced to accept the dollar as the international general equivalent. At the time, the US trade balance was structurally positive, and its capital balance was structurally negative. The USA thus provided Europe and Japan with technical and financial means which helped them to catch up.

It may be useful to emphasise the similarity of the international attitude of the USA, which stemmed from a position of hegemonic leadership in the context of competition with the USSR, with the domestic, Fordist compromise. After 1947, the US administration rejected the temptation of crushing eventual competitors by enforcing complete free trade. On the contrary, as Spiro (1977) 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'.

As far as the Third World was concerned, there were similar motivations in Kennedy's Alliance for Progress. But then, most often, short-sighted neo-colonial interests prevailed, 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.

15.2 The end of the Golden Age

The Fordist regime started to weaken for two different sets of reasons. One set was internal in the sense that the reasons stemmed from the very development of the Fordist regime in each individual country. The second set was international in that these reasons stemmed from the interconnection of national economies. The concrete development of the crisis can be explained only through the interweaving of these two sets of factors (Lipietz 1985b; Glyn

et al. 1990). For the purposes of this chapter, however, it is sufficient to acknowledge the two-sided explanation of the crisis. Let me start with the internal reasons.

Basically, from the end of the 1960s, all advanced capitalised countries experienced two developments: first, there was a slow-down in the rate of productivity growth, while real wages (including welfare payments) continued to rise; and, second, there was an acceleration in the rate of growth of the capital-output ratio in volume terms causing it to rise in value as well. 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. In other words, Marx's tendency for the rate of profit to fall came into play in the 1960s and 1970s (Lipietz 1986).

The reasons for these developments can be found in a latent weakness in the pattern of organisation of work: the crisis of informal involvement. That weakness may have been triggered by the increase in working-class militancy in the full-employment situation that prevailed at the end of the 1960s. More deeply, the incorporation within the active population of young people, women, immigrants from the countryside and the Third World had at first facilitated the implementation of Taylorist principles. But, as the years went on, the increase in educational attainment, in social consciousness and in the need for self-development and dignity at work led to a growing revolt against the denial for workers of any human responsibility in the crudest forms of separation between conceivers and doers. That separation was moreover at the root of the exhaustion of the sources of productivity gains (because only a minority of people within the labour process was responsible for improving collective efficiency) and for the increase in fixed capital per worker (because the 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, first, by reducing real wages, which led to sectoral and general crises of underconsumption, and, second, by spreading and socialising their losses through mark-up pricing policies, which led to the cost-push inflation that was allowed by the nature of credit money (Lipietz 1983).

However, the main result was growing tension over the social compromise. With declining profitability and, hence, a declining rate of investment, with the declining number of new jobs each investment created, and later with the shrinking of domestic markets, unemployment increased. In the early 1970s, the economic and social logics of Fordism led governments to increase aggregate transfer payments for the growing numbers of unemployed people. In contrast, therefore, to what happened in the 1930s, the social and economic risks of a cumulative depression were avoided. Eventually, however, these transfers were considered too heavy a burden on the productive economy and an additional cause of declining profitability. What followed was a fiscal crisis of the welfare state which placed a question mark over the legitimacy of state-social policies. Hence, ten years after the Marcusean revolt of young people against one-dimensional (that is the producing-consuming) society, endogenous tendencies had made the Fordist compromise economically

unsustainable. At the root of the crisis was, on the supply side, a crisis of labour which provoked a crisis of profitability.

There were also, however, international reasons for the erosion of the Fordist compromise. In the 1960s, and still more in the 1970s, the search for a larger scale of production and for regions with lower wages led to an internationalisation of productive processes which stood in contrast to the national character of economic regulation. Competition from Newly Industrialising Countries thus became disruptive for old industries, and poorly-paid replaced well-paid workers, leading to a negative-sum game with respect to world effective demand. At the same time, the quest for balance of payments equilibrium in a context of increasingly free trade led each deficit country to adopt deflationary policies, either in the name of a price-effect (lowering per-unit labour costs) or a volume-effect (reducing domestic demand).

It may be argued that, due to this negative-sum game, the crisis is, at the world level, a Marxist crisis of underconsumption (or, in Keynesian terminology, a result of a lack of effective demand). However, from an 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 (a fall in profitability)⁴.

Of course, during the crisis, the reactions of firms, trade unions and states shifted several times from one policy to another, thus leading to a succession of different world configurations (Lipietz 1985b; 1989). During the 1970s, within OECD countries, what predominated were Keynesian demand-side policies. Incentives for growth were created through increases in welfare expenditure and easy credit, including the risky recycling of Euro-dollars to Newly Industrialising Countries (NICs). International credit provided an opportunity for an acceleration of industrial growth in several Third World countries. In the late 1970s, however, the inability of Keynesian policies to restore non-inflationary growth in advanced capitalist countries led to a shift to monetarist policies. The inflation of the 1970s led key states to introduce restrictions on the issue of credit money and to raise interest rates. This monetarist shock made it more expensive for firms to invest and triggered a debt crisis in the NICs, adding an unnecessary Keynesian (demand-side) component to an unsolved, classical crisis of profitability. After 1982, a more lax policy from the US Federal Reserve and the US Treasury induced a deficit-led, Keynesian wave of expansion in the USA. All other countries, including the NICs, benefited from this increase in world demand.

However countries differed in their forms of adaptation to world competition and to the supply-side of the crisis. Indeed, as early as the 1970s, some direct attempts were made to attack the inner roots of the crisis (technologies that were too capital-intensive, inadequate productivity gains and too many dependents of the welfare state). The new technological revolution was supposed to provide solutions. Yet, the discovery of new social relations of production is not just a matter of technology, as I shall show.

15.3 So, what is to be done?

Just as in the 1930s, the question of the ways out of crisis is a political one. There is no such thing as 'the solution' dictated by a knowledge of current economic laws. Nor is the crisis an inevitable calamity. There are some success stories of countries which preserved growth and employment in the 1970s and 1980s: Japan, Korea, Austria, Sweden, etc.. Their strategies were different. The possibilities for promoting these strategies in other countries and in the longer term (their universality) are dubious. And as in the early 1930s, the main competing solutions (which, at that time, were Fascism, Soviet communism and conservative liberalism) may not include the next winner (which later turned out to be the Fordist social-democratic compromise).

I must say, moreover, that socialism is not a competitor either, if by socialism one means a ready-made model of a new mode of production. All the socialist models initiated and experimented with since the Soviet revolution of 1917 have now been clearly defeated from a democratic as well as from an economic point of view. Socialism appears to be the great tragedy of the twentieth century, in which North Korea and Cuba appear as some of the last ghosts of a dream which has already vanished into horror or dismay. At the beginning of the twenty-first century after the present crisis of capitalism, what will exist all over the world is market relations between productive units and wage relations between managers and the labour force. What will exist therefore is capitalism. The question is what sort of a capitalism will it be? How good will it be for people and how promising will it be for further social progress? No predetermined outcome exists, nor will any law of development of productive forces provide an answer.

At this point Marxist, ecologically-oriented and feminist economists do have things to say. They can explain the difficulties encountered by the 'old' compromise. They can identify the difficulties, contradictions and inconsistencies of the projects of different political forces. They may propose solutions in accordance with their values. It is, however, only political forces supported by social movements that will have responsibilities for agreement on a new model of development.

With all these caveats, I shall first glance at the first competing model offered as 'the way out of crisis': liberal-productivism. Represented by the USA and UK, this model seemed hegemonic in the middle of the 1980s. But, by the end of that decade, Japan and Germany appeared to present a better capitalist model. I shall therefore discuss the Japanese debate outside Japan. On the basis of this discussion, I shall present alternative solutions, and I shall finish with a consideration of international issues.

15.4 Liberal-productivism

Liberal-productivism is the name I shall give to the ideology expressed by the Reagan and Thatcher administrations, and which in the mid-1980s was more or less accepted by most West European governments and by the main international economic institutions (IMF and OECD, but not UNCTAD). The

great strength of that ideology lay in the breakdown of the social-democratic compromise (notwithstanding the disaster of actually existing socialisms). In that situation there was a great temptation to argue that a simple restoration of liberalism was 'the' solution.

There is, the story ran, a technological revolution. But the rigidities imposed by the state (social security, social and environmental legislation, etc.) are blocking its development. Get rid therefore of rigidities, and the laws of free competition will automatically lead to the emergence of a new model of development consistent with the new technologies. This ideology shared the nineteenth-century confidence in constant technical progress which could be limited only by inefficient social relations. However, there were also some differences from eighteenth and nineteenth-century utilitarian liberalism. The latter was utilitarian and hedonistic. The aim of technical progress and free enterprise was the enrichment of economic agents. Of course, that possibility is still open within the new liberalism. But more and more often technical change and deregulation were presented as pre-conditions for survival in the face of international competition: 'modernise or perish', 'lower wages or perish' and 'be flexible or perish' were key admonishments of this new discourse.

This model was neither inconsistent nor irrational. On the contrary, it proposed a modernised version of the type of stability characteristic of feudalism, where landlords 'protected' the poor against other landlords, and 'gave' them work by requiring services of them. However just as in the case of feudalism, constant unrest undermined macro-stability, and micro-instability could spill over into a major crisis.

In the case of the liberal-productivist model, the underlying problems are fourfold. First of all, it leads to a polarisation of society: Brazilianisation appears to be the future of this model (Lipietz 1985). At the top, the winners in a competitive order will benefit from the gains from the technological revolution (in so far as there are any). In the middle, a group of skilled or semi-skilled workers will benefit from regular employment, but in contrast to the Fordist compromise this group no longer has the prospect of regular real wage increases. At the bottom, a crowd of job seekers will float between ill-paid employment and unemployment without the benefits of the welfare state. The political consequence is obvious: the nineteenth-century problem of the 'dangerous classes' reappears, with the possibility of either disruptive collective action (which, in my view, is the best result) or a generalisation of individual delinquency and social diseases such as drug addiction.

The second problem is that this solution does not solve the crisis of Taylorist industrial relations. On the contrary, there is a risk of a widening gap between workers and their firms. The non-involvement of manual workers in the battle for quality and productivity therefore remains a problem. Of course, technology is supposed to solve that problem. But technology is nothing other than the incorporation of human skills into machinery. If direct workers are not involved in technical change, the implementation of highly sophisticated technologies requires a very large amount of design and maintenance work. What results is a further increase in the capital/labour ratio and no clear recovery in direct labour productivity.

The alternative is obviously the choice of less sophisticated technical systems which involve machine-worker interaction in the production process. This 'responsible autonomy' or involvement of workers as opposed to Taylorist 'direct control' (Friedman 1977) cannot remain informal. The aim is not just to induce work teams to involve themselves willingly in the permanent tuning and maintenance of plant and equipment, 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 in the day-to-day performance of the labour process should be capable of formalisation and assimilation by the methods, design and engineering staff. The problem is in short to reconnect what Taylorism disconnected: the manual and intellectual aspects of work.

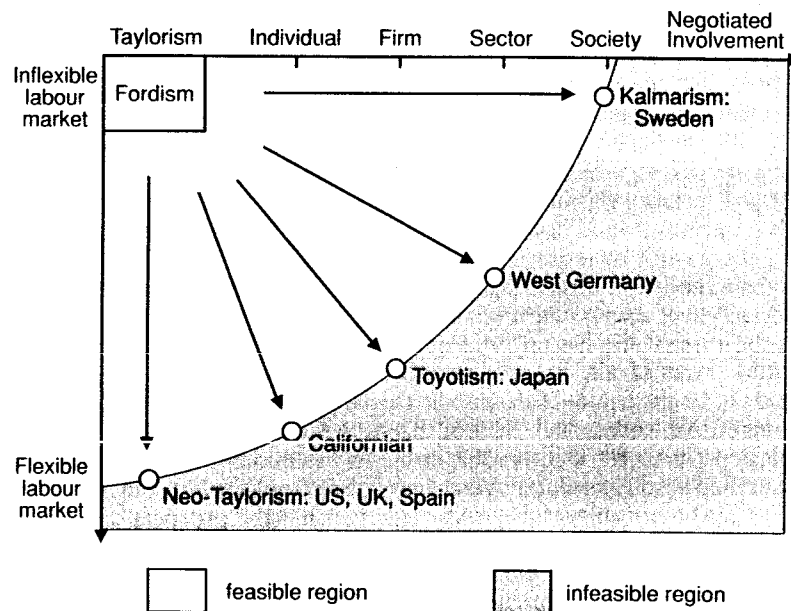


Figure 15.1 From Fordism to...? Alternative work and employment relations

Today this second industrial relations model seems more rational than the first (Aoki 1990). In fact one can now interpret the events of the 1980s as a great economic war between two solutions to the supply-side of the crisis of Fordism (see Figure 15.1). On the one hand the flexible-liberal-productivist countries such as the USA, Britain, France, Spain and Brazil tried to relax the rigid aspect of Fordist industrial relations. On the other the models centred on involving-the-workers found in Japan, Scandinavia, West Germany and in part in South Korea entailed attempts to relax direct Taylorist control over the work-force. The great news is that it is the second group which is winning that war! I shall come back later to the important differences that exist within the

second group. The fact is however that Taylorist direct control plus flexibility in the wage contract (neo-Taylorism) was not a very good solution even from a capitalist point of view.

The third problem with the liberal-productivist model is macro-economic: the return of business cycles. Since collective prospects are no longer given explicit expression, the only guidelines for individual expectations are an evaluation of the expectations of others. If the animal spirits of other wealth-seekers is understood to be directed towards investment, investments will occur, leading to growth that will justify these investments until a subsequent point is reached at which some industrialists, merchants, or bankers notice that there is insufficient effective demand for the products made from past investments. The consequence is panics and crashes. The classical solution to this old problem is state expenditure. But classical state expenditures which exclude welfare are warfare expenditures. Militarism therefore reappears as a major tool of macro-economic policy as in the case of the post-1983 boom in the USA. By the end of the 1980s, however, this macro-economic policy reached its limits due to the growth in the size of the US deficit (whose roots lay in its less competitive industrial paradigm).

The free-trade spirit of liberal-productivism is itself a source of international instability, and is the fourth problem. (As I have already mentioned, the Golden Age did not rest on the ultra-free-trade path which was the initial aim of the US administration in 1945.) With the intensification of global competition, difficulties emerged due to the lack of a sufficiently comprehensive set of international rules adequate to the new conditions of the economic game: the world market. To these new difficulties, liberalism's answer is that there is a need for still fewer rules and still less organisation. Free trade is supposed to lead to the mutual adjustment of national economies to multilateral trade and capital flows balances. In reality (independently of the problem of the OPEC surplus in the 1970s) structural imbalances appear. In a free-trade situation, the only solution for a deficit country is to introduce domestic deflation. Of course, if all the deficit countries organise deflation, the external markets of surplus countries contract in the same proportion, and market contraction has a deflationary impact on surplus countries. The aggregate result of this beggar-thy-neighbour game is stagnation. A very clear example is the European Community: the EC is a free-trade zone without policy co-ordination and has suffered not from Euro-sclerosis but from EC-sclerosis (Leborgne and Lipietz 1990a).

However the situation is far more serious in the case of Third World countries, where trade problems are connected with debt problems, and where the consequences for the welfare and even for the survival of large sections of their populations are dramatic. The 'miracles' of the newly industrialising countries (NICs) in the 1970s were made possible by a peculiar world configuration: in industrial countries there were still prospects of growth (due to Keynesian policies), and in OPEC countries there was substantial purchasing power, while lax US monetary policy encouraged private transnational banks to grant the NICs easy credit. When the US government reversed its policy with the monetarist shock of 1981, the NICs were trapped: their export prospects worsened, and the interest rates on their loans soared.

Once again (but with terrible social consequences) the only solution was domestic recession. Today, only Korea and Taiwan are able to pay for their debt while allowing the purchasing power of their working classes to increase.

Even the leading country (both the most powerful and the herald of liberalism), the USA, experienced the shortcomings of *laissez-faire*. In the middle of the 1980s, when the US administration was faced with an enormous trade deficit, it realised that a sharp adjustment (deflation plus a large devaluation) would be too disruptive both domestically for political reasons and internationally for economic reasons. After years of selfishness and liberalism, the US administration rediscovered the virtues of multilateralism and an active state policy and proposed to its partners a project of international collaboration aimed at world recovery involving a Keynesian-type acceleration of growth in the surplus countries, Japan and Germany. This plan was not very different from the one proposed by the former (Keynesian period) OECD economic adviser, Stephen Marris (1987). At the same time protectionist proposals were put forward (and partly implemented) in the United States. The new multilateralism of the US administration is as opposed to its professed principles of liberalism as protectionism is to free trade. An explicit compromise between states appears however as the only alternative to the war of all against all which lies at the heart of liberal productivism.

This economic war is finally leading to the most dramatic ecological crisis that humankind has ever faced. I shall not consider this ecological crisis in this chapter. (See the World Commission on Environment and Development report on *Our Common Future*.) Suffice it to say that in the course of one century capitalism has multiplied world industrial output by a factor of fifty. However, four-fifths of this growth occurred in the Fordist period after the Second World War. As with Fordism, liberal-productivism fosters a use of the natural environment which makes no sense, as the ecological debt which past and present generations are handing on to future generations (destruction of the ozone layer, the greenhouse effect, etc.) will have to be paid for in the next forty years.

15.5 The 'Japanese debate': a view from outside

Within the group of capitalist countries which chose the 'other' solution to the supply-side crisis of Fordism and sought to develop a new industrial paradigm which involved their workers in the battle for productivity and quality, Japan, with its reorganisation of shopfloor-level management through Kanban methods and so on, is the best known. West Germany appears as another challenger to the exercise of US hegemony, while Scandinavia and the countries of the Alpine Rim (Austria, Switzerland and Northern Italy) show how smaller countries can do well in world competition. I shall first consider the differences between these new experiments, and I shall return later to the political and academic debate about Japan.

The crux of the matter is that when management tries to reconnect what Taylorism has separated, there is an increase in the shop-level bargaining power of workers. How then can management establish a compromise and

regulate their relationships with the new involved and multi-skilled collective producer? Obviously, if management insists on a perfectly flexible wage contract consistent with liberal ideology, compromise is impossible. Involved workers must feel that their interest is linked to the interest of the firm! However there are different forms of bargaining. One form is a non-market agreement (on employment, career advancement and so on) between management and skilled or semi-skilled workers at the firm level, as occurs in Japan. In this case, there is a compromise between capital and a part of wage labour force, with growing competition within the privileged segment of the work-force (the workers' aristocracy) and over-exploitation of the rest (women, ethnic minorities, etc.). Another solution is sectoral-level bargaining as in Germany. In this case the gains made by workers are certainly greater than under firm-level bargaining, but some sectors (especially in services) and some groups (women, immigrants, etc.) are neglected. The next step is for bargaining to occur at the level of society as a whole as in Sweden. This solution is certainly better for workers, but poses some problems for the profitability and competitiveness of capitalist enterprises (Mahon 1987). In Figure 15.1, these three solutions are indicated as firm, sector, and society- levels of negotiated involvement of workers.⁵ For obvious reasons, the higher the level of negotiation, the less flexible the wage contract.

As I have already pointed out, the combination of involvement of workers with flexible wage contracts is not feasible. Yet in the West this combination is widely seen as 'the' post-Fordist paradigm. Sometimes called flexible specialisation, this model, presented by Piore and Sabel (1984), now receives wide support on the Anglo-Saxon left. Taking examples from Japan, West Germany (with an emphasis on the growth regions of Baden-Württemberg and Bavaria) and the Third Italy (Emilia-Romagna and Tuscany), the flexible specialisation thesis reduces (in spite of the references it makes to the regulation approach) the debate about post-Fordism to the identification of a single development path which is technologically determined by the introduction of new flexible machines and appears as a mere inversion of Fordist industrial paradigm: flexible instead of rigid social legislation, and workers' involvement instead of direct control. This second aspect (which is obviously progressive) is used to justify concession-making on the first aspect.⁶

The arguments against this philo-Japanese left are several:

- When developed in the UK or USA, Japanese methods are reactionary (Pollert 1988), and 'neither socially nor economically progressive' (Foster and Woolfson 1989). To this view one can respond by arguing that in the UK and USA there is another paradigm which governs the way in which so-called Japanese methods are implemented (Leborgne and Lipietz 1990b). Moreover, even in these countries there are some conditions in which the introduction of Japanese industrial relations can appear socially and economically progressive when compared with the US context (Brown and Reich 1987).
- Even in their place of origin (Japan) post-Fordist solutions are reactionary. With its intensification of work and flexible social legislation the Japanese model is 'the cruellest and the most oppressive system of capitalist

domination over labour' (Kato and Steven 1989). The first answer to this argument is that the average level of education and health of the Japanese working population is one of the highest in the world. Second, when workers are involved, their wage contract is better. Third, from a social point of view Japan is certainly not the most advanced example of negotiated involvement. In my hierarchy (see Figure 15.1) Japan stands behind Germany and Sweden and perhaps behind other countries (New Zealand). Nevertheless, it is certainly more progressive (both economically and socially) than Thatcherism or Reaganism.

- Even for the privileged segment of the Japanese labour force (working for the major companies) industrial relations are not as good as Kenney and Florida (1988) suggest they are. A similar criticism is made of Germany (Tomaney 1990). Once again, the relevant judgement is a relative one: German and Japanese workers are certainly not offered the 'end of the division of labour' (Kern and Schumann 1984). Yet, their situation is certainly a step forward when compared with the Taylorist dispossession of a worker's individuality at work.
- While recognising this fact Hirata (1990) criticises this form of involvement of the working class in the capitalist process of production. 'Japanese Workers', she notices, 'keep on speaking of their job in their leisure time'. Certainly, the same remark could be made about most male engineers, managers and ... academics! In my opinion, this criticism applies to any patriarchal and productivist civilisation and to any any form of reduction of male social identities to their profession. An alternative project should directly address this issue, while acknowledging that professionalism is an important value.

Summarising this debate, one can say that, while being economically and (at least for the privileged segment of the labour force) socially superior to Thatcherism and Reaganism, Japanese industrial relations do not escape some of the shortcomings of liberal-productivism. One of the reasons why is that the negotiation of the compromise on a firm-by-firm basis makes for deep segmentation and competition in society, restricts solidarity to the family and confines women to their homes or to neo-Taylorist sectors.⁷

As a result, some of the macro-economic features of liberal-productivism are also found in Japan (as indeed are some of its ecological consequences). Japanese macro-economic development is overdependent on external demand for commodities and capital. As Itoh (1990) has explained, the regulation of income distribution in Japan does not correspond with the superiority of its industrial paradigm. In Marxist terms, Japanese firms redistribute extra surplus value to an aristocracy of workers, whereas under Fordism relative surplus-value used to be redistributed to the greater part of the population.⁸

What Japan (along with Germany, and Sweden) showed 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 demonstration is the productive basis for a progressive alternative, but it is only a basis.

15.6 For a new design in the labour process, and a new wage-contract⁹

At the root of current economic crisis, there is a crisis of labour, a crisis of Taylorism. I think that the labour movement and all democratic movements should challenge Taylorism and should promote an anti-Taylorist revolution not just as a compromise but also as a first step towards their historical goal of an ever more democratic, self-managed society and as a step towards the humanisation of humankind.

However it should also be a compromise. Of course any employer would welcome workers who worked enthusiastically and used all their intellectual capacities for the greater glory of the firm. In so far as the Taylorist movement chose to do without those capacities, it was for political reasons not just of a micro-political, shop-floor kind, but also of a macro-political, state-level kind. The Taylorist revolution was aimed not just at the dawdling of skilled workers on the shop-floor, but also at the political capacities of a proud, self-conscious working class and against the dangerous idea, which from 1917 to 1936 was widespread in Europe, that 'the people who can rule the factories can rule society'. One of the 'successes' of Taylorism was that, with the loss of knowledge about the productive process, the working class lost any ambition for self-management. After the 1930-45 crisis, the workers accepted Taylorism in exchange for the welfare state and consumerism.

If what Taylorism has divided is to be reunited, what should the bargain be? What could the working class (men and women, citizens and migrants) get immediately in exchange? The first aspect of the bargain is obviously greater employment stability. No worker would participate in a co-operative quest for gains in productivity that entailed his or her own redundancy. It is for this reason that employment guarantees are part of the implicit contract in major Japanese firms and of the explicit sectoral agreements in Germany. The problem is that most single firms cannot guarantee for long a particular job. Job guarantees should therefore be dynamic and have both intra-firm and social dimensions. At this point of course the question of mobility arises.

Most workers are not ready to accept any level of occupational or geographical mobility. That position is reasonable. Work is just one part of an individual's personal and social life. Friendship and family relations are the main components of happiness, and they depend on particular material conditions including the existence of stable groups, linked to places. The compromise should not therefore entail 'employment somewhere' but the 'right to live and work in one's home area'. The implication is that unions should develop a collective concern for the dynamic creation of new jobs, as and when old jobs disappear. The involvement of workers in questions as to 'how do we work?' entails involvement in questions as to 'what should we do and where?'.

Two imperatives should be the guidelines for this permanent restructuring of the productive apparatus. The first is the conservation and enrichment of skills. Workers should be involved in decisions concerning the process of restructuring. The right to professional retraining and to discussions about the goal of retraining are part of the compromise on dynamic restructuring. The

second is the democratic definition of real social needs. One temptation for unions is to defend their members' present jobs. These jobs may be dangerous for society (nuclear plants), or not very useful (old mines). Involvement in 'what should be done' is a question that therefore concerns not just workers but the whole of society. New forms of democratic and ecological planning should be developed and should prevail over the judgement of the market.

Another major aspect of the compromise concerns the way in which gains in productivity are shared out. Assuming that the new industrial relations result in a restoration of the high rates of productivity growth last experienced in the Golden Age, who should benefit? At the very least, the workers should gain as much as the firms. If the workers did not gain as much, the coexistence of sluggish social demand and roaring productivity would lead to overproduction and unemployment or to an exports war (with its losers). However the new regime of accumulation could solve that problem either through higher wages or less labour time per worker. In my opinion (and this point is of particular importance), the compromise should involve more and more free time. The reasons for that preference are many.

First, a majority of the inhabitants of the advanced capitalist countries have reached sufficiently high quantitative standards of living. (The situation is different in the Third World.) The 'right to search for happiness' is at present constrained, not by a lack of having, but by a lack of being. This constraint surfaced around 1968 as the first existential limit of Fordism and antedated its economic crisis. Moreover, the new goods which the electronics revolution has so far provided, such as music and video devices and home computers, are time-consuming and not time-saving as Fordist goods (cars, washing machines, etc.) were supposed to be.

Second, a dramatic reduction in labour time is the only efficient way to secure a rapid reduction in unemployment. In any case reduced work time is the present choice in the liberal-productivist model except that it is just the part-time and marginalised who work less. What results therefore is a situation in which there is too much work for one segment of the population, and insufficient, unstable part-time jobs for another (made up mainly of women, young people and ethnic minorities).

Third, logic suggests that, in the long term, an active, involved worker in production-time will be an active citizen in democratic life, with free time for cultural life and a permanent increase in his or her degree of education.

Fourth, a regime of accumulation, in which full employment is based on a slower growth of market relations and an expansion of free, non-market social relations is less subject to economic disturbances stemming from the international competition. The accumulation of well-being leads to more balanced economies and improves national societies' capacities for democratic self-regulation.

Fifth, any increase in the production of material goods (with the consumption of raw materials and energy that it implies) will come into conflict with global and local ecological constraints. Since there is a need to increase the material welfare of a large part of the Third World population, northern populations should choose a form of progress centred on the growth of free time.

15.7 Solving the crisis of the welfare state

The welfare-state model that emerged from a century of trade-union militancy is a powerful but very peculiar form of social solidarity. In essence it amounts to a compromise between capital and labour which assumed the form of a compromise between citizens. One part of direct income is subtracted, reducing individual purchasing power, and is placed in a pool. That pool provides money incomes to people who, unwillingly, cannot or can no longer earn their living through work for a direct wage.

The active sector pays the taxes that fill the pool on which the welfare state draws. When these contributions become too large, the members of the active sector start to protest: the welfare state pays for 'lazy' people and for people who do not want to work. Actually, these people would like to work, but they are not allowed to work while receiving welfare transfers. They have to live with the psychological and practical consequences of that inconsistency.

In addition to the generally unjust and stupid accusation of laziness, the welfare state is also attacked by the ideologists of conservative liberalism as economically counter-productive on the micro-economic grounds that 'if there were no (or less) tax on the active sector for the welfare state, then the total cost of labour would be less. In these conditions a lot of new workers would be hired'. That argument may be true at micro-economic level, but it is subject to a fallacy of composition. If there were no taxes to finance the welfare state, there would be no welfare transfers and a much greater danger of macro-economic instability.

Some advocates of a reduction in the size of the welfare state outline the alternative possibility of 'family welfare', including the use of housewives as carers, and private insurance or saving. It should be pointed out that, from a macro-economic point of view, any transfer in a particular period is financed by the production of the same period, so any system of social security is based on redistribution and not on saving.¹⁰ As for family solidarity, it is too often based on the patriarchal oppression of women.

It is however possible to cut through schizophrenic arguments against the welfare state taking into account the micro-economic argument but avoiding the fallacy of composition while at the same time allowing for the feminist critique of the sexual division of labour. The way forward involves the creation of a new sector, limited in size, whose workers (or more precisely the agencies paying them) would receive from the welfare state the normal unemployment pay. The workers in this sector would pay no or the same welfare contributions as if they were unemployed and would receive a normal net wage.¹¹ The activities of the new sector should be dedicated to socially useful tasks of the kind which are provided expensively by the welfare state (care of old people or convalescents), by unpaid female work, or not at all (environmental improvement in poor neighbourhoods, etc.). The development of this sector would eliminate many of the problems of the Fordist welfare state. The schizophrenic critic would vanish. Active taxpayers would know what they are paying for: socially useful services. Workers in the third sector would have a useful job which would give them more social and more self-esteem than moonlighting or part-time jobs in fast-food chains or shoe-polishing. The

micro-economic argument is respected: jobs are provided which cost the agencies in a new sector of activity little, which provide formerly unemployed people with stable incomes and which do not compete with existing jobs in the market and public sectors. In the absence of competition, moreover, there is no fallacy of composition.

But there are other advantages. With the emergence of a new economic sector, new social relations could be tried out. First, inside the sector, work could be organised in small, self-managed co-operative agencies, and with the help of psycho-sociologists and educational specialists, these agencies could combine work and vocational training. Second, in its relations with its 'clients' and 'customers' it could introduce innovative, non-market and non-patriarchal forms of contract, with constant democratic control by the contractor (a local community, an agency for environmental protection, etc.) over the social usefulness of the 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 and wage relations (but protected by its connection with the welfare state), it could represent another step forward in the humanisation of economic relations.

15.8 A non-aggressive international economic order

Suppose that the reader likes the above design. She or he will certainly object: 'Well, it is all right if some nation chooses that design, but this nation will not be able to handle international competition. How could a worker working thirty hours a week compete with a Korean? Moreover a democratic Korea might chose to work hard and improve the standard of living of its popular classes'. The objection is correct. 'My' compromise is not the only progressive compromise that could be thought of and, besides, most ruling classes have chosen the liberal-productivist design. It is therefore necessary to identify and agree upon an international order which will leave room for a progressive design, even if it is not the design found in all countries.

The problem with the present international economic order is that the burden of balance of payments adjustments usually falls on the shoulders of deficit countries which are often the countries for whose citizens economic expansion is a vital necessity. In the 1950s when the leading country, the USA, identified its interests with the expansion of its partners, and in the 1970s and late 1980s when lax US monetary policies allowed it to defer international trade adjustments, the dangers of that situation were hidden. In the early 1980s however all the dangerous consequences of beggar-thy-neighbour policies were exhibited, and it is these dangers that are a major threat in the 1990s.

At first sight, protectionism seems to be the easiest way to solve the problem. If a country agrees on a 'good' domestic compromise, and if the aim of this compromise is to ensure that the capacities of each citizen serve to meet the needs of the community, why should this agreement be disturbed by the arbitrary principles of free trade? Moreover it is true that all nations that began

to take control of their destinies started with protectionism, as, for example, did Japan.

However, protectionist measures have implications. The spread of new products and processes may be slowed down, economies of scale are foregone, as are potential complementarities as large-scale investments are duplicated. It was these reasons that led to the creation of European Community (EC). The EC was successful as long as all its member countries simultaneously sought to maximise growth. As soon as some of them had to deal with trade imbalances, and when their chosen solution was competitive deflation, problems arose, as they did after the establishment of the European Monetary System which forbade competitive devaluations and made competitive deflation the only solution.

Let us take the EC as a reduced model to study the problems of international trade between advanced countries. The EC is a multinational economic space with an explicit mode of regulation, a rule of the game. The rule of the EC game penalises economies that grow or reduce labour time faster than the rest. One possible solution is an explicit agreement on co-ordinated growth or a co-ordinated reduction in working time. This alternative is the proposal of one part of the European left (the UK Labour Party, the former Italian Communist Party, etc.) and of the European Greens. However an agreement of this kind (which would be the 'first best' strategy for a way out of crisis) requires that the rules of democratic politics result in the simultaneous election in all of the countries of Europe of coalitions supporting such a design. That situation appears unlikely: for instance in the early 1980s, the UK had adopted liberal-productivism when France chose radical social-democracy, while in 1992 the reverse could occur. An institutional *putsch* by the European Parliament (where since June 1989 a potential European left-Green majority has existed) against national governments is also unlikely.

What is therefore required is a 'second best' solution: not an international agreement on a single design, but an agreement not to penalise the best designs. One possible rule is the following. If a European country with an above-average rate of job creation (either as a result of growth, labour time reduction or the development of an alternative sector) experiences a trade deficit, then, after six months, that country has the right to use non-deflationary protectionist measures (devaluations, quotas, import duties, etc.) to improve its trade balance. These privileges cease as soon as its performance falls back to the European average. In the context of a rule of this kind, a country is not obliged to chose one strategy or another. However a country whose rate of growth slows down can no longer benefit from the enlargement of its neighbours' markets, until it itself makes a contribution to an improvement in the situation of all countries. In these circumstances adjustments are made in an upward rather than in a downward direction.

At an international level a similar settlement is more difficult to achieve: the best one can hope for is a gentleman's agreement. In 1986 the US administration started to plead with the Japanese and Germans to increase their growth rates, because 'if they do not, it would be impossible to hold back US Congressmen from adopting protectionism'. Does not this US argument demonstrate the good sense of a new set of rules of the kind I propose?

What impact would this new multilateralist spirit have on trade between Newly Industrialising and Advanced Capitalist Countries? In the early 1970s the inhabitants of the latter were happy to make major gains from the miserable wages paid in the former. In the 1980s, however, low labour costs in the NICs appeared as 'unfair conditions of competition', which created unemployment in the North and justified protectionist measures (against Korea amongst others). These job losses in the North were the clearest consequence of the fallacy of composition entailed in the free traders' belief that all countries can develop at one and the same time by becoming net exporters. If a new industrial revolution is to spread to the Third World, then Third World countries will have to create new markets for their new products. To this end it should be possible for Third World countries to protect their young industries. At the same time, however, exports from the NICs should not have too disruptive an effect on employment in the North. A possible rule is the following. The North can protect itself against countries whose competitiveness is based on dictatorship and on low wages imposed through terror. Contrariwise, the North should be open to exports from countries in which there are rapid increases in the standard of living of their populations and where full trade-union liberties prevail. The International Labour Organisation in Geneva could act as the referee.

A rule of this kind would protect the new democracies in the Third World from savage competition, and it would be an incentive for the ruling classes in countries where dictatorships held sway to shift to democracy and to introduce sound ecological and social policies. It would secure a better balance between growth in the North and faster growth in the South. In a word, it would establish a positive-sum game in so far as the development of the world economy and employment are concerned. But the rub is the debt crisis.

It is the burden of past debts which induces the NICs to adjust in the direction of export-led growth. Export-led growth is however the exact opposite of what is needed for a more stable world economic order. The best solution would be the cancellation of debt. Cancellation is neither foolish nor generous. It is in the middle-term macro-economic interest of the North. The difficulty is that debt cancellation could make the lenders bankrupt. The problem that arises therefore is that of the lender of last resort. If the South does not pay, a supranational monetary organisation must compensate (in part) the international banking system for the loans it writes off.

Up to 1979, the world lender of last resort was the US Federal Reserve. After its conversion to monetarism, the world monetary situation became too tight for the requirements of world economic expansion (and was another reason for the negative-sum game of the early 1980s and for the crash of October 1987). At present, no national central bank is a potential candidate for the role of international lender of last resort, issuing the key world currency in accordance with the needs of international trade. A national currency may act as the world currency if the bills of that nation are accepted as a means of international payment, but it is possible only if these bills are secured by the uncontested economic leadership of the issuing nation. Such a nation no longer exists. Contrariwise, private multinational banks, no matter how big, cannot be the lender the last resort. They cannot issue new credits when they are almost

certain that old ones will never be repaid. It was this reason that lay behind the failure of the Baker Plan and later of the Brady Plan.

It follows that an international institution should be in charge of issuing fresh credit money. A renewed International Monetary Fund (IMF) for instance could issue a type of Special Drawing Rights as international legal tender, as is needed for world economic recovery.

Once again the problem of the rules arises. Obviously, the composition of IMF staff should be more representative of the interests of developing countries. Yet, there should be general agreement both on the rules for the cancellation of old debts and for the issuing of new credits. These rules should be as follows. First, cancellation (without compensation) of the debts corresponding to repressive expenditures when a dictatorship falls. Second, the ratio of debt service to exports should not exceed 10 per cent. The losses that this rule may entail for the banks would be shared by the private lenders and by the new international lender of last resort. This second rule would be an incentive for the lenders to purchase more goods from the borrowers. Third, additional international money would be created to finance World Bank support for development projects and to finance stocks to stabilise the prices of raw materials. This third rule poses immense difficulties for it implies an agreement as to what are 'good' investments and what are 'fair' prices for raw materials. At this point, a monetary institution which pretends to be a technical instrument appears as what it really is: a political instrument.¹²

15.9 Concluding remarks

In this chapter I have proposed a new design, on the basis of an analysis of the shortcomings of the hegemonic model of post-war development, Fordism. The problems with this model (technologies that were too capital intensive, insufficient productivity, a crisis of industrial relations, individual and collective revolts against hierarchies and an overbearing state, contradictions between the national character of economic regulation and the international character of production and trade, and so on) are on the agenda of all the competing new designs. It is for that reason that similar proposals appear both in the liberal-productivist project I have criticised and in the alternative project I have proposed. In the same way, in the 1930s, the idea of corporatism (explicit co-operation between the state, firms and unions, in the regulation of economic life) was on the agenda of Fascism, social-democracy and Stalinism, because the main problem appeared to be overproduction stemming from the anarchy on the market. The differences between projects do not appear therefore in comparisons between partial solutions but in the complete designs.

The alternative design I propose for Advanced Capitalist Countries includes:

- new socio-industrial relations based on a conscious involvement of directly productive workers in exchange for their right to control the implementation of new technologies and work practices, the right to live and work in their home areas and more free time;

- a preservation of the current degree of socialisation of revenues so as to preserve social security, but a fundamental reform of the welfare state so as to develop a new self-managed sector contracting for the provision of socially-useful services with local communities;
- new international relations based on multilateralism and international credit money, but a refusal to adopt systematic free trade, and the adoption instead of a new set of rules which encourage maximum rates of social progress in separate democratic countries; and
- a concern for ecological matters and the identification of sustainable models of development.

In the terminology of the regulation approach, the new technical paradigm would be more skilled-labour-using and capital-saving. The new regime of accumulation would secure high employment with a slower rate of growth of commodity production, more free time and less capital investment per head. The new mode of regulation would be centred more on the self-management of productive groups and contractual relations between them. The new world configuration would be based on more self-centred economies and the use of a multilaterally managed currency to finance world trade. As for the content of production and consumption within this model, it would tend to be more ecologically sound and would have a higher cultural content (at least in economically advanced countries). Such a model would imply, finally, major changes in gender relations.

This alternative design is intended to contribute to universal social and intellectual progress, increased freedom and welfare for everybody, greater democracy, peaceful international relations and an ecologically sustainable model of development. It accepts wage and market relations, and the existence of managerial hierarchies and it presupposes neither the destruction of the state nor the dictatorship of the proletariat. It is not a revolutionary project. It is just one step forwards, a compromise for the next decades.

The projects put forward by Roosevelt and by social democrats were also compromises. But their projects involved a major break with powerful interests and were the opposite of other versions of corporatism. Thousands of people had to die for them in the 'peacetime' events that occurred in the 1930s in countries that extended from Sweden to the USA. Tens of millions had to die in the years that extended from the Spanish Civil War and the Japanese invasion of the Asian Continent to the capitulation of the Germans and the Japanese because of the ambitions of a less peaceful design. To make a compromise, intellectual consistency is not sufficient. The political viability of a compromise depends on the active support of a large part of the population. Democracy, solidarity and ecological accountability are the most appealing values and desires that could get the support that is required.

Notes

1. On the differences between these crises, and on the core economic and political problems which they expressed, see Lipietz 1985a.
2. This methodology was progressively elaborated by Aglietta (1976), Boyer and Mistral (1979), Coriat (1979), Lipietz (1979; 1983; 1985b). Here I follow the presentation in Glyn *et al.* (1990). For a fuller account of the main concepts of the regulation approach and their connection with dialectical materialism, see Lipietz (1985c; 1988).
3. The word *régulation* in French denotes this adjustment of contradictory tendencies. It belongs to the vocabulary of biology and cybernetics. Another word (*règlementation*) is used to refer to the legislative and administrative action of the state. In English the word 'regulation' has both of these meanings. Of course, legal rules are a part of the mechanisms of social self-control, but the latter must not be reduced to the former. In this chapter, I shall use the word regulation in its more specific French meaning.
4. This distinction between two different dimensions of crisis was popularised by Malinvaud (1977), but is a well-known aspect of volume III of Marx's *Das Kapital*. For an application of Marx's two-sided explanation of crises to the present crisis, see for instance Lipietz (1983).
5. On contrasts in the current evolution of the wage contract and industrial relations, and their mutual consistency, see Boyer (1986), Leborgne and Lipietz (1988; 1990b) and Lipietz (1990). As these three references show, there also exists an individual level of negotiation of worker's involvement, which is consistent with liberal flexibility. The terms I use to identify the main alternatives are:
 - neo-Taylorism for the combination of the Taylorist paradigm with flexible industrial relations;
 - Kalmarism for socially negotiated involvement (after the Volvo car plant at Kalmar in Sweden); and
 - Toyotism which demonstrates the possibility of a dualistic compromise (neo-Taylorism/ Kalmarism) when the capital-labour compromise is negotiated at firm level.
6. For a very honest account of this development, see Rustin (1989). Barbrook (1990) points out that the 'New Times/post-Fordism' ideology cannot be derived from the French regulation approach.
7. See Jenson (1989). The same criticism applies to women and Turkish workers in some sectors of the West German economy (see Walraff 1986).
8. See Leborgne and Lipietz (1990b). In fact, that critique was the one Gramsci made of what he thought Fordism would be. Foster (1988) correctly notices this point but in identifying Fordism with Gramsci's anticipation of it and with Ford's own policy he ignores the mode of regulation which actually stabilised capitalist macro-economic development after the Second World War. As a result, Foster believes that the first cause of the breakdown of Fordism was overproduction and not the fall in the rate of profit.
9. The argument that follows is profoundly influenced by numerous discussions among left-wing economists and activists about the failure of the attempts of the first two Mitterrand governments (1981-4) to get out of crisis through a radicalisation of social-democratic politics (see Lipietz 1984; 1989).

10. When retirement pensions are paid out of the interest on accumulated capital, the money is still subtracted from current value-added. The difference between a distribution principle and capitalisation is therefore mainly psychological.
11. Suppose a worker is in receipt of a net minimum wage of FF 4,000 per month. Due to the existence of welfare contributions and other taxes the employer would have to pay FF 7,000. If an unemployed person received unemployment pay of FF 2,700 and had no taxes and contributions to pay, welfare state expenditure would remain unchanged, and the public agency for socially useful work would have to pay just FF 1,300 for the person concerned to receive the minimum wage. In this situation the new sector's activities would be subsidised and tax free and the public agencies involved could perform a whole host of formerly unprofitable activities (Lipietz 1989, pp. 108-9)
12. On 'fair' trade and debt issues, see Lipietz (1985; 1989).

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