

LABOUR POWER AND INTERNATIONAL COMPETITIVENESS: A CRITIQUE OF RULING ORTHODOXIES

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'Though not in substance, yet in form, the struggle of the proletariat with the bourgeoisie is, at first, a national struggle. The proletariat of each country must, of course, settle matters with its own bourgeoisie' (Marx and Engels, *The Communist Manifesto*, 1848)

When Keynes made his famous observation that 'the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood' and that 'madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back', (Keynes, 1936, p. 383) he was thinking primarily of fascism and communism; but the relationship between political projects and intellectual positions to which he alluded is more widespread than that. Certainly in the corridors of power in Western Europe of late, projects and ideas have stood closely together, shaping the governing understandings of how (among other things) states in pursuit of economic success should relate to the labour movements that are central to its attainment. At least two related but distinguishable readings of the relationship of labour power to international competitiveness can be discerned in European governing circles over the last two decades: a neo-liberal reading, espoused with enthusiasm by political forces of the Right, and a more consensual and corporatist reading, espoused by parties and intellectuals of the Centre-Left. In the neo-liberal version, trade unions are the particular *bête noire*. There they stand condemned as institutions which price workers out of employment, block labour market flexibility, and (by their political influence) sustain excessive welfare provision. In the **Centre-Left** version, trade unions are seen more positively: as institutions whose pursuit of industrial rights and

welfare provision can, under certain circumstances, trigger long term labour market flexibility and overall productive efficiency. In Western Europe generally, policy seems now to be drifting rapidly in a **neo-liberal** direction, as parties of both the Centre-Right and Centre-Left respond to sluggish growth and employment performances by cutting (with greater or lesser enthusiasm, depending on their political colour) welfare budgets and public provision. In the UK by contrast, after 20 years of such a project, a pale ('New Labour') version of the **Centre-Left** alternative is currently back in vogue. But in both instances, a common point of convergence is emerging: one built around the belief that successful competitiveness in a **globalised** economy requires – as Tony Blair told the British TUC in September 1997 – that 'we must be adaptable, flexible, open to change' (Blair, 1997, p. 6); and that the key to such flexibility lies in the resetting of the rights of workers and of their representatives.

From the standpoint of the Left it is quite clear that the policy consequences of the dominant neo-liberal orthodoxy are unacceptably severe. The creation of 'flexible labour markets' by parties of the Right have significantly reduced the rights and rewards of labour through the introduction of low wages, short contracts, unregulated working conditions and intensified managerial control of the work process. In Western Europe at least, such policies are now commonplace, and are legitimated (as a necessary response to globalisation) in the conventional language of neo-classical economics: which is why an effective rebuttal of neo-liberalism is currently so essential an element in the formulation of a coherent left-wing response to new global pressures. The widespread temptation on the Centre-Left, however, has been to make that rebuttal by canvassing varying versions of the consensual corporatist alternative: offering either modest industrial 'partnerships' or even **full-blown** 'class compacts' as a more civilised and effective route to the international competitiveness prioritised by **neo-liberalism**. The purpose of this paper is to argue that such a response is inadequate to the task, by indicating the weaknesses of both neo-liberal and centre-left understandings of how – in contemporary capitalism – labour power and international competitiveness interact.

I. THE DEBATE ON TRADE UNION POWER

The standard neo-liberal case against trade union power and worker rights is normally built around one or more of the following propositions:

1. Trade unions exploit their monopoly position within the labour market to increase the money wages of their members; but do so only at the immediate cost of other jobs (as employers substitute capital for labour), and at the longer-term cost of both output and employment (as inflated production costs erode competitiveness). Non-unionised firms and economies are, on this argument, much more likely than unionised ones to maintain long-term employment levels and market share.
2. Such long-term union pressure on wages then redistributes jobs and earnings between unionised and non-unionised employees, and so increases income inequality. It does so directly (as unions win settlements for their members alone) and indirectly (if by political pressure, unions persuade governments to overspend, when the resulting inflation **further** erodes the real incomes of workers excluded from union-negotiated wage deals). Heavily unionised labour forces, so the argument runs, are more vulnerable to inflation and wage inequality than are labour forces in which unionism is weak.
3. Trade unions are also said to distort the optimal distribution of productive resources by establishing blockages on the allocation of labour, on the extraction of high effort levels, and (via strike action) on the smooth organisation of production. Trade unions, that is, supposedly erode productivity and investment, and slow-down innovation and change, as well as contribute to inflation, unemployment, inequality and excessive welfare spending.

Centre-Left counter-arguments to this dominant view tend to focus on the third of those arguments: on unions as barriers to growth. The corporatist literature provides counter-arguments to the other two standard neo-liberal claims, as we will see; but the general Centre-Left defence of trade unionism and worker rights offers them as triggers for industrial dynamism, as follows.

1. According to the **Harvard** economists Freeman and **Medoff** (1984), 'unions have "two faces": in addition to the monopoly face, uniquely stressed by the **orthodoxy**, unions have a more positive face associated with "collective voice".' (Nolan, 1992, p. 9). Far from blocking adaptability, trade union strength facilitates more optimal distributions of resources by transmitting information and commitment between employees and their managerial superiors. Unions can be obstructive: but they can

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also – if conditions allow – be a powerful advocate of efficiency.

2. **Strong** trade unions also contribute to the long-term dynamism of industrial capital by blocking off 'sweat shop' routes to competitiveness: making it more **difficult/impossible** for firms to compete on the basis of low wages and intensified labour processes, and **obliging** employers to compete by investing in new equipment and training. On this argument, since it is 'the advent of unionisation, with its associated labour costs, [that] shocks management into operating the firm more efficiently' (Booth, 1995, p. 183) it is not that strong trade unionism is a barrier to successful capital accumulation; but that weak trade unionism might be. As Mishel and Voos have it: 'the fundamental point is that high productivity, worker rights, flexibility, unionization and economic competitiveness are not incompatible. In actuality, they may be highly compatible components of a high performance business system' (Mishel and Voos, 1992, p. 10).
3. Finally, strong trade unionism and entrenched labour codes are said to aid competitiveness by creating the conditions (of security and trust) within which industrial change can be most effectively implemented; in this way meeting the needs of a supposedly post-Fordist universe in which 'the nature of work is fundamentally different from the way it is conceived in the free-market tradition' and in which – to be competitive – 'you have to win worker commitment' (Hutton, 1994, p. 254). There is, in other words, a 'trust/stakeholder' model of capitalism tucked away in many of the Centre-Left defences of trade unions and welfare, and a claim that the **future** lies with this model and not with unregulated labour markets (Lazonick, 1991: also Streeck, 1992).

So far from trade unionism being inextricably associated with poor economic performance, the Centre-Left counter-argument to the conventional orthodoxy expects exactly the reverse. It expects unions to be strong – and the industrial and social rights of workers to be at their greatest – in economies with **high** levels of investment in machinery and training, with rising labour productivity and wages, and with low levels of inflation and unemployment. And it expects trade unions to be valued as a key force for change: one that helps to trigger the replacement of old-fashioned productive methods by new and innovatory ones.

This clash of arguments has gone on at a number of different academic levels. It has been pursued at the level of micro-analysis, where there is now an extensive research literature on the impact (or otherwise) of trade unionism on the performance of individual companies. It has also gone on at the macro-level, in a debate about the relative performance of entire national economies. The micro debate is, in the end, an inconclusive one (Booth, 1995, p. 262). The research data produced within it is open to a variety of competing interpretations (see, for example, Mishel and Voos, 1992; Booth, 1995). It is also so overlaid by more general social processes that it is difficult to specify with any certainty the direction of causality of any relationships posited there. The macro-debate has greater analytical and explanatory potential, however, not least because it contains two strategic national cases whose development offers particular insight into the relative claims and counter-claims laid out above. One such case is the UK before and after 1979: an economy whose labour relations were reset on neo-liberal lines, and whose experience therefore provides unrivalled insights into the ability of strong unions to erode competitiveness and of weak unions to permit its restoration. The other case is Sweden, whose post-war combination of strong trade unionism and sustained economic growth constitutes the Centre-Left's most powerful counter-evidence to neo-liberalism. We will use the UK and Sweden in turn, to test first one side of the argument and then the other.

II. THE EVIDENCE ON UNION POWER

(a) Neo-liberalism in the United *Kingdom*

The relationship between trade union power and international competitiveness in the UK has been used on many occasions to sustain the more general neo-liberal case. Indeed it is not too much to say that there now exists a sophisticated neo-liberal reading of post-war UK industrial relations which is rapidly gathering the status of received truth, a reading (or more properly, a misreading) which is built around the following set of propositions.

1. UK economic under-performance prior to 1979 was largely the responsibility of the trade unions. Full employment in the post-war UK shifted industrial power from capital to labour, and produced 'the British disease': a mixture of union-inspired restrictive practices, industrial militancy and wage drift which

eroded UK price competitiveness and discouraged investment. The power of organised work groups in UK industry prior to 1979, and their systematic opposition to the introduction of new technology and the full utilisation of existing productive techniques, pushed UK-based **manufacturing** down the international league tables. And the political power of the trade unions to which those work groups belonged induced successive governments to compound that competitive weakness by providing special trade union legal **rights**, bloated public sector employment and over-generous welfare provision. The result was supposedly a wealth-destroying combination of high taxation and runaway inflation.

2. Fortunately for the UK the arrival of Margaret Thatcher in power reversed this union-inspired downward economic spiral. Under her leadership, Conservative governments broke the power of UK trade unions: closing down the corporatist decision-making institutions of Labour Britain; expelling union leaders from the corridors of power; incrementally re-codifying UK labour law; leading a series of public sector confrontations with militant unions; and privatising vast swathes of the former public sector. The result, so neo-liberals tell us, was reduced inflation, increased labour **productivity**, extensive job creation, renewed Foreign Direct Investment, and a **qualitative** improvement in the overall performance of the UK economy. Even among academic commentators sympathetic to New Labour, the belief has grown that, whatever else the Conservatives after 1979 did or did not achieve, at least they tamed the unions, and in so **doing** lifted the UK on to a higher **growth** path (on this, see Metcalf, 1990b, pp. 283–303; also Kitson and Michie, 1996b, p. 35).

Superficially this neo-liberal reading of the fall and rise of the UK economy is compelling; but here, as elsewhere, first appearances mislead.

1. The UK before 1979

Many of the general neo-liberal claims about trade union legal privileges and excessive militancy are intrinsically comparative. They compare the UK before 1979 with even earlier UK experience, and they compare the UK over time with other advanced capitalist economies. Yet they do not do so accurately. Trade union legal **privi-**

leges' in the UK (which were never commensurate with the legal protection provided to shareholders through limited liability legislation) peaked in **1975**; but that peak (Labour's 1975 Industrial Relations Act) arrived too late to explain patterns of UK economic under-performance that stretched back to at least the **1950s**, if not the 1890s. Nor did the terms of Labour's legislation in the 1970s do more than leave the UK at a mid-way point on the continuum of legal codes available to leading labour movements: positioned somewhere between economies which were more successful in the post-war period than the UK and yet had more generous labour codes (like West Germany and Scandinavia) and economies (like that of the USA) which had been no more successful than the UK but which possessed labour codes which were even less generous to workers and unions than those prevalent in the UK prior to 1975.

Nor does the claim of excessive industrial militancy in the UK in the 1970s easily stand international comparison. It is true that the UK experienced an explosion of industrial disputes between 1969 and 1973; but then so did the vast majority of major industrial economies. What is striking about the first four years of Labour government in the 1970s is not the level of industrial disputes, but rather how effectively and with what speed Labour politicians and trade union leaders contained them; and how the brief (and subsequently much mentioned) strike wave of the 'winter of discontent' which followed reflected a straining of the relationship between government and unions caused by that containment. Critics of trade unionism in the UK in the 1970s can hardly have it both ways: either the trade unions had the Labour Government in their grip throughout (and hence had no need of industrial action); or they did not (in which case any return to industrial militancy must be read as an index of their **powerlessness**, not of their potency).

In fact there is little doubt that the trade unions in the UK did enjoy a very brief period of unprecedented political influence over the incoming Labour Government. The Labour Party in opposition had forged a social contract with the unions, trading wage restraint for government policies on industry and welfare. The explicit nature of that agreement was unprecedented in UK terms – though not in Scandinavian ones – and because of its existence, the subsequent balance between **inflation** and unemployment in the UK in the 1970s **was** struck somewhat differently from that struck elsewhere in non-Scandinavian Europe: with inflation higher and unemployment lower than the general European norm. But it is one thing to note trade

union influence on the way in which a Labour Government managed the general crisis of Keynesian economics in the 1970s; it is quite another to say, or to imply, that union influence was the cause of that crisis. It was not. In all the major industrial economies in the 1970s – whether heavily unionised or not – governments had to trade off inflation and unemployment at levels unanticipated in capitalism's post-war 'golden age'. The need for that choice arrived in the UK earlier than elsewhere in Northern Europe because of the UK economy's already emerging weakness (on this, Coates, 1980, pp. 180–201), but it came to them all eventually, in a generalised retreat from Keynesian demand management for which European trade unionism cannot, and should not, be allocated prime **responsibility**.

To claim or to imply that the UK trade unions 'abused' their relationship with the Labour Party in the 1970s for narrow sectional ends is to mis-read the actual sequence of events. What actually happened to the relationship between UK trade unions and the Labour Government in the 1970s was that it quickly fell back into a quite standard social democratic form: with the unions 'delivering' their side of the social accord while progressively failing to oblige the Government to deliver its. Between 1974 and 1979 UK trade unions repeatedly called for investment initiatives, for planning agreements and for public ownership, while superintending four years of falling real wages for their members. But as usual they experienced the standard 'cycle of union influence' (Minkin, 1991, p. 639): with ministers first responsive and then not, as stronger industrial and financial forces pushed the Labour Government towards an early form of monetarism. Far from trade union political power being a potent cause of UK economic under-performance in the 1970s, it seems safer to argue that, if there was a causal process at work here, it was one triggered by trade union political **weakness**. The UK trade unions failed to stop the Labour Government's drift into deflation and non-interventionism, and so failed to prevent a Labour Government bequeathing to its Conservative successor an economy scarred by **high** levels of inflation **and** unemployment and by low levels of investment. No other social or industrial force seemed capable of (or interested in) preventing such a retreat from economic management by the UK state. The unions certainly wanted an active and radical industrial policy from Labour; but they lacked the political resources to impose one, when more conservative voices began to prevail.

The vulnerability of the UK economy to stagflation was rooted then (as now) in under-investment in manufacturing plant and equipment

and in human capital. All the main commentaries on the present UK economy agree on this much at least (**Kitson** and Michie, 1996b, p. 35). What is more contentious between them is the extent to which that under-investment was a product in the 1970s of trade union and work group resistance to the introduction and full utilisation of new technology. The most widely cited research literature says (or implies) that union power did erode productivity: both the literature on the 1970s itself (Pratten 1976; Caves, 1980), and that on the 1980s (such as the work of Crafts and **Metcalf**, which suggest that industrial relations reform after 1979 removed a **powerful** blockage to change). But on closer inspection, the 1970s research literature on the determinants of UK productivity proves to be partial in coverage and inadequate in design; and the literature on the Thatcherite 'supply side miracle', as we will see later, is hardly more convincing. The 1970s findings were misleadingly selective in their coverage of what to research. They effectively wrote out of the story of under-performance the persistent **TUC** calls for policies to stimulate industrial investment, and for programmes of industrial retraining and power sharing which alone might have eased the introduction of new technologies for the workers directly involved. More significant still, the core 1970s research literature on work groups and industrial productivity was flawed by quite staggering inadequacies of design and measurement. These weaknesses have been documented elsewhere (see Nichols, 1986; Coates, 1994, pp. 110–114) but their effect remains. Their existence makes it illegitimate to treat as uncontentious the claim that, in general, trade unions and work groups in the UK in the 1970s acted as major barriers to the strengthening of the economy's competitive base. Trade unions may have acted in that way: but the research evidence on unions and productivity is too flawed to permit us to say one way or the other.

Yet we do need to be clear on what did, and what did not, happen in UK industry in the 1970s. The more general research evidence certainly indicates a limited but real shift in power – at shop floor level – from line management to shop stewards and work groups in core UK **manufacturing** industries. The research evidence also shows that labour productivity in UK-based manufacturing firms in the 1970s was lower than that achieved in competitor economies like West Germany and Sweden. What the research evidence does not show, however, is that the first of these stylised facts **caused** the second. The timing of the two processes is too out of step to allow an easy move from correlation to cause here. Relative levels of labour productivity

began to fall in the 1950s. Shop steward power, always limited and uneven in coverage, did not fully crystallize until the 1960s when, at most, it could only play a secondary and supporting role to other causal forces (see Coates, 1994, pp. 108–9). And even then, its impact on competitiveness, profits, investment and growth was softened by another feature of UK industrial relations in the 1970s which is not much mentioned by the critics of trade union power: namely the extent to which, by then, UK labour costs were 25% lower than the European average (Ray, 1987, p. 2). Cheap labour is hardly a barrier to competitiveness in most neo-liberal theories of growth: and yet labour was cheap in the UK, relative to that in the rest of Northern Europe, throughout the 1970s. So it seems churlish to point the finger at UK labour when striving to explain the remarkable decline of competitiveness by UK manufacturing industry in that critical decade.

2. *The UK after 1979*

The neo-liberal case against trade unionism in the UK after 1979 is no stronger than the case made against trade unionism prior to 1979. There can be no doubt that the Conservative Government after 1979 did **significantly** reduce the power of both trade unions and organised work groups, and did roll back both the size of the public sector and the scale of its welfare provision. Nor is there any doubt that the gap in labour productivity between the UK and its main European competitors did narrow at the same time. What is in doubt is whether these enormous changes were in any way causally related.

To take the **productivity** issue first: both the level and growth rate of labour productivity in the UK did rise after 1979; but they did not do so on the back of either large increases in the output of the manufacturing sector or in the level of investment in machinery and skills. Instead, the UK economy after 1979 **experienced** periods of growth intermingled with first deep (1980–82) and then prolonged (1989–92) recession, which kept levels of **manufacturing** output and investment **below** 1979 levels until the end of the 1980s. Indeed as late as 1992, the volume of **manufacturing** output in the UK had only crept to a level one per cent **higher** than it had been in 1973, as against a 27% **growth** in **manufacturing** volume in France over the same period, 25% in Germany, 85% in Italy and 119% in Japan (Select Committee 1994). The increase in labour productivity in the UK in the 1980s was not the result of extensive industrial modernisation. It was predominantly triggered by an intensification in the rate and **length** of work in the context of large-scale unemployment and the

widespread closure of the least efficient plants. It was the product less of new investment than of 'piecemeal **change** in work organisation and production techniques' and 'more intensive work regimes which may or may not prove sustainable' (Nolan, 1994, pp. 67–8). If the productivity gap between the UK economy and its major European competitors then narrowed in the 1990s, latest research suggests that it did so primarily because of the growing under-performance of economies elsewhere in Europe (Wolf, 1996; Crafts, 1997): and in any case, the productivity gap between the UK and the rest still remains – and with it, the UK's persistent deficit on its balance of trade. Indeed, the fall in union power in the 1980s coincided with a *rise* in the UK's underlying trade deficit, quite contrary to the expectations of competitiveness raised by standard neo-liberal accounts of the relationship of trade unionism to economic **growth**.

Nor are the employment **figures** particularly supportive of the neo-liberal case against trade unionism. The 1980s witnessed a **culling** of more than trade union power. It also witnessed a culling of full-time jobs. 1.7 million such jobs were lost in the recession of 1980–82. A further 1.9 million full-time jobs went in the recession of the early 1990s. Of course there has been job creation: but the vast majority of the new jobs created in the UK since 1979 have been part-time ones. In 1993 there were just under six million part-time workers in a total UK labour force of some twenty one million; and of those six million part-time workers, at least 70% worked for less than sixteen hours a week, and did so for very low wages and with very little training. Then, as more new jobs came on stream between 1993 and 1996, only 38% of them offered full-time and permanent employment. An **equal** number were full-time and temporary, with the rest part-time of various sorts: to give the UK 'the worse of two possible worlds: the massive wage inequality of the decentralised US labour market together with **high** and lengthy spells of **unemployment**, European style' (Barrell, 1994, p. 5). From a neo-liberal point of view, it is **strong** trade unionism that is supposed to generate wage inequality and prolonged unemployment; but in the 1980s in the UK at least, wage inequality and unemployment intensified as trade union power **declined**.

Nor did this diminution in trade union power then trigger a renaissance in price stability and investment. It is true that inflation in the UK is now much lower than it was in the 'union dominated' 1970s; but so it is elsewhere in Western Europe (and the UK's relative inflation performance remains unchanged). It is also true that the UK

has attracted large quantities of particularly Japanese Foreign Direct Investment. But Foreign Direct Investment is not the full story of the UK's investment experience since 1979. Overall in the UK, 'manufacturing net investment (as a share of manufacturing output) has been declining since the early 1960s, with negative figures for the early 1980s and 1990s' (Kitson and Michie, 1996b, p. 35; see also Kitson and Michie, 1996a, pp. 201–2). FDI alone could not, and did not, reverse that trend. In fact the scale of FDI (and its impact on employment) was tiny throughout the Conservative years, when set against the total movement of capital and employment in and out of the UK. Between 1979 and 1992 the overall flows of capital out of the UK *exceeded* those coming in for each year except 1987 (Radice 1995); and the employment effects of Japanese implants in particular (with 25,000 new manufacturing jobs created in the 1980s) were drowned by the destruction of 200,000 equivalent jobs by the top 25 British-owned transnationals (Williams et al, 1990). Nor was the flow of FDI into the UK of itself evidence of the general applicability of neo-liberal arguments on trade union power. Just the reverse: for Thatcherism as a model for international competitiveness was essentially parasitic on the corporatist models it would replace. It only worked in the UK because it had not yet spread across Northern Europe. Foreign Direct Investment was attracted to the UK primarily because of the UK's position on the edge of a European market sustained by higher wages and levels of social provision than the UK provides. If Germany ever reduces its wages and levels of labour market regulation to UK levels, it is inconceivable that Japanese investment would still flow to a UK short of skilled labour and scarred by regional under-development, when it could then redeploy to a Germany in which skill levels are high and the social infrastructure is bountiful. And indeed by the end of the Conservatives' period of office, the latest research data was showing France, and not the UK, as the major European recipient of Foreign Direct Investment, and *indicating* low wages as only one factor explaining capital redeployment, and a minor one at that (Quilley et al, 1996: Barrell and Pain, 1997). So the impact of the Conservatives' industrial relations 'reforms' even on FDI has proved neither as permanent or as far-reaching as their architects like to claim.

Overall indeed, the original neo-liberal case looks less secure than it first appeared, when its claims are exposed systematically to the complexity of the full UK experience. The rise and fall of trade union power in the UK has not correlated accurately with the UK record on overall investment flows, output levels and the balance of payments. In

comparative terms, reductions in trade union power have not improved the UK inflation performance, or the capacity of the UK economy to provide full-time permanent employment; and because of the persistent shortfall in investment, nor have reductions in trade union powers effected a permanent productivity revolution. What the years of Thatcherism actually suggest is that the relationship between trade union power and international competitiveness is not one set in stone, as neo-liberalism would have it. The compatibility or otherwise of worker **rights** with capital accumulation and international competitiveness is fixed by a prior decision on *the dominant growth strategy* to be pursued in the quest for profitability. If growth and competitiveness are to be won on the basis of low wages and intensified work routines, then trade union power in whatever form *is* a barrier to growth. The Conservative Government in the UK after 1979 opted for this low wage strategy; and in so doing increasingly positioned the UK in the emerging international division of labour as a warehouse and assembly economy on the edge of more affluent European markets (while, through **de-regulation**, expanding the City's role in international finance). Trade union power did not initiate or pre-determine that positioning, except in so far as union *weakness* prevented its emergence. But to the degree that UK manufacturing capital is now settled into this particular international niche, any revival of trade unionism must threaten its long-term viability; which is presumably one reason why business groups in the UK, **having** weakened trade unionism so effectively, are now striving with such determination to keep that weakness in place.

(b) Corporatism and the Swedish case

When we enter the literature on corporatism in general, and on Swedish social democracy in particular, the whole tenor of the argument shifts. Then, and quite contrary to the **general** focus of the UK debate, the **claims for** trade unionism become the dominant motif, and the enthusiasts for market systems suddenly become the minority voice.

1. The general case for corporatism

Much of the research literature concerned with corporatism and economic competitiveness focuses on the relative performance of different advanced economies after 1973. The general thrust of this literature is that corporatist economies coped with the strains of

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intensified competition after 1973 *better* than non-corporatist economies. Quite what the data appears to show depends in part on how corporatism is defined and which economies are therefore labelled as corporatist, which time periods and **performance** indicators are chosen, and which sets of countries are included in the survey; but it is certainly not uncommon in the corporatist-focused research literature to meet versions of the claim that 'where the Left was politically strong, and the trade union movement was centralized and unified, [economies] performed somewhat better than where those conditions were less prevalent' (Garrett and Lange, 1986, p. 517; see also Cameron, 1984; Lange 1984; Lange and Garrett, 1985; Katzenstein, 1985; Martin, 1986). The claim is normally sustained by the use of one or both of two linked clusters of argument: one on the impact of strong ('**encompassing**') trade unions on wage levels; the other on the impact of generalised welfare provision on labour market flexibility and investment in human capital.

- I. One general argument widely deployed in much of this literature is that high levels of economic performance can be expected from political systems at both ends of the capitalist spectrum: from fully marketised economies and from strongly corporatist ones, but not from economies **caught** half-way between these polar alternatives (see in particular Calmfors and Driffill 1988; also Kendix and Olson, 1990; Paloheimo, 1990). The reason for this, so the argument runs, is that the protection and enhancement of national competitiveness after 1973 required substantial structural adjustments which *either* untrammelled markets *or* strongly **regulated** ones were able to deliver: the first because of the impact of unemployment on wage rates; the second because 'strongly co-ordinated union movements are prone to wage moderation rather than militancy' (Kenworthy, 1995, p. 127) **and/or** because 'a **high** degree of social solidarity on the part of those with secure jobs' (Glyn 1992, p. 133) allowed state employment and reductions in working time to soften the impact of private sector restructuring on general levels of unemployment. Garrett **and** Lange's claim is particularly pertinent here: that 'countries with symmetrical or coherent political structures – in which labour was strong both **organisationally** and politically (corporatist cases), or in which labour was very weak on both dimensions (approximating market economies) – were able to adjust to the post 1974 international

crisis better than the mixed cases in which the political economies were less coherent (politically strong and organizationally weak, or vice versa)' (1986, pp. 531–2).

2. A second and related line of argument on corporatism is that, contrary to neo-liberal expectations and policy proposals, the welfare states sustained by strong trade unionism can and do compete with economies carrying fewer and lower social overheads. At its most modest, the claim is simply that – when the welfare state is under attack as a burden on competitiveness and growth – the case for the prosecution remains unproven (Korpi, 1985; Gough, 1996, p. 219; Corry and Glyn, 1994, p. 212) and that for the defence remains 'plausible' (Atkinson, 1995, p. 730). Slightly more self-confidently, there is also the claim that the record of welfare capitalisms on competitiveness and growth is mixed rather than uniformly poor, and that the negative impact of welfare expenditure is minor and exaggerated. This defence of welfare expenditure – in the hands of Pfaller, Therborn and Gough, is then turned into a nuanced advocacy of welfare systems: firstly by **emphasising** the persistence of Swedish 'exceptionalism', and then by re-asserting the positive impact of strong welfare **rights** on investment in human capital and the orientation of national economies to 'high productivity and high quality production' (Pfaller et al, 1991, p. 296). The balance of weakness and strength is tipped even more in corporatism's favour by a series of writers keen to establish the importance of trust relationships in the workings of modern capitalism. Here the **defence/advocacy** of corporatism (with its strong **publicly-created** trust relationships between capital and labour) often merges with, or is discussed **alongside**, a **defence/advocacy** of the Japanese form of trust capitalism, where the emphasis is on cooperative relations between sections of capital, and on private, **corporately-provided**, welfare **underpinnings** to secure cooperation between labour and capital (Hutton, 1994, pp. 262–8; Kenworthy, 1995, p. 196; even Katzenstein, 1985; Marsden, 1994). And by this stage in the literature, it is the **superiority** of welfare-based **capitalisms** over market-based capitalisms which emerges as the **argument's** central motif. Far from unions being a barrier to economic competitiveness, they emerge as a vital prerequisite to economic success. To quote Hicks, another enthusiast for welfare-based capitalisms, '**organisationally** and govern-

mentally, strong labour movements may emerge as major societal benefactors, as purveyors of relatively rapid income **growth**, and also of somewhat more equal distribution of income' (Hicks, 1988, p. 700).

But may they? It would be **good** to think that the matter was that simple. However it is not; as a **fuller** reading of the relevant research literature makes only too clear. For over the full range of economic and social performance indicators, the performance of economies labelled as corporatist is too uneven to sustain the claims for general and permanent superiority. In fact, the **performance** of individual corporatist economies on any one set of indicators is too uneven to allow easy generalisation of any kind; and the individual studies of economies and performance just vary too greatly in the content and reliability of their findings to permit much certainty at all. Rather, what the research data indicates is a definite variety of relationship between corporatism and competitiveness, which in its turn suggests that factors other than trade union strength and centralised collective bargaining are over-determining the results (**positive/negative**) that both advocates and critics of corporatism mobilise on their own behalf.

The 'unevenness' and 'indeterminacy' of the **corporatist-competitiveness** relationship cannot really be avoided when the full range of available comparative studies is examined in detail. From what is now an enormous literature a few examples will suffice to make the point. Therborn used a 1973–85 OECD data set to examine the impact of two kinds of corporatism – interest intermediation and concerted public policy-making – on cross-national variations in economic performance; and found little evidence that either form played a significant explanatory role (Therborn, 1987). Crepaz examined the impact of corporatism on macro-economic **performance** in 18 industrialised countries between 1960 and 1988; and found a strong and positive impact on unemployment and inflation but not on economic **growth** (Crepaz, 1992). **Henley** and Tsakalotos – using OECD data for the same period and criticising Crepaz for the methodology underpinning his survey – were equally cautious on growth, but were impressed by the positive impact of corporatist institutional arrangements on investment, inequality and unemployment (**Henley** and Tsakalotos, 1993). Golden, noting the different degrees of wage restraint achieved recently in Sweden and Germany, tentatively argued that it was the degree of monopoly of representation achieved by trade unions, and not their involvement in formal corporatist structures, that was

decisive in each case (Golden, 1993, p. 451). And finally Pekkarinen and colleagues, **judging economic performance** in comparative terms since the 1970s, found that 'the corporatist countries display considerable variety', Sweden doing broadly very well during their period of research, Austria **generally** less well, with Denmark bad on unemployment but good on wage equality, and so on (Pekkarinen et al, 1992, p. 6).

This variation in research findings has been enough to persuade the more sophisticated of the research teams active in this field to differentiate **types** of corporatist system. Pekkarinen, Pohjala and Rowthorn, for example, distinguish those with inclusive tendencies from those without, and posit a different dynamic at work in each (Pekkarinen et al, 1992, pp. 2–3, 14–15). **Gough** follows a similar line, as did Esping-Andersen before him, speculating that different types of corporatist system pose different problems for those pursuing national economic competitiveness, and are differently threatened by that pursuit (Gough, 1996, pp. 227–8; Esping-Andersen, 1990). All this seems eminently sensible. What seems less adequate is the line of analysis developed by Garrett and Lange which, for all its ostensibly progressive nature, actually offers powerful hostages to fortune in the debate with neo-liberalism. For their argument about the need for institutional symmetries not only protects corporatist arrangements where the Left is strong; it also gives Thatcherism a retrospective justification where the Left is weak. If strong trade unionism and right-wing governments are incompatible as **growth** partners, then neo-liberals are absolutely right to make anti-trade union legislation the centre-piece of their project. Moreover, a defence of corporatism that asserts its superiority to market liberalism as a mechanism for protecting profits in booms and sharing austerity in recessions is ultimately no defence of corporatism at all. For if corporatism is to be of any value to the contemporary Left, the claim for its superiority over market-led solutions to competitiveness and growth has to be one that asserts its ability to generate **qualitatively superior outcomes**, and not one – as with Garrett and Lange – that rests essentially on corporatism's ability to arrive in a more civilised manner at **qualitatively the same outcomes** as those imposed by unregulated market processes. The general literature on corporatism hints at such a defence when it compares patterns of unemployment and income inequality between types of economic system; but it does not conclusively establish the superiority of corporatism on growth and competitiveness, not least because the general record of corporatist economies on these indicators is both mixed and

(in comparative terms) unremarkable. So if such a defence is to be mounted – if the potential (if not always the reality) of the **Centre-Left's** project is to be demonstrated as inherently superior to that of neo-liberalism – that defence has to be based on more specific evidence derived from corporatism's strongest case: which is why the performance of the Swedish model is so important an issue here.

2. The rise and fall of the Swedish model

The Swedish achievement – in combining generous levels of equalitarian welfare provision with **high** living standards based on sustained economic growth – has been (and remains) a powerful model and inspiration for the European Centre-Left and a serious challenge to many of the conventional understandings of mainstream economics. Welfare provision expanded rapidly in Sweden only from the 1960s (Ginsburg, 1993, p. 174); but once under way it left Sweden by 1980 at the 'top of the equality **league** in terms of employment (per head of population), female as compared to male wages, progressiveness of tax system, generosity of public pensions, public provision of health, education and welfare services, relative absence of poverty and overall income equality' (Glyn, 1995, p. 50). Sweden was also by then second only to **Switzerland** in Europe in its record on employment and to Norway in income per head. Sweden was (and still is) in comparative terms a high wage and very **high** tax economy, with the largest public sector of any OECD country and with very high levels of union membership: union density peaked in 1986 at the quite remarkable figure of 86% (Kjellberg, 1992, p. 119). For all these reasons, and with the brief exception of the period immediately following the devaluation of 1982, 'Swedish industry has constantly operated with **higher** labour costs than those of its major export competitors' except the USA (Pfaller et al, 1991, p. 235); and from the 1970s has been subject to extensive labour codes (including the 1976 Co-determination Law) which have no UK **parallel**. Yet at the same time, Sweden possesses a large, internationally-competitive and export-oriented industrial sector: one currently capable of exporting 30% of its GDP when the unweighted average for exports as a share of GDP in the OECD as a whole is a mere 19% (Henrekson et al, 1996, p. 247). Sweden, that is, quite against the grain of conventional expectations, has managed until very recently to combine West German scales of international competitive performance with unparalleled levels of welfare provision, employment security and wage equality.

The post-war Swedish combination of successful private capital

accumulation and generous public welfare provision was based on a quite unique class accommodation: a historic compromise initiated in the 1930s and presided over thereafter by Swedish social democracy in a long period of virtually unbroken political rule (1932–76, 1982–91, 1994–). 'The formal part of the Swedish Historical Compromise was the so-called Main Agreement between the unions and the employers, negotiated between 1936 and 1938': (the Saltsjobaden Agreement) 'The most important part, however, was an informal agreement or **understanding** between labour and capital to cooperate to generate economic growth' (Korpi, 1992, p. 104). In Sweden the Left ~~was~~ dominant both industrially and **politically** for a very long period; and because it was, the post-war Swedish labour movement was free to pursue what has become known as the Rehn-Meidner model (for details, Pontusson, 1992, pp. 312–4; Meidner, 1992, pp. 160–61). It was free, that is, to pursue both a solidaristic wages policy and the creation of a universalistic/encompassing welfare state. It was also free to break the tendency of **full** employment to trigger inflation by trading wage restraint (and opposition to spreading wage differentials) for active and selective labour market policies.

The Swedish experience is certainly evidence that it was possible – in the years after 1945 – successfully to combine strong trade unionism, generous welfare provision and economic growth. Indeed it is also evidence that, in the right conditions, such a combination could enable particular national economies to out-compete economies which were equipped with weaker trade unions and more limited welfare provision. Taken alone, therefore, the Swedish experience seems entirely to reverse the conventionally understood relationship of union power to international competitiveness. However it is not entirely wise to treat the Swedish experience in isolation, not least because the **performance** of the Swedish economy of late has proved less robust in the face of international competition than hitherto, and less remarkable in comparative terms. In particular, the 'exceptional' **performance** of the Swedish economy on unemployment since 1973 has not been matched by any commensurately outstanding performance on growth and productivity. On the contrary, Swedish growth rates have settled at 'roughly one percentage point below the OECD average over the last quarter century' (Henrekson et al, 1996, p. 280); and by the same token, after an outstanding productivity record in the first half of the century (Gordon et al, 1994, p. 148), the productivity performance of the Swedish economy as a whole now lags behind all the major OECD economies (see also Lindbeck, 1994, pp. 8–9). Even unemployment has recently

soared: from 1.5% in 1990 to 14.2% in August 1994 (Wilks, 1996, p. 93), as 'Swedish GDP fell by 5.1% between 1990 and 1993 (as compared to a rise of 2.6% in Europe)' (Glyn, 1995, p. 51) and as Sweden's standing in the international league tables of per capita income slipped from 3rd in 1970 to 14th in 1991 (Lindbeck, 1994, p. 10). By 1993 indeed, and for the first time since the 1950s, less than half those out of work in Sweden had found places in active labour market schemes. In the 1950s the standard percentage of the unemployed in such schemes had regularly been 80% (Clement, 1994, p. 115). Clearly something has gone seriously awry with the workings of the Swedish model in the 1990s, and had begun to do so even before EC entry and Maastricht conversion criteria made their own serious dent in the space for Swedish exceptionalism.

In part the current crisis of the Swedish model is a product of emerging *internal* tensions, and of resulting corrosions of essential internal pre-requisites for its success. The Rehn-Meidner model was built upon the wage *restraint/solidaristic* wage policies of unions representing predominantly manual workers in the manufacturing sector; but its solution to the needs for *high productivity* growth there (namely the toleration of industrial restructuring to move workers from low productivity industry to high productivity industry) eventually gave way to a structural shift of employment from manufacturing in *general* to the public sector, as state employment 'came to take over the labour-absorbing role of the high productivity manufacturing enterprise in the active labour market policy model of the LO economists' (Strath, 1996, pp. 104–5). This shift *quickly* created a major and *destabilising* imbalance between the Swedish economy's marketed and *protected/public* sectors, increasing the tax-take on the wages of *manufacturing* workers, without *resolving* the problem of low productivity in labour-intensive public service provision: and in consequence eventually eroded the tolerance of *high* levels of taxation by key groups of Swedish workers (Lundberg, 1985, p. 29) and undermined the enthusiasm of unions in the marketed sector (especially the key Metalworkers Union) for solidaristic wage policies. One consequence, that is, of the 'success' of the Swedish model was the eventual fragmentation – now into four federations representing blue and white collar workers in the public and private sectors – of a united labour movement whose *high degree* of centralization had initially made the model possible.

There is a key relationship between productivity growth and the timing of Sweden's contemporary crisis tucked away in this fragmen-

tion of union solidarity. The **high** productivity of manufacturing industry encouraged by the Rehn-Meidner model enabled Sweden to hold at bay through the 1970s the tensions between sections of **organised** labour that, in weaker economies like the UK, was already evident before the onset of Thatcherism, and which (in the UK case) paved the way for the Thatcherite capture of the votes of skilled workers in private manufacturing industry. For as Glyn correctly observed, 'the overwhelming proportion of the cost of egalitarian redistribution' in Sweden was a cost which 'was met out of wages – redistribution within the working class, broadly defined. The crucial point' however, for the viability of the model in the 1950s and 1960s, was that 'the dynamism of the private sector allowed this redistribution to occur within the context of growing consumption per worker' (Glyn, 1995, p. 45). But after 1973, that dynamism was harder to guarantee. The 1970s was a lean decade for Swedish investment; and though investment levels then recovered, even in the 1980s total gross investment as a percentage of GDP in Sweden settled 5 percentage points lower than the levels achieved in the 1960s (Henrekson et al, 1996, p. 262). So as productivity eventually dipped in Swedish manufacturing, the standard contradiction of interests between workers in different sectors emerged in Sweden too, and pulled away at the unity of purpose and **policy** which had hitherto sustained so remarkable a period of industrial peace. Swedish labour still remains more willing than do other European labour movements to tolerate the redistribution of resources away from productive workers in manufacturing to less productive public service provision. The social wage is still more **tolerated/valued** by the workers whose taxes finance it in Sweden than elsewhere (Mishra, 1990, pp. 63–4); but that tolerance has lessened in Sweden of late, as the Swedish economy has failed to deliver the rapid economic growth which – in the model's heyday in the 1950s and 1960s – enabled private consumption and public provision to rise together. That just did not happen with the same regularity and ease after 1973 as before: indeed, between 1973 and 1985 'consumption out of the average worker's **earnings fell** by nearly 2% per year or some 20% in total' (Glyn, 1995, p. 51).

Moreover, as even one of the model's architects, the economist Rudolf Meidner, has conceded, one **problem** with the **original** model was that 'firms with high profitability [made] 'excess profits' since their capacity to pay high wages [was] not fully used' (Meidner, 1992, p. 167; also Meidner, 1993, p. 218). This failure had at least two consequences. It reinforced the concentration of capital in Swedish industry into a

remarkably limited number of **hands/families** – 'fifteen families clustered around two banks' (Gordon et al, 1994, p. 146) – and so reinforced the strategic significance of the higher industrial bourgeoisie as underwriters of the Swedish historic compromise. It also left incomplete the final stage of Swedish social democracy's original radical project – namely the socialisation of investment flows themselves. By 1976 – under Meidner's leadership – the Swedish Left was ready to embark on that final stage, through the initiation of collective wage earner **funds** that would absorb surplus profits and slowly transfer ownership or control from capital to the unions. But this proposal, far more than any other initiated by Swedish Social Democracy since the 1930s, challenged the fundamental class compromise at the heart of the Swedish model – and in particular **antagonised** the very group of large-scale export-oriented capitalists with whose predecessors the **original** compromise had been made (Swenson, 1991, p. 514; Pontusson, 1992, p. 319). Swedish capital – through its employers organisation, the SAF – then responded by a series of moves against centralised wage bargaining, welfare provision and trade union rights. The SAF began actively to campaign in the 1970s 'against growing public expenditure, against the welfare state, against collectivism in general' (Fulcher, 1987, p. 245); and to urge on successive Swedish governments a steady stream of conventional neo-liberal policies. Sections of Swedish capital also systematically withdrew from centralised collective **bargaining** amid a series of industrial **disputes/lockouts** which they triggered: effectively by 1990 killing off this key element of the Swedish model. And most important of all, in the 1980s major Swedish companies **began** to export capital on a large scale for the first time (Kurzer, 1991, p. 5): **taking** Swedish capital exports from 1% of GDP in 1980 to about 6% by 1990 – from a level in the early 1980s that was normal among capitalist economies to one in the 1990s that was **higher** than elsewhere (Wilks, 1996, p. 103; also Albo, 1997, p. 9).

It is the increasingly **global** nature of large-scale Swedish capital which now poses the major threat to the viability of Swedish exceptionalism. To work **properly**, the Rehn-Meidner model required low levels of internationalisation among high productivity Swedish companies, since it 'rested on the premise that the "excess profits" generated by solidaristic wage restraint would translate into increased production and employment by firms or sectors with above-average productivity' (Pontusson, 1992, p. 322) *within Sweden itself*: But the model worked less well when (and to the degree that) Swedish firms

moved percentages of their **production/employment** abroad: which they did progressively after 1960 and at a quickening rate after capital controls were eased in 1985. This corrosion of one vital element in the post-war Swedish equation tells us much about the determinants of international competitiveness and the role of trade unions in its enhancement. It makes very clear that the unions are not the only – or ultimately even the decisive – determinants of the persistence and effectiveness of 'historic compromises' between major social classes. The Swedish model is now in difficulties not primarily because of divisions on the side of labour, but because dominant groups within the Swedish capitalist class are no **longer** willing to participate in its central institutions (Wilks, 1996, p. 94). That unwillingness is in part a **product** of the intrusion into their interests, resources and freedom of action created by the rules and institutions of Swedish corporatism, and by the revitalised radicalism of the Wage Earner Fund initiative. The unwillingness is also in part the product of a major revival of neo-liberal ideas (and confidence) in Swedish governing circles. But it is also a product of the changing nature of capitalism as a global system: a product of the intensification of international competition – and the changing modes of work organisation being developed by successful international competitors – to which Swedish manufacturing industry is now subject; and of the greater facility now available to holders of capital (including Swedish holders of capital) to shift both their portfolio and their **productive** investment off-shore. With the benefit of **hindsight** it is becoming clearer that the success of the Swedish historic compromise – as a **growth** model for Swedish capital and as a source of rising living standards and social justice for Swedish labour – was intimately associated with the productive conditions prevailing in capitalism's post-war '**golden age**': an age of Fordist regimes of accumulation and **high** levels of national economic autonomy. And by association, the fall, deterioration or challenge to the model (depending on how pessimistic your reading of the future is) is a product of the extent to which those conditions have been eroded by changes in forms of production and by processes of **global** economic integration.

III. CONCLUSION

This link between 'class compromises' and wider social structures of accumulation is the point of vulnerability in the whole Centre-Left argument on trade unions and competitiveness; and it is one that neo-liberal critics have been quick to exploit as the Swedish success story

has soured (Lindbeck, 1985, 1994). But as the empirical record on the post-war UK indicates, neo-liberal theses on trade unionism and **competitiveness** have their own deep problems, of which three general ones stand out.

1. One is the inability of such arguments (however much their advocates **genuflect** in this direction) to **grasp/allow** for the full **significance** of the *qualitative* difference between a labour market and any other form of commodity market in capitalist societies. Labour is not just any other commodity, to be **analysed** in abstracted models of labour market performance. On the contrary: it is a very special commodity which, because it is both highly perishable ('it cannot be stored, and if it is not used continuously it is wasted' (Rothstein, 1990, p. 325); and highly active (with workers needing to be present at its delivery), requires managing in a very particular kind of way. This is especially the case in a capitalist mode of production, where there is a perpetual wage-effort bargain to be struck between managers and workers within a context of **highly** differentiated patterns of reward. Labour markets are inherently complex social systems, and have to be understood and studied with a sensitivity to the wider social universes in which they are inserted (Rubery, 1994, p. 341). At the very least this means that the definitions, goals, motivations and stocks of knowledge that individual labourers bring to the production process inevitably shape productive outcomes. It also means that the workings of labour markets are shaped by sets of social forces (institutions, histories, cultures and practices) which lie beyond the immediate control of any one individual labour market actor (labour markets are quintessentially not the appropriate territory for forms of analysis based on the interaction of socially-abstracted rational individuals). And most important of all, it means that the settlements arrived at inside labour markets have outcomes and significances that stretch far beyond the boundaries of the labour market itself, such that nothing going on within the market can safely be treated in isolation from wider questions of status and power.
2. The second limitation of neo-liberal analyses of trade unionism is this: that it is just not the case that labour markets will 'clear' at **socially/economically** optimal levels but for trade union intervention, or that what we face, without trade unionism, is a **level** playing field between capital and labour which trade unionism

then distorts. We do not. Labour markets in a capitalist economy are stacked heavily against labour. There is a basic asymmetry of power between the individual worker and **his/her** employer that trade unionism attempts to **redress**. There is a gradient of power running against labour in capitalist societies unless unions act to pull it back (Coates, 1983, pp. 58-62; 1984, pp. 88-91). That retrenchment/redressing has never been more than partial; though it has been at its greatest, historically, in the corporatist labour codes of the Western European welfare states. In those societies, trade unions have pulled-the gradient down a little in favour of workers: giving them rights in the workplace, welfare rights beyond it, and **higher** wages. If neo-liberals now want to reduce those rights and make the **gradient** steeper once again, what they are actually saying is that rapid capital accumulation currently requires an intensification of inequality, and a reduction in the degree of redress previously achieved. And in truth, that is the core of the right-wing critique of UK trade unionism in the 1970s – that capital accumulation, **UK-style**, required a significant imbalance of power and reward between capital and labour, an imbalance which the modest pro-labour reforms of the mid-1970s then threatened and challenged. But put that way, it throws an entirely different **light** on the role of unions and their members in post-war UK economic under-performance than that characteristically generated by neo-liberal critics: namely that trade unions and their members were more sinned against than sinning, the victims of **deeper** processes and stronger social forces, before which the unions' main crime was to be, not too strong, but too weak.

3. So to claim, as neo-liberals often do, that trade unions are a (or the) source of income inequality in a capitalist labour market is quite ludicrous, and invariably deliberately disingenuous. Capitalist labour markets only work by entrenching inequalities of power and income between whole social classes. **They** are machines for the manufacture of social hierarchies, not of individual equality. To criticise Gade unions for allowing wage inequalities within one social class both ignores the important Swedish counter-case (of solidaristic wage policies) and masks the extent to which income inequality as a whole is likely to intensify as trade unionism is weakened. That was certainly the UK experience after 1979. Even in Sweden, for all the wage

solidarity achieved within the working class, income inequality between classes was the price even Swedish labour was obliged to pay for the sustenance of its 40 year long exploration of the limits of class collaboration within corporatist institutions. Inequality, that is, is not a product of trade unions. It is a product of unregulated labour markets, and of the untrammelled workings of the privately-owned market institutions with whose interests the neo-liberal advocates of trade union restraint invariably **identify**. Neo-liberalism is quite wrong to market its own policy proposals as the only viable ones available. The issue is not a lack of alternatives now facing privileged and non-privileged classes alike, but an unwillingness on the part of the privileged to pay the cost of radical policies for employment and growth. Neo-liberalism is in **that** sense a class project, as well as a theoretical argument, and needs to be recognised as such.

With this in mind, we can go back to the arguments of Garrett and Lange. Their defence of corporatism as a viable growth strategy is also best understood in class terms – as advocating a strategy of collaboration between classes for strategic international advantage, in its Swedish manifestation as an alliance between organised labour and large-scale Swedish industrial **capital**. Now it is **very** hard to argue, as much neo-liberal **theorising** implicitly does, that in social terms – for the labour forces caught up in it – the experience of life under Swedish corporatism was inferior to that under Thatcherite neo-liberalism. On the contrary, and on **virtually** any morally-defensible performance indicator you care to name – industrial and social rights, living standards, gender equality, job security, human dignity – corporatism was (and is) superior. That is why the issue for us, in examining the theory and practice of Centre-Left arguments on unionism and competitiveness, is not whether the Centre-Left model is *better*: it clearly is. The question is rather whether it remains a viable one; and against that question there are a number of troubling things to say (for a general critique, see **Albo**, 1997).

1. One point of caution concerns the relationship of productivity growth to the maintenance of class alliances. The significant ghost in the machine throughout the Swedish story is the question of the productivity of labour in Sweden's manufacturing sectors. As productivity there rose, and as its rise was encouraged by the Rehn-Meidner model, the collaboration between classes at the heart of the Swedish model held – profits and wages rising

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together for a prolonged period. But in the end they did not. Overall productivity in the economy slowed, as the weight of public sector employment failed to be compensated by commensurate increases in labour productivity elsewhere. In the end, that is, the Swedish model hit the same contradiction between sectors as had the UK economy a decade earlier. In Sweden, as in the UK, the rise in public sector employment was a *response* to the falling capacity of the **manufacturing** sector to sustain rising labour productivity and output. It was not, as neo-liberalism has it, the *cause* of that fall; but once underway, dwindling manufacturing productivity was then accentuated by levels of public spending whose financing took the sorts of toll that neo-liberalism so often emphasises – and in the process did, internally as it were, erode the space within which corporatist class-compacts could be sustained.

2. Such a rise and fall of industrial productivity – and the associated opening and closing of a space for a certain kind of class politics – brings the issue of *time* back into our understanding of the relationship of unions to competitiveness, and raises the possibility that such a relationship may itself be *contingent* on the presence and character of a wider set of economic and social institutions and processes. Neo-liberal critics of trade unionism implicitly discount dimensions of time and contingency: for them, trade unions are *always* an impediment to output, production and costs. In their stridency, they have invited and stimulated an equally universal counter-claim from the Centre-Left: one that asserts the compatibility of trade unionism with high performance on neo-liberalism's chosen economic indicators, and also with high performance on indicators (like employment and equality) to which neo-liberalism pays less attention. But when we look at the evidence which is deployed in support of that counter-claim, we find that much of it derives from the functionality of welfare regimes, government spending and high wages to the realisation of **profits** in the accumulation regimes established in western Europe in capitalism's post-war 'golden age'. Class compacts of a corporatist kind did function **satisfactorily** for both labour and capital in a number of leading European economies in the hey-day of **Fordism**; and in **doing** so, did provide powerful counter-factual evidence to neo-liberalism's general anti-union case. But the question we have to ask is

whether the special conditions permitting such class compacts are not now beginning to erode, whether we are not, in some fundamental sense, now **at/approaching** 'the end of Fordism'?

3. **Fordism** may or may not be going – that is a much discussed issue – but at the very least it is changing: as a new international division of labour and the emergence of more **globally** mobile forms of capital reduce the degree of national autonomy available to policy-makers keen to reconstitute compacts between locally-based social classes. Labour is still available for those compacts. Capital increasingly is not. Which brings us back once more to the Garrett and **Lange** argument that we currently face two viable growth packages: one corporatist, one neo-liberal. For behind such a view lies an unexplored assumption about the character, not of labour and trade unionism, but of capital and of capitalism. If strong trade unionism was compatible with high levels of investment in local manufacturing industry in Sweden, but was not in the UK, then, since both economies contained for most of the post-war period highly organised labour movements, it suggests that variables other than labour were at play, and that in particular the character of local employing *classes*, and their role in the world economy, may in fact have had a far more potent impact on patterns of economic performance than trade unions per se. And if that is so, it is not the symmetries of institutional arrangements that hold the key to why unionism has different economic effects in different advanced **capitalisms**, but the nature of the integration of different national capitalisms into the overall world system. In the 1960s and 1970s the UK capitalist class was already internationally-oriented and globally mobile. The Swedish was not; that was the key difference. Then the question becomes – which capitalist class is now representative of the situation of capital as a whole: and if it is the UK's – if capital in general is becoming internationally mobile and globally oriented (as it surely is) – then it is the Swedish case which has been 'exceptional' and the UK case which is a better guide to the norm. In other words, the argument of Garrett and Lange, when explored more deeply, is as vulnerable as is corporatism itself to a critique based on the globalisation of capital.

Academics of a neo-liberal persuasion are making that critique right now, with great enthusiasm, claiming ideological victory after years of under-representation in the Scandinavian case. But they should not

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gloat. If corporatist class compacts are now to be criticised for their diminished record on investment, living standards and job security, there is just no evidence that a return to unregulated markets will produce a more impressive set of outcomes. On the contrary, the **future** neo-liberalism offers is one of continued uneven economic development, as growth trajectories diverge through processes of cumulative causation (Albo, 1997). What has always been at stake in corporatist class compacts is the balance of class forces. A particular balance was critical to the consolidation of the Fordist social structure of accumulation. Now, in the world system as a whole, that balance is **shifting** again: ostensibly because capital is more globally mobile, actually because of the steady proletarianisation of the Asian peasantries. In that shift, one particular historical option is **being** foreclosed – that of nationally-based class compacts which allow wages and profits to rise together in core capitalist economies. But that foreclosing does not oblige the Left to surrender territory, ideologically or politically, to neo-liberalism. It **simply** obliges the Left to meet that ideological and political challenge without reproducing the illusion that national class compacts remain a viable option for progressive forces. They do not.

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