

THE CHIMERA OF THE THIRD WAY

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Trapped between a shifting social base and a contracting political horizon, social democracy appears to have lost its compass. In such altered conditions, is it likely to undergo a new mutation? Once, in the founding years of the Second International, it was dedicated to the general overthrow of capitalism. Then it pursued partial reforms as gradual steps towards socialism. Finally it settled for welfare and full employment within capitalism. If it now accepts a scaling down of the one and giving up the other, what kind of movement will it change into?¹

THE REALIGNMENT OF IDEOLOGY and policy in left parties over the past two decades leaves increasingly little doubt as to the kind of movement social democracy has become. But judging from recent social democratic discussions about alternatives – not to mention ongoing struggles over the direction of left governments and parties – one could well form the impression that social democracy still has more potential than simply adding a sugar coating to the bitter pill of neo-liberal austerity. Reformists may, as Perry Anderson suggests in the quotation above, have lost their compass. But a growing body of work by left intellectuals has emerged intent on setting a new course for social democracy, hoping to construct a hegemonic project appropriate to the ‘new times’ ushered in by recent political and economic transformations. The electoral successes of left-of-centre parties in the mid to late 1990s, breaking the momentum of the political right, are thus presented as an opportunity for the moderate left to reinvent itself.

It would be premature to attempt to assess what Britain’s Tony Blair or

Germany's Gerhard Schröder mean by the 'Third Way' and it is not yet clear if their policies really amount to a distinctive break with neo-liberalism. What can be assessed at this point, however, are the various policy frameworks set out in recent years by social democratic intellectuals which share the premises of the third way in their reliance on a revitalized discourse of 'partnership', while explicitly offering strategic alternatives to both neo-liberalism and the old post-war social democracy. It is the purpose of this essay to critically examine these alternatives, and to consider whether they are capable of providing the substantive grounds for social democracy's 'New Way'.

SOCIAL DEMOCRATIC ALTERNATIVES: FROM GOLDEN AGE TO LEADEN AGE

In the advanced capitalist countries, the prosperity and stability enjoyed during the post-war Golden Age formed the backdrop to the development of domestic class compromises. In an expansionary climate marked by rapid economic growth and relatively autonomous national markets, social democrats espoused a 'utopia' of class harmony administered by a Keynesian welfare state. Left political parties, with their special relationship to organized labour, won elections on the promise that they could deliver wage restraint, industrial growth, and labour peace to capital, and full employment, rising standards of living, and an enhanced policy-making role to workers. In the management of this class compromise, neo-corporatist incomes policies and economic planning structures – suffused with the ideology of partnership – were often key instruments, particularly in the 'model' social democracies of northern Europe.

Many of those trying to chart a new course for social democracy base their case for breaking with the past on the disappearance of the conditions which once favoured these institutions of class compromise.² Two in particular are singled out: the end to the Fordist system of mass production and the dismantling of the Keynesian national policy framework. According to these accounts, both were crucial for the 'organized', national capitalisms of the post-war period, allowing workers, employers, and the state to exercise their proper functions in a corporatist order. Workers could be organized into strong, centralized trade unions in the context of large, dominant, and stable firms. Peak-level bargaining with strong employers' associations helped guarantee wage and benefit increases for workers proportionate to productivity advance, while states had the capacity necessary to manage levels of aggregate demand and ensure the absorption of the scale of goods produced.

In accounting for the factors contributing to the decline of this organized capitalism, one line of argument focuses on the adoption of 'post-Fordist' flexible technologies and work practices in advanced industry.³ The saturation of mass consumer markets in the capitalist core is said to have destabilized post-war growth and diminished the role of Keynesian state policies and trade unions in securing effective demand. The Swedish experience, among others, is used to illustrate how this shift has been accompanied by employer demands for

wage flexibility, the increasing fragmentation of the working class, and the experimentation with greater cooperation in the workplace, all of which disrupt stable patterns of coordination between business, labour, and the state.⁴ An alternative perspective emphasizes the effects of the expansion of global markets.⁵ The integration and mobility of capital is said to pose severe limitations on the traditional range of options available to left governments, faced now with the combined threat of imports from low-wage economies, relocation of international investment, and a spectacular growth in the volume of mobile financial assets. In such a global setting, aggressive national policies of expansion will result in benefits ‘leaking’ abroad and vigorous opposition from investors and financial markets. The fate of France’s ‘Mitterrand experiment’ in the early 1980s is widely accepted as proof positive that globalization has eliminated the option of Keynesianism in one country.⁶

With challenges to the national Keynesian and corporatist orthodoxies gathering momentum through the 1980s, there arose a number of proposals on the left for an alternative accumulation strategy appropriate to these ‘new times’.⁷ Strategies for full employment and social welfare increasingly looked to the international level for ways to moderate the effects of flexibility and globalization, by raising labour standards or by reinstating Keynesian policies at a higher level through more broadly representative supranational institutions or coordinated macroeconomic expansion. The popularity of the Social Europe project and the strategic emphasis placed by labour movements on social clauses, side agreements, and social charters are testimony to the influence of these ideas. However even with interest growing in supranational forms of governance, the institutional conditions for winning progressive reform through inter-state negotiations and cross-national bargaining remain weak.⁸ This has contributed to an increasing focus on the need to develop national and regional strategies which would restore the fortunes of social democracy on the basis of new bargains struck between capital, labour, and the other ‘social partners’.

This search for a new corporatism tends to fall into three distinguishable, though frequently linked, strands: (1) those calling for some sort of productivity pact, which links progressive outcomes to improvements in the competitive capacity of labour and industry – ‘supply-side corporatism’; (2) those seeking a new distributional bargain, which recasts social and incomes policies to spread the benefits and sacrifices of economic growth within international constraints – ‘open-economy corporatism’; and (3) those urging a broader social compromise, which aims at improving both competitive and distributional outcomes by extending participation in all spheres of social life – ‘corporatist social governance’.

At the level of political calculation, each of these strategies relies heavily on restoring the institutions and ideology of social partnership, but with a new twist. The post-war pattern of social corporatism was principally (though not exclusively) focused on managing aggregate demand in the context of relatively closed national economies. By contrast, the first strategy of supply-side corpo-

ratism emphasizes productive forms of ‘concertation’ in its search for a collaborative path to competitive advantage. The second strategy of open-economy corporatism encourages coordinated bargaining to spread the burdens of competition and the benefits of growth within limits imposed by international markets. The third strategy, corporatist social governance, seeks out alternative modes of organization and inclusion – beyond labour and capital, market and state – to develop local social cohesion, long-term commitment, and economic dynamism. Programmatic statements on the Third Way as such, issued from sources closer to centre-left governments, tend to be less specific than each of these approaches, but the rhetoric and many of the general commitments are the same: competitiveness and the global market; ‘active’ welfare states and ‘public-private partnerships’; ‘social entrepreneurship’ and ‘harnessing local initiative’.⁹ Yet for all their modernizing rhetoric, the emphasis on cross-class trust and partnership remains at the core, and is replete with contradictions such as have beset all corporatist schemes for class harmony. The social democratic case for each of the new strategies will now be examined before turning to a discussion of these contradictions in the second half of this essay.

The case for ‘supply-side corporatism’¹⁰

The first approach calls for a new industrial politics linked to alternative models of growth which emerged in the late 1970s and 1980s. As unemployment and balance of payments pressures mounted during this period, increasingly reinforced by sensitive international financial flows, attention turned to the performance of the export sector.¹¹ The ‘competitiveness debate’ which ensued reinterpreted economic performance in terms of the notions of dynamic efficiency and competitive advantage. In doing so it provided an analytical basis for justifying active intervention and institutional solutions to overcome market barriers and to shift production into higher skilled, higher value-added manufacturing.¹² While the priority of the global market was assumed – above all in the overriding commitments to financial stability and exposing sectors to the ‘stimulus’ of external competition – the emerging growth models theorized that rapid rates of export-led growth could be achieved to ease employment and trade pressures without generating inflationary problems.

‘Supply-side corporatism’ is based on the idea that a gentler, more humane mode of integration into the world economy is possible. It tries to balance an embrace of the world market with the maintenance of high local standards of equity and justice. Internationalization and flexible production are seen to limit the effectiveness of traditional policies for growth and employment. But internationalization is also believed to open up an alternative in supply-side measures to improve the availability and efficiency of local factors of production. While intervention at the supranational level may provide useful supports for such a strategy, the ‘progressive competitiveness’ position is primarily centred on measures to boost the productive capacity of sectors exposed to international

markets.¹³ By achieving competitive success through industrial innovation, a skilled workforce, and quality products, it is believed, states can ‘earn’ their way to expanding jobs and welfare.

This model of development calls for states and institutions to play a significant role in building the technological and organizational capabilities of economic actors. It finds support in several currents of political economy which challenge the neo-classical view of institutions as mere distortions of efficient market allocation. The ‘new corporatism’, however, goes beyond the old corporatist focus on the formal organization of labour, to encompass a wider set of variables that are seen as contributing to successful adjustment and relative economic performance. These include frameworks of financial intermediation, business organization, skills-formation, industrial relations, and state-society linkages.¹⁴

On the basis of these proposals, politically-conscious reformers went a step further. Connecting the emerging export-led growth model to an explicit class bargain designed to restore the fortunes of the left, supply-side corporatists have argued for new industrial politics along distinct localist and national trajectories.¹⁵ Local pluralists argue that globally-integrated economies allow (or even enhance) the potential for egalitarian initiatives based on strong coordination among local states, firms, and community actors.¹⁶ This contrasts with those who identify particular national sectors and industries as the appropriate sites of intervention, where actors can collaborate to push economic activity into a ‘virtuous circle of upmarket industrial restructuring’.¹⁷ Both localist and national corporatist variants profess to being ‘ultimately *politically motivated*’. Their objective is to establish ‘a similarly productive role for egalitarian redistribution in the creation of *effective supply* as was provided for in the Keynesian model of effective demand’.¹⁸

The strength of the left’s bargaining position on such terms is considerable, we are told. Union participation is indispensable to securing collective inputs that are poorly provided for by the market but which are necessary for quality competition, such as the industrial peace and workplace flexibility necessary for continuous innovation and rapid adjustment to changing markets; education and training systems to enhance the value-adding capacity of workers; and standards around working conditions and wages which foster cooperative networks of flexible firms and mobile workers.¹⁹ In return, firms are to increase investment, shift production away from low-skilled sectors, encourage workplace involvement, agree to floors on conditions and wages, and accede to a more equitable distribution of the gains from increasing competitiveness.

Supply-side concertation thus operates on multiple levels. Within the firm it is intended to facilitate technological change and workplace reorganization; while beyond the level of the firm, the goal is to negotiate shifts in resources between industries, sectors, and regions. The role of left parties is to mobilize the requisite ideological and political support for this strategy, and to oversee its terms while in government. Local and national states can thus, to varying

extents, help foreclose the 'low road' (competing on costs) and consolidate the 'high road' (competing on quality). They are able to accomplish this by strengthening labour and environmental regulation, cultivating worker representation through works councils or other means, and softening the impact of restructuring through active social and labour market policies. But how left governments and union leaders might actually go about winning the progressive side of these reforms in the face of capital's resistance is rarely addressed.

*The case for 'open-economy corporatism'*²⁰

The second approach's response to the impasse of left alternatives attempts to breathe new life into distributional arrangements. The dilemma these reformers face is how to overcome the obstacles that came to confront the coordinated welfare state without abandoning its perceived commitments to redistribute wealth and risk, accord a prominent role to labour, and secure relative social and economic stability. The strains on the leading European social democracies are often acknowledged, but advocates of the new distributional politics claim that the point is to adjust, not abandon, traditional principles. What is needed then is 'a feasible open-economy model of corporatism' which can create a 'virtuous circle between domestic egalitarianism and international openness as a political economic model for the world.'²¹

Strategies for an 'open-economy corporatism' set out a double-sided programme. First, they look to use tax, wage, and social policies to renew growth through targeted public investment or improved export performance. Second, they seek to find new means of sharing out the burdens and rewards of sustaining that growth in the face of international and domestic constraints. Policies at the national level may supplement the strategies for international cooperation and competitive capacity-building outlined above, or serve as an independent basis for egalitarian policy. For example many who look to coordinated macroeconomic expansion to overcome the constraints on open economies (usually in the European context) argue that 'income restraint would [still] fall to national governments' to accomplish, since the obstacles to constructing successful systems of wage bargaining at more central levels appear insurmountable.²² Redistributive policies are also critical for those advocating a supply-side corporatist model, since these can help translate the gains of international competition into further productivity advance and/or prevent excessive wage demands from precipitating a loss of competitiveness. For others, centralized bargaining structures can play a more direct role in reviving progressive politics.

A 'return to incomes policy' is proposed as the most effective means, as Colin Crouch has put it, 'to get a grip on a labour market that is either inflationary or too costly' by international standards.²³ For many of these new corporatists, domestic wage inflation is still the ghost that haunts capitalist economies. Even unemployment, disproportionately high among unskilled workers, cannot prevent skill bottlenecks and hence exorbitant wage increases

in high-productivity, post-Fordist industries; nor can it effectively dampen other forces from triggering an inflationary spiral.²⁴ As globalization has further weakened the already blunt instruments of fiscal and monetary policy, which discipline labour only at a high cost to investment and employment, incomes policy is still seen as a powerful tool in the hands of left governments.

Yet for these new corporatists, institutionalizing wage restraint represents more than a technical fix to an intractable problem of capitalist economies. It is also presented as a positive means of creating space for economic stability and progressive policy.²⁵ At a minimum, wage restraint is supposed to make possible a relaxation of fiscal and monetary policy, with the potential to create jobs and growth. At best, it can be the pillar of a more assertive national program for full employment. A few left economists, like Andrew Glyn and Bob Rowthorn, argue that the publicly-financed expansion of labour-intensive, non-traded sectors, together with wage subsidies and associated measures, are the best means of addressing sluggish private investment and high unemployment. In this strategy of 'employment spreading', although the priority is placed on overcoming domestic constraints, there is an implicit recognition of the limits imposed by internationalization.²⁶

Less ambitious but more commonplace in open-economy corporatist models is the call to reconstruct incomes and social policy to 'get a grip' on labour and social costs in the face of competition. The proliferation of 'social pacts', especially in eastern and southern Europe, is even thought by some to represent a countervailing tendency to pressures to converge on a 'lean welfare state' model.²⁷ A move to find negotiated responses to international challenges has led to the restoration of broad coordination between unions, employers, and governments, from a series of agreements in Ireland covering pay restraint and social reform to a tripartite framework for incomes policy in Italy.²⁸ Although often motivated by 'the search for "least bad" solutions by all partners concerned in hard times', these efforts are said to help strengthen cooperative institutions of policy-making while tailoring policy outcomes to the external demands of regional integration and economic competitiveness.²⁹ Workers trade-off wages or benefits for some commitment to jobs and various forms of social protection. The new mix between centralization and decentralization of bargaining favoured by the centre-left is reflected in these agreements, as well as in the growing interest in the way the Danes, Dutch, and Austrians have altered their corporatist systems to the perceived demands of flexibility.³⁰ Welfare states also must adapt to the modern demands of an aging population and the growing visibility of social costs. Even the most ardent supporters of the Scandinavian alternative are now resigned to the need for public sector wages to fall, tax and benefit systems to incorporate stronger incentives to employment, and equality of outcome to further give way to equality of 'opportunity'. The rationale offered, even by welfare state defenders such as Gösta Esping-Andersen, is that short-term pain will eventually yield long-term gain.³¹

Growth strategies based on open-economy corporatism will depend, like its supply-side counterpart, on a set of political preconditions. On this view, social democrats must broker a new distributional bargain favourable enough to induce domestic capital to increase local investment and support high levels of wage solidarity, social services, and public sector growth consistent with its position in international markets. This, in turn, depends on the ability of left parties and trade unions to mobilize the cooperation of labour. The appeal to long-term self-interest with the promise of future gain is clearly one element necessary to the success of this mobilization. But a strategy of eliciting workers' active consent through other means may be just as important if the resort to compulsion is to be avoided. The 'willingness to redistribute' thus becomes a critical variable in the success of egalitarian policy, and developing an ideology of restraint and reciprocity a means of cultivating it.³² Appeals to 'altruism' and 'patriotism' are seen as necessary and progressive alternatives if, as Andrew Glyn has put it, the costs of these strategies are to be 'willingly shouldered' by labour.³³

*The case for 'corporatist social governance'*³⁴

The third approach in the social democratic search for a third way calls for a broader social compromise to accompany the new directions in industrial and distributional politics. This compromise involves tapping into available social resources in the form of institutional networks and community activism. Various strategies further aim to expand these resources by extending 'associative', 'stakeholding' or 'communitarian' forms of social participation across economic, political, and cultural spheres. Through civic engagement, reformers hope to address the problem of 'social exclusion' by giving voice to marginalized groups, and to unleash the benefits of increased social dynamism by improving the flow of information, commitment, and trust within expanding social networks. Non-market coordination, they believe, can serve to socially embed market-based adjustment and lessen reliance on competitive forces. Although the models differ in emphasis they converge on the claim that densely organized social environments can contribute to democracy and efficiency in a flexible and globalized world.

Promoters of 'corporatist social governance' are at great pains to distinguish their own partnership models from post-war patterns.³⁵ Many are quick to recite the problems of cumbersome bureaucracy, a passive citizenry, and an impoverished group politics which came to be associated with the Keynesian welfare state, and few support the kind of 'organized' social economy that flourished during the boom. In place of big labour, big business, and big states they foresee a more 'porous' state, a more heterogeneous organizational politics, and a higher level of popular participation. In other words, corporatist policy-making should move beyond the confines of economic negotiation between an exclusive set of peak associations, and encompass a broader array of social actors, a wider scope for negotiation over public goods, and more possibilities for deepening democratic practice within organizations.

The rediscovery of the ‘third sector’, the ‘social responsibilities’ of individuals, and alternative modes of economic and political ‘governance’ are different aspects of the reconceptualization of civil society.³⁶ Yet they are also bound up with the left project of repositioning and are linked closely to the new industrial and distributional politics which define it. The success of productivist bargains, for example, is increasingly understood to hinge on the building of an appropriate social infrastructure. Those institutional resources which, as we saw earlier, are supposed to confer competitive advantage in high quality production – the appropriate organization of industrial interests, finance, labour relations and public-private partnerships – may themselves depend on broad framework conditions which make local cohesion, commitment, and coordination likely in the first place. High-trust economies which facilitate a density of interaction and flow of information in turn promote innovation through learning by using, doing, and interacting.

Distributional bargains are to have new roots in civil society. The ‘willingness to redistribute’ and the culture of trust and reciprocity on which it rests, it is argued, must be reproduced through appropriate social institutions. Moreover the universal welfare state is said to be giving way to a ‘mixed economy of care’ in which the private and voluntary sectors take over functions previously administered by the state. The devolution of powers to community and regional bodies promises to improve the efficiency of service delivery and the responsiveness of social provision. An expansion of the third sector financed out of taxes is also proposed as one (if not the most politically acceptable) alternative to public sector growth as a means of mopping up surplus labour.³⁷

The social democratic articulation of a new social compromise also serves ideological and strategic purposes. The promotion of intermediate social forms (including the centre-left’s renewed interest in ‘the family’) is designed to chart a third way between the unfettered market and bureaucratic state associated respectively with the New Right and Old Left. Further, the more popular style and broader appeal of these societal projects are meant to help link emerging accumulation strategies, built around productivist and distributional bargains, to a more encompassing and explicitly hegemonic project for the left.³⁸

One crucial building block of this discourse has been the ‘social capital’ thesis.³⁹ Social capital refers to sturdy norms of mutual reciprocity shaped over time by interactions between collective actors. Corporatist social governance theorists argue that besides the formation of physical and ‘human’ capital which productivist and distributional bargains attend to, a sufficient ‘stock’ of social capital must be generated if economic and political success are to be assured. As one study of regional prosperity in Italy concludes: ‘economic actors embedded in local economic orders possessing dense but relatively egalitarian socio-political networks were able to share information, form alliances, build trust, and resolve conflicts through negotiation... and hence negotiate the process of industrial adjustment.’⁴⁰ While early formulations of the social capital thesis assumed the relative immutability of socio-political endowments, finding

them anchored in deep-seated cultural traditions, other reformist models contest this view. Anglo-American intellectuals in particular, inspired by the examples of dynamic economic zones in Italy, Japan and Germany, have contemplated ways to produce the societal raw materials of corporatist bargaining in their own countries through conscious institutional design.

'Stakeholding' is one approach which puts forward an assortment of reforms guided by the principle that the interests most affected by institutional decisions are entitled to representation or other forms of protection when those decisions are made.⁴¹ Political measures, it is argued by proponents like Will Hutton, should be taken to improve democratic procedures and enforce rights to information. Economic measures should encourage firm-level consultation and develop skills and other relevant capabilities necessary for participation in the labour market. And social measures should promote inclusiveness and activism in civic life. Working in combination, these reforms will foster a culture of interdependence and cooperation by giving people a greater 'stake' in the community.

'Associational' models take a similar tack.⁴² They seek to enhance the quantity and quality of productive social intercourse by creating an environment conducive to self-organization. States should provide civic associations with public status and delegated powers, and in exchange, those associations are to bring their internal practices into compliance with democratic standards. In the end, it is hoped, a parallel system of functional-associational representation will supplement the existing territorial-electoral system. Civic groups based on cooperation will relate to each other through negotiation: the invisible hand of the market and the visible hand of bureaucracy will be complemented by what Bob Jessop calls the 'visible handshake' of democratic associationalism.⁴³ Participation, accountability, and social cooperation are to be enhanced through these deliberative processes while public policy is rendered more efficient by reducing transaction costs and improving information flows.

Stakeholding and associationalism respond as well to the new social democratic concerns for the constraints imposed by economic flexibility and globalization. First, it is suggested that the erosion of state capacity can be minimized with the positive-sum gains of state-society partnerships, anchoring that capacity in diverse institutional networks.⁴⁴ Second, strategies that multiply the cross-commitments of existing actors (e.g. producers, suppliers, consumers, public officials) and attract new investment to vibrant economic zones are also advanced to 'fix' capital in particular places.⁴⁵ Only through such a process will firms be constrained by some level of territorial commitment and so persuaded to use their 'voice' instead of 'exit'. The local ties between these actors can then be strengthened and deepened. This process of 'thickening' may be stimulated by a variety of initiatives: regional industrial banks and measures to combat 'short-termism' in financial markets, incentives for firms to decentralize or enter strategic alliances, and support for mutually-owned enterprises or stakeholding companies.⁴⁶ In general, greater local commitment and interdependence, it is

alleged, will encourage capital to be more ‘patient’, plan for innovation, and result in greater cooperation between management and labour.

Stakeholding, associationalism, and similar models propose additional foundations to labour-capital partnerships for a third way programme. They fill a few more gaps in an evolving intellectual and strategic framework which envisages multifold changes to industrial, distributional, and civic politics.⁴⁷ As political strategies, the prospect of drawing a wider set of social partners into corporatist bargains makes them particularly appealing. Even apparently more radical approaches have tried to incorporate their hegemonic and participatory insights: witness how they also crop up in models of market socialism, the ‘negotiated economy’, progressive financial reform, and pension fund schemes.⁴⁸ Yet as we shall now see, the new social democratic models of partnership are fraught with tensions similar to those of the old and, under the existing balance of class forces, are less likely to ground a counter-hegemonic path of progressive advance than to be subordinated to the increasingly ruthless path of capitalist restructuring.

CONTRADICTIONS OF THE THIRD WAY: THE REAL POLITICAL CONTEXT

The left’s case for realignment rests on the claim that corporatist-style politics contributed to stability and growth in the post-war period, but the imperatives of technological progress and global economic expansion now demand their fundamental adjustment. Such assumptions are misleading. On the issue of corporatism, conventional accounts relying on selective history and static correlations gloss over the actual experience of *recurrent* conflict and state coercion.⁴⁹ Far from eliminating the contradictions of capitalism corporatist institutions displaced them onto other levels. On the one hand, the commitment to full employment and rising consumption posed a growing constraint on accumulation. On the other, the incorporation of profitability criteria created fissures in the organizations of the working class. Gösta Esping-Andersen was quite correct when he used to argue:

The contradiction in the corporatist arrangement... is that in order for the corporatist state planning to be insulated from mass pressures, the leadership must be sufficiently isolated from its mass base – causing it to lose its legitimacy. If the leadership is well integrated into the working class and remains a legitimate expression of working class interests, then corporatist planning in the interest of capital accumulation will be undermined to the extent that it is forced to accommodate working class demands.⁵⁰

Corporatist arrangements not only fostered new partnerships, they also fomented new divisions: between the industrial and political wing of the labour movement; within social democratic party structures; and within trade unions.

These tensions worsened as the crisis of overaccumulation generalized and

deepened in the Leaden Age.⁵¹ Increasing capitalist competition and working class militancy contributed to deteriorating conditions of profitability, stirring more radical challenges to corporatist arrangements from both right and left. Internationalizing capitalist classes began withdrawing from cross-class redistributive bargains for full employment. At the same time the economic downturn and capitalist mobilization prompted social democratic leaders to ward off more radical challenges within their own movements, embodied in initiatives like the Alternative Economic Strategy in Britain, the Common Program in France, and the Meidner Plan in Sweden. This period of protracted class struggle culminated in an offensive by state managers and capitalist classes to impose flexibility on the workplace, and international competition on national markets. Neither of these was a simple consequence of the forward march of technological progress or expanding markets, as social democratic intellectuals of the post-Fordist and globalist persuasions suggest. Although formulated as responses to mounting systemic pressures, both the employers' offensive and state-administered globalization took shape as explicitly political projects, intended to unleash downward pressures on workers through programmes of austerity and to discipline governments through the 'constitutionalization' of neo-liberalism in inter-state treaties.⁵²

The deflationary bias of the crisis and the neo-liberal cast of regional integration projects have helped to undermine left initiatives at the supranational level. The failure of the Social Europe project has brought this home most clearly.⁵³ At the same time, efforts to recast social democratic alternatives at national and local levels have had to operate in the political landscape bequeathed by intensified exploitation and a new phase of class conflict. With left defeats at the hands of a globalizing bourgeoisie and modernizing party elites, reformers committed to social democratic renewal have turned their attention to the overriding objective of appeasing business. Even those with more radical inclinations who remain unwilling to challenge the prerogatives of global capital are forced to adopt a strategy of enticing capital with the sacrifices of workers. Restated in these terms, the corporatist bargains now on offer represent little more than social democratic means to intensify work, shift income shares to capital, and appropriate the energies of civil society.

'Supply-side corporatism' and the global productivity race

Capitalist competition and industrial militancy, forces which undermined the post-war corporatist bargains, reappear as equally powerful obstacles to supply-side corporatism, and make both the practical feasibility and the alleged progressive potential of this accumulation strategy highly dubious.⁵⁴ Under prevailing conditions of excess capacity and weak demand, the supply-side alternative has little hope of solving problems of unemployment and slow growth.⁵⁵ Productivity increases in the manufacturing sector will not produce more employment but, in the context of stagnant output and limited demand for manufacturing products, will serve only to reduce the total number of high-

wage jobs globally.⁵⁶ Leading growth sectors cannot be expected to take up the slack given their capital-intensive nature. Employment strategies centred on training and education are equally feeble. Most are premised on the implausible notion that a skills mismatch and imperfect information in the labour market are the principal sources of mass unemployment, rather than the global crisis of overaccumulation and the neo-liberal project it spawned.

Victory in the race to capture an increasing share of world markets has become increasingly elusive as more and more states adopt the same approach. Export-led debt servicing in the South and the competition for employment in the North drive a near universal agenda of constraining domestic demand and promoting sales in foreign markets. This in turn has contributed to the global crisis of demand amidst falling household consumption, decreasing private investment, and cuts to public expenditure since the 1970s.⁵⁷

All this has meant that as outlets for exports narrow, and low-wage competition remains fierce, supporting egalitarian policies through a strategy of competitiveness becomes increasingly difficult. Where it can be achieved, the productivity growth necessary for export success must not be eaten up by wage increases. But without a socially acceptable sharing out of these gains, at the very least for workers in the export sector, the material basis of the 'trust' which underpins continuous technological change and speedup of the labour process will be undermined. For the global pursuit of competitive advantage is constantly raising the 'productivity bar', forcing technological change and intensification of work. As a result, states must jump ever higher simply to maintain their respective position in the international value-added hierarchy. Increasing output per worker is not enough; to win better living standards, it must be raised faster than in competitor economies.⁵⁸ Participation in the global productivity race thus translates into unrelenting pressure to intensify work.

Yet even for technological leaders there are few guarantees that real wages and working conditions will not be eroded. Cut-throat competition and mass unemployment give employers significant reason and opportunity to withhold productivity gains from workers. The post-Fordist faith that quality production for niche markets can be insulated from downward pressure on prices and costs inspires little confidence that wages can be kept out of competition. This fallacy rests on a truncated understanding of the competitive process, and a limited appreciation of the contemporary integration and mobility of capital across sectors and regions.⁵⁹ The encroachment of transnational firms on the 'flexibly-specialized' small-firm sectors of Italy and the pressure of Japanese lean production on the 'upmarket industrial restructuring' of Germany seem to reinforce this conclusion.⁶⁰

The contradictions of international competitiveness are only one side of the picture. Under supply-side corporatism the role of organized labour must also be reoriented, so that 'national unions prevent skilled workers from disrupting cooperative shopfloor relations by harnessing their demands for higher wages, exerting sanctions on local union officials, and educating their members on the

importance of export success.⁶¹ Unions may also assume a role in planning shifts in resources between industries, sectors, and regions, moving economic activity from lower to higher value-added production. But these adjustments are more difficult in circumstances of stagnation and unemployment, where there is less hope of redeploying displaced workers. Those who cannot directly contribute to the competitiveness agenda are likely to be left behind, increasing social polarization. In these and other ways, the strategy of supply-side corporatism threatens to harden divisions between workers, as unions are charged with controlling their most militant members and administering uneven development in an export-led growth model dependent on the intensification of labour.⁶²

The downward logic of 'open-economy corporatism'

'Open-economy corporatism' confronts a similar set of obstacles. Social democratic arguments notwithstanding, the space for distributional politics has progressively shrunk with the slowdown in growth, internationalization of capital, and intensification of competition. The post-war pattern which in some contexts modestly redistributed income and services to the working class now appears to be increasingly ruled out by capital's rejection of binding corporatist bargains. In prominent cases like Sweden and Germany, as elsewhere, business has moved investment off-shore and driven collective bargaining down to industry and company levels.⁶³

Unable to impose distributional settlements on capital, more left-wing social democrats propose a different kind of bargain which would redistribute work and income *within* the working class. Under Leaden Age conditions, however, this strategy is likely to be very difficult to sustain.⁶⁴ Capitalists will oppose it to the extent that solidaristic bargaining conflicts with the competitive pressure to link wages and conditions more closely to local productivity. Workers will oppose it to the extent that the burden of supporting full employment with lower incomes and higher taxes becomes too high. In reality, with redistribution from capital to labour off the agenda, and redistribution within the working class difficult to maintain, corporatist policies are increasingly used to shift income shares *from* labour to capital.⁶⁵ As Leo Panitch anticipated, corporatist structures have become a primary 'vehicle for engineering, legitimating and administering the increase in exploitation... necessary to sustain capital in the crisis.'⁶⁶

With durable and egalitarian distributional bargains apparently on the decline, reformers' enthusiasm for the rise of social pacts is understandable. Although more ad hoc and less binding in nature on the whole, these concertation processes have led to the resumption of tripartism in some countries. A closer look at these pacts reveals a great deal about the changing function of corporatist politics. In many cases, governments have actively forged them to meet treaty obligations arising from participation in regional economic integration. In Europe, states have commonly drawn upon the Maastricht Treaty and the Growth and Stability Pact for 'external' authority to force restructuring on

domestic social actors. After voluntarily tying their hands in these international agreements, governments then invoke their binding authority and appeal for ‘consensus’ on how best to implement them. In this way, states simultaneously push globalization forward while appropriating national structures of concertation to achieve political outcomes that might otherwise be too costly.⁶⁷

Social pacts are also formed as strategies for adjusting to declining competitiveness. If these national concertation processes could be stabilized over time, active coordination across the Euro-zone might become a way of inducing more expansionary policies for growth and employment. But the combined effects of the deflationary bias of the world economic crisis and the restrictive macroeconomic regime adopted in Europe (now enforced by the European Central Bank) make more menacing scenarios of the kind recently described by Andrew Martin rather more likely:

social pacts... would not necessarily aim *only* at keeping cost growth from exceeding those in other states. They could just as well be aimed at increasing competitiveness by keeping cost growth *below* what it is in their trading partners. ...The effort to gain competitive advantage by labor cuts would proceed by collusion instead of coercion. Rather than relying on the weakening of union bargaining and political power by market forces in the context of high unemployment to enable employers (and governments) to impose cuts, cuts would be negotiated. But the understanding of common, or coinciding, interests on which ‘competitiveness alliances’ are based in any individual states can readily include an interest in cuts relative to those in other states sufficient to gain competitive advantage. To the extent that this logic operates in any of the states in which competitive corporatism is achievable, it would seem difficult for the national actors in any of the other states to avoid seeking cuts to at least restore relative competitiveness if not to gain competitive advantage, whether through national social pacts or not. Thus, a deflationary vicious circle of competitive internal depreciations or labor cost dumping would be as likely to be set in motion by a re-nationalization of wage bargaining as it would in the absence of the national social pacts through which the re-nationalization is manifested. The ensuing increases in unemployment and insecurity seem bound to undermine the legitimacy of the social pacts and the unions that enter into them, accelerating union decline.⁶⁸

Thus a ‘return to incomes policy’ may indeed be on the horizon, but not for the reasons social democratic intellectuals profess. Whether existing corporatist institutions are being redeployed to raise the rate of exploitation, to drive globalization forward, or as a potential weapon in the competitive struggle over who will bear the brunt of devalorization through the crisis, they are being steadily adapted to the changing and contradictory needs of international accumulation. Administering austerity in this fashion involves a new politics of

incorporation. Various ideological appeals have been issued by social democratic leaders around the world to legitimate the sacrifices asked of their memberships: class solidarity, national competitiveness, global determinism, and the myth of 'collective profligacy' are just a few. Where these prove insufficient, the compulsion of the state or market will once again be required. The organizational consequences of such a sustained downward adjustment of living standards secured through corporatist structures and partnership ideologies would not be the virtuous circle of productivity gain and social reform promised by advocates of the third way but its opposite, most likely followed, if historical precedent is any guide, by the further disorganization and renewed demobilization of the working class.⁶⁹

The contradictions of 'corporatist social governance'

Social democracy's efforts to reconfigure civil society represent another contradictory response to the growing demands of participation in a stagnant and integrating capitalist economy. Strategies to promote civic 'engagement' and 'embedded' accumulation reconceive of the community sector as a vehicle for policy implementation and economic development. Unlike the political right though, which favours an increasing reliance on these agencies as a means to shrink the state and 'do more with less', many on the soft left are naively optimistic that measures aimed at improving organizational integration and social cohesion will generate returns to democracy and living standards in the context of a strong partnership state. But in their concern to accommodate capital these societal projects will do little to reverse the wider administrative and economic context wrought by neo-liberalism. Without confronting capital's power more directly, they face the same dangers encountered by the other models of social partnership, of incorporation as subsidiary elements in the global logic of competitive austerity.⁷⁰

The idea of community sector participation in public policy is not new, of course. The ranks of civic organizations have long played a modest role mediating the delivery of social services. Policy consultation and group funding under the Keynesian welfare state also created room within the state for social activists to organize and advocate on behalf of social concerns. As the economic crisis unleashed renewed domestic conflict, and fiscal and political pressures on welfare regimes reached the breaking point, this political presence came to be seen as a barrier to restoring accumulation. Capital's agenda of restructuring the state, to reimpose discipline on workers and facilitate its global ambitions, meant sources of political opposition from workers, social activists, and consumers of social services first had to be minimized. In the ensuing struggle governments have defunded and delegitimized adversarial groups, marginalized state agencies associated with community and social services, and progressively withdrawn from the commitment to social protection of the disadvantaged.⁷¹

The financial, administrative, regulatory, and ideological framework of the neo-liberal state favours a new mode of incorporation.⁷² The retrenchment of

the public sector in the context of growing social need has created new potential for third sector agencies to fill the void, but an increased responsibility for the delivery of declining services may not be accompanied by greater influence over the direction of policy. In the words of David Osborne and Ted Gaebler, whose theories have shaped administrative restructuring around the world, ‘entrepreneurial governments have begun to shift to systems that separate policy decisions (steering) from service delivery (rowing).’⁷³ For all the social democratic discussion of giving genuine public voice to a diversity of collective actors the real underlying momentum of policy, especially evident in the rise of contract-based funding patterns, in fact relegates them to the task of ‘rowing’ while reserving for public managers strategic ‘steering’ decisions such as the allocation of resources and setting of performance targets. The growth of public-private ‘partnerships’ has done little to deflect these trends as bureaucrats are reluctant to cede authority and tend to dominate them.⁷⁴ The emerging role for associations endorsed by the state is that of compliant service provider, not the political advocate, public educator, and community organizer envisioned by left theories of social governance.⁷⁵

Strategies to re-embed development in dynamic social and economic networks also exaggerate the potential of local and community-based schemes. They overestimate the capacity of governments to create and maintain local comparative advantages in institutional and knowledge infrastructures, and underestimate the limits imposed by global integration on attempts to harness them for progressive aims. Where extensive economic and social linkages have not been developed over time and penetrated deeply into the institutional fabric of a region it is difficult to imagine how they can be constructed *ex nihilo*, as institutionalist arguments sometimes concede and any number of failed government-sponsored ‘science parks’ illustrate. Even where successful ‘systems of innovation’ have formed, they no longer necessarily respect national and regional boundaries. The comparative mobility of highly-skilled labour, the fluidity of information, and technological diffusion through transnational production systems now extend these systems across borders.⁷⁶

While it may be true that spatial competition gives rise to increased differentiation between regions and makes investment decisions more sensitive to institutional and even cultural differences, the international mobility and integration of capital still determines the *grounds* for this differentiation. Adjustments to local socio-economic networks to attract mobile capital must encompass an ever-wider range of variables informing investment decisions in highly competitive markets. These include not simply the ostensibly beneficial aspects of high-quality, cooperative, and innovative manufacturing, but all the conditions of stable and competitive production, from ‘favourable’ regulatory standards, tax burdens, wage rates, and working hours to an ‘appropriate’ work ethic and managerial culture. As Dick Bryan argues, ‘the effect of a globally integrated economy is to place these socially specific conventions under scrutiny.’⁷⁷ The terms of social democratic discourse around the ‘learning economy’, ‘active

welfare states', and 'social capital' unfortunately appear increasingly receptive to the demands of cultivating such an all-encompassing competitiveness.

Even if increasing flows of capital can successfully be drawn in, social ties of interdependence will do little to hold these regions together or facilitate their egalitarian development under competitive pressures. By tapping into integrated financial markets, 'embedded' firms and community initiatives too are subjected to the disciplinary effects of an internationally-determined rate of return on economic activity, a rate which social democratic governments cannot guarantee.⁷⁸ The alternative financial systems offered by stakeholding-type models seem to be rapidly losing their credibility, as firms are increasingly able and willing to bypass intermediate financial sources to borrow directly from integrated capital markets, and evidence accumulates that the social market models of Germany and Japan are in real trouble.

Community-based models of reform exhibit the same disregard as the other partnership models for the contradictory location of corporatist-type structures within the dominant set of economic relations and state determinations. The rhetoric of civic engagement can provide needed legitimation for downloading services onto communities and individuals in the interest of cutting costs and depoliticizing their provision. Shifting activities to the voluntary sector with its lower wages and unionization rates also appeals to state managers concerned to boost competitiveness and reduce the power of organized labour. Finally, civic organizations may add legitimacy and spread responsibility for capitalist restructuring as civic leaders indeed develop a 'stake' in the process.

This dark side of 'community participation' strategies illustrates the serious threat posed to social organizations drawn into them. Barring a major transfer of funds from government, the task of assuming an increasing burden of social service delivery would place tremendous strains on the financial and organizational capacity of third sector agencies. As associations take up the administration of state services in a period of fundamental class restructuring they also risk becoming more directly embroiled in managing social conflicts, internalizing the contradictory demands of social need and administrative efficiency, and creating further splits between leaders and their mass bases. The same dynamic tension between the insulation and integration of organizational leaders vis-à-vis their memberships noted by Esping-Andersen in the neo-corporatist context would be generalized across the associations participating in the governance of capitalist societies. Additional pressures to professionalize, formalize, and bureaucratize their organizational structures would inevitably arise from closer interaction with the state.

These tensions are anticipated in both the theory and incipient practices of corporatist social governance, as they seek to reconcile increasing popular participation with capitalist social relations. Associational theorists like Philippe Schmitter, no doubt informed by his past research as the leading advocate of neo-corporatism, expresses an awareness of the problems of increasing participation *within* the organizational vehicles of capitalist policy. Most proponents

defend associative governance at one and the same time for its participatory character – raising the standards of democracy within organizations – and its contribution to ‘effective’ policy implementation – through efficient means of internal enforcement. Notably Schmitter envisions associational intermediation becoming a sort of ‘service industry’ for politics, embracing an elite model of deliberation which maintains that ‘public-regardingness will be maximized if the leadership and staff of associations can be ensured some degree of autonomy from the immediate preferences of their members.’⁷⁹ In a related fashion, when stakeholding advocates like Andrew Gamble and Dominic Kelly are pushed on the issue of increasing participation *across* organizations, multiplying the number of stakeholders represented in institutional decision-making, they too make concessions at the cost of democracy. As far as stakeholding in corporate governance is concerned, fearing a gridlock in decision-making, they propose that ‘other stakeholders might be given a right to consultation, and possibly beyond that a right to compensation, but the executive autonomy of the firm would be preserved.’⁸⁰

The evidence from community-based models of political and economic reform put into practice is equally uninspiring. Cynthia Cockburn’s classic study of local government responses to mounting fiscal pressures and community struggles in England during the 1960s and early 1970s is indicative. Cockburn revealed that the project to incorporate community organizations within the apparatus of the local state was initiated and dominated throughout by state officials; that cooperative groups were forced to adapt their organizational structures to communicate with government, while the most militant groups which challenged the terms of participation were crushed with state repression; and that tensions emerged within participating organizations as increased interaction between organizational elites and local officers pulled leaders away from their bases.⁸¹ In the very different context of Québec in the 1990s, even with its richer institutional legacy, the ‘Social Economy’ project to build a progressive model of community-based development has thus far been little more than a means of ‘reducing the social and wage costs that the competitive export-sectors are asked to bear.’⁸²

The theoretical and practical dilemmas of the social governance strategy point clearly to its inadequacy as a hegemonic project for the left. Incapable of transforming the balance of class forces crystallized in the neo-liberal state and globalized market, it is powerless to lead the programme of civic renewal and political democratization it espouses, and risks being appropriated by a very different hegemonic formation that William Robinson has called ‘promoting polyarchy’: low-intensity democracy supported by elite management of popular pressures within civil society.⁸³ Similarly, the move to harness the economic potential of community actors holds little promise of embedding a more humane path of development, but harbours the significant threat of institutionalizing those actors’ role as caretakers for the social and ecological waste left behind in the race for global position.

CONCLUSIONS

The economic foundations of the left's 'New Way' bear remarkable resemblances to those of the old ways of classical social democracy: attempting to rebuild its political project on the social relations called forth by its 'progressive' economic forces of flexibility and globalization, and the pursuit of an elusive cross-class bargain with a progressive fraction of the bourgeoisie.⁸⁴ In declining to challenge the unconstrained power of global capital, even social democratic intellectuals who might offer some substance to the rhetoric of the third way leave few options but to entice capital with the sacrifices of workers. Social democracy will no doubt continue to position itself as the movement uniquely situated to secure the sacrifices capital now demands with the least threat of political disruption, drawing on its relationships to organized labour and community groups much as it has in the past. But exploiting these same relationships would seem to bring further advantages today in the competitive drive to lower costs on accumulation. Wage, welfare, and social reproduction costs remain for the most part nationally-specific variables – variables distinguishing rival investment sites within global chains of production – which may be altered through programmes for reform. The social democratic agenda increasingly targets these variables as it seeks to adapt not just industrial and political structures, but social structures as well, to the imperative to compete and win in global markets. In pursuit of this agenda, the so-called modernizing left asks workers to trade away what remains of their post-war entitlements for the chimerical promise of participation in a global knowledge economy, and to buy into the new industrial, distributional, and civic accords which purport to make it possible. But with the legacy of overaccumulation still unravelling and the ravages of international competition unyielding, these reformist 'bargains' amount to little more than a 'negotiated' path to austerity.

The contradictions of the third way may come quickly to a head when exposed as little more than social democracy's path to the downward adjustment of domestic living standards and the export of unemployment abroad. For it is difficult to imagine how the effect of third way reforms can be anything other than that of 'ratcheting down the playing field on which the next round of competitive struggle will then be played out... further alienating electorates already highly sceptical about mainstream politics.'⁸⁵ The hope, then, must be that socialists will find ways to move into the political space opened up by the repositioning of social democracy and the false alternatives it now peddles, and put real alternatives back on the agenda.

NOTES

I would like to thank Greg Albo, Murray Cooke, Colin Leys, Chris Mohr, John Peters and Leo Panitch for their kind help.

1. Perry Anderson, 'Introduction' to Anderson and P. Camiller, eds., *Mapping the West European Left*, Verso, London 1994, pp. 15-16.
2. Joel Rogers and Wolfgang Streeck, 'Productive Solidarities: Economic Strategy and Left Politics', in D. Miliband, ed., *Reinventing the Left*, Polity, Cambridge 1994; Charles Sabel, 'Bootstrapping Reform: Rebuilding Firms, the Welfare State, and Unions', *Politics & Society*, vol. 23, no. 1, March 1995.
3. Michael Piore and Charles Sabel, *The Second Industrial Divide*, Basic, New York 1984; Arndt Sorge and Wolfgang Streeck, 'Industrial Relations and Technical Change: The Case for an Extended Perspective', in R. Hyman and W. Streeck, eds., *New Technology and Industrial Relations*, Basil Blackwell, Oxford 1988. Broadly speaking, the post-Fordist approach may be seen to encompass the flexible specialization and diversified quality production theses, as well as variants of neo-Schumpeterian, institutionalist, and regulationist theories; cf. Winfried Ruigrok and Rob van Tulder, *The Logic of International Restructuring*, Routledge, London 1995, ch. 1.
4. Torben Iversen, 'Power, Flexibility, and the Breakdown of Centralized Bargaining', *Comparative Politics*, vol. 28, no. 4, 1996.
5. Fritz Scharpf, *Crisis and Choice in European Social Democracy*, Cornell University, Ithaca 1991; Paulette Kurzer, *Business and Banking*, Cornell University, Ithaca 1992; John Gray, *After Social Democracy*, Demos, London 1996.
6. It should be noted that the thesis of the declining capacity of the state finds expression among those who stress post-Fordist shifts as well. See Franz Traxler and Brigitte Unger, 'Governance, Economic Restructuring, and International Competitiveness', *Journal of Economic Issues*, vol. 28, 1993, especially p. 17; Andrew Sayer, *Radical Political Economy: A Critique*, Blackwell, Oxford 1995; J.R. Hollingsworth and R. Boyer, eds., *Contemporary Capitalism: The Embeddedness of Institutions*, Cambridge University, Cambridge 1997. For a critique see Jamie Gough, 'Theorizing the State in Local Economic Governance', *Regional Studies*, vol. 32, November 1998.
7. Helpful surveys of social democratic thinking about strategic alternatives include: George DeMartino and Stephen Cullenberg, 'Beyond the Competitiveness Debate: An Internationalist Agenda', *Social Text*, no. 41, 1994; Aram Eisenschitz and Jamie Gough, 'The Contradictions of Neo-Keynesian Local Economic Strategy', *Review of International Political Economy*, vol. 3, no. 3, 1996; Greg Albo, 'A World Market of Opportunities? Capitalist Obstacles and Left Economic Policy', *Socialist Register 1997*, Merlin, London 1997; and David Coates, *Models of Capitalism: Growth and Stagnation in the Modern Era*, Polity, Oxford, forthcoming.
8. Existing barriers include the relative weakness of international labour organizations and the unflinching opposition of key sections of international capital and the US state. The intensification of national rivalries within a stagnant and integrated global economy also works against coordinated macroeconomic expansion, creating a 'free rider' problem as countries which minimize expansionary measures stand to benefit at the expense of others continuing to expand. Many have tried to account for the mechanism of this 'deflationary bias' within a world

economy characterized by slow growth and international capital mobility. See, for example, the early and accessible restatement of the Keynesian critique focusing on the role of financial markets: Michael Stewart, *The Age of Interdependence: Economic Policy in a Shrinking World*, MIT, Cambridge, Mass. 1984.

9. Anthony Giddens, *The Third Way*, Polity, Cambridge 1998; Tony Blair, *The Third Way*, The Fabian Society, London 1998. *The Economist* glibly but fairly accurately describes the experience of engaging with these semi-official statements: 'Trying to pin down an exact meaning in all this is like wrestling an inflatable man. If you get a grip on one limb, all the hot air rushes to another', December 19-January 1, 1999, p. 73.
10. Samuel Bowles, Robert Boyer, Herbert Gintis, Michael Piore, Charles Sabel, David Soskice and Wolfgang Streeck have been leading advocates of this position.
11. Dick Bryan's thoughtful work explaining the ascendance of the international competitiveness agenda places a strong emphasis on current account imbalances and the way they came to be constructed in economic discourse. The sum total of these imbalances (surpluses and deficits combined) among the larger industrial countries jumped from a level below 100 billion per year before 1982 to over 300 billion in the second half of the 1980s, a level representing over 2% of aggregate GDP. Bryan, 'International Competitiveness: National and Class Agendas', *Journal of Australian Political Economy*, no. 35, 1994, pp. 2-3.
12. Dick Bryan, *The Chase Across the Globe: International Accumulation and the Contradictions for Nation States*, Westview, Boulder 1995, ch. 9.
13. As Britain's Commission on Social Justice puts it, 'while demand management remains a fundamental issue at the European level, it is under-investment – and our capacity to export – rather than under-consumption that is the foremost economic problem', *Social Justice: Strategies for National Renewal*, Vintage, London 1994, p. 103.
14. Peter Hall, 'The Role of Interests, Institutions, and Ideas in the Comparative Political Economy of the Industrialized Nations', in M. Lichbach and A. Zuckerman, eds., *Comparative Politics*, Cambridge University, Cambridge 1997.
15. Based in part on initial divisions within post-Fordist research, two theoretical positions emerged which drew inspiration from different empirical referents: either the 'Third Italy', characterized by local concentrations of small and medium firms producing exports for niche markets and held together by strong 'informal ties' and the shared provision of collective services; or the 'Rhenish model' distinguished by larger firms producing high-quality products in differentiated but high-volume markets, ordered by more formal legal and institutional arrangements.
16. Influential writers making such arguments include Charles Sabel, Michael Piore, Paul Hirst, Jonathan Zeitlin, Alan Scott, Michael Storper, Philip Cooke, David Wolfe. This tendency is comparatively suspicious of the nation state, trusting of informal ties and community values for enforcing cross-commitments, and appeals more to the small- and medium-sized business sector. See the extensive critical work by Aram Eisenschitz and Jamie Gough on the 'local pluralists': *The Politics of Local Economic Policy*, Macmillan, London 1993; 'Theorizing the State in Local Economic Governance', *Regional Studies*, 32, November 1998.
17. Streeck, *Social Institutions and Economic Performance*, p. 54. See also Philippe Schmitter, 'Sectors in Modern Capitalism: Modes of Governance and Variations in Performance', in R. Brunetta and C. Dell'Aringa, eds., *Labour Relations and*

- Economic Performance*, Macmillan, London 1990 and the contributions to J. Roger Hollingsworth, Philippe Schmitter, and Wolfgang Streeck, *Governing Capitalist Economies: Performance and Control of Economic Sectors*, Oxford University, Oxford 1994.
18. Wolfgang Streeck, 'On the Institutional Conditions of Diversified Quality Production', in E. Matzner and Streeck, *Beyond Keynesianism*, Edward Elgar, Aldershot, 1991, pp. 28, 48.
 19. Wolfgang Streeck, 'Training and the New Industrial Relations: A Strategic Role for Unions', in M. Regini, ed., *The Future of Labour Movements*, Sage, London 1992; Rogers and Streeck, 'Productive Solidarities: Economic Strategy and Left Politics'; Charles Sabel, 'Can the End of Social Democratic Trade Unions be the Beginning of a New Kind of Social Democratic Politics?', in S. Sleight, ed., *Economic Restructuring and Emerging Patterns of Industrial Relations*, W.E. Upjohn Institute for Employment Research, Kalamazoo, Mich. 1993.
 20. Andreas Boltho, Colin Crouch, Robert Dore, Gösta Esping-Anderson, Geoffrey Garrett, Andrew Glyn, Ton Notermans, Martin Rhodes, Bob Rowthorn, and Frank Vandenbrouke take up diverse political positions in this literature.
 21. Geoffrey Garrett, 'A Virtuous Global Circle', *Boston Review*, vol. 22, no. 6, December 1997/January 1998 and *Partisan Politics in the Global Economy*, Cambridge University, Cambridge 1998.
 22. Grahame Thompson, 'The Death of a Keynesian Europe? Prospects for Expansion and Political Constraints', in J. Michie and J. Grieve Smith, eds., *Creating Industrial Capacity*, Oxford University, Oxford 1996, p. 187.
 23. Colin Crouch, 'Incomes Policies, Institutions and Markets: An Overview of Recent Developments', in R. Dore, R. Boyer and Z. Mars, eds., *The Return to Incomes Policies*, Pinter, London 1994, p. 186.
 24. See the essays in Boyer and Dore in *ibid.* The creation of the European Central Bank is even seen to have possible inflationary consequences to the extent that national central banks no longer possess the credible threat they once wielded to hold wage demands in check. See Andrew Martin, 'EMU and Wage Bargaining: The Americanization of the European Labor Market?', Center for European Studies, Harvard University, September 1998, pp. 22-6.
 25. Dan Corry and Andrew Glyn, 'The Macroeconomics of Equality, Stability and Growth', in Glyn and D. Miliband, eds., *Paying for Inequality*, Institute for Public Policy Research, London 1994. See also Glyn's 'Social Democracy and Full Employment', *New Left Review*, no. 211, May-June 1995 and 'Egalitarianism in a Global Economy', *Boston Review*, vol. 22, no. 6, December 1997/January 1998; Geoffrey Garrett, *Partisan Politics*; Frank Vandenbroucke, *Globalisation, Inequality and Social Democracy*, Institute for Public Policy Research, London 1998.
 26. Glyn's notion of a 'non-free-lunch-Keynesianism' acknowledges the need to finance initiatives through higher taxes and wage moderation, instead of government deficits which could prompt a backlash from financial markets, and to maintain the competitiveness of the export sector through targeted public spending which contributes to productivity growth. See Albo's discussion of 'employment spreading' in Albo, 'A World Market of Opportunities?'
 27. International Labour Review, 'Perspectives: Experience of Social Pacts in Western Europe', *International Labour Review*, vol. 134, no. 3, 1995; Martin Rhodes, 'Globalization, Labour Markets and Welfare States: A Future of

- 'Competitive Corporatism?', in M. Rhodes and Y. Mény, eds., *The Future of European Welfare: A New Social Contract?*, Macmillan, London 1998; Geoffrey Garrett, *Partisan Politics*.
28. Charles Sabel, *Ireland: Local Partnership and Social Innovation*, Organisation for Economic Co-operation and Development, Paris 1996; M. Regini and I. Regalia, 'Employers, Unions and the State: the Resurgence of Concertation in Italy?', *West European Politics*, vol. 25, no. 1.
 29. Rhodes, 'Globalization', p. 195.
 30. Franz Traxler, 'Farewell to Labour Market Associations? Organized versus Disorganized Decentralization as a Map for Industrial Relations' and Colin Crouch, 'Reconstructing Corporatism? Organized Decentralization and Other Paradoxes' in Crouch and Traxler, eds., *Organized Industrial Relations in Europe: What Future?*, Avebury, Aldershot 1995.
 31. 'The most logical solution... is that we rethink the idea of redistribution and rights: accepting inequality for some, here and now, but guaranteeing at the same time that those who fare less well 'here and now' will not always do so; that underprivileged will not be a permanent feature of anyone's life course. This kind of dynamic, life-chances commitment to equality is arguably a positive-sum solution in that it stresses a social policy more explicitly designed to optimize the self-reliant capacities of the citizenry... the core of such a model's social citizenship guarantee would combine education and proactive income maintenance.', Gösta Esping-Andersen, 'After the Golden Age? Welfare State Dilemmas in a Global Economy', in Esping-Andersen, *Welfare States in Transition*, Sage, London 1996, p. 10.
 32. Vandembrouke discusses the importance of the 'willingness to redistribute' in *Globalisation, Inequality and Social Democracy*, pp. 43-51. A growing literature attempts to link cooperative industrial relations and efficient inter-firm relations to conditions reciprocity and 'trust'. See most recently the 'Special Issue on Contracts and Competition', *Cambridge Journal of Economics*, vol. 21, no. 2, March 1997; Charles Sabel, 'Constitutional Orders: Trust Building and Response to Change', in Hollingsworth and Boyer, *Contemporary Capitalism*; Christel Lane and Reinhard Bachmann, eds., *Trust Within and Between Organizations*, Oxford University, New York 1998.
 33. Glyn, 'Social Democracy and Full Employment', p. 55. Dore argues: 'The history of incomes policies is... the history of attempts (a) to deploy these three arguments – the self-interest argument, the patriotism argument and the altruism argument – (b) to generate levels of mutual trust which assured those who were swayed by those arguments that others would not take advantage of them, and/or, where trust was weak, to back them up with statutory instruments and legal sanctions', to which one might add the direct compulsion of the market. 'Introduction: Incomes Policy', p. 8.
 34. Leading progressive intellectuals calling for social renewal based on greater community and local participation include stakeholding advocates like Will Hutton and Andrew Gumble; associationalists like Joshua Cohen, Paul Hirst, Joel Rogers, Charles Sabel, and Philippe Schmitter; economic sociologists of the 'socio-economics' and 'embeddedness' approaches like Amitai Etzioni and Mark Granovetter; progressive geographers like Ash Amin, Michael Storper, and Philip Cooke; as well as left proponents of strategies to develop 'social capital' and 'third sector'.

35. Many expressly reject the corporatist label: Will Hutton, 'An Overview of Stakeholding', in G. Kelly, D. Kelly, and A. Gamble, eds., *Stakeholder Capitalism*, Macmillan, London 1997, p. 7; Joshua Cohen and Joel Rogers, 'Solidarity, Democracy, Association', in Cohen and Rogers, *Associations and Democracy*, E.O. Wright ed., Verso, London 1995.
36. The notion of a 'third sector' attempts to distinguish analytically the sphere occupied by voluntary, non-profit and cooperative organizations from the 'public' and 'private' sectors.
37. Jeremy Rifkin's defence of this strategy has been influential. See *The End of Work*, G.P. Putnam's Sons, New York 1995.
38. The current lack of political enthusiasm for left strategies based on industrial and incomes policies, especially in the Anglo-American countries, is well recognized. The difficulty of winning their popular acceptance without wrapping them in a more appealing and accessible social package has been noted by, among others, William Tabb, 'Vampire Capitalism', *Socialist Review*, vol. 22, no. 1, January/March 1992. See Colin Leys, 'A Radical Agenda for Britain', *New Left Review*, no. 212, July/August 1995, pp. 9-13 on the example of stakeholding as a hegemonic project.
39. Key texts include James Coleman, *The Foundations of Social Theory*, Harvard University, Cambridge 1990; Robert Putnam, *Making Democracy Work*, Princeton University, Princeton 1993; Peter Evans, 'Government Action, Social Capital and Development: Reviewing the Evidence on Synergy', *World Development*, vol. 24, no. 6, 1996; Simon Szreter, 'Social Capital, the Economy and the Third Way', <http://www.nexus.org/debates/3wayecon/library/socialcap.htm>.
40. Richard Locke, *Remaking the Italian Economy*, Cornell University, Ithaca 1998, p. 175.
41. Major works include John Kay, *The Foundations of Corporate Success*, Oxford University, Oxford 1993; Will Hutton, *The State We're In*, revised edition, Vintage, London 1996; Gavin Kelly, Dominic Kelly, and Andrew Gamble, *Stakeholder Capitalism*; Bruce Ackerman and Anne Alstott, *The Stakeholder Society*, Yale University, New Haven 1999.
42. Basic sources include Wolfgang Streeck and Philippe Schmitter, Philippe Schmitter, 'Corporative Democracy: Oxymoronic? Just Plain Moronic? Or a Promising Way Out of the Present Impasse?', mimeograph, Stanford University, Stanford 1988; Hirst, *Associative Democracy*; Charles Sabel, 'Learning by Monitoring: The Institutions of Economic Development', in N. Smelser and R. Swedberg, eds., *Handbook of Economic Sociology*, Princeton University, Princeton 1994; Cohen and Rogers, *Associations and Democracy*; Ash Amin, 'Beyond Associative Democracy', *New Political Economy*, vol. 1, no. 3, November 1996; and Philip Cooke and Kevin Morgan, *The Associational Economy: Firms, Regions, and Innovation*, Oxford, Oxford 1998. Associational research has proceeded along two somewhat distinct trajectories, a post-corporatist one and a local pluralist one. This mirrors the above noted split in post-Fordist thought. For the former tendency, see Streeck, Schmitter, Cohen and Rogers; for the latter, see Sabel, Hirst, Cooke and Morgan.
43. Bob Jessop, 'The Governance of Complexity and the Complexity of Governance', in A. Amin and J. Hausner, eds., *Beyond Market and Hierarchy*, Edward Elgar, London 1997, p. 117.

44. Jeffrey Hart, *Rival Capitalists*, Cornell University, Ithaca 1992; Peter Evans, 'Government Action, Social Capital'.
45. Ash Amin and Nigel Thrift, 'Living in the Global', in Amin and Thrift, *Globalization, Institutions, and Regional Development in Europe*, Oxford University, Oxford 1994; Paul Hirst and Grahame Thompson, *Globalization in Question*, Polity, Oxford 1996, pp. 144-7; and Boyer and Hollingsworth, 'From National Embeddedness' all make arguments to this effect.
46. Amin and Thomas, 'Living in the Global', p. 275; Cooke and Morgan, *The Associational Economy*.
47. Efforts to bring some of these intellectual strands together include, David Miliband, 'The New Politics of Economics', in C. Crouch and D. Marquand, eds., *Ethics and Markets: Co-operation and Competition within Capitalist Economies*, Blackwell, Oxford 1993; Hall, 'The Role of Interests'; Jessop, 'The Governance of Complexity' and the various contributions to Hollingsworth and Boyer, eds., *Contemporary Capitalism*.
48. On market socialism see Erik Olin Wright, 'Political Power, Democracy and Coupon Socialism', in J. Roemer, *Equal Shares*, Verso, London 1996; on 'negotiated economy' models, see Ash Amin and Damian Thomas, 'The Negotiated Economy: State and Civic Institutions in Denmark', *Economy and Society*, vol. 25, no. 2, May 1996; on associational monitoring as an aspect of financial reform, see Robert Pollin, 'Financial Structures and Egalitarian Economic Policy', *New Left Review*, no. 214, November/December 1995; and on pension funds schemes, see Robin Blackburn, 'The New Collectivism: Pension Reform, Grey Capitalism and Complex Socialism', *New Left Review*, no. 233, January/February 1999.
49. Leo Panitch, 'The Tripartite Experience', in K. Banting, ed., *The State and Economic Interests*. University of Toronto, Toronto 1986; Simon Clarke, *Keynesianism, Monetarism and the Crisis of the State*, Edward Elgar, Aldershot 1988; and Paulette Kurzer, *Business and Banking* expose different dimensions of this instability. Garrett, *Partisan Politics*, is a blatant example of the weakness of contemporary social democratic analysis, attributing much of the current troubles of social corporatism to mistaken policy decisions.
50. Gösta Esping-Andersen, Roger Friedland and Erik Olin Wright, 'Modes of Class Struggle and the Capitalist State', *Kapitalistate*, nos. 4/5, Summer 1976, p. 197.
51. For detailed Marxist accounts of the present crisis see the different perspectives offered by Michael Webber and David Rigby, *The Golden Age Illusion*, Guilford, New York 1996; Robert Brenner, 'Uneven Development and the Long Downturn: The Advanced Capitalist Economies from Boom to Stagnation, 1950-1998', *New Left Review*, no. 299, May/June 1998.
52. For efforts to theorize this process, see Stephen Gill, 'The Emerging World Order and European Change,' *Socialist Register 1992*, and Leo Panitch, 'Globalisation and the State,' *Socialist Register 1994*.
53. Bernard Moss summarizes the recent experience of European workers: 'whatever unions may have gained from the EC – training schemes, works councils, health and safety legislation – they have lost through EC sponsored deflation and deregulation.', 'Is the European Community Politically Neutral? The Free Market Agenda,' in B. Moss and J. Michie, eds., *The Single European Currency in National Perspective: A Community in Crisis?*, Macmillan, London 1998, p. 161.
54. For detailed theoretical and political analysis, see the evolving critique of the

- progressive competitiveness position in and around the *Socialist Register* since 1994. See also Bryan, *Chase Across the Globe*; Eisenschitz and Gough, 'The Contradictions of Neo-Keynesian Local Economic Strategy'; George DeMartino, 'Industrial Policies versus Competitiveness Strategies: In Pursuit of Prosperity in the Global Economy', *International Papers in Political Economy*, vol. 3, no. 2, 1996; Hugo Radice, "'Globalization" and National Differences', *Competition and Change*, vol. 3, no. 4, 1998 for other important perspectives.
55. Awareness of the impending dangers is much higher in the financial press than it is among social democratic leaders and intellectuals: 'the global "output gap" between actual and potential production will, by the end of 1999, be at its widest since the 1930s. If the economies of America or Europe were to take a sudden lurch downwards, the world might easily experience outright depression, with prices and output falling together, just as they did 70 years ago', *The Economist*, February 20-26, 1999, p. 15.
 56. Eileen Appelbaum and Ronald Schettkat, 'Employment and Productivity in Industrialized Economies', *International Labour Review*, vol. 134, nos. 4-5, 1995.
 57. Edward Nell, 'Stagnation, Volatility, and the Changing Composition of Aggregate Demand', in J. Eatwell, ed., *Global Unemployment*, M.E. Sharpe, Armonk 1996. See Greg Albo, "'Competitive Austerity" and the Impasse of Capitalist Employment Policy', *Socialist Register 1994*, on the general logic at work.
 58. Dick Bryan, 'International Capital and the Valuing of Labour', *Journal of Contemporary Asia*, vol. 27, no. 4, 1997, p. 78.
 59. See especially Howard Botwinick, *Persistent Inequalities*, Princeton University, Princeton 1993 and Bryan, *Chase Across the Globe*.
 60. Ash Amin and Nigel Thrift, 'Neo-Marshallian Nodes in Global Networks', *International Journal of Urban and Regional Research*, vol. 16, 1992; Birgit Mahnkopf, 'Between the Devil and the Deep Blue Sea: The German Model Under the Pressure of Globalisation', *Socialist Register 1999*; Coates, *Models of Capitalism*.
 61. Kathleen Thelen, 'Beyond Corporatism: Toward a New Framework for the Study of Labor in Advanced Capitalism', *Comparative Politics*, October 1994, p. 121.
 62. Albo, 'A World Market of Opportunities?', p. 20.
 63. The level of outward foreign direct investment more than tripled in Sweden and Germany during the last half of the 1980s and the push by employers to decentralize bargaining in both countries has also been well documented. Stuart Wilks, 'Class Compromise and the International Economy: The Rise and Fall of Swedish Social Democracy', *Capital and Class*, no. 58, Spring 1996, p. 101; Brenner, 'Uneven Development and the Long Downturn', p. 229.
 64. See the discussion in Greg Albo, 'Canadian Unemployment and Socialist Employment Policy', in T. Dunk, S. McBride and R. Nelsen, eds., *The Training Trap*, Fernwood, Halifax 1996.
 65. This is now accepted by many social democrats as the unavoidable consequence of economic globalization. See Scharpf, *Crisis and Choice* and Evelyne Huber and John Stephens, 'Internationalization and the Social Democratic Model', *Comparative Political Studies*, vol. 31, no. 3, June 1998.
 66. Leo Panitch, *Working Class Politics*, p. 204.
 67. See Andrew Martin, 'EMU and Wage Bargaining', pp. 26-34.
 68. *Ibid.*, pp. 28-9.
 69. See Panitch, *Working Class Politics*, ch. 4 and p. 204 on the effects of the British

Labour Government's 'social contract' negotiations in 1975-6.

70. Leslie Pal, 'Civic Re-alignment: NGOs and the Contemporary Welfare State', in R. Blake, P. Bryden and F. Strain, eds., *The Welfare State in Canada*, Irwin, Concord 1997; John Shields and B. Mitchell Evans, *Shrinking the State: Globalization and Public Administration 'Reform'*, Fernwood, Halifax, 1998; Paul Nelson, *The World Bank and Non-Governmental Organizations: The Limits of Apolitical Development*, Macmillan, London 1995; Patrick Bond and Mzwanele Mayekiso, 'Developing Resistance and Resisting 'Development': Reflections from the South African Struggle', *Socialist Register 1996*, and Ben Fine, *The World Bank and Social Capital: A Critical Skinning*, unpublished paper.
71. In Toronto, for instance, studies conducted in 1995 and 1996 found that the 293 community-based social service agencies surveyed had lost \$11 million from government sources, creating a funding crisis in that sector. Jamie Swift, *Civil Society in Question, Behind the Lines*, Toronto 1999, p. 76. Funding for Canadian social movement organization has also been cut, assisted by an ideological campaign to portray these groups as 'special interests'.
72. Pal, 'Civic Re-alignment'; Shields and Evans, *Shrinking the State*, ch. 5.
73. David Osborne and Ted Gaebler, *Reinventing Government*, Reading, Mass: Addison-Wesley, 1992, p. 35.
74. Shields and Evans, *Shrinking the State*.
75. Paul Leduc Browne, *Love in a Cold World? The Voluntary Sector in the Age of Cuts*, Canadian Centre for Policy Alternatives, Ottawa 1996.
76. Radice, "'Globalization" and National Differences', pp. 16-18.
77. Dick Bryan and Michael Rafferty, *The Global Economy in Australia*, St. Leonards, Allen & Unwin, Australia 1999, p. 71.
78. Dick Bryan, 'National Economic Strategies and International Finance', *Journal of Australian Political Economy*, no. 39, 1997.
79. Schmitter, 'Corporative Democracy', p. 26.
80. Andrew Gamble and Gavin Kelly, 'Stakeholder Capitalism: Limits and Opportunities', <http://www.dar.cam.ac.uk/nexus/gamkel.html>, p. 5.
81. Cynthia Cockburn, *The Local State*, Pluto, London 1977.
82. Peter Graefe, 'The High Value-Added, Low-Wage Model: Progressive Competitiveness in Québec from Bourassa to Bouchard', paper presented to the Third Annual Great Lakes Conference in Political Economy, York University, Toronto, May 8, 1998, p. 20.
83. William Robinson, *Promoting Polyarchy*, Cambridge University, Cambridge 1996.
84. Simon Clarke, 'The Crisis of Fordism or the Crisis of Social-Democracy?', *Telos*, no. 83, 1990, pp. 76-7.
85. Coates, *Models of Capitalism*, Conclusion.