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## The financial crisis a new chance for labour movements?

### Not yet

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#### Article by an MPIFG researcher

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Simultaneous decline in their core constituencies and their ideological bases began to afflict the labour movements of the advanced world from the late 1970 onwards. Varying from country to country, the industrial working class, whose growth had powered these movements for the past century or so, started its historical decline from some point during that decade. The social democratic approach to economic policy, combining a mixed economy with demand management, which had guided centre-left (and to some extent centre-right) politics for the first three decades after World War II, was also in crisis. A free-market, neo-liberal ideology gained a dominating advantage as the inflation crises of the 1970s seemed to discredit Keynesian demand management.

Around 15 years later, the British Labour Party, after having lurched wildly to the left, split and at one point almost disappeared, seemed to have found the answer. The superiority of the market and (not quite the same as the market, though no-one noticed this) giant global corporations had to be accepted as both inevitable and desirable. The task of the centre-left was to gentle the harsh effects of the market on the poorest, and to equip the rest of the population

with education and skills that would enable them to fight successfully for jobs in global competition. This fight would be aided by a Labour government offering a regime of light regulation that would encourage transnational corporations to locate in the UK.

For such objectives, the loss of a core constituency was a blessing in disguise, as the party could free itself of entanglements with groups whose interests might stand in the way of its business-friendly stance. Historical relations with the unions would be weakened. The major social group that was promising (or threatening) to become a new core constituency—public-service employees—was also discouraged. In place of a strong base in sections of the population, the Labour Party sought to secure its electoral strength through a combination of skilful election campaigning, deals with sections of the Conservative press, and donations from wealthy individuals and corporations.

It was a highly successful response. The British Labour Party (or New Labour, as it called itself) won a historically unprecedented series of three consecutive outright election victories, at a time when its sister parties in Europe, and the Democrats in the USA, were experiencing far more varied fortunes. Other labour-based parties, particularly in Germany and in Italy, began to imitate it, and similarly to try to break their links to a centre-left past. German Social Democrats spoke of a *Neue Mitte* (or New Middle). The former Italian Communist Party, which had already changed its name to *Democratici di sinistra* (Democrats of the Left), changed again and dropped *di sinistra*.

British Labour's success was not only electoral. Alone among the larger West European countries, the British saw a rise in labour-force participation, particularly among women, and a generally buoyant economy. There seemed to be a link between the deregulation of the labour market, a policy which New Labour had inherited from its Conservative predecessors and continued, and the change in the economic fortunes of a country that had for decades experienced slower growth than Germany, Italy or France. The UK had been joined in this by the US economy, initially under the Clinton administration, whose New Democrats had very much formed a model for New Labour, but continued under the Neo-Conservative regime of George W. Bush. Free markets, deregulation and the political exclusion of organized labour seemed to work. But when governments in these other countries started to imitate the Anglo-American approach, it did not seem to bring similar returns.

The Anglophone economies had another secret recipe, hiding unnoticed behind, and crucially supporting, the neo-liberal façade. It was called a growing mountain of unsecured credit and housing debt, that was able to go on accumulating because a constantly extending network of secondary markets seemed to be sharing the risk created by such debt, diminishing the exposure to it of any one holder.

How that mountain finally collapsed in 2008 and 2009 is well known and does not need to be explained here. Our task is to point to the political implications of the collapse, and in particular its implications for former labour movements of the British kind. The financial crisis revealed that the UK and US economies had not been based on the triumph of the free market and the subjection of labour to its discipline, but to a corruption of the market that had enabled people to ignore tough labour market conditions by living on unsecured credit on houses and, to a lesser extent, credit cards. The market had been corrupted because, whereas the functioning of markets depends heavily on market players having high-quality information, the secondary markets in unsecured debt depended on traders not knowing what was in the packages that they were buying and selling.

Therefore, one might think: 30 years of social democratic economic policy ended in an inflationary crisis and the consequent success of its political rival, neo-liberalism. Therefore, 30 years of neo-liberal policy ending in a far bigger financial crisis ought to lead to the success of its rival. But what is its rival?

The answer to this question is not primarily, as it is often considered to be, a matter of ideas and policies. There is no real dearth of these. Nearly every political force that seeks seriously to govern has had in recent years to dress itself in neo-liberal clothes. This has been required by transnational corporations and banks seeking locations for investment, as well as by the unquestioned orthodoxy that until very recently has governed institutions such as the International Monetary Fund, the Organization for Economic Co-operation and Development, and increasingly the European Commission. But behind the formal obeisance other political approaches have been continuing, in a furtive, almost *samizdat* way. The most successful economies in the advanced world, the Nordics, continue to have the world's largest welfare states, powerful labour movements and even elements of neo-corporatist demand management. They, the Dutch, and indeed the British have maintained strong levels of public spending, which have made major contributions to producing and sustaining high levels of employment.

As stated at the outset, the crisis that afflicted labour movements in the 1970s was a double one: a failure of a dominant economic policy approach and the historical decline of a core support base, the industrial working class. We can now add the fact that this decline was taking place just as a rising new class was beginning to flex its muscles: the class of global, short-term-oriented capital.

Karl Marx pointed out how major movements of historical change were borne along by classes that embodied the interests represented by the new wave. It is possible to see the rise of the manual working class from the mid-nineteenth to the late-twentieth centuries as having been such a phenomenon. To accommodate the power and weight of that class, the shape of the polity was transformed,

the tasks of government completely changed, among them the size and nature of public spending and the character of law and regulation. Where Marx was wrong was in seeing that class as the final culmination of the process of successive change. The manual working class reached its peak and then declined. Contemporary Marxists will point out that it is only the industrial working class in existing developed countries that has declined; the *global* industrial working class is today bigger than it has ever been. But working classes have never been able to organize themselves (that is, in Marx's terminology, to become *Klassen für sich* and not just *Klassen an sich*) at levels above the nation state. The global working class does not exist as a global, or even as a European, entity. This is the advantage of the global financial class. It can and does operate globally, and that was how and why it was able to move into such a dominant position.

It also explains why it remains in such a position now. The near-collapse of the financial system has not dislodged global finance from the strategic role that it occupies in the world economy. It has therefore been able to successfully demand state support of a size that no other economic sector can demand. The fact that the offer of such state support breaks all the rules of neo-liberal economy and polity only demonstrates further the subsidiary role of ideas and ideologies in the maintenance of regimes.

The financial crisis, therefore, does not herald an historic opportunity for labour, because nothing has happened that enhances the power of an entity called labour; indeed, very little has been done to define, politically and organizationally, what might constitute that entity in the post-industrial world. Meanwhile, the identity and power of global financial capital are very precisely known and very real.

Would things have been any different had centre-left parties not followed the New Labour path, and instead of suppressing any nascent, distinctive core constituencies, had actually tried to cultivate these? To expect them to have done this is to misunderstand the place of parties within highly developed, heavily managed democratic political systems. Party organizations that are fit to compete in such systems are necessarily run by top-down control freaks; any that depart from that frame court rapid defeat. There is no way that such organizations can risk responding to autonomous, bottom-up, potentially unruly and unknown identities that might offer to transform the political scene. To find any challenges to existing power arrangements one must look outside official electoral politics among the marginal, weak social movements that are gathering within all open societies. None of these are anywhere near offering the kind of challenge necessary to altering the basic framework of power in our societies. But they exist. In the groups that were welded together to produce a renewed Democratic Party around the election of Barak Obama as president of the USA, we see the first major stirrings of these movements. That is the space to watch for future developments.