

MAX-PLANCK-INSTITUT FÜR GESELLSCHAFTSFORSCHUNG
MAX PLANCK INSTITUTE FOR THE STUDY OF SOCIETIES



MPIfG Working Paper 08/3

Wolfgang Streeck

Industrial Relations Today: Reining in Flexibility

MPIfG Working Paper

anck Institute
for the Study of Societies

Wolfgang Streeck
Industrial Relations Today: Reining in Flexibility

MPIfG Working Paper 08/3
Max-Planck-Institut für Gesellschaftsforschung, Köln
Max Planck Institute for the Study of Societies, Cologne
August 2008

MPIfG Working Paper
ISSN 1864-4341 (Print)
ISSN 1864-4333 (Internet)

© 2008 by the author(s)

Wolfgang Streeck is a director of the Max Planck Institute for the Study of Societies.
streeck@mpifg.de

MPIfG Working Papers present ideas that could guide future scholarly research. They may also draw out the implications of available knowledge for a better understanding of public-policy issues. MPIfG Working Papers are refereed scholarly papers.

Downloads

www.mpifg.de
Go to *Publications / Working Papers*

Max-Planck-Institut für Gesellschaftsforschung
Max Planck Institute for the Study of Societies
Paulstr. 3 | 50676 Cologne | Germany

Tel. +49 221 2767-0
Fax +49 221 2767-555

www.mpifg.de
info@mpifg.de

Abstract

The paper was presented as a keynote lecture at the 10th anniversary of the Amsterdam Institute for Advanced Labour Studies (AIAS) in April 2008. It surveys the trajectory of scholarly work on labor after 1945, from its initial emphasis on rights of industrial and social citizenship to its present preoccupation with “flexibility” and “flexicurity”. It recalls the dissolution of the “Fordist” compromise in the 1970s and the subsequent gradual expansion of markets as the dominant mechanism for the allocation of life chances and the governance of society. Marketization encountered surprisingly little resistance, in real life as in the evolving conceptual apparatus of scholarly work. Liberalization proceeded and continues to proceed regardless of the social dislocations it causes, on a scale wholly unimaginable and indeed unacceptable under the postwar settlement. The paper ends with speculation on what if at all might be the forces today that could trigger a Polanyian counter-movement to the progress of capitalist social and economic relations. In particular it discusses whether demographic change, in terms of both a declining birth rate and increasing life expectancy, might bring about a new wave of market-containing social policy.

Zusammenfassung

Das Papier wurde auf einer Konferenz im April 2008 anlässlich des 10. Jahrestags der Gründung des Amsterdam Institute for Advanced Labour Studies (AIAS) vorgetragen. Es befasst sich mit der Entwicklung der Forschung über Arbeit und Arbeitsbeziehungen nach 1945, von ihrer anfänglichen Betonung von industriellen und sozialen Bürgerrechten zu ihrer gegenwärtigen fast ausschließlichen Beschäftigung mit „Flexibilität“ und „Flexicurity“. Erinnert wird an die Auflösung des „fordistischen“ Kompromisses in den siebziger Jahren und die anschließende schrittweise Expansion von Märkten als dominierenden Mechanismen der Allokation von Lebenschancen und gesellschaftlicher Ordnungsbildung. Erstaunlicherweise stieß der Vormarsch des Marktes nur auf geringen Widerstand, in der Wirklichkeit der Gesellschaft ebenso wie in dem begrifflichen Instrumentarium der Forschung über die Arbeitsgesellschaft. Die Liberalisierung der politischen Ökonomien der entwickelten Gesellschaften schritt und schreitet fort, ungeachtet der von ihr ausgehenden sozialen Erschütterungen, in einem Ausmaß, das nach den Maßstäben der Nachkriegsordnung unvorstellbar und gänzlich unakzeptabel erschienen wäre. Der Vortrag endet mit Spekulationen darüber, welche sozialen Entwicklungen heute eine Polanyische Gegenbewegung zu der in Gang befindlichen rapiden Ausweitung kapitalistischer sozialer und wirtschaftlicher Beziehungen auslösen könnten. Besondere Aufmerksamkeit gilt dem demographischen Wandel, in Gestalt sowohl einer sinkenden Geburtenrate als auch einer weiter zunehmenden Lebenserwartung, als möglichem Auslöser einer neuen Welle markteindämmender Sozialpolitik.

Contents

Industrial Relations Today: Reining in Flexibility	5
I	5
II	8
III	11
IV	13
V	16
VI	19
References	21

Industrial Relations Today: Reining in Flexibility

Ten years of AIAS are a good occasion to reflect on what scholars in industrial relations and the sociology of work are doing today, how it compares with what their disciplines were doing when they came of age, and how our current concerns relate to the concepts, assumptions and objectives out of which they developed. Modern scholarship on labor, I will argue, began in earnest after the end of the Second World War, with the “postwar settlement” of democratic capitalism and as an important part of it. Jelle Visser and I were not yet around then, although we are now both over sixty. But when we were students in the late 1960s, the culture of social science into which we were socialized was still the one that had emerged after 1945 in an encounter between European Social Democracy and the American New Deal – both of which were to undergo deep transformations or vanish altogether shortly thereafter in the 1970s. So if there are differences between the problems we are studying now and those that were being studied then, we should be able to tell. In fact, if we make the effort to look back at the history of our disciplines, we might be able to say whether the pressure of changing concerns has caused us to lose or give up on perspectives along the way that we should have better kept alive and that we might want to recover if at all possible.

Of course, nothing is as difficult to discern as gradual change. “War is the father of all things,” says Heraclitus, and clearly our habit of using wars to mark the turn of historical periods makes sense, given the fundamental and easily recognized sort of change that wars usually cause. Today Europeans are looking back at 63 years of peace, which may be the longest peacetime their countries ever experienced. With so much continuity, change is hard to detect and easy to question, if only because transitions will be long, and there are likely to be enough exceptions and qualifications to make any generalization look like a simplification. This comes on top of a more general problem that I will also have to face: that anyone who suggests that historical development is not necessarily historical progress invites the suspicion that he is, for whatever reason, romanticizing the past – or simply that he is by temperament a “pessimist.”

I

I will begin my reflections by noting that industrial relations and industrial sociology as we know them were the products of a time when the practical problem in Western Europe and the United States was reconciling capitalism with democracy. This included the institutionalized recognition of both worker collectivism, embodied in strong

This paper is based on a lecture held at the 10 Year Conference of the Amsterdam Institute for Advanced Labour Studies (AIAS), Amsterdam, 17 April 2008.

trade unions, and worker traditionalism, expressed in a desire, widespread after the devastations of the war, for social stability and economic security. The social construction used to make wage labor compatible with the aspirations of a working class that had returned from the battlefields both politically powerful and economically demanding was a broad introduction of social and industrial rights, as celebrated at the time by the sociologist T.H. Marshall in his famous lectures of 1949 on “Citizenship and Social Class” (Marshall 1965 [1949]: 412). Along with many others, Marshall believed that only the continuous expansion of rights of citizenship – not just the civil right to participate in markets, but also the political right to vote in democratic elections, the industrial right to free collective bargaining, and the social right to a decent standard of living including secure employment guaranteed by public policy – would reconcile the working classes with the inherent inequalities that a capitalist market economy was inevitably to produce.

Looking more closely at Marshall’s famous claim that the rights of citizenship form “the foundation of equality on which the structure of inequality could be built” (Marshall 1965 [1949]: 96), we find that it implied two strong expectations. One was that workers would content themselves with life under capitalism if in exchange their representatives were co-opted into the command posts of the emerging democratic welfare state. The other was that capitalism would be able, and capitalists would be willing, to underwrite a continuous increase in citizen entitlements to steady employment, rising wages, a relatively egalitarian wage structure, and universal social protection from all sorts of risks, “from cradle to grave.” Given the Cold War division of the world and the declining appeal of the Stalinist-Communist alternative to capitalism, the first condition ultimately turned out to be less of a problem than the second – which required that steady economic growth and a high level of employment be provided for by a national and international Keynesian economic policy. Later this was to be complemented by selective government intervention in the form of a variety of industrial and technology policies aimed at maintaining sufficient demand for labor under rising wages, improving working conditions, and continuously expanding the social security system.

Well into the 1960s not only governments, trade unions and large industrial firms, but also mainstream economists were convinced that the feat they had taken upon themselves could be done, even though it would require considerable effort and a fundamental rebuilding of the machinery of the state, a deep reform of the institutions of industrial relations, and a broad expansion of the social sciences. Our disciplines, in particular industrial relations and industrial sociology, were believed to play a vital role in the management of “modern capitalism.” They had to deal with questions like how trade unions should best be organized to be able to push for and gain steadily expanding industrial and social rights and an egalitarian wage structure; what strategies would enable unions to take advantage of the many opportunities offered to them by corporatist institutions and collective bargaining at national and industrial level; how workplaces were to be organized to offer workers a chance for democratic participation, as was presumably required for the proper functioning of “industrial society”; how

unions should best utilize their traditional connections to Social-Democratic parties and governments to involve themselves effectively in demand management and industrial policy; what measures, including reforms in trade union organization and collective bargaining, could be taken to prevent full employment and free collective bargaining from resulting in rising rates of inflation; how strong trade unions could generally be induced to adopt a long-term perspective on the interests of their members, in particular to exploit the opportunities inherent in political exchange of short-term wage interests for long-term political interests in political power and social benefits; and how strikes and other industrial disruptions could be avoided by turning the class struggle at the workplace into a “democratic class struggle” in the polity, where the interests of workers would presumably be better satisfied and capitalism could be better governed in the interest of society than at the factory level.

Later, at the time of its slow demise in the 1970s, the political economy in which questions like these made sense came to be referred to as “Fordism.” Fordism was an attempt to combine modernism and traditionalism, capitalism and socialism, the expansion of markets and the progress of social rights, under the auspices of large-scale industrial technology and mass production. It was a truly historical compromise: workers accepted private property and dependent employment as wage earners and firms had to learn to live with a heavily politically regulated employment relationship that respected the desire of workers for stability and security, in particular for protection from the vagaries of self-regulating labor markets with free-floating relative prices and permanently fluctuating demand for different sorts of labor power. Fordism, in other words, imposed strict limits on the commodification of labor, in the name of what was then widely perceived, also by capital, as a public interest in social peace and integration, one that justified and indeed required all sorts of political intervention in the economy. One illustration of how the traditionalism of social rights contained the commodification of labor was the – later much maligned – principle of a “living wage,” which, given the social structure of the time, had to be a “family wage” for the famous, or now infamous, “male breadwinner.” Another was the artificial village of the emerging welfare state, which came to replace the real village of pre- and early industrial society and whose subsistence economy offered parts of the population a, however modest, alternative to having to make a living under the pressures of markets and capital accumulation. Industrial relations under Fordism had to teach firms how to live with conditions of employment that were largely determined politically and collectively as social rights, regardless of a firm’s market situation, while industrial policy had to help firms sustain employment relationships that they were prohibited from adjusting to their changing economic conditions. Politicians, in turn, had to learn how to divert part of the economic surplus to funding extensive social rights and maintaining a growing refuge outside and around the labor market and the factories, for whoever was considered too old, too young, too disabled, too much engaged in family work etc. to have to enter the labor market.

II

Some of us remember, and the younger ones have often been told, how Fordism and the Social-Democratic model of society that came to be aligned with it failed when two major assumptions upon which they had been built turned out to be illusions: that social rights could be extended indefinitely, if gradually, under capitalism, and that the capitalist predators of early industrialism would get used to, and indeed addicted to, the security offered by state economic management, making them forever eschew free market adventures and settle happily into a domesticated existence as stable-fed milking cows feeding a social-democratic folkhemmet. In the 1960s, the postwar combination of free collective bargaining and a government commitment to full employment was already turning out to be inflationary, which was soon recognized as an expression of severe underlying distributional conflict. Shortly thereafter, rising demands for “workplace democracy” and a non-Taylorist organization of work began to question essential elements of the Fordist peace formula, in particular the prerogative of management to manage. Add to this the growing resistance even in a country like Sweden to economic pressures for local mobility, with workers beginning to insist that government industrial policy supply jobs where they and their families lived, rather than forcing them to call the moving van if they wanted to remain employed.¹ The strike waves of 1968 and 1969 expressed and further fuelled the increasingly ambitious demands of a new generation of workers and trade union leaders who, in a “revolution of rising expectations,” had become so used to a steady expansion of rights and benefits that they found some plausibility in ideas developed by students and intellectuals about a political strategy of *systemüberwindende Reformen*, i.e., gradual but irreversible additions to social rights accumulating over time until the capitalist system would somehow give way to some sort of syndicalist self-government of an associated working class.

As indicated, this illusion fell apart in the second half of the 1970s at the latest. By then it had become clear that state planning, indicative or not, had failed and would continue to fail to deliver the high rates of growth required for prolonging Fordist Social Democracy into what was then considered “democratic socialism.” The so-called “oil crisis” of 1973 was above all a powerful symbolic reminder to the working class, highly welcome to governments and business, that their increasingly self-confident claim to the wealth produced by modern capitalism was no longer uncontested. “Liberal corporatism” was an attempt to prolong the life of the nationally embedded political economy of the 1970s (Streck 2006); but it was soon clear that union wage restraint was unpopular with members and that the pension benefits conceded as a reward for coopera-

1 This was a first sign of the impending triumph of Hayek over Keynes. As early as 1950, Hayek had argued that Keynesian demand management would cause structural imbalances since workers would not follow market signals and move to where they would find new jobs, due to “custom” and “habit” (Hayek 1950: 274). Better than Keynes and other modernizers, Hayek understood the force of traditionalism in social life, including the economy. Workers preferred to remain in their accustomed community even in Social-Democratic Sweden where “active labor market policy” picked up all their moving expenses.

tive unions would be the budget deficits of the not-too-far future. Unions, where they were still in the mood of the late 1960s, tried to fight rising unemployment by cutting working time at full replacement of pay, also in order to make space in the lives of their members for political education and union activism – a project that, in the unfolding consumer society of the time, was no more than a dream from the 1920s. When cutting weekly hours would not deliver full employment, early retirement was used to cut the labor supply at public expense. As a result the clientele of the welfare state grew explosively, and so did the costs to the public purse, to employers, and to the workers who were still employed.

It was not only labor, however, which gradually abandoned the Fordist compromise. In the early 1980s the Reagan and Thatcher governments felt strong or, for that matter, desperate enough to undertake a political experiment unprecedented in the post-war era: to demonstrate to workers and the world at large that high unemployment no longer stood in the way of a democratic government being reelected. Their success spawned liberalization on a worldwide scale, accompanied as it was intended to be by deep industrial restructuring, which was accompanied in turn by further unemployment. Monetary stability was restored, and firms were increasingly happy to give up any hope for a negotiated industrial policy to help them out of stagnation. Instead they felt encouraged to turn to international markets. “Globalization” thus began already in the 1980s, allowing or, as the case may have been, forcing capitalists to break out of their national reserves and proceed to new, much larger hunting grounds, where greater risks were compensated, hopefully, by even greater opportunities. New information technology developed, or was developed, in time to support the creation, first, of a global financial system and, later, of integrated production systems extending over several continents if necessary. Shareholder value served as a new “political formula” to give legitimacy to pressures for a steep increase in the profitability of firms, and to a profound redistribution of income and life chances in favor of capital and its executives of all sorts. The end of Communism in 1989 was also the end of any remaining fear among the ruling classes of the West of an alternative to capitalism, and thus of whatever perceived need there might still have been to make domestic concessions to workers lest they took sides with the enemy.

There is not nearly enough space here to mention even the most important deep transformations that liberalization – or capitalism “unleashed” (Glyn 2006) – caused in the political economies of postwar Europe. In the context of the topic at hand, one of the most significant changes was of course the enormous expansion of labor markets, which was accompanied by a broad “re-commodification” of labor, in direct contradiction of the hopes and expectations of the 1960s and 1970s for work and life being increasingly protected from market pressures. One factor in this was the disappearance of the “family wage” of the 1960s, both reflecting and, very likely, contributing to rising labor market participation of women and to what might be called “re-structuring” of the traditional family. Later, erosion of the fiscal basis of the welfare state put an end to publicly funded retirement of labor and forced a universal turnaround in labor market

policy, which now aims everywhere at an increase in participation rates, in part by ending public subsidies to the artificial villages of the welfare state's modern subsistence economy. Re-commodification is also at the heart of the redefinition of social policy as an instrument not for taking people out of the market, but for enabling them to survive in it, make them "employable" and thereby available for "activation."

In more general terms, what liberalization has done for the labor markets of advanced capitalist countries, for all practical purposes, is to make their labor supply unlimited. This is not just because of the elimination of the internal subsistence economy of the family and the recasting of the traditional welfare state, both of which in effect amount to yet another wave of expulsion from the "land" (Luxemburg 1913). There are also immigration and the enormous geographical expansion of Western labor markets to places as far away as China, due to improved communications vastly facilitating foreign direct investment and international trade. Unlike the old working classes of the West, most of the newcomers to wage labor are enthusiastic about what they experience as the liberating effects of markets, including markets for labor. Clearly this applies to women after their exit from the Fordist family who, although mostly having to work for much less than the former male "breadwinners," still abstain from joining unions in significant numbers. Just as immigrants or workers in China, they thus in effect help employers depress wages, on the probably justified assumption that for the huge numbers of new entrants in labor Western markets, wherever they are located, inclusion on the conditions of the postwar labor regime would be entirely unrealistic.

The new run on markets for labor has confronted trade unions with what might well turn out to be unsolvable organizational problems. In the face of an unlimited labor supply, unions can no longer hope to organize an industry's entire labor force, as they would have to in order to eliminate competition and defend, let alone improve, the wages and conditions of workers. Moreover, where they successfully resist attempts to dismantle their achievements of the past, they run the risk of being accused of protecting the privileges of what are now considered to be established "insiders," at the expense of the legitimate aspirations of a growing mass of "outsiders" who want and need to get into waged employment. As a consequence unions find themselves losing not just economic power, but also moral credibility, as they refuse to give up the privileges of their members to ease the suffering of those who can get work only if they are allowed to sell themselves for less. With unions apparently defending the special interests of an overpaid labor aristocracy, "free" markets increasingly seem to be the last hope precisely for the weakest members of industrial society.

III

Looking back it is nothing short of astonishing to see how fast the study of labor and labor markets re-oriented itself in the 1980s and 1990s in response to the renewed dynamism of the capitalist economy. If the leading concern in the past was how to make the economy adjust to a steady expansion of social rights, now it became almost a matter of course how to adapt working conditions and workers to the evolving needs of capitalist enterprise. Social rights, once thought to be antecedent to economic interests, are hardly mentioned, and instead of de-commodification of labor we now talk about how best to re-commodify it, by adding to its “employability” or, if necessary, subject it to measures of “activation.” Only rarely does anyone remember the objective that was almost universally accepted in the 1960s and 1970s: shielding workers and their families from the unpredictability of markets and the fundamentally insatiable demands of employers operating under the pressure of competition and striving to maximize the return on their capital. Instead we worry about how to get workers and the societies in which they live to give employers what they say they need: the necessary “flexibility” to adjust employment and working conditions to the changing situations in expanding and ever more competitive markets.

How deeply our disciplines have changed in the course of liberalization is revealed by a short inspection of some of their core concepts. Industrial relations, which used to be about the collective and political determination of industrial rights that firms had to honor in return for the privilege of being allowed to hire labor, has given way to “human resource management,” i.e., the essentially unilateral disposition by employers over labor as a “factor of production.” Instead of collectively achieved and politically guaranteed social rights, workers are urged to rely on and invest continuously in their “human capital,” i.e., their individual productive capacity as valued by current demand in the labor market. Rather than waiting for and insisting on secure employment at steady, and indeed steadily rising, wages, the flexible worker of today, and even more so of the future, is expected economically, politically and even culturally to become what in the German language is called an *Arbeitskraftunternehmer* – a “labor power entrepreneur.” That is, he is to learn to consider his labor power, i.e., himself, to be in permanent need of being updated through steady if risky investment. He also must be willing to change his professional identity as “the market” requires (and indeed would be better off not acquiring one in the first place); move to where the jobs are, rather than insisting on the jobs moving to him and his family; accept working in “projects” that dissolve when the job is done, rather than in the permanent organization of a settled traditional firm; prefer self-employment over dependent employment and be comfortable with the many forms in between the two etc. Precarious employment is to be taken to be normal; times of unemployment are to be used to acquire new and better skills, at one’s own cost; competition for jobs is to be seen as an incentive for self-improvement; and a “share economy” in which workers carry some of the risks incurred by their employer is to be welcomed as an opportunity for earning bonuses in good times.

The latest product of the new language of social and labor market policy is a compound euphemism that seems to have originated in the Netherlands, “flexicurity.” Almost everybody defines it differently, which explains the practice at national and international meetings on labor market policy of starting with a debate on what flexicurity “really is.” That this is not easy to say seems due to the fact that, like many other products of “policy-speak,” it does not signify a reality as much as it does a hope – in this case, that demands that seemed incompatible in the past may somehow become, or be made to appear, compatible. Placed in historical context, the “flexibility” part of “flexicurity” carries the message that employment will henceforth be available only on the terms of a highly volatile labor market. “Security,” then, the second element of the new concept, promises that nevertheless some sort of stability may be possible, although one that is quite different from what it used to be. The “fantasy” in the concept, to use language from the stock exchange, is one of less security for workers in their *present* job compensated by more secure expectations of a *new* job; of less steady employment and more frequent unemployment balanced by greater ease of re-employment; of a policy abolishing old-fashioned, “rigid” *job security* while improving modern and “flexible” *employment security* through better employment services and more frequent training and retraining; and of a social policy that creates effective incentives for workers to keep up-to-date and on their toes, enabling them, as well as giving them no choice but to follow the twists and turns of the market and thereby contribute to steady economic adjustment and social progress.

I will abstain from speculation about how it can be that some of the founding ideas of the study of labor were so effectively expunged under the impression of the period change of the 1980s. The reason need not be opportunism alone. For scholarly disciplines with applied interests, it may not seem to make much sense, and indeed may be a little embarrassing, to keep concepts and ideas alive that seem to have become entirely “unrealistic” and “out of date.” What should also have helped was that like liberalization itself, conceptual adjustment had time to occur gradually and imperceptibly. No radical renunciation was required. If scholars did not want to be left behind, all they had to do was retrospectively redefine collective bargaining and social policy in economic-functional terms, i.e., as conditions of efficient economic performance, like “security” when combined with “flexibility” under the auspices of “flexicurity.”

Conversion to functionalism did not require wholesale adoption of neo-liberalism, and was therefore much more palatable to scholars coming from a nonliberal disciplinary tradition. In fact today functionalism seems to have become the dominant rhetoric of opposition to neo-liberalism. Its main advantage compared to a language of rights is that it is much more difficult to dismiss, even and precisely with reference to the competitive pressures associated with “globalization.” Moreover, functionalist reasoning is used by the so-called New Institutional Economics as well, which is close to the economic mainstream in that it specializes in inventing “adaptive stories” about the economic benefits of originally market-constraining institutions. This seems to make it tempting for opponents of the neo-capitalist hegemony to use functionalist language

like a secret code by which to register their protest against liberal orthodoxy without having to fear being accused of economic ignorance by the powers of the day. Nevertheless, I submit that by getting used to defending the social regulation of labor markets on functionalist grounds one runs the risk of forgetting how to defend it in the name of social stability and social justice, not as an economic convenience but as a right, and of implying that interventions in the “free play of market forces” that do not happen to serve efficiency – meaning, in other words, that “in reality” they cannot demonstrably be shown to aid rather than impede capital accumulation – are not worth continuing.

Exactly this, incidentally, I see happening in the tendency, remarkably widespread in political science and political economy today, to reinterpret the postwar history of the welfare state and of industrial relations as one of far-sighted employers and prudent government officials introducing social insurance of all sorts on their own, as instruments for enhancing productivity and competitiveness under the auspices of a country’s respective “variety of capitalism.” In functionalist “backward induction” of this sort, technocratic social engineering replaces social conflict and political mobilization as the driving force behind social progress, and capital accumulation, rather than having to be made compatible with the public interest by political regulation, is identified with it. In the end, a functionalist defense of the welfare state may do nothing more than deliver legitimacy for a monistic, economistic concept of a good society, and with it for the rationalization of social life in the service of economic efficiency.

IV

The second surprise, which may in part explain the first, was how little resistance was mustered against the new wave of commodification by those most affected by it. Considering the extent of the change from the postwar regime of industrial and social citizenship to the re-commodification of labor under the dictates of free markets, the few strikes that took place in the 1980s seem negligible. After they were over, strikes went out of fashion entirely, for almost two decades. The “reforms” this made possible passed without much opposition, although they were far more than a technical matter. In fact, the new keywords of industrial relations and social policy, “flexibility” and “activation,” denote a departure not just from specific instruments of labor market regulation, but from an entire way of life as embodied, in a stylized manner, in the social character of the “risk-averse” worker featured by modern labor economics. The new round of liberalization at the end of the twentieth century entailed a gigantic program of cultural and moral re-education, and indeed one that must appear astonishingly successful seen from the perspective of the 1970s. In an important sense, it amounted to a frontal attack on the last vestiges of traditionalism, and thus to another step in the long-drawn secular process of modernization. Individuals would now have to learn to live with much greater uncertainty, and to expect less collective protection from the volatility of

the market and for relief from personal responsibility for how they might fare in the grand lottery of freely fluctuating relative prices. Included was a broad de-legitimation of postwar notions of social entitlement to a settled way of life, and indeed a redefinition of entitlements from an element of citizenship to an impediment to the effective operation of markets and the incentives for individual achievement. A telling example in Germany was the de-legitimation of the notion of *Zumutbarkeit*, which used to limit the extent to which individuals could be expected by the social security system to lower their expectations to what the market was offering them. While in the past only very little was *zumutbar* when it came to taking a lower-paid job or one far away from where one lived, today almost everything is if it results in some sort of employment at all, however casual and low paid.

Clearly institutional change of such import would have been impossible to accomplish had it not met with at least some support in a changing culture. One indication is how different public discourse is today from what it was in the 1970s. Suspicion seems more widespread than ever that collective solidarity and egalitarian provision benefit mainly those unwilling to contribute their share and looking for opportunities to take a free ride on the efforts of others. Union membership has been declining for more than two decades in most countries, in particular among the growing numbers of those who consider themselves high achievers or want to be seen as such. More than ever, unionized workers run the risk of being regarded as shirkers, not just by labor economists. Also, while this is difficult to measure, it seems that the fact that people were not just resigning themselves to the inevitable, but were broadly embracing capitalism as a way of life, and markets as sites of opportunity rather than uncertainty, has contributed to the ease with which the postwar system has been dismantled. As noted, the number of those who consider entry into what was once called “dependent employment” as a personal liberation seems substantial, even in old industrial countries. The euthanasia of the housewife, which took the place of the euthanasia of the rentier that Keynes had hoped for in the final chapter of the *General Theory*, testifies not only to the economic pressures on households in the 1970s, but also to the rise of a new work ethic under which being without paid employment carries a severe social stigma, for women as well as men.² Moreover, market prices for labor became increasingly popular as rising numbers of immigrants became politically and economically impossible to sustain on social assistance when employment at a politically fixed minimum wage could not be found for them. Add to this a new complexity in the social structure that has turned workers, as contributors to private retirement funds, into beneficiaries of the same shareholder value that is undermining the stability of their employment and forcing them to adjust more and more quickly to increasingly rapid industrial change. Note also that workers

2 In Germany the growing popularity of wage labor is reflected today in the widespread use of the phrase *Nachfrage nach Arbeitsplätzen* (demand for jobs), which has almost entirely replaced the traditional notion of *Arbeitsangebote* (labor supply). Even if the secular increase in the supply of labor may originally have been due to economic pressures, today “dependent” employment seems to be widely sought for its own sake, as access to and certification of *bona fide* membership in the social community.

as consumers may well have become the foremost drivers of product innovation, imposing on firms and industries an unprecedented rate of “creative destruction” and enabling employers to enlist them as consumers as allies in pressuring them as producers to work harder in flexible compliance with changing market signals.

The question is how long the drive of the past two decades for ever more social and personal flexibility to match the demands of expanding markets can continue. According to Karl Polanyi (Polanyi 1957 [1944]), who is cited more often today than ever, there are inherent limits to the commodification of labor – one of three “fictitious” commodities – that reside in basic human needs for stable social integration in settled communities. Still, the cultural revolution of the recent past that has accompanied economic liberalization has adjusted lifestyles to markets in ways that Polanyi would never have thought possible. Social bonds, including family relations, have become almost as flexible as employment. Lifetime families are declining in numbers as fast as lifetime jobs, and rapid adjustment of personal lives to changing market opportunities has become a dominant element of the general culture, not only in a behavioral but also in a normative sense, and indeed at both ends of the labor market. At the lower end, a new “precariat” is leading insecure and unhappy lives under the unpredictably changing dictates of declining and volatile markets for low skills and of shrinking budgets for social assistance. While submission to Polanyi’s “satanic mill” is forced on the losers of the neo-liberal revolution by economic necessity, the new “working couples” of a broad new middle class, enthusiastic about having successfully marketed their “human capital,” are voluntarily living hundreds of kilometers apart to pursue their “dual careers”; their children, if there are any, are sent eight hours a day, five days a week to a crèche; and as a family they live on a time regime as strict as that of a monastery or a Fordist factory, with every joint activity scheduled by the minute weeks in advance. A growing number of people strive to conform to a pervasive and deeply internalized ethos of achievement, embedded in turn in a consumerist culture defined by omnipresent images of auratic consumer goods standing for individual success. Organizing and re-organizing one’s private life in line with what markets and careers dictate is taken as a challenge, an opportunity and an adventure to be faced in good spirits, rather than as an unacceptable intrusion or, like in the case of the precariat, as an unpleasant necessity. Tellingly, no other sector seems to have grown as fast in recent decades as the sports and fitness industries, with their rich symbolism of aestheticized effort and competitive achievement.³ In fact if anything that was popular in the 1970s was forgotten in subsequent decades, then it was the cultural rejection of *Leistungsgesellschaft* and *Konsumterror* with which the hippie movement of the 1960s began.

Again, how far can the flexible reorganization of the lifeworld go? For Polanyi, subjecting social life to the oscillations of self-regulating markets was nothing more than a “frivolous experiment” that was ultimately bound to fail because it would inevitably

3 Consider the new global phenomenon, to be observed in all large cities, of the mass marathon, the *Reichsparteitage* of an individualized *Leistungsgesellschaft*.

give rise to a reconstructive social “countermovement.” While capitalism would by its very nature permanently undermine social order, society could be counted on to fight back to protect itself – to defend stable expectations, reliable social relations, and lasting moral commitments not dependent on market value.⁴ But is this still true? One hesitates to even try an answer, given the extent to which social life has become so much more market-compatible, market-driven and market-friendly in such a short a time. People today seem to be willing, or at least able, to live with a lot more uncertainty and a lot less social stability than would have seemed possible only a few decades ago, and the desire for a life protected from market pressures by collectively and politically guaranteed rights does not seem to be strong. In fact, hardly anyone seems to place much confidence in the prospect of a restoration of collectivism and traditionalism, above the nation-state, beyond the postwar family, and inside the “knowledge society.” If people have confidence in anything, it seems to be their individual capacity and good luck in meeting the changing demands of changing markets. Where there is a desire for more security, it seems most of all to benefit the market for private insurance, rather than the politics of public solidarity, with the “good risks” looking for risk pools that are as small as possible where they will not be forced to pay for those considered “bad risks.”

V

What could be a politically viable argument for a revival of a discourse on social rights that cannot be discredited offhand as a defense of unproductive rent-seeking? An influential figure of thought in the history of the labor movement was that the political mobilization of the working class, if it is to be ultimately successful, must solve problems not just for workers, but also for capitalists and for society as a whole (Rogers/Streeck 1994). Thus in the Fordist-Keynesian world, collective agreements that made for rising and sticky wages, and a social policy that protected the income of workers and their families in economic downturns, expanded and stabilized aggregate demand and thereby provided for business opportunity and economic growth. The underlying logic – of working class political intervention imposing on capital a regime that it would have been unable to create on its own although it would serve its interests as well – was explored for the first time in the famous chapter on the “Working Day” in Volume One of Marx’ “Capital” (Marx 1990 [1867]: 340–416). Knowing as little as we do about the prospects of reform today, we might just as well inform our speculations by referring back to what is undoubtedly one of the main sources of modern political thought.

4 The idea, of course, was the same as Marshall’s, who believed that a capitalist market economy would be sustainable only in a context of political, industrial and social rights not derived from and not reducible to the strategic imperatives of profit maximization.

As is well known, in the chapter Marx discusses the reasons for the success of the British labor movement's reformist demand for a legal limit on working time. Marx suggests that at the time the Factory Act was passed, the exploitation of labor had reached a point where the physical existence of the working class, its "reproduction," was at stake. Capitalists themselves, Marx showed, were destroying their most important resource, labor power. Under the pressure of competition, however, individual capitalists were unable to act on their collective, long-term interest in a sustainable use of labor,⁵ just as individual workers could not resist the demand of their employers for longer hours, even though submitting to it was likely to destroy their lives (Marx 1990 [1867]: 412). Child labor in particular was decimating the working class as growing numbers of children were "used" to the point of exhaustion in the factories of Victorian England, where they had no prospect of ever becoming functional adults. In short, using Polanyian language, what Marx described was how the commodification of labor threatened the survival not only of workers, but of the capitalist system and of society as a whole. In more modern terms, Marx had, perhaps for the first time in what is now called institutional economics, identified a case of fundamental "market failure," where the aggregate result of acting in line with market signals runs counter to the interests even of those who benefit from it – and who cannot unilaterally give up their ultimately self-destructive behavior. According to Marx, this was why even in nineteenth-century England the demand of organized labor for a limitation of working hours became politically irresistible.

It is important not to mistake Marx's argument as being functionalist in the same sense as fashionable economic theories of the welfare state. Marx does not say that a legal entitlement for workers to a life outside of factory and labor market increased productivity or profitability, and was therefore in the interest of capital. For him a legal limitation of working hours, and thereby of the rate of exploitation, was "functional," if the word is at all appropriate here, first and foremost for humanity and society, in that it made their continued existence possible. Only in the second place did it also serve capital by safeguarding an essential precondition not just of markets and capitalism, but of any economy, which is a viable society. Regulation of the working day, in other words, was about conservation and subsistence, not about expansion and profit; it protected the basic human entitlement to a livable community from subsumption under the logic of markets and capital accumulation. That it also enabled markets and capital accumulation to continue to function was only a side effect.

Worker demands for a legal limit on working time, in other words, offered an opportunity for capitalists to resolve otherwise unsolvable problems concerning the sustainability of the economic order in which their interests had come to be vested. Can a comparable problem be found today that could provide a basis for a social countermovement against flexibility and for the protection of social structures that capitalist firms and markets cannot protect although they need them? A possible candidate that comes to

5 "It would seem therefore that the interest of capital itself points in the direction of a normal working day" (Marx 1990 [1867]: 377).

mind might be the demographic crisis of advanced capitalist countries – their low birth rate and the rising numbers of older people in a shrinking population – which might be seen as a contemporary equivalent of the nineteenth-century crisis of the reproduction of a sufficiently large working class. Consider the following problem descriptions:

(1) While in nineteenth-century England children died before growing up, today many of them are not born to begin with. Declining numbers of children mean shrinking product markets and a shrinking supply of labor. Increasing the birth rate will, however, require a regime of family-friendly social rights: more stable employment prospects for young people, more part-time work, shorter hours, a right to return to a job after a leave of absence for family reasons etc. For this to become reality on a sufficiently broad scale, more employers must participate than the small number who can afford the short-term costs of the necessary changes in their personnel policies, or who stand to benefit from them immediately as they are competing for highly-skilled workers. A good way to take family-friendly human resource practices out of competition might be to make them compulsory by legal regulation.

(2) A growing share of older people in the population will mean that the age of retirement, everything else remaining equal, will have to rise. This will require, among other things, more investment in continuous skill development, or life-long learning. Even more than that, it will presuppose more sustainable ways of using labor power during the entire life-course. A work regime that has individuals burnt out at the age of fifty is incompatible with higher labor force participation among people over 65. The older the workforce gets, therefore, the more likely it is that the ideas of the 1970s about improving the “quality of work” and a “humanization of working life” by political-legal means, which were stymied by the neo-liberal turn, might be discovered anew. Here, too, regulatory and other forms of public intervention may be inevitable if the objective is to be attained, given the strong incentives for firms under competition to act collectively irresponsibly and against their own long-term interests.

How realistic is it that the demographic problems of contemporary capitalist societies, like those of the nineteenth century, might give rise to a new countermovement against commodification, bringing about a departure from the present discourse of flexibility and a return to a discourse of rights? I am afraid that the answer is far from clear. Nobody knew better than Marx that political mobilization required, and indeed was largely identical with, a mobilization of aspirations – a collective raising of revolutionary or reformist consciousness, or a “moralization” ending the de-moralization that befalls any conquered social group.⁶ Today even more than in the past, that enough people see themselves as victims of the market can only be the result of a process of education through, in the language of Marx, effective public “agitation” overcoming the passions of success and consumption. Institutional change, that is to say, would have to

6 For example, an important part of reformist politics in the nineteenth century was convincing parents that it was not right to send eight-year old children to work in the factories.

be preceded by cultural change, which would have to be accomplished against the grain of competition and in spite of the attractions of competitive consumerism. It is hard to see how a political movement, any political movement, could prevail against forces as strong and entrenched as these.

Secondly, on the other side of the bargain – that of employers – the question would be whether the manifold possibilities capitalist firms have in a global economy to exit from the old capitalist countries have not fundamentally invalidated the Marxian idea of collective long-term interests for whose attainment capitalists must be willing to pay the price of political defeat. Today, if workers in the core countries of capitalism became too demanding, or too few, or too old, capitalists can in principle externalize the problem by packing up and moving in with a new, better working class.⁷ As pointed out above, the supply of workers in a global economy, unlike England of the mid-nineteenth century, is basically unlimited. This is not to say that there can be no shortages in specialized segments of the labor market, and in fact there is no doubt that certain groups of highly trained workers in old industrial countries are not at all easy to replace, and may continue not to be for some time. In this case firms clearly do not have the opportunity to escape, and may to the contrary have to accede to whatever demands workers may raise concerning their wages and conditions, including fringe benefits such as family leave. The point is, however, that where there is economic dependence of this sort, private contractual arrangements will fully do the job of keeping workers happy, provided the total package does not become more expensive than a competing package with different workers elsewhere. Public intervention will not be required, and collective problems will not need to be addressed for individual problems to be resolved. Nor is it evident where collective action should come from, given that the special deals workers with scarce “human capital” will be able to get will buy out those whose strong bargaining position would be needed to lend power the demands of others unable to fend for themselves and dependent on collective action and public provision.

VI

My conclusion can be brief. Half a century ago it was the mission of research on industrial relations and the world of work to teach capitalism how to respect a growing sphere of social rights and flourish nevertheless, as a condition of social stability and political support for democracy. In the 1980s the Fordist compromise fell apart, and the

7 Paraphrasing a famous poem by Bertolt Brecht, they could announce to their workers that they “had thrown away the confidence” of their employers and “could win it back only / By redoubled efforts.” But while it was obviously unrealistic for the East German government after the worker uprising in 1953 to follow Brecht’s subversive advice and consider whether it would “not be easier ... to dissolve the people / And elect another?,” capitalists today can do and are doing exactly this.

balance of power on which it rested shifted away from workers and their organizations. Subsequently the protective institutions that had grown along with the postwar economy came to be seen as impediments to the creation of wealth, and to social progress in general. Pressures increased to adapt social life to the demands of ever more volatile markets, rather than the other way around. As social rights turned out to be too sticky and insufficiently flexible for increasingly competitive markets, the idea that they had not originally been created to be efficient tended to be forgotten. Along with economic change, cultural values and ways of life changed as well to accommodate unprecedented levels of uncertainty and a broad re-engineering of postwar institutions in the spirit of economic efficiency.

While there are still reasons to believe that no society can exist under the dictates of self-regulating markets, nobody knows for certain today where the cultural aspirations and the political power are to come from that will have to be mobilized if social life is to be effectively protected from further commodification. Perhaps the changing demographic structures of old industrial societies provide an Archimedean point from which to reorganize industrial relations and social policy, away from the dictates of efficiency and back to a politics of rights. In any case, our disciplines do well to keep their conceptual tools in good enough repair so that they can recognize a countermovement to commodification and rational-egoistic utility-maximization when they see one. There is a lot of work to be done for all of us, at AIAS and elsewhere.

References

- Glyn, Andrew, 2006: *Capitalism Unleashed: Finance Globalization and Welfare*. Oxford: Oxford University Press.
- Hayek, Friedrich A., 1950: *Studies in Philosophy, Politics, and Economics*. Chicago: University of Chicago Press.
- Luxemburg, Rosa, 1913: *Die Akkumulation des Kapitals: Ein Beitrag zur ökonomischen Erklärung des Imperialismus*. Berlin: Buchhandlung Vorwärts Paul Singer GmbH.
- Marshall, Thomas H., 1965 [1949]: Citizenship and Social Class. In: *Class, Citizenship and Social Development: Essays by T.H. Marshall*. Garden City: Anchor Books, 71–134.
- Marx, Karl, 1990 [1867]: *Capital*. Volume I. London: Penguin.
- Polanyi, Karl, 1957 [1944]: *The Great Transformation: The Political and Economic Origins of Our Time*. Boston: Beacon Press.
- Rogers, Joel/Wolfgang Streeck, 1994: Productive Solidarities: Economic Strategy and Left Politics. In: David Miliband (ed.), *Reinventing the Left*. Oxford: Polity Press, 128–145.
- Streeck, Wolfgang, 2006: The Study of Interest Groups: Before “The Century” and After. In: Colin Crouch/Wolfgang Streeck (eds.), *The Diversity of Democracy: Corporatism, Social Order and Political Conflict*. London: Edward Elgar, 3–45.

Recent Titles in the Publication Series of the MPIfG

MPIfG Discussion Papers

- DP 08/7
U. Dolata
Das Internet und die Transformation der Musikindustrie
- DP 08/6
A. M. Herrmann
On the Discrepancies between Macro and Micro Level Identification of Competitive Strategies
- DP 08/5
H. Callaghan
How Multilevel Governance Affects the Clash of Capitalisms
- DP 08/4
M. Blauburger
From Negative to Positive Integration? European State Aid Control Through Soft and Hard Law
- DP 08/3
M.R. Busemeyer, A. Goerres, S. Weschle
Demands for Redistributive Policies in an Era of Demographic Aging: The Rival Pressures from Age and Class in 15 OECD Countries
- DP 08/2
U. Dolata
The Transformative Capacity of New Technologies. How Innovations Affect Sectoral Change: Conceptual Considerations

MPIfG Working Papers

- WP 08/2
I. Troy, R. Werle
Uncertainty and the Market for Patents
- WP 08/1
G. Möllering
Inviting or Avoiding Deception through Trust? Conceptual Exploration of an Ambivalent Relationship
- WP 07/5
A. Goerres
Can We Reform the Welfare State in Times of "Grey" Majorities? The Myth of an Electoral Opposition between Younger and Older Voters in Germany
- WP 07/4
J. Beckert
Wie viel Erbschaftssteuern?
- WP 07/3
Fritz W. Scharpf
Reflections on Multilevel Legitimacy
- WP 07/2
M. R. Busemeyer
Social Democrats and Education Spending: A Refined Perspective on Supply-Side Strategies

MPIfG Books

- M. Höpner, A. Schäfer (Hg.)
Die Politische Ökonomie der europäischen Integration
Campus, 2008, forthcoming.
- C. Woll
Firm Interests: How Governments Shape Business Lobbying on Global Trade
Cornell Studies in Political Economy
Cornell University Press, 2008
- P. Manow
Im Schatten des Königs: Die politische Anatomie demokratischer Repräsentation
Suhrkamp, 2008
- J. Beckert
Inherited Wealth
Princeton University Press, 2008
- B. Harrington
Pop Finance: Investment Clubs and the New Investor Populism
Princeton University Press, 2008
- J. Beckert, R. Diaz-Bone, H. Ganßmann (Hg.)
Märkte als soziale Strukturen
Campus, 2007
- U. Dolata, R. Werle (Hg.)
Gesellschaft und die Macht der Technik: Sozioökonomischer und institutioneller Wandel durch Technisierung
Campus, 2007

Ordering Information

MPIfG Discussion Papers

Order printed copies from the MPIfG (you will be billed) or download PDF file from the MPIfG website (free).

MPIfG Working Papers

Order printed copies from the MPIfG (you will be billed) or download PDF file from the MPIfG website (free).

MPIfG Books

At bookstores; abstracts on the MPIfG website.

www.mpifg.de

Go to *Publications*.

New Titles

Consult our website for the most complete and up-to-date information about MPIfG publications and publications by MPIfG researchers. To sign up for newsletters and mailings, please go to *Service* on the MPIfG website. Upon request to info@mpifg.de, we will be happy to send you our Recent Publications brochure.

ERPA

MPIfG Discussion Papers and MPIfG Working Papers in the field of European integration research are included in the *European Research Papers Archive (ERPA)* which offers full-text search options: <http://eiop.or.at/erpa>.

Das Max-Planck-Institut für Gesellschaftsforschung ist eine Einrichtung der Spitzenforschung in den Sozialwissenschaften. Es betreibt anwendungs offene Grundlagenforschung mit dem Ziel einer empirisch fundierten Theorie der sozialen und politischen Grundlagen moderner Wirtschaftsordnungen. Im Mittelpunkt steht die Untersuchung der Zusammenhänge zwischen ökonomischem, sozialem und politischem Handeln. Mit einem vornehmlich institutionellen Ansatz wird erforscht, wie Märkte und Wirtschaftsorganisationen in historisch-institutionelle, politische und kulturelle Zusammenhänge eingebettet sind, wie sie entstehen und wie sich ihre gesellschaftlichen Kontexte verändern. Das Institut schlägt eine Brücke zwischen Theorie und Politik und leistet einen Beitrag zur politischen Diskussion über zentrale Fragen moderner Gesellschaften.

The Max Planck Institute for the Study of Societies conducts advanced basic research on the governance of modern societies. It aims to develop an empirically based theory of the social and political foundations of modern economies by investigating the interrelation between economic, social and political action. Using primarily an institutional approach, it examines how markets and business organizations are embedded in historical-institutional, political and cultural frameworks, how they develop, and how their social contexts change over time. The institute seeks to build a bridge between theory and policy and to contribute to political debate on major challenges facing modern societies.

