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Neoliberalism and the Position of Labour: A Historical Approach

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1. Introduction

Collapse of the high-growth economy in the 1970s inaugurated a new era of neoliberal reforms. Major Anglo-Saxon countries had conservative administrations that emphasised the revitalisation of liberal market economy and the authoritarian politics excluding the labour power in the arena of politics and in the market. The trend towards reorganisation of capitalist political economy spread to other regions in the 1990s. Globalisation, flexibilisation, and efficiency became key words in the world of business and they affected deeply the way of thinking of governments in many nations.

From the viewpoint of labour studies, such transformation of political and economic environment has an important meaning. That is because the full range of labour problems is closely related to the whole structure of political economy at the national and international levels. Therefore, we cannot deal with the labour issues without a broad perspective of society as a whole. Changes in working conditions such as work speed, skill formation and job assignment are often linking closely to a change in the management strategy about production system which itself is related to a change in the global market conditions. Living conditions of workers such as wages, social benefits are linking to the economic conditions of the firm and the national economy and a national political environment as well. We can even say that the broad structure of the political economy is a determining factor for the labour issues.

In this paper, we will argue that a particular configuration of political economy produces a specific type of legal and social institutions of labour relations and of industrial relations. Under the present political economy of developed nations, employment relations are regulated by the collective bargaining of trade unions on the one hand, and by the legislation of the state on the other hand. This is a norm of the present capitalism, but it is not the rule at every historical period.

Second, we will argue that the types of labour regulations have developed in accordance with the type of each political economy. We posit here that there exists a typology of political economy in terms of labour relations that cannot be resolved into the historical development pattern.

Lastly, we will examine the historical meaning of neoliberalism. At present, the labour market is regulated by the social forces and at the same time by the state. If we call those regulations simply as "social regulations" or "social institutions", the current movement of neo-liberal reforms tends towards "deregulation" of the social institutions. In this sense, neoliberalism as an ideology and as a direction of the social and economic policies has vital relevance to the matter of labour. The question is how and why were formed the social regulations and are now attacked under the neoliberal reforms. And another question is what is the future of the viability of the social regulations or social institutions. To answer those questions we will adopt a historical approach to the development of liberalism and of the social institutions.

2. Theoretical Framework for analysis

(1) Theoretical Types of Political Economy

A particular configuration of political economy produces a specific type of legal and social institutions of labour relations and of industrial relations. Particular types of legal and social institutions, in turn, cannot be established arbitrarily without any connection with a form of political economy. Legal and social institutions on labour constitute a part of a political economy. Conversely, if we look at the issue from the viewpoint of political economy, labour is a very key factor for the construction of a political economy. Labour is both an essential production factor and a production cost for an economy. In addition, labour is one of the most influential forces in a politics. Therefore, a figure of political economy is largely determined by the force and position of labour and in related to it by the social and legal institutions on labour. Here, we can talk about "institutional complementarities"¹ between the labour market and the financial system, and hence a structure of political economy.

Generally speaking, a liberal type of political economy corresponds to a "laissez-faire" labour policy that makes only an individual transaction of labour legally legitimate (Type I). A modified liberal type of economy admits a collective transaction in the market via trade unions and employer associations. The collective transaction remains, however, liberal as far as it does not require any state intervention (type II). The third type of political economy is a mixed-economy type, where a collective transaction and a state intervention into labour relations are coexisting, along with individual contracts (Type III). The last is a very statist form of political economy, where free transaction is fully restrained and the state rules regulate labour relations (Type IV). Very simple illustration is as follows.

Liberal PE Interventionist PE

Individual transactions Type I

Collective transactions Type II Type III

No freedom of contract Type IV

Roughly speaking, the neoliberal ideology recommends shifting from the Type III to the Type I, whereas actual developments are far more complicated. So that, in order to make clear the meaning of neoliberalism, we have to examine in detail the reality of each type of political economy and its social and legal institutions on labour.

(2) Historical and Comparative Approach to the Questions of Labour and Political Economy

The oil crisis and stagflation

A fundamental question remains. Why neo-liberal approaches to social and economic policies are so fashionable in these days? That is the question.

According to the popular view, neo-liberal thinking has replaced the former influential Keynesian theory after the first oil crisis and after the 1980s in particular. The typical cases of neoliberal or monetarist government were the Thatcher government and Reagan administration in the 1980s. Some argue that there happened a structural transformation of capitalist social economic regime from that of Fordism to Post-Fordism. And some argue that the policy framework of Keynesianism had lost its effectiveness under the new situation of stagflation, that is high wage and high unemployment. Failure of Keynesian economic policy to give an adequate solution to it resulted in the change of mainstream of economics from Keynesianism to neo-classical theory. On the other hand, the political and economic regime of the Keynesian Welfare State of the golden age fell into a "crisis of the welfare states" much discussed in the 1980s. At the same time, the organisational power of labour began to decline under the bad labour market situation of high unemployment and a pessimistic view of the "crisis of the labour movement" emerged.

Certainly, something happened at this time and some structural transformation gave an advantage to the rise of neoliberalism. What is that "something" is the question.

It is difficult to argue fully about this question. There are many discussions and theories that try to answer this question and as an eminent economist says the most accurate answer is "We don't know"². However, we can ascertain that the period of the 1970s and 1980s was a period of some great transformation and a period of neoliberalism. We will refer the meaning of this periodicisation after.

Globalisation of the market

In spite of the revitalisation of the social democratic political power in the 1990s, the trend inaugurated in the 1980s was not totally reversed. An era of neoliberalism continues so far. In the mean time, the socialist regime of the USSR collapsed and international organisations such as the WTO and the World Bank pursued "marketisation" more vigorously in the whole world.

One of the most influential arguments in the time is the explanation by the globalisation of economy. According to this argument, internationalisation of capital market and development of the international division of labour organised by multinational enterprises bring about a borderless economy, that is global market, which makes the economic policies by the nation state less effective. In other words, the autonomy of the nation state is weakening under the pressure of the global market, which enforces firms and governments more efficient and less expensive use of labour. This means a downwards competition among developed and developing countries.

Many discussions have been developed around globalisation. Some argues that the national political economy is far more viable than the globalisation theory supposes and the international political economy will be more divergent across countries, whereas the globalisation thesis posits a convergence towards liberal market economy. The convergence-divergence debate is a focal point of the scientific discussion about the globalisation phenomena.

However, despite the divergence thesis that develops with reason, various waves of neoliberal arguments and reforms prevail in every nation and region. This is what we should take into consideration for our discussion. Concerning the labour issues, a serious reality is that workers rights are attacked by the management under the pretext of global competition and the labour side has not found adequate argument against it, in many cases. It is evident that the notion of globalisation is used as an ideological weapon against the workers rights and social institutions, whether its objective meaning is understood rightly or not.

Long-term Historical Development of the market and social institutions

Above discussion is of short-term analysis of neo-liberalism and globalisation. That attracts many scholars and researchers so far, but the results of debate are somehow in stalemate.

Here we move to a long-term analysis to find out a new perspective for the discussion, for neoliberalism has its predecessor, liberalism in the 19th century. If we look at the long history of liberalism and of its counterpart social institutions, we may find a long wave of rise and fall of them, of course in the opposite directions.

In order to make a historical analysis, we posit some presuppositions for an analytical framework. First, "liberalism" means here a state policy that aims at refraining from its intervention into an economic sphere as possible. Second, by "social institutions" we mean legal and social institutions that restrain more or less the free functioning of markets. That is to say, social institutions are regarded as products given by the social reaction against the evils produced by the market economy. Third, we suppose that the market has in general a tendency to dismantle social barriers of any nature that hinder the free exchange of commodity. Fourth, the size of market is determined by the size of firms and their volume of capital, aside from technological conditions of communication and transportation. Finally, we posit the most controversial hypothesis that the market has a tendency to expand along with the development of capitalism.

We believe that the rise of liberalism corresponds historically to a period of market expansion that will conflict with former framework of social and legal institutions. The present time is, as we discuss later, a period of such market expansion: from a nation-wide market to a global market after the period of politically controlled national economies. From such a perspective, we can interpret the rise of neo-liberal ideology and neo-liberal reforms in many countries and regions as a necessary consequence of the expansion of the market and of the growth of capitalism. However, it does not mean that a kind of economic necessity is an irresistible necessity or an iron law of social development. We suppose rather that a social and economic development is a consequence of complex interactions between economic movements and political activities or between economic necessities and human practices. Comparative studies will show this clearly.

Comparative differentiation of developed economies

As we mentioned earlier, developed economies vary considerably in their political and economic structure. If we borrow the terms of Peter Hall and David Soskice³, they range from the "liberal market economy" type to the "coordinated market economy" type. Here, the point is that the response to the globalisation is different in each country or region and in particular between the liberal market economies and the coordinated ones. This means further that a kind of economic necessity of the market expansion is strengthened or mitigated in various ways by the national or regional policies and by actions of economic and social actors.

Concerning the welfare state debates, recent discussions underline the divergence of welfare states despite the pressure of globalisation towards a homogeneous market economy⁴. Proponents of such argument stress the importance of the polity compared with the economy. They assert, "politics does matter". Of course, it is not that only politics does matter. Economic conditions will give certain limitations to policies that the government would implement, however there will remain fairly large domain for policy choices. How to cope with the internationalisation of capital will be an issue of policy debates in each country, for example. Therefore, we can say that the market expansion that we are facing has a general tendency to dislocate national social institutions, but its actual expression is largely determined by the structure of national or regional political economy and influenced by national and say international activities of people.

(3) Position of labour in the market

Labour is in a sense a factor of production of the capitalist economy. It is sold as a commodity in the market and hence its price or market value follows an economic law of the market. In a free market economy, labour is assumed as a commodity and freely traded as a commodity in general. In the neoliberal belief, labour should be a commodity as such and any restraint should not be put on the free labour market. Labour is regarded exclusively as a commodity and a factor of production in this view.

However, labour is a human activity itself as well. For human beings, labour is an instrument for their subsistence on the one hand, and it is a space for the development of their human ability on the other. They have an aspiration to expand and develop their ability and get through it human satisfaction and joy. We can look at many cases of such meaning of labour in spite of a classical thesis of the "alienation of labour" by Karl Marx. Skill, knowledge, and leaning give them a great joy, even if they are useful for capitalist enterprises, too. Furthermore, human beings want their human autonomy and independence at the place of labour.

Despite capitalist firms impose the command-subordination order to workers, they cannot eliminate workers' human aspiration.

Workers or bearers of labour have an aspiration and a will that a mere commodity has not. Moreover, workers are at the same time members or citizens of a civil society and of a political society. They have a voice in society and in a political arena. Their circumstances at the place of labour can be transferred to social and political dimensions through their claims or discontents. Social institutions are formed primarily through such channels and hence have a nature of regulations against market mechanism.

Labour as a collective of workers is a social and political force. As a social force, the trade union is a representative form of the force of labour and as a political force, labour parties or socialist parties are. Those forces of labour are, in essence, based upon human aspiration concerning labour and have a tendency to restraint the free working of the market. In this sense, the development of labour movement among others will be closely connected with the formation and enlargement of social institutions.

3 Historical Development: Rise and Fall of Liberalism

(1) Long Wave of Liberalism and Social Institutions

If we tentatively show the development of liberalism and social institutions, we can imagine very simply schematised historical stages as follows.

The period of feudal era: markets were still immature and contained within a small regional area. The seigneurial power imposed tariff between feudal domains and the craft and merchant guilds in different trades had imposed strict rules on production and distribution and the formation of skilled workforce in each small market. It is noteworthy that small markets coexisted with many strict rules and regulations by the political

power and by producers' organizations at that time. Markets were not functioning only by themselves. The second stage is a period of the modern revolution and the following period of liberalism. Free trade and freedom of economic activities were the slogan of the revolution, which broke up feudal constraints for economic activities. Liberalism at this period corresponded to the expansion of markets towards a nation-wide market. The era of liberalism in the 19th century flourished with few constraints on economic activities. Trade unions were almost prohibited by law. We suppose this period as a time of culmination of economic liberalism and of retreat of social institutions.

The third stage is the time of social problems in the late 19th century. Pauperism of the working class under the free market economy called for a state intervention for the protection of the poor and the trade union movement developed as a self-defence movement of workers. Legal prohibition of workers' combination and the trade union was removed and the trade union movement developed. Wages and other working conditions became more and more ruled through collective agreements. Capitalism was beginning to enter into a phase of an organized capitalism. Liberalism retreated and social institutions grew rapidly, although economic activities in the products and financial markets remained to be ruled, in principle, by the free market economy.

The fourth stage is the interwar and the postwar periods. In this stage, the regulations of markets by social forces and by the government reached a culmination. Liberalism was dead according to J. M. Keynes ("The End of Liberalism") and the Third Way was groped for in various ways. Financial markets were controlled by the fiscal and monetary policy of the government and the labour markets were highly regulated by the collective bargaining regime including a system of administrative extension of collective agreements. The labour parties or socialist parties accessed to the administration in many countries, on the other side. So called Keynesian welfare states developed. Free markets certainly persisted in those periods, but the idea of liberalism was largely discredited by the "failure of the market", which was shown dramatically by the crash of the Wall Street in 1929. After World War II, full employment became an essential policy target and the social security system guaranteed the life of working people. The time was that of "social citizenship" according to T. H. Marshall. As the ILO Declaration of Philadelphia (1944) stated, labour was regarded as human activity, not as a commodity. The Declaration of the Basic Human Rights of the United Nations (1948) showed the coming of the age of human rights in the world. National and international political societies established the idea that human rights including social rights had to be observed as an objective of society. This would imply more generally that the control of market economy by the political will of human society should be established. Social institutions acquired legitimacy in society.

The last stage began around the latter half of the 1970s. As we discussed above, the "ethos" of economism revived. The concern for the international economic competition and the competitiveness of the firm and the nation became predominant objectives in national politics and in society. We say a coming of an era of neoliberalism.

Those five stages can be illustrated as in Chart 1 below. For the vertical axis we provide the degree of liberalism and of state intervention/social regulation in the opposite directions. The horizontal axis signifies the time.

The free market regime which entails institutions favourable for the free market and accompanied by the idea and ideology of liberalism grew at first in the second stage at the level of national economy. Then it was curved down by the political and social regulations in the next stage. At the fourth stage, free market regime became modified into almost different regime that can be called the mixed economy regime of the Keynesian welfare state regime. Here we should pay attention to the fact that these social regulations or social institutions were organized essentially at the level of and in the framework of national economy. That is, both a regime of free market and social institutions had a national nature at that time. The last stage suggests that a free market regime is in the making at the international level and so that a newly emerging international regime of free market is getting rid of national social institutions.

Chart 1: Long wave of liberalism/social institutions

Free market
/liberalism

State intervention
/social institutions

Stage 1 stage 2 stage 3 stage 4 stage 5

This chart purports a very simple general concept about the development of the free market regimes and that of social institutions in reverse. Nevertheless, there exist two questions to be discussed further. One is the reality of each country that cannot be well adapted to this schema. For example, the United States had not so much social institutions even in the stage 4. We have to soon describe the national curved lines. Next one is a kind of fatalism that the chart might give us. For this question, we will discuss more fully in the next section. Here we would say only that the end of this curved line is open. How far ascend the line upward or be it contained at low level depends on the developments of actual politics in each nation and in the international community.

(2) National trends of liberalism and social institutions

Chart 1 expresses an ideal type of historical trend. As I mentioned above, it does not present the actual figure of each country's trend that is considerably different from country to country.

If we take up the United States, she does not have a feudal system in her history and the level of free market economy will be highest through all stages. On the other hand, Germany will reveal lesser degree of liberalism and higher level of social institutions than the United States in every stage. I consider provisionally the line drawn in Chart 1 shows an approximate trend of Britain or France. So that we can make another chart, considering rough characteristics of each nation.

Chart 2: Long Wave of Liberalism with National Differences

Free market
/ liberalism

US

UK

Fr

D

State intervention
/social institutions

Stage 1 stage 2 stage 3 stage 4 stage 5

It is difficult to measure the degree of liberalism or the free market regime and that of state intervention and social institutions as well. More accurate picture of those trends will need exact data and the criteria for objective analysis. Without such data and clear criteria, I would mention here only some descriptive explanations about these nations.

The United States is a country of free markets and strong liberalism. American capitalism has grown in the green field without the legacy of feudalism and with a broad land. Through the development of capitalism, scarcity of labour has been a major issue. Workers could have, theoretically at least, a good bargaining position in the labour market by oneself. A broad frontier gave workers a chance for independence as an independent farmer or a landowner. "Self help" and individual independence became the norm of American society. These historical and geographical conditions were very specific for American capitalism that did not exist in Europe. So that America did not see a strong development of the labour movement nor of socialist parties as in European countries as indicated the "American exceptionalism" debates. After its growth, the trade union preferred market economy to socialism in its business unionism line.

As to the market regulation, the Sherman Act of 1890 established an antitrust norm, whereas big businesses developed under the Act. The Federal Trade Commission created by 1914 Act had a strong power. The result was "the American economy has always been extremely competitive"⁵. What is of importance here is that a pure free market is idealized in legal systems. If we compare the Sherman Act with a judgement of the German Supreme Court at the same period that declared the legitimacy of industrial cartels on the ground of economic stability⁶, the difference between two countries is striking.

The bottom of the American liberalism at stage 4 may be illustrated by the New Deal in the 1930s and the state intervention during the war economy. In the field of social institutions, the Wagner Act of 1935 and the Social Security Act of 1936 started a new era of American capitalism: American style Keynesian welfare state. However, legal regulations of labour relations were far less extensive than in the European countries and the scope of social security scheme was fairly limited.

Britain is less liberal than America but more than European continent. Britain is the first runner of capitalism and experienced the early civil revolutions whereas they were not so consistent as the French Revolution. British industrial competitiveness due to the early industrial revolution made its industrial capital largely independent from state protection. And its industrial hegemony in the world made possible the free trade principle of the British Empire. Thus the Manchesterian liberalism spread over the nation and the economic liberalism became the orthodoxy of the British capitalism.

British Labour movement entailed a characteristic that related to the early development of capitalism in this country. The industrial revolution produced a formidable misery of labourers on the one hand, and an industrial empire brought about favourable conditions for skilled craftsmen on the other hand. The misery of the industrial poor called for a state intervention for their protection, which would develop to the formation of welfare state. Trade unions organised by skilled workers had grown and they had acquired strong bargaining power in the labour market. Therefore, they wanted to create a system of independent industrial relations, repudiating the state interference. The tradition of the industrial autonomy or the "collective laissez faire" for industrial relations created a kind of free market regime in comparison with the state intervention, but it developed a kind of social regulation compared to a free market interpreted as an individualistic sense.

In addition, legal system of Britain has been based upon the Common Law rules that meant an individualistic free market rule. Therefore, repudiation of the judicial intervention into industrial relations was a necessity for the social partners. British industrial relations have been formed as an autonomous collective bargaining system, that is a collective free market system. But if we regard it as a system of market regulation by the trade union power, it is a system of social regulations. Here we find a case where the state intervention into the market and the social institutions are not the same things and hence the charts drawn above should be revised from this viewpoint. We will argue this point later.

If we count this "collective laissez faire" as a factor of liberalism, the period of British liberalism will last long time and the period of state intervention and social institutions will start at the interwar period. With the formation of strong union movement and the Labour Party, the construction of statist welfare schemes makes the British system different from American one.

Countries in the European Continent represented here by France and Germany are far more statist or inclined to social institutions than Anglo-Saxon nations. Although France experienced a fairly long period of liberalism in the 19th century, Germany hardly had the time of liberalism. German capitalism started in late needed a state protection such as the protectionist trade policy and the state supported financial system under the unified Reich, and the earliest social policies had been implemented by the same state power: Bismarkian

social insurances and the Socialist Law as well. The latter can be assumed as a negative social institution. After the German Revolution in 1918, the Weimar Republic developed the highly developed social institutions including the extension system of collective agreements and the legal works council in the firm. It was a culmination of social democratic economic system before World War II followed by the Nazis regime, a case of an extreme form of negative social institutions. Here we have a question about the relationship between social institutions and political democracy that we cannot fully develop in this paper⁷. After the war, Germany (West) adopted a policy based on the notion of "social free market", which led the German political economy towards a more liberal regime. Of course, the postwar German regime had a dense network of social institutions in the labour relations and social security and it remains as it was so far, even if the line in the chart might give an impression more liberal change.

France is more liberal than Germany through all stages, except the latest one. At the last stage, we posit France more statist than Germany, because French industrial relations and labour relations are highly regulated by the state law and her economic system seems to be more statist. The ratios of social expenditure and of tax including social contributions to GDP are higher in France than in Germany, as well. However, the power of trade unions is stronger in Germany and legal regulations concerning works council are so, too. It is, in fact, difficult to compare those two countries at the same dimension. Generally speaking, it seems that social regulations in labour relations and economic activity are stronger in Germany, while legal regulations in both domains are stronger in France.

Finally, we have to touch upon briefly the case of Japan, whereas we did not include the country in the chart 2. There is a reason why we did put aside Japan in the former discussion. That is because Japanese political economy has many structural peculiarities compared with Western nations. First, Japanese capitalism has had a statist nature as a late developed economy. The government played an enormously important role for the kick-off of industrialization and modernization at Meiji era and continued to do so through militarism and the "industrial policy" thereafter. The development of liberalism in ideology and in practices was very limited up to the end of World War II. In this sense, the curved line of liberalism in Japan would be put at the very low levels. However, such state intervention did not accompanied social institutions, except some negative social institutions. After the war, social institutions such as labour law and social security schemes have been provided and an anti-trust law was introduced under the pressure of the United States. The free market and progressive social policy became a norm of the postwar age, however the administrative guidance propagated in various industries and the financial and industrial groups formed a peculiar circle of economic transactions by each group that is called "keiretsu" in the West. It may be actually a kind of "coordinated market economy", but its structure is very different from that of Germany⁸, for example.

Similar characteristics can be pointed out about social regulations. Japanese labour law is, in its essence, of a liberal nature. Social regulations through collective bargaining were expected to fully function rather than legal regulations by the legislator of the Trade Union Law of 1945. However, Japanese trade unions have failed to regulate labour markets in general. They worked within a company or a company group. The result is that the labour market remains of very liberal nature, while within a company employment is fairly strongly protected. One can say such a structure as having social regulation or of "coordinated market", but one can say with the same manner that the Japanese labour markets are highly liberal markets in the sense that they have no social regulation on wages and working conditions except legal minimum standards. Or from another point of view, one can say that there is no industrial wide labour market, because the market is segmented or divided there from company to company, although there exist local labour markets for small and medium firms and for unskilled or atypical workforce.

Specific structures of markets are distinct and the state intervention remains fairly strong in industrial sphere in particular. At the present fifth stage, those peculiar structures of the financial, products and labour markets and the practices of state intervention are harshly criticized under the name of "deregulation" and the free market. This is the reason why we did not include Japan within the chart. And the Japanese case suggests the need to make our discussion more precise, by differentiating social regulations and state intervention at industrial and social dimensions.

(3) Industrial and Social Regulations; State Regulation and Social Regulation

If we suppose a pure case of liberalism or free market regime, it will exclude both the state intervention into the market and the social restriction of economic activities, both at the economic and social dimensions. The case of the United States is an approximate case of this type. On the other hand, the German case is an opposite one. It suggests a case where the state intervention and social regulations are both considerably strong in the domain of economy and of the social as well. If we posit four kinds of regulations of the free market regime as follows, we can make a simplified image like the chart below. Four kinds are state intervention into economy and social control of markets on the one hand, and state intervention at social dimension and social regulation of social matters.

Chart 3 shows the degree of state and social regulations in the direction of upwards. The bottom horizontal line shows the pure free market regime. And the time is here restricted only to the stages 4 and 5 of the former discussion.

We put the case of Germany and the United States in the Chart and the level of lines is not based on an accurate estimation. The chart gives so that only a rough image of both countries. However, this rough image is sufficient for a discussion here we want to hold.

Chart 3 Social and economic regulations by the state and social actors

State intervention
/social regulations
Germany

Non-intervention United States
/no regulation

social regulation by social actors
social regulation by the state
economic regulation by social actors
economic regulation by the state

Four lines of both countries have the same trends in each country. That is, the free market principles are considered as to be observed not only in the economic sphere but also in the social sphere in the United States, while in Germany they are regarded as should be contained by the state or social control for preserving the social and economic stability and the social solidarity as well. In those cases, the simple line of liberalism or social regulations in the charts 1 and 2 does not yield difficulties.

However, as I mentioned before, the cases such as Britain or Japan have some problems with the former charts. We will begin with very simplified charts of each nation.

Chart 4 State and social regulations in Britain

Regulations

Welfare
Industrial
Relations
Non-regulation

In the British case, we omit the lines for economic regulations. The economic regulation by the state would be higher than that of the United States and it would have dropped in the stage 5. The economic regulation by

social actors or firms and their associations in particular would be placed at the similar level of the United States in the stage 4 and after slightly have risen in the stage 5. In the social domain, the state intervention is contrasting between in social welfare and in industrial relations or the labour market. Up to the stage 4, British industrial relations were typically of non-statist nature and the autonomous industrial relations had a high level of social regulations. In the stage5, legal non-interventionism was changed into a negative legal regulation against the trade union, and the labour power declined dramatically. The Japanese case is more complicated.

Chart 5 State and social regulations in Japan

Intervention
/regulation
Welfare

Non-intervention Labour
/no regulation

First, the most remarkable point is that the state intervention and social or non-state regulation of economic activities has been placed at a very high level compared with Western nations. May be the level of French state intervention will be higher than that of Japan but the level of non-state regulation may be far higher than in France. Second, regulations in the social domain have been low in contrast. The level of social expenditures is similar to that of the United States, far lower than European nations. In the field of labour relations, although legal regulations of working conditions and the legal framework of industrial relations are considerably of high levels, social regulations through collective bargaining are very weak. There are structural peculiarities to the Japanese regulations of the market as I mentioned above, however if we simplify the Japanese case, we could say as follows. The Japanese state is highly interventionist in the field of economy and moderately interventionist or liberal in the social dimension. In addition, labour is weak to make up social regulations in the field of social dimension, while business is strong in making up social or non-statist regulations of economic activities. All these things make it possible to interpret the Japanese political economy as highly led by economic concern and strongly affected by the business power. If we compare Japan with other nations like in the charts 5 and 7, the position of Japan is very different in the two fields that the charts show. Many comparative studies of political economy assimilate Japan to the European Continent⁹, but it is right only when we consider the economic domain. In the field of social dimension, Japan belongs rather to the group of liberal economies, although non-state regulations will suggest us a little bit different images.

Chart 6 State Intervention in the Economic Domain

State intervention
/state regulation Fr

Jp
Ger

Non-intervention UK
/free markets US

Chart 7 State intervention in the Social Domain

State intervention Fr
/state regulation Ger

Jp
Non-intervention US
/free markets UK

Third and last, economic regulations are declining due to the deregulation policies pursued during the decade under the name of "global standards". The Japanese style "keiretsu" or the Japanese employment practices are severely criticized. What does this mean? Many think it means Americanization or a convergence towards a free market regime. Moreover, social institutions such as labour law and social security system that have more general nature are under the attack of neoliberalism, too. As the legislation has played a major role for protection of workers in Japan as stated before, the target of neoliberal reforms in the field of labour is directed towards legal regulations of working conditions, not towards the union's power as in Britain. We can derive several questions to be examined from the case of Japan. First, if the above observation of many people is correct, the globalisation of economy will surely matter. Globalisation may press the national economy to go to the "global standards" that will destruct national peculiarities. Second, globalisation pressure affects also more general social and economic regulations. Those pressures might not be only for Japan. Third, the actual expression of neoliberal reforms does differ from country to country, because the construction of social and economic regulations differ, too, owing to the different configurations of the state, the market, and society. The Japanese case suggests that power relations between labour, capital, and the state are a crucial factor for the formation of such configuration.

(4) Implications of the Long Wave

To summarize the implications of the long wave, we can say as follows. First, liberalism or the free market regime that we have not yet defined precisely has grown at the time of market expansion to break down the former institutions constructed in accordance with a smaller size market. And, after the formation of a new market economy, social institutions develop responding to the reaction against various bad effects of the market. Second, however, to what extent develops a market regime on the one hand, and to what extent social institutions grow is not decided at a definite level. They depend rather on various factors of social, economic and political development, which are different from country to country. Third, the current stage corresponds to a new development of market that collides with existing various institutions.

The wave means also that capitalist economy has not developed linearly towards the free market regime, although it has been based upon the free market principles. During its historical development, it has normally accompanied various social institutions and markets have accommodated them making a balance of conflicts between contradictory forces. In other words, markets can coexist with various social institutions and rather do so normally. This will mean that a development of world markets would not necessarily lead to a pure market regime on a new dimension. The new expansion of the market can be contained by social forces and accompanied by new social institutions. We will discuss on this point more fully in the next section.

4 Globalisation: Prospective of the Long Wave

The Last Stage of the Long Wave

There are many discussions over globalisation and its effects on the national political economy. As I mentioned before briefly, a divergence theory denies a decisive effect of globalisation, while a convergence

theory asserts a decisive influence of globalisation over the national political economies. However, even the divergence theorists do not deny a meaningful change of social and economic structure in these two decades. Someone says "adjustment", another says "reorganisation", and so on. Then, what is new in this era?

It is difficult to find new things, but it is not so difficult to find out things lost. For example, high economic growth and full employment were lost. If we define the Keynesian Welfare State as a welfare state based on full employment, there will be no objection to confirm its decline. Although the social security outlays have not been so much diminished and so that one can say the welfare state had not been dismantled¹⁰, that is not to say that there has been no change. Further, union density has dropped in many countries except a few Scandinavian countries and the decentralisation of collective bargaining system has spread broadly, which implies the power shift from labour to management. On the other side, foreign direct investment (FDI) has increased and the internationalisation of capital market progressed quickly. And it is not deniable that many politicians, bureaucrats, and business people consider that it is an "age of globalisation" and make state policies and business strategies in accordance with such conception. Many large multinationals hence identify themselves as a "world company", not as a multinational company.

We have supposed above such phenomena as an expression of the market expansion called globalisation. Actors of global markets who can get profits there claim a free trade and freedom of economic activities there. They demand therefore the free market conditions in every country and every region. Beneficiaries of global free markets are among others international capital and multinational enterprises. We suppose that where the political power or influence of those beneficiaries is strong, marketization or deregulation policies advance fast. The general tendency towards a free market in the stage 5 suggests that we are facing a rise of such influence in every nation.

However, we should pay attention to the fact that there exist wide variations among nations. As the cause of that diversity, we can suppose the difference of the political influences of beneficiaries and of the resisting forces by nation. As we have seen at the chart 1, a liberal nation tends to faster bend the curve towards the free market regime and a non-liberal nation tends to resist to the globalisation pressure. In fact, the end of the long wave is open and the trends of nations diverge considerably. We will give a simple chart below again to imagine this easily. We can support the divergence theory in the sense that future developments of the long wave can diverge as shown in the chart.

The image of the chart 8 implies that the long wave that can be illustrated as a stripe with certain width for capitalism in general is not determined to trace automatically the former trend in the direction of liberalism in the future. There remain various possibilities between two arrows. The long wave is not a natural wave as of water or of electromagnetic. It is rather a process of the dynamic interaction of social, economic, and political forces, as a national curved line of each country was in history.

Chart 8 Long Wave and its Prospective

Free market
/liberalism

State intervention
/social regulations

(2) Resisting Forces against Neoliberalism

As a historical process of dynamic interactions of social, economic, and political forces, the future of the long

wave of liberalism/social institutions is open. Economic force of globalisation is promoting the marketization or the development towards the free market regime. It is the beneficiaries of the free market in the world that promote neoliberal reforms in the social and political arena of the nation and of the international level.

By the way, a free market, especially a purely individualistic market gives workers disadvantages in various ways. Labour is, therefore, normally an opponent to the free market as history shows. Labour has regulated or controlled the functioning of the free market through its collective forces or/and through legislation, but mainly within the framework of national economy or the nation state so far. We do not have a space here to describe the history of labour movements and labour parties in each country, but we can say that the power of labour organisations and of labour parties is related closely to the formation of social institutions and their effectiveness. We can suppose that social and political forces of labour are largely opposed to the neoliberal orientation of social and economic policies at the present stage.

However, it is not solely labour that contends against neoliberalism. Governments and even conservative parties can be an opponent, too, because political parties have to get a support from their constituencies and the latter can have a profit which is contradictory to neoliberal policies. Government subsidies for agriculture or for small- and medium-sized enterprises may be a most typical case. And the beneficiaries of social security schemes or almost whole population would oppose to the cut back of social benefits as Paul Pierson stated. Henceforth, the national politics would not be necessarily positive to neoliberal lines, even if the influence of big businesses on the government would be overwhelming. More exactly, government policies depend on a complex aggregation of different interests and different claims. Government policies then depend on the nature of the government, configuration of political parties, organisations of social forces, and their influences. As the debates of welfare states revealed, the nature of governments -social democratic, corporatist, or liberal- is decisively important¹¹.

At any rate, it seems to me that the strength of those resisting forces is one of the most important determinants for the development of neoliberalism (negatively) and the viability of social institutions (positively) in future.

From this simple observation, we can derive a causality of different attitudes of developed nations towards neoliberal reforms and globalisation of economy. If we take up an example of labour market policies, we can find there many variations among nations¹². In some countries such as France and Germany, the change in labour market policies is meagre, while it is more remarkable in Britain.

The upward arrow illustrated in the chart 8 will approximately coincides with the policy line of the United States and Japan, while the downward arrow corresponds to that of European nations and of the European Union.

However, the viability of social institutions discussed so far is essentially that of nation wide. National politics and national labour organisations are striving for maintaining existing social institutions, because their social bases are not exclusively but mainly national, and regional in the case of the European Union. What can they do about the market expansion at the global size?

(3) Several Perspectives

As Michel Albert forecasted ten year ago¹³, is the struggle of "capitalisme contre capitalisme" going on now? Our discussion above suggests that mainly two trends, neoliberalism and social regulations, are conflicting like a struggle between two camps of capitalism.

If we suppose that two or three or more many types of capitalism are formed as solid structures, future of social institutions will be largely divergent under the process of globalisation. Different social institutions will continue to exist in each country and region. That is the case that the divergent theorists maintain. And if different social institutions yield the different labour costs for export commodities, higher cost countries will tend to develop high value added production for foreign trade. In such perspective, high level of social institutions can be maintained despite the development of globalisation and even under the conditions of free trade. It is a favourable perspective for workers under the high level of social institutions, but it will leave the low levels of social institutions as they are in other regions.

Another perspective is of the convergence theory. If the free trade policy develops as is ongoing the policy of the World Trade Organisation, the world wide free market would be formed. And there develop intensive

competitions among firms and countries. At the free market competition, production costs and labour costs in particular will matter, if the conditions of skills of workers and technology for production are equal. Then, they argue, firms will seek for the reduction in labour costs and the nation will make efforts to cut back social institutions that would push up labour costs, because the international competition affects the performance of national economy. Furthermore, a threat of capital flight constraints the government. As a consequence there will happen a downward competition concerning social institutions and hereby a convergence towards a free market economy. According to this argument, there will develop not only a free market at the level of international economy but also a national free market in each country.

These two perspectives are both convincing by themselves, but there remain some problems for each. For the divergence theory, the present tendencies towards neoliberalism including European governments have to be explained more consistently. The divergence is not a given future, it depends on dynamic process of politics. Further, if the viability of the high level social institutions in Europe depends on its competitiveness in the advanced technology sectors, the United States and Japan both engaged in the way to neoliberalism seem to be more competitive in those sectors. It seems to me that it is difficult to resolve the problem of high unemployment there in a medium time span¹⁴. Moreover, the United States has an enormous economic and political power in the world, whether one thinks it be desirable or not. On the other hand, the convergence theory does neglect the political dynamics of national politics, which are often contrary to the neoliberal developments. Simple perspective towards free markets seems unrealistic. Further, a free world market does not bring about fair conditions of labour, as the issue of child labour suggests. Bad conditions of labour will inevitably yield a new social institution. And if the workers in low wage area constitute trade unions, social institutions will anew develop there. Convergence towards a rude free market in the world cannot be realistic.

In the end, we have to provide different perspectives in terms of social institutions. First, I think that the most foreseeable developments will be similar to the idea of the divergence theory, except for various modifications in the social institutions in each country. Highly developed institutions like in European countries might be affected by neoliberal reforms, while underdeveloped institutions in liberal countries might be strengthened by new labour movements, for example. In my view, a construction of institutions that has institutional complementarities in each political economy is not so solid as excluding any modification. Of course, an exact prospective is not possible to be presented, because many factors and their changes according to time progression have to be taken into consideration. Roughly speaking, different levels of social institutions will continue to coexist in developed economies, but at the same time newly created social institutions will emerge in developing countries and in the international arena as well.

International norms and institutions are of great importance. According to the historical experiences of social institutions, existing national institutions have been produced corresponding to the bad effects of free markets of the national economy and then actors that have created them were those having national characteristics. If we are faced with a market expansion exceeding the national border, genuine institutions to cope with it must be international ones and in consequence they have to be created by the international actors. The coming international institutions will develop along with existing national institutions.

We have some international norms and institutions such as those of the International Labour Organisation and we have some international organisations of labour as well such as the International Confederation of Free Trade Unions. However, the present international organisations are not so strong as we know well. The growth of the international social institutions depends primarily upon the development of labour movement and politics at the national, regional and international levels. We cannot state a definite perspective of such development that depends upon human practices.

5 Conclusive Remarks

This paper is written on a very simple hypothesis that the market has expanded historically from a small regional market to a nation-wide one and is expanding now towards global market. And rise and fall of liberalism or free market regime has corresponded to this process of market expansion. The rise of liberalism

coincides with a beginning age of market expansion and its fall coincides with a stable period of the market growth that lasts fairly long time before the next expansion.

The causal explanation is that full operation of free markets produces social problems and the labour movement and the government intervene to remove such evil of markets as possible. Then social institutions develop this time and economic activities are contained in the framework of social institutions.

If this hypothesis is adopted, we can say as follows. So-called globalisation of economy can be interpreted as a beginning phase of market expansion next to the national economy and the revitalisation of liberalism coincides with such economic development. The rise of neoliberalism is a necessity in this sense, but how far and how long it develops is an open question, because the experiences of social institutions possibly give people a chance for rapid reaction.

The theoretical implication of this hypothesis is that a pure free market regime cannot exist or cannot last long, at least, because the free market economy yields problems for working people and cannot but operate with some social institutions.

The hypothesis is very tentative one and not yet tested from various aspects. In this sense, this hypothesis is fully open to further discussions.

1 Peter Hall and David Soskice (eds.), *Varieties of Capitalism*, Oxford University Press, 2001, pp.17-21. 2 Paul Krugman's words. From Mark Kleinman, *A European Welfare State?* Palgrave, 2002, p.15. 3 Hall and Soskice, *op.cit.*, pp.8-9. Peter Hall uses the term "organized market economy" in place of "coordinated market economy". Peter Hall, *Organized Market Economies and Unemployment in Europe: Is It Finally Time to Accept Liberal Orthodoxy?*, in Nancy Bermeo (ed.), *Unemployment in the New Europe*, Cambridge University Press, 2001. 4 Duane Swank, *Global Capital, Political Institutions, and Policy Change in Developed Welfare States*, Cambridge University Press, 2002. 5 Thomas McCraw, *American Capitalism*, in McCraw (ed), *Creating Modern Capitalism*, Harvard University Press, 1997, p.320. 6 Jeffrey Fear, *German Capitalism*, in *ibid.*, p.149. 7 A short comment will be needed. We consider provisionally that there can be four types of this relationship, in a very simplified dimension of discussion. Four types are social democracy, social authoritarianism, liberal democracy, and liberal authoritarianism. See Hirokuni Tabata, *Liberalisme économique et autoritarisme politique*, Société Française des Etudes Japonaises, Bulletin, N° 12, 2002. 8 Peter Hall and David Soskice, Introduction, in the same authors (eds), *Varieties of Capitalism*, Oxford university Press, 2001, pp.34-35. 9 Michel Albert, *capitalisme contre capitalism*, Le Seuil, 1991, for example. See too, Wolfgang Streck and Kozo Murayama (eds.), *The origins of Nonliberal Capitalism: Germany and Japan in Comparison*, Cornell University Press, 2001. 10 Paul Pierson, *Dismantling the Welfare State? Reagan, Thatcher, and the Politics of Retrenchment*, Cambridge University Press, 1994. 11 According to the discussion of Gosta Esping-Andersen, *The Three Worlds of Welfare Capitalism*, Polity Press, 1990. See also Evelyne Huber and John Stephens, *Development and Crisis of the Welfare State: Parties and Politics in Global Markets*, The University of Chicago Press, 2001. 12 Gosta Esping-Andersen and Marino Regini (eds.), *Why Deregulate Labour Markets?*, Oxford University Press, 2000. 13 Michel Albert, *op.cit.* 14 Of course, this does not necessarily mean that the European "organised market economies" are less competitive than the neoliberal economies. See, P. Hall, *op.cit.*

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