

'COMPETITIVE AUSTERITY' AND THE IMPASSE OF CAPITALIST EMPLOYMENT POLICY

Gregory Albo

1. The Impasse of Capitalist Employment Policy

Keynes closed his *General Theory* with the warning that 'it is certain that the world will not much longer tolerate the unemployment which, apart from brief intervals of excitement, is associated – and, in my opinion, inevitably associated – with present-day capitalistic individualism'. Despite Keynes's conviction that 'a right analysis of the problem [would] cure the disease', present-day capitalism is again associated with mass unemployment.' This represents a remarkable reversal of the postwar 'golden age' of high growth and low unemployment. In the period from 1966–73 a state of virtual full employment was reached, with unemployment falling below 3 per cent in many states, with Germany and Japan even suffering serious labour shortages. From the oil shock of 1973 to the 1981–82 Volcker recession, mass unemployment spread across the OECD area, accompanied by accelerating inflation, giving rise to the awkward, if descriptive, term stagflation. Despite the recovery of the mid-80s and the squashing of inflation, the majority of the advanced capitalist bloc continues to be characterized by low-productivity increases, 'jobless growth' and steadily mounting unemployment. Even in the case of what often has been misleadingly referred to as the 'great North American jobs machine' unemployment has failed to drop back to pre-crisis levels.

The stagnation of industrial production since the recession of 1991–92 has added further to employment problems. The subsequent 'sick recovery' has shown scarce job prospects (with rates of new job creation in North America running at about one quarter of previous recoveries). **Stagflation** has fallen into 'disinflation' but still without growth. Across the OECD zone unemployment rates are now typically double, and often three and four times, what they were during the 'golden age of capitalism'. The proportion of the population actually engaging in paid work contributing to the total social product has, for the most part, been **declining**.² Fewer people are working at full-time jobs – and often at longer hours – while more people are not getting enough – or any – hours of work. The

proportion of the population dependent on income transfers has, consequently, been secularly increasing.

The shift in the principal doctrines of employment policy since the onset of the crisis has been, perhaps, even more remarkable than the rise in unemployment. The postwar period was dominated by a form of **keynesianism** commonly referred to as the neoclassical synthesis, or, less favourably by Joan Robinson, as bastard **keynesianism**.³ This keynesian view held that the unemployed were involuntarily out of work and represented unutilized resources that could be mobilized to increase output. Capitalist economies, keynesians argued, can get stuck at high levels of unemployment: nominal wages tend to be 'sticky' downwards so that real wages might not fall to clear the market; similarly, declines in interest rates might not cause capitalists to invest and thereby to take up more workers. In either case, there is a lack of *effective demand* due to the collapse of the marginal efficiency of capital (expected profits). Full employment can be restored only by raising effective demand by increasing private or public consumption, bolstering investment levels or by finding new foreign markets. The point was well summed by Keynes in *The General Theory*:

The celebrated optimism of traditional economic theory, which has led to economists being looked upon as Cándides, who, having left this world for the cultivation of their gardens, teach that all is for the best in the best of all possible worlds provided we will let well alone, is also to be traced, I think, to their having neglected to take account of the drag on prosperity which can be exercised by an insufficiency of effective demand. For there would obviously be a natural tendency towards the optimum employment of resources in a society which was functioning after the manner of the classical postulates. It may well be that the classical theory represents the way in which we should like our economy to behave. But to assume that it actually does so is to assume our difficulties away.⁴

Following the stagflation experience, there are few adherents to the keynesian view today that increasing aggregate demand, in either the form of consumption or public investment, will have much effect in stimulating economic growth or lowering unemployment. Even when there exists real effective demand shortfalls at the national level, due to slower investment or to the pursuit of restrictive budgetary policies to control domestic costs for international competitiveness, particularly by the G7 group at the core of the world economy, it is doubtful that a stimulative package would call forth private sector investment at levels high and enduring enough to recreate an economic boom. It is even more unlikely that demand stimulation at the national level – or even the supra-national level such as Europe – can solve the long-period unemployment problem which now exists. (Nor can the international mechanisms and institutions that might supply stable, long-term, balanced aggregate world demand be **identified** or foreseen.)

The general crisis of unemployment since 1974 has shattered postwar capitalist employment policy centred on keynesianism. All sides of the political spectrum have seemed to come to agreement on two fundamental points as necessary to soak up the massive global labour surpluses: the

need to provide a supply-side stimulative package to spur renewed accumulation, and maintenance, if not strengthening, of a liberal regional and global trading regime, through the economic integration proposed by the European Economic Community and the North American Free Trade Agreement, or via the multilateral General Agreement on Trade and Tariffs.

The right's supply-side strategy has focused on breaking the institutional rigidities built into the Fordist postwar system that limited market discipline, protected workers' bargaining power and, through productivity sharing, maintained aggregate demand. Improved market flexibility would, it is contended, increase the returns to capital and, in turn, the rate of capital accumulation. The social democratic left's supply-side strategy has also attempted to increase flexibility and competitiveness, but in this case by stimulating the introduction of flexible automation through the systematic introduction of new technologies by industrial policies and tax incentives and by developing highly-skilled workers through modernised training regimes. In either the neo-liberal or 'progressive competitiveness' strategies, the employment policy conclusions run parallel: rapid economic growth, export-oriented industrial policies and freer trade are the only hope to bring unemployment back down to the 'full employment' levels of the postwar 'golden age of capitalism'. There is no alternative to supply-side strategies of 'liberal-productivism' for each firm, region or country to win a place in the competitive battle for world market shares and to solve the unemployment crisis.

The neo-liberal view, in its original monetarist or more recent variants, contends that unemployment is a specific, *individual, voluntary* problem of the labour market.¹ Individual firms and workers voluntarily make, accept or refuse wage offers. Unemployment is essentially a result of real wages asked being too high and profits too low, consequently leading to fewer job offers, a lower rate of investment and the use of labour-saving techniques. Attempting to lower real wages through inflation, as keynesian stimulus does, soon leads to workers' wage expectations adapting, leaving the aggregate labour supply unchanged. Unemployment remains at its natural, or voluntary, rate of unemployment (which is re-defined more precisely as the non-accelerating inflation rate of unemployment). Demand stimulus, therefore, does not affect real output and thus levels of employment in the long-term.

In this view, lowering the natural rate of unemployment depends upon lowering inflation, so that capitalists can have more certainty about their investments, and de-regulating non-market barriers which prevent real wages from falling in the labour market and thus preventing new hires and higher levels of productivity and investment. The measures to improve labour market flexibility are primarily 'defensive' in nature, that is, they involve rolling back institutional securities for workers built into the

postwar labour market and welfare state. This defensive flexibility includes: reducing trade union power; minimizing the welfare disincentives to work; improving information flows and labour mobility; **leaving** investment in training to individual decisions on their 'human capital' needs; and eliminating market restraints, such as minimum wages and unemployment insurance, which limit downward wage flexibility. By moving to an unregulated free market, economic adjustment would instantaneously produce market-clearing wage levels (with the principle of substitutability of labour and capital making any bias to capital-using technological change unimportant except for determining the rate of growth). In effect, Say's Law is restored, and all unemployment is a voluntary, individual choice given existing competitive conditions in the market.

In one form or another, the neo-liberal approach has dominated the agenda of employment policy since the late 1970s. It has not stood up very well against actual economic experience. At the most basic level, the **neo-liberal** position has never provided a satisfactory explanation **as** to why the natural rate of unemployment should vary so much over time, between countries, or for any number of institutional reasons. Rather than exhibiting any tendency 'toward an optimum employment of resources', more than anything else, as Keynes warned, the natural rate seems to track the historical rate of unemployment. Bringing down the rate of inflation and increasing wage flexibility through the 1980s has not meant a reduction in unemployment. On the contrary, fiscal and monetary restraint have contributed to the deflationary tendency of the crisis by squeezing down social and wage costs thereby taking demand out of the system (in the process seriously damaging the neo-classical notion of a vertical Phillips curve at a natural rate of unemployment).

Indeed, the spread across the capitalist bloc of neo-liberal policies of keeping wage **increases** below **productivity** growth and **pushing** down domestic costs has led to an unstable vicious circle of '**competitive austerity**': each country reduces domestic demand and adopts an **export-oriented** strategy of dumping its surplus production, for which there are fewer consumers in its national economy given the decrease in workers' living standards and productivity gains all going to the capitalists, in the world market. This has created a global demand crisis and the growth of surplus capacity across the business cycle. The structural asymmetries in the payments position of the major countries, notably the deficit of the U.S. which has played the role of absorbing other countries' export surpluses since the postwar period, have thus proven intractable. As a result, unemployment is spiralling upward even in the centre economies of Japan and Germany which are running payments surpluses. So long as all countries continue to pursue export-led strategies, which is the conventional wisdom demanded by IMF, OECD and G7 policies and the logic of neo-liberal trade policies, there seems little reason not to conclude that

'competitive austerity' will continue to ratchet down the living standards of workers in both the North and the South. Only the most dogmatic of market economists, of which there are all too many today, can still hold that neo-liberal policies offer a route out of the jobs crisis. (Or they must at least concede that these policies can only be sustained by further '**Brazilianization**' of having the working classes of the North and the South bear the burden of adjustment imposed by the contradiction between the international payments constraint and export-oriented policies.)

2. Competitiveness and the Production of Skills

The social democratic supply-side perspective also stresses the need for labour market flexibility 'to compete in the new global economy' to maintain domestic employment. In this case the focus is less on increasing wage and market flexibility which, it is argued, has caused the income and work polarisation of the 1980s. Rather, the notion is of an offensive flexibility whereby the training of highly-skilled workers contributes, or indeed causes, the successful integration of new technologies and flexible workplace adaptation to shifting market demand for products. The lack of an appropriate **skill** profile of the labour force and a dynamic training regime, this view contends, causes a mismatch between workers' **skills** and the demand for labour as a result of technological change. The mismatch is registered in slow industrial adjustment to market changes and thus higher rates of unemployment. By re-training and adjusting workers' **skills**, the dislocations from technological change will eventually work themselves out as firms adapt to the new competitive conditions at higher levels of output. In its essence, this position was elaborated best by Joseph Schumpeter:

Economists have a habit of distinguishing between, and contrasting, cyclical and technological unemployment. But it follows from our model that, basically, cyclical unemployment is technological unemployment. . . . We have seen, in fact, in our historical survey, that periods of prolonged supernormal unemployment, coincide with the periods in which the results of inventions are spreading over the system.⁶

The high unemployment levels confronting the advanced capitalist countries today, then, are caused by a shift to a new technological paradigm: the end of the mass production processes of **Fordism** and the transition to the new flexible work processes and automated factories brought about by the microelectronics revolution. The period of economic transition across this 'industrial divide' can be shortened, however, by re-tooling of factories and rapid adjustment of work skills to meet the new competitive conditions. This position suggests that supply, in this case the supply of **skilled** labour, will create its own demand, and that the processes of national adjustment, and existing demand conditions, provide no significant long-term barrier to lowering unemployment. Successful **microeconomic** adjustments on the supply-side will lead to desired **mac-**

roeconomic results on the employment side. This view can be termed the '*progressive competitiveness*' model – adapted by social democratic parties across the OECD and by the Democratic Clinton regime in the U.S. – of creating globally competitive, high value-added firms using highly skilled workers. Training policy is, in this model, the cornerstone to job creation and an alternate response to the 'competitive austerity' resulting from neo-liberal labour market strategies.

But how should we think of training policy within capitalist societies and can we infer the employment conclusions drawn by the 'progressive competitiveness' strategy? Since the publication of Harry Braverman's remarkable book, *Labor and Monopoly Capital*,⁹ there has been a veritable explosion of studies of the capitalist labour process. Braverman's own view that the structural tendency of modern capitalism is to uniformly extend Taylorism, and thus de-skill workers, is limited. Not only does he fail to fully account for a differentiation of skills across occupations, his thesis also appears historically bound to the deep separation of conception from execution characteristic of **Fordism**. Yet, even more insensitive to skill differentiation has been the view, associated with Michael Piore and Charles Sabel's *The Second Industrial Divide*: that microelectronics leads to a **uniform** process of skill enrichment. This latter sentiment has characterized most recent writings on the skills impact of the new production concepts and is central to the progressive competitiveness model.

The real lesson of the many studies of the labour process, however, is that a *social choice* is involved in the organization of the workplace, albeit a choice severely constrained by the relations of production particular to **capitalism**.⁹ This dynamic relationship between technological changes, work organization and skills has been neglected until **recently**.¹⁰ Depending on whether one was reading the economics or sociology literature, technology or organizations caused a certain type of labour process and hence a specific national growth model. But as Michael Storper notes:

In reality, both 'firms' and 'industries' are being redefined, such that the notion of returns as strictly internal loses its meaning in any dynamic, historical sense. In sum, in functioning industrial systems, both the division of labour and technological innovations tend to be endogenously and dynamically reproduced and are, in turn, mutually reinforcing."

An important factor affecting this social choice – little considered because of the assumption of either progressive or regressive advance of worker skills through the growth of the market – is the 'technical capacities' of the national labour force and the role of the training process in determining what goes into the labour process. With the old technological paradigm of **Fordism** in decline, the development of 'technical capacities' also raises fundamental political questions. If the labour movement should support the end of Taylorism – one of its historical demands for the reuniting of head and hand – on what basis should it commit itself to upgrading the skills of workers so as to expand the capacities for **self-**

management? How should the productivity gains from more flexible work processes be shared-out so as to increase employment and equalize income?

The failure to take up these questions, at least within North America, is witnessed most clearly in the 'human capital school', the position which has dominated the analysis and policies of training since the 1960s, and is most associated with neo-liberal employment policies.¹³ The conceptual core of human capital theory is the view that individuals invest in themselves (in job search, information sources, qualifications, migration) for the sake of future monetary returns – a return on investment in skills (non-pecuniary returns from education being ignored or reduced to a monetary value). As one of the founders of the school, T.W. Schultz, put it:

Labourers have become capitalists not from a diffusion of the ownership of corporation stocks, as folklore would have it, but from the acquisition of knowledge and skill that have economic value. This knowledge and skill are in great part the product of investment and, combined with other human investment, predominantly account for the productive superiority of the technically advanced countries."

At the level of the firm, individual enterprises respond to relative costs of factor inputs, including varied types of skilled labour, and then set the demand for labour. Even with non-homogeneous units of labour, production functions substitute units of labour and capital at the margin with no substantive, or at least dynamic, variation in technique. At the level of the individual, price signals are sufficient to yield the required investment in skills and thus supply of skilled workers. For firms or individuals training occurs by comparing the cost of investing in skills with the additional revenues earned. In short, human capital theory suggests that the labour market yields *private* market signals to individuals which are not at variance with the social signals for the economy and society as a whole.

But the treatment of skills as acquired individual attributes tradeable in the market, and thus a claim for a high wage based on a high marginal productivity, is seriously flawed. One of the tenets of dual labour market theory which still merits attention is that the labour market is something less than homogeneous in its treatment of individual workers and in its structure. The earnings of workers are significantly influenced by factors such as gender, age, race, and social origin, so they cannot be reduced simply to a return on investment in human capital. As well, systematic barriers to occupational mobility and employment instability for one group of workers can be contrasted with the stable employment advance through internal labour markets of firms for other workers.¹⁴ Regardless of whether such a strong dualism should be attributed to technology and market structures, specific skills learned through on-the-job training tends to be limited to core workers in technically advanced firms. The market alone does not provide either adequate skills or stable employment. Thus, the dualists pointed out, if investment in skills is important, it is unlikely to be adequately provided in terms of volume or of equal access for all

workers by the market. Public programmes for training and employment are essential."

Apart from the lack of training due to differences of industry structure, there are additional reasons to suggest that the problems of market failure extend to individual firms and eventually across the **economy**.¹⁶ Firm investment in training resides with the individual worker and not in physical assets; the 'human capital' attached to the trainee is thereby mobile. This is especially the case for what Gary Becker calls 'transferable skills and **competencies**'.¹⁷ These general skills will increase individual productivity equivalently for any enterprise, and contrast to the specific training that increases individual productivity primarily in the firm providing the training (although little training is completely specific to a single firm). Skills provided by general training are, consequently, in danger of being 'poached': individual firms may forego the costs of training, finding it instead to their advantage to bid trained workers away from the training firm by providing a higher wage. If this occurs on a wide enough scale, training firms would cease to train for they would lose their investments. In other words, markets with 'poachers' and 'trainers' are unstable; market failures in this type of 'employer-centred' system will lead to skill shortages. So governments, again, have a role to play in the provision of training either by a grant-levy scheme to equalize private training or through institutional public training programmes providing a collective good.

The expansion of state training programmes in the 1960s and 1970s to cope with the problem of poaching sparked a further response, particularly in Britain, Canada and the U.S., from human capital theorists to re-establish the primacy of a private market in training – a response now embedded in the neo-liberal labour market policies of the **Anglo-American countries**.¹⁸ The human capital theorists contended that, at least theoretically, the market would provide specific skills. Yet they also agreed that firms would be unwilling to finance general training that involved costs that could not be recouped because of poaching. The problem, however, was not market-based training, but trainee wages that were too high relative to their marginal product. If these wages were brought in line, either by wage subsidies or lowering trainee allowances and minimum wages, poaching would be pointless as all firms would undertake training. The market would again supply price signals appropriate to socially efficient training levels.

This neo-liberal strategy of privatizing training had disastrous consequences for workers and **skills** training throughout the 1980s as firms failed to provide adequate levels of trained workers, and workers dropped out of training programmes because of a lack of decent living allowances. Unskilled workers on training programmes, moreover, often became little more than subsidized waged labour, especially in the British and Canadian training programmes, on the basis that any paid work provided basic

training for further employment. The return to market-driven training, therefore, represented the market failures of insufficient volumes of training and a social polarisation amongst the recipients of training.

The 'progressive competitiveness' advocates of training policies for more flexible workplaces, moreover, began to point to more fundamental limits of market-driven training which were blocking skills adjustment (and thus allowing unemployment unnecessarily to climb). The problem of training market failure, for example, meant that a labour market intelligence network was still required, but the rush to privatization had seriously compromised the capacities of the labour exchanges (a key project of social democratic reformers since the turn of the century). For instance, formal training for higher education or technical training tends to leave the costs (foregone income and direct outlays) with the individuals. As predicted by human capital theory, 'workers pay for their own schooling'. But imperfections in the capital market, especially equal access to loans for trainees of different social origins, will remain. Substantial financial programmes and trainee allowances – which also involve occupational selection decisions by the state on what to provide funding for – will be required. There is, furthermore, unlikely to be perfect information about occupational choices, for youth and older workers in particular, so skill 'investments' will not necessarily be efficient. The typical activities of labour-market boards – counselling, job banks, placement, mobility – remain imperative if the market is not to undersupply **skills**. Limiting skilling to calculations of returns on investment will, in fact, yield fewer returns in terms of **skilled** workers than if training and education are viewed as social rights to be guaranteed by the state.

A period of transition between techno-social paradigms will compound all these problems into serious obstacles to adjustment and high **unemployment**. The problem of poaching, for example, will tend to intensify in market-driven training systems in a transitional period. Few skills are exclusively firm-specific and bidding wars will ensue for workers with the new skills in demand. So unless rigid internal labour markets are in place, or the firm is in a monopsony position, capitalists will, in general, underinvest in training. Firms in a competitive cost crunch, moreover, are likely to cut training costs as a first step to cutting labour costs (as has happened as a result of more open economies and import pressures during the 1980s). As a result of these two pressures, **skill** shortages will appear in recoveries from recessions which, in turn, will spur poaching from weaker firms (many of which will be start-up new technology companies). In a period of a technological paradigm shift, training failures will inevitably lengthen the period of adjustment and provide the basis for wrenching levels of unemployment for countries pushed down the neo-liberal path as weak firms lose their **skilled** workers and competitive edge.

Finally, the neo-liberal defence of market-based training, critics pointed out, depends upon static parameters in the demand and supply of labour in

the short period (and pure flexibility of **skills** and wages in the long period). This assumes that individual capitalists know *ex ante* the appropriate skills to even new techniques and that *ex post* these skills will be **supplied** to meet the aggregate needs of all capitalists. But this is not likely, given the fallacy of composition problems underpinning the logic, to be the case. An **oversupply** of high-level general **skills** in the labour market will in fact make for an easier transition to more advanced production techniques and a more flexible workforce to meet changing market demands. This is the foremost principle drawn by the 'progressive competitiveness' strategy from the training policy debate: product strategies are linked to available skills and technological advance places a premium on highly-skilled workers.

The systemic failure of the market to provide comprehensive training suggests that skills may be seen best as a 'public or collective good'. In a powerful series of essays, Wolfgang Streeck has argued precisely this point:

. . . the fundamental uncertainty for employers recovering their training expenses in an open labour market . . . turns skills, from the viewpoint of the individual employer, into a collective good. If an employer provides training, he is no more than adding to a common pool of skilled labour which is in principle accessible to all other employers in the industry or locally, many of which are his competitors. . . . As a result, there will be a chronic undersupply of skilled labour. . . . In this sense, I regard skills as an example of what I described as collective, social production factors which capitalist firms, acting according to the rational utilitarian model, cannot adequately generate or preserve.¹⁹

This is an important conclusion, and one that can be widely endorsed: if left to the market, training will occur, and powerful corporations like IBM may even provide high quality training and develop strong internal labour markets, but these will be isolated 'islands of excellence'. Non-market training institutions are essential to the adequate provision of **skills** (particularly to the access to skills by individual workers in marginalized social groups). A neo-corporatist training regime, as argued by Streeck and endorsed by the 'progressive competitiveness' strategy, would be a preferred option to the **market**.²⁰ In this view, firms, regulated by corporatist structures like the German Works Councils, are the ideal places for training. State training programmes, like markets, may equally fail to provide the needed 'collective skills good'. Schools are not the ideal places to create work skills even if the skills needed are general and **polyvalent**. This does not mean that formal classroom training is absent – even the famous German apprenticeship system includes this component; but it does mean that on-the-job training is suited best for producing the dynamic training regime and skills attributes, including the 'socialization in work-related values', demanded by 'the new competitive conditions in world **markets**'.²¹

The obstacles to a successful corporatist strategy along German lines are enormous in the Anglo-American countries where the experience of **on-**

the-job training is mixed and the political conditions to produce works councils are decidedly remote. Even when the state has extensively regulated on-the-job training, it often has meant little more than firms providing brief, firm-specific training for **semi-skilled** workers. In introducing the Japanese flexible work processes, firms have used training as much for the inculcation of 'corporate culture' as for actual **skills** training. On-the-job training for peripheral workers, moreover, has often simply meant brief periods of employment without the skills upgrading necessary to improve labour market chances in the long-term (and certainly not the development of the skills requisite for more active citizenship in the broader community). Publicly provided programmes, and institutional training centres supplying formal qualifications, have been essential to providing **skills** and broadening access to training. A strong public core to training is often seen, therefore, as necessary in North America to facilitate adjustment to the new work processes and to have productivity gains spread across the national economy.

These three principal means of regulating the training of workers – the market, corporatist institutions, or the state – are rooted in different societies in quite distinct ways. In Japan, a highly segmented, formal schooling is followed by extensive training at the firm level, with the firm's investment maintained by extremely rigid internal labour markets. Germany appears as the example par excellence of corporatist regulation of training. An extensive adult and secondary vocational education structure is added to a highly developed apprenticeship system, jointly regulated by unions and management through works councils. Sweden, in contrast, has a strong public component to training, particularly for the unemployed and to encourage worker mobility, supervised by the National Labour Market Board. The North American 'market model' of training has been more varied and institutionally unstable: Canada and the U.S. have alternatively relied upon 'poaching' skilled workers from other nations through immigration, public training programmes targeted at the disadvantaged or the highly qualified, and firm-specific market supplied skills.

These different national forms of producing skills have become important, according to the progressive competitiveness model, to current industrial restructuring. The production of skills and the type of national training regime are important not just for flexibility in general but the *kind* of flexibility firms will adopt. The old mass production processes of **Fordism** tended to rely on a sharp separation of conception and execution. The rigid differentiation of tasks produced a **skill** polarisation: conception concentrated in specialist technical skills in design offices; skilled manufacturing and trades jobs filled by apprenticeship or specialist training; and a mass of unskilled assembly jobs with limited specific training tied to a minute division of labour. In contrast, flexible automation tends to use reprogrammable technologies to re-integrate production and design.

Work organisation can consequently be more flexible, in responding to differentiated product demand. Flexible automation, moreover, requires workers that are more flexible, emphasizing **multi-tasking** and multi-skilling, general **skills** rather than specific ones, and analytic and problem-solving abilities rather than mere procedural capacities. Thus skills are likely to be decisive to a re-organized labour process – both to exploit the potential productivity of new technologies and to involve workers directly in improving productivity – for firms attempting to export high **value-added** products."

Yet just as **Fordism** differed between nations, the 'progressive competitiveness' strategy contends there is unlikely to be a uniform adaptation of a new form of work organization under a regime of flexible automation. As **Arndt Sorge** and **Malcolm Warner** have emphasized, training and qualification structures appear linked to technological adaptation but are embedded in national traditions." The availability of highly **skilled** workers in countries with strong training institutions **permits** quick re-deployment of labour to new technologies and products which, in turn, helps preserve the **skills** base and competitiveness. In contrast, in countries with weak skilling structures and old products, a low skills equilibrium seems to **develop which** forces downward economic adjustments to compete on the basis of costs. In other words, there appear to be national forms of flexibility, dependent upon the training regime, in responding to market uncertainty and new product demands. The task of employment policy is, then, to upgrade the national training regime. Within social democratic thinking, this conclusion has been most forcefully stated by the Canadian Steelworkers:

What has become known as the **high-skill business strategy** refers to a cluster of business strategies that are compatible with secure jobs providing fair wages. . . . The high-skill option requires businesses to pursue strategies of increasing value-added rather than strategies to reduce labour's share in existing value-added. . . . We need enlightened management who recognize the importance of competing in higher value-added markets on a high-skill basis. . . . Once there is a commitment to truly developing worker skills and their roles in a workplace, workers will be partners in building toward sustainable prosperity in their workplaces and communities.²⁴

If a country, or region for that matter, is to keep its export share, or increase it to boost employment levels, employment policy must have as its central concern the production of skills. Training leads to jobs, and highly-skilled training is the basis for the good jobs in high-value added, **globally-competitive firms** that will put an end to 'competitive austerity'.

The training policy regime advocated by the progressive competitiveness strategy is superior to the neo-liberal model in terms of both the analysis of market failure in the provision of **skills** and the positive role that training can play in adjustment. The insight that training structures can act as a leverage to improve firm level adjustment to the demand and quality of products, for instance, is important. Similarly, the conclusion that highly-

skilled, involved workers can begin to reverse the deskilling of work under Taylorism, and add to labour productivity, is a result with important implications for the labour movement as a whole. To the extent that worker involvement and training policy are collectively negotiated with organized workers at the plant level, and through elected works councils at the **sectoral** level, there is the potential capacity to make material advances to worker self-management that has been limited by the management rights clauses that were part of the Fordist productivity-sharing bargain.

But it is not possible to generalize, as is done by the progressive competitiveness strategy, that upgrading skills in line with the new technologies will resolve the problem of unemployment. This position must assume that levels of unemployment have not been secularly increasing for some time (a questionable proposition for the OECD zone). It must further assume that the volume and distribution of hours of work is, more or less, already adequate. Present unemployment can then be posed as essentially an adjustment problem caused by lags in skill development in response to new technologies and competitive conditions. These assumptions are problematic: numerous studies have shown that the level of unemployment has been increasing for some time for any degree of capital utilization suggesting a growing surplus labour force; as well, the level of unused capacity has been increasing indicating growing demand problems. In these conditions, training will raise the average level of skills, but it will not mean more jobs will be available.

The progressive competitiveness strategy hinges, then, on sustained high rates of growth in world (not necessarily national) markets to lower unemployment. This depends upon a number of equally strong and dubious assumptions. It depends, for example, on higher value-added production spreading across the national economy so as to replace lower value-added standardized production being lost to low wage producers and regions. This entails the very large risk that the de-industrializing sectors will decline at a faster rate, and with greater employment losses, than the rate of expansion of sectors of high technology. The high technology sectors being boosted must also see no cost advantage to moving to low wage production sites (although there is ample evidence that they do and that developing countries are able to supply skilled workers). Export growth in high technology sectors, moreover, must be more rapid than previous levels of export growth if unemployment is not to grow because of higher capital-labour ratios in these sectors relative to the declining **low-wage** sectors.

It is an extremely suspect proposition that rapid enough accumulation can be achieved in world markets to accommodate all the countries and regions engaged in this high-growth, high-productivity, high-tech **export-oriented** strategy. That would take a near-miracle in itself. Yet more basically the extension of the export-oriented strategy beyond a single

country ignores the simple problem of who is going to bear the payments deficits as all companies and countries squeeze costs to pursue the high value-added, export-oriented industrialization strategies that is to solve the national unemployment crisis. Will it be the deficit-plagued **U.S.** and Canada? Will it be the export-oriented Japanese and German economies engaged in their own fiscal crises and trying to maintain payments surpluses to expand their spheres of influence? Can the Asian 'miracle economies' suddenly reverse their industrial structures and become launched on an import binge? Or, perhaps, the devastated economies and workers of Africa and South America could do the world economy a good turn?

The asymmetry of all countries pursuing export markets can only add to the competitive pressures to bargain down national wage and social standards. As low-wage zones increasingly adopt leading edge technologies – as mobile productive capital from the North establishes new plants in these zones because of their own high technology strategies – the downward wage pressure will accelerate (as it must with global labour surpluses). But, as has become all too evident, the bargaining down process takes demand out of the system, with no clear compensating source, precisely when more output is being put on the world market. The cumulative effect is to add to the realisation problems of growing surplus capacity and a further spiral of unemployment. The distribution of hours of work also polarizes to meet the new competition: multi-skilled core workers are pushed to work longer hours to recoup training investments, while peripheral workers and the unemployed scramble to get enough hours of paid work. The progressive competitiveness strategy is forced to accept, as social democratic parties have been willing to do, the same 'competitive austerity' as neo-liberalism, and further 'Brazilianization of the West', as a cold necessity of present economic conditions.

3. Beyond 'Competitive Austerity'?

The relationship of training regimes to overall employment policy retains a central importance. New qualifications and skills may **affect** the speed of adjustment for individual firms, or even countries if a strong training regime has been institutionalized. But there is no reason that this should increase the general volume of employment particularly as other **firms** and regions adopt (as they appear to be doing) the same progressive competitiveness strategy. Under these conditions national (or regional) employment is increased only to the extent somebody else (or some other region) is bested and put out of work. The distribution of work, but not its aggregate volume, is altered: the result is better-skilled workers but unemployed in the same number (or higher if all countries pursue **cost-cutting** to improve export competitiveness and take demand out of the

system). Indeed, the rationalisation of production from the new work processes has not meant higher world **growth** rates so that productivity gains have largely been at the expense of employment causing the 'jobless growth' phenomenon. The productivity growth from new technologies has consequently been profoundly inegalitarian: the permanently displaced workers and unemployed suffer declining living standards; the re-trained multi-skilled worker often gains in greater job security and lower consumer costs; and the owners of capital, and their managers, take all the increases in productivity and output.

The danger in the present situation – and it is already a feature of current international conditions – is to push every country, and even the most dynamic firms embracing the new work processes, toward competitive austerity. Robert Boyer has captured well this dilemma:

On the one hand, there is the opportunity to mitigate some of the worst features of **fordism**: less need for a hierarchy exercising authoritarian control, the possibility of doing away with tedious, dangerous, or purely repetitive jobs, opportunities of raising qualifications through general and adequate technical training. . . . But on the other hand not all companies or sectors are in a position to adopt this strategy: falling back on cheap, unskilled labour is a great temptation – and a very real danger, particularly as minimum wage levels are lowered. . . . Equally, it is not certain that computerization will undermine the historical division between manual labour and intellectual work. If some repetitive tasks can be abolished and others made potentially more varied and interesting, the rationalization and **taylorization** of intellectual work itself may **occur**.²¹

If the 'worst features of **fordism**' are to be avoided, then the question of unemployment must be directly confronted.

There have been few credible explanations of the post-crisis divergence in unemployment rates to be found in any of the explanations from either the demand or supply side. Numerous crossnational correlational studies seem to have conclusively demonstrated that there is no simple, uniform relationship between economic variables and the level of **unemployment**.²² In general these studies have found various political variables, such as the extent of corporatism, the composition of the governing block, to be more telling. The conclusion drawn from the 'politics matter' studies is bold, and strikingly at odds with mainstream economic thinking: 'mass unemployment is unnecessary; full employment is a matter of (social democratic) political will.' This conclusion can be sustained, however, only at the most general level, in that some states have done better in **containing** the growth of mass unemployment, even while all states have been doing worse in employing their labour forces. It does point, however, in the direction of studying the particular history and economic institutions of national employment policies.

As Goran Therborn's book, *Why Some Peoples Are More Unemployed than Others*,²³ argues, the postwar national routes to employment success and unemployment disaster have been diverse. Some states, such as Sweden and Japan, have managed to perform relatively better in terms of unemployment, while other states, such as Britain, Canada, and the

Netherlands, have become high unemployment disasters. The allocation of unemployment within national labour forces, moreover, is distributed in strikingly different ways. Unemployment in Italy, for example, has tended to fall disproportionately on the young and women, whereas in Britain it has fallen more on males. Germans have withdrawn from the labour market with sharp declines in labour force participation (especially for older workers). The Swedes, in contrast, have expanded public employment and massively increased part-time work. North Americans have allowed the part-time, peripheral workforce to grow; at the same time average hours of work among core workers has increased. Although labour reserves appear as a fundamental feature of capitalist production within all these countries, and have grown in importance since the crisis, capitalist societies exhibit an extraordinary range of possibilities for the distribution of and paid work and social arrangements for containing unemployment.

Even in the narrow keynesianism of the neoclassical synthesis, there was an important rejection of some of the defences of pure market economies. Keynesian reasoning laid to rest the doctrine of Say's Law – a mainstay of neoclassical economics since the 19th century – that supply creates its own demand by generating the income to purchase the output produced making slumps, and labour surpluses, impossible. The keynesian revolution suggested that capitalist economies, and especially labour markets, are not self-adjusting to fluctuations in supply and demand: as a result of expectations about the future, market adjustments can move as easily away from 'full employment equilibrium' as toward it. This conclusion contained a broader implication, one little noted except within the **marx-**ian tradition: economic adjustment takes place in real *historical time* and under the constraint of existing *economic institutions*.

Michael Kalecki pointed out that there are essentially three ways to bolster effective demand for employment: deficit spending through higher public investment or subsidies to private consumption; stimulating private investment by lowering interest rates or tax concessions; and, finally, redistribution of income (and work) from higher to lower income classes. The policy path pursued over the postwar period has had important implications for the post-crisis capacity of national states to contain unemployment.

Keynesian policies relied extensively on fiscal policy (and partly monetary policy) attempting to stimulate private investment and much less on deficit spending, increasing consumptions or redistribution. This budgetary approach entailed keeping private sector growth rates as high as possible through ever greater cuts in corporate taxes, subsidies and tax incentives to keep investment levels increasing, and to offset the **capital-**using bias of technological change (given relatively constant hours of work and distributional shares). The economies of North America were the

examples, par excellence, of this method of keeping employment high. As traded goods began to occupy an increased share of domestic production, the national economies which had adopted this strategy have had to engage in ever-increasing levels of competitive bargaining to attract or keep capital. The weak labour market and training structures developed over the postwar period added to the North American employment problem: skilled workers had either been 'poached' from Europe or left to the random individual decisions of the private sector; the rapid labour supply growth which had fed postwar 'extensive accumulation' now translated into the massive growth of low-waged job sectors; and workers with 'good jobs' in unionized firms were forced into concessions bargaining to keep capitalists in their communities and to hold off the swelling rolls of unemployed and low paid workers queuing up for the good jobs promised by the 'American way of life.'

Although deficit spending was never extensively engaged in for macroeconomic stabilisation, European states, more than North American ones, stimulated public investment, and expanded the size of their public sectors, using the investment as a platform for continual modernization of infrastructure and industry. But the end of the 'golden age' and the competitive pressures of more open economies also showed the limits of this strategy. To the extent the European statist strategy disengaged a larger proportion of annual output from the market economy, and to the extent it contributed to the maintenance of a labour process model using the most advanced techniques and work processes effectively involving workers, this method helped to stabilize employment fluctuations and to keep employment high.

But the 'eurosclerosis' disease of institutional rigidities in the labour market that served as the basis for containing unemployment became an obstacle with increased capital mobility: European capitalists took their investments to where wages and work standards were lower or where the rate of return was higher (as in the U.S.), effectively shutting down domestic accumulation. To try to keep investment at home and to hold market shares, European states also have been forced to hold back the public sector, to allow increased industrial rationalization and shedding of workers, and to raise interest rates. France's socialist reflation of the early 1980s, for example, had more successes than often given credit for in terms of avoiding the extensive downturn of the rest of the OECD area, and in rationalizing industry from nationalizations. But the keynesian reflation could not be sustained on its own against a world economy marching to the tune of restraint and capital mobility. The jobless rates in France, therefore, did not stay down once the reflation ended. The French socialists subsequently moved toward the neo-liberal approach of stimulating private investment, following the route adopted elsewhere, but had even less success in containing the drift toward persistent double-digit **unemploy-**

ment. As a result of these forces, mass unemployment has spread across the European states as well, notably in Germany, France, and Italy, which had adopted the public sector route to maintaining high employment. Along with North America, they too have pursued neo-liberal adjustment policies and export-oriented development at the end of the 1980s, allowing unemployment to rise (although still distributing it differently).

Kalecki's first two ways to full employment, deficit spending and stimulating private investment, appear to have reached their limits as a means to avoid competitive austerity. This leaves the third option to full employment of redistributing income, and, more particularly today, of redistributing work. Kalecki's third option of redistributing income was barely evident at all (and of work even less so) over the postwar period. The maintenance of private ownership of the means of production limited the possibilities for redistribution of income for it also would have sacrificed Keynes's famous 'animal spirits' inducement to invest. This was, as Leo Panitch has argued, one of the main failures of the income policies to constrain wage pressures that were a part of full employment economies: they attempted to freeze the distributional shares of income between the social classes and fell apart on the basis of that contradiction."

Redistribution of income, was limited therefore, to countries that could build up solidaristic institutions within the labour market to redistribute wages to the lower paid, and that had the political capacity to drive up tax rates to provide a pool of funds to be redistributed through the welfare state. This situation was limited, for the most part, to Sweden. But even in this case, with the foremost political conditions for maintaining employment, the economic strategy still entailed the postwar fordist fixation of keeping growth rates as high as possible, to avoid disturbing the unequal class structure by promising workers a share of growing output, and rationalizing the industrial structure to maintain export markets. As the golden age growth slowed, the Swedish model, too, confronted difficulties in containing unemployment: the solidarity wages policy and tax loads both reached an impasse vis-a-vis workers initially and subsequently capitalists. Sweden, therefore, had to engage in a continual series of competitive devaluations to export its unemployment elsewhere, and to maintain the competitiveness of its export-driven economy. Sweden's active labour market policies also had to change emphasis by the end of the boom in the 1970s from aiding adjustment to directly supporting employment.

As the 'golden age' was ending, therefore, the Swedish model was under strain. The Meidner Plan to socialize capital in the late 1970s attempted to confront these difficulties directly by **radically** extending social ownership. But the labour movement was only able to advance the Plan in a most limited, and essentially irrelevant, way. The defeat of the Meidner effort to bring capital more firmly under democratic control prepared the basis for

the reversals of the 1980s. Swedish capital began to break openly with the postwar compromise, **attacking** the welfare state, opposing further tax burdens (despite the enormous concentration of wealth), and actively internationalizing financial and productive capital. The increased capital mobility, at the same time the social democratic government sought to improve profits to maintain its export-oriented strategy, eventually raised a new limit on Swedish employment policy: it blocked Sweden's ability to use competitive devaluations to export its unemployment.

The maintenance of low unemployment through the **1980s** consequently depended less on Sweden's progressive competitiveness strategy, as social democrats continue to try to argue, and more on 'shared austerity' amongst the Swedish working class through the 'spreading of employment.' These policies have included the holding back on the rationalisation of plants, the extension of public sector employment, and reductions in the average hours worked per worker. Yet even 'shared austerity' had reached its limits in the early 1990s. It could only be sustained as long as the labour market institutions built up over the postwar period had the ideological support for solidaristic wage and work policies amongst workers and Swedish capital was willing to allow a national bargain to share productivity gains. With the fall 1991 election of a bourgeois government neither condition still held. As a result, Swedish unemployment has rapidly shot up, more than doubling in a year, in the process destroying the illusions which have captivated social democrats around the world of an export-led progressive strategy for competitiveness.

The Swedish experience of 'shared austerity' contains two important lessons for socialist economic strategies. The first is that the employment impact of slower economic growth can be distributed in different ways, although they largely entail spreading employment across the **working class**. With limited or declining employment growth in the manufacturing sector, the spread of well-paid work depends upon workers as a whole paying more taxes, taking home less pay and **working** less. This has the positive benefits of increased leisure and better public services and environment, but less private consumption.

The second lesson is that it is difficult politically to sustain **employment**-spreading as long as it is limited to 'socialism in one class' or if capital is freed from having to make a national bargain. The social democratic left's response to the economic crisis throughout the 1980s has been that capital could not be attacked. Above all else, profits had to be improved for international competitiveness and thus to sustain employment and the welfare state. With the end of the Swedish experiment in 'shared austerity', this is no longer a plausible line of argument. This strategy has allowed capital to free itself from national controls and the traded sector to dominate domestic production needs. Not even Swedish social democracy has been able to withstand the vicious circle of competitive austerity. The

global keynesianism or supranational regulation that might manage the world market has proven a deceptive political project and an elusive means of economic management. There is no intellectually honest response from the left to the economic crisis, particularly with respect to unemployment, that does not involve political restraint on the power of capital and a substantial redistribution of work and resources.

The impasse of capitalist employment policy is linked, based on the preceding analysis, to two broad factors: the crisis of **Fordism** and the end of keynesian employment policies on a national basis; and the growing contradiction between the openness of national economies in terms of trade and capital mobility and the lack of regulation, and the seeming impossibility of doing so under the present international regime, of the world market. The left's economic alternative must address both sides of the crisis. Two general principles seem central. First, the view now accepted amongst social democrats that the growth of unemployment is inevitable must be rejected: unemployment is the basis for the splitting of society into those who have paid work in core jobs and those excluded from either work or stable employment. The left's economic alternative must advance the principle that democratic citizenship proceeds from the right to work and the right to a decent income. Second, the political compromises at the international level necessary for long-term stability must be built around the principle of maximizing the capacity of different 'national collectivities' democratically to choose alternate development paths (socialist or capitalist), that do not impose externalities (such as environmental damage) on other countries, without suffering isolation and coercive sanction from the world economy.²⁸

The implications of these principles is consistent with the analysis of employment policy that redistribution is central to addressing unemployment. An alternative model will have to entail a radical redistributive shift in terms of resources and new institutional structures: from the traded goods sector to the local and national economies; from the highest paid to the lowest paid; from those with too many hours of work to those with too few; from management dominated labour processes to worker controlled; and from private consumption-led production to ecologically-sustainable economies. A redistributive employment policy would contain some of the following components.

Inward Industrialization

It is difficult to envision either stable macroeconomic conditions or alternate development paths with continued internationalisation of production. The export-oriented strategies which have spurred competitive austerity will have to be replaced, therefore, by a process of inward industrialization. The inward-oriented strategy does not imply closing the economy from trade, but rather a planned expansion of domestic services

and production to expand employment and increased control over the international economy to reinforce stable and divergent national macroeconomic conditions.

International trade will obviously remain important to reach certain economies of scale and to transfer new products and processes. But international trade and financial rules need to be restructured so as to allow for diversity of economic models rather than the homogeneity of 'competitive austerity' now demanded by IMF adjustment procedures. Inevitably this points to managed trade between national economies and reforming international institutions to impose symmetrical adjustment on deficit and surplus countries. Confronting present imbalances, for example, will require debt relief for the countries of the South and Eastern Europe so they can shift to meeting domestic consumption needs and expand trade within their zones.

Protectionism will also have to be allowed. It has proven impossible for surplus countries to inflate enough, or deficit countries to deflate enough, to restore balance (without further devastating job losses). Social tariffs are important to allow countries to adopt advanced environmental and work standards without loss of jobs and international sanction from 'worst-practice' production methods.

The corollary to diversity of development paths is the re-integration of national economies. The expansion of employment will depend, most notably, upon the redevelopment of urban economies and the fostering of a self-managed sector for community welfare and collective leisure." Similarly, the limitations of market instability on employment will require the extension of national and **sectoral** planning structures to encourage future core industries, control the open sector and establish sustainable production. Inward industrialization will mean, therefore, production and services more *centred* on local and national needs where the most legitimate democratic collectivities reside.

Democratic Workplaces

A part of the economic crisis lies on the supply-side in the impasse of the Fordist labour process and the transition to flexible automation. Under the pressures of competitive austerity it is the 'worst features of **Fordism**' – speed-up, continued fragmentation of work, increased supervision of workers – which is going ahead. Even if there are productivity gains to be had by increased worker input into production, the political risk this entails for capital in terms of worker self-management has meant opposition. Capital will prefer to continue with Taylorism or negotiate involvement with the fewest workers possible. As the basis for the wage bargain, such a labour process will contribute to the polarisation of the labour market. An alternative model will, therefore, have to transform work relations. The left's project here has been longstanding: the collective

negotiation over the terms of involvement in the labour process and an end of taylorism. This will, of course, imply negotiation over training and skills, but also move to incorporate product design and quality and even **sectoral** planning over what to produce.

Redistribution of Work

The crisis of **Fordism** has not only lowered the rate of productivity increases, it has also concentrated these gains in the hands of capital. It is fundamental to an alternative economic model to redistribute existing output more justly and to share-out further productivity gains equally. There are two important parameters to this principle to be accounted for. A just distribution of output requires that the unemployed be incorporated into the waged economy. As well, if sustainable production is a constraint, then increased production through working just as many hours is not a priority. Instead, existing work and future productivity gains would have to be shared so as to employ the jobless at decent incomes and increase free time as a central social objective. The employment crisis can only be resolved by directly confronting the redistribution of work-hours and income." The social democratic embrace of **keynesianism**, and now progressive competitiveness, always sought solutions to unemployment and class divisions through faster growth and more output. This must now be firmly rejected as both unviable and undesirable.

As an economic system, capitalism rationalises social life for economic ends. This includes, as a fundamental element, the extension of **worktime** to lower costs. But the drive to continual technological change from competition also reduces the number of hours of work required to produce a given level of output. Thus, as an economic system, capitalism tends to produce long hours of work for some and a lack of hours, or unemployment, for others. The labour movement has consistently had to apply its alternate logic on this system to free time for leisure and ensure that work is solidaristically shared. Some of the dimensions of redistributing work are, although politically difficult, straightforward: overtime limits, restrictions on 'double-dipping' by professionals, extension of vacations, flexible **work-scheduling**, increased possibilities for unpaid leave, yearly education and training days, and collective negotiation by **worksite** of jobsharing to spread existing work. The major dimension for dealing with unemployment is, however, a reduction of standard **worktime** that is sharp and general. To be at all effective in dealing with current unemployment levels, it must be faced that the hours reduction will have to be accompanied by a decline in real wages (partially offset by productivity gains and a decline in unemployment claims) so as to redistribute both work and income. It is precisely because wages will have to shift in the short-run that **worktime** reduction must be solidaristic: apply equally to the public and private sectors and squeeze wage differentials so as to preserve the purchasing

power of the lowest paid. As unemployment declines, productivity gains can then be shared-out in both increased purchasing power and declines in worktime. The struggle over the redistribution of work and income must become central to employment policy if the unemployment crisis is to be addressed.

Employment Planning

The components of an alternate employment policy have in common the need for economic planning to constrain the market. Capitalist employment policies have typically left employment planning to the aggregate assessment of labour market trends and the targeting of training. The local component of employment planning has been labour exchanges which served as labour market intelligence networks and a location for job listings and counselling. Even the Swedish labour market boards never developed a local planning capacity or direct democratic accountability to the communities they served. Indeed, they have never been able to fully move beyond their adjustment role for competitiveness allocated to them under the Swedish model. An alternative employment policy will have to develop local democratic administrative capacities for both the technical and political basis to address the redistribution of work.

Democratic employment planning has a number of dimensions. The 'golden age' simply ignored environmental issues, but it seems clear that an alternate model must have this as a binding constraint on production. This will have to be encompassed within employment planning for sustainable production will entail 'dirty' industries of declining jobs, the distributional consequences of slower growth, and the planning for new employment in non-resource intensive services. With the dramatic lowering of the amount of labour employed in the manufacturing sector, employment planning will have a large component directed at the service sector. This should radically centre our attention on the type of service sector that should be supported in terms of jobs and organizational structure. In particular, employment should be developed in the so-called 'third sector', that is, the self-managed community services (either newly formed or partly devolved from traditional state administration) such as cultural production, environmental clean-up, education and leisure. In order to absorb the unemployed, these activities will have to be planned. Locally elected labour market boards – which would govern over all work-related issues – should have as part of their mandate the determination of socially-useful activities and the planning for local employment.

The present political situation of competitive austerity does not lend itself to an alternate economic policy. It cannot proceed simply on the basis of economic necessity. The basis for an alternate social project must be found on the political grounds of social justice and the extension of

democracy as a substantial redistribution of resources and power lies at the heart of any real solution to the contemporary unemployment crisis.

4. Mass Unemployment and National Economic Policy

It would be rash to be optimistic on the future of the labour market and unemployment in the advanced capitalist zone. The constraints of the international order on national employment policy are severe. The pressures produced by open economies, with extensive capital mobility and global labour surpluses, have gutted the capacity of national governments to regulate employment levels through the type of aggregate measures which were part of postwar keynesianism.

Many keynesians concede that the increased openness of economies and the internationalization of production has shifted the economic terrain. 'Keynesianism in one country' is no longer seen as viable as demand stimulation on a national basis is simply dissipated through either imports or capital outflows. Reflation will, therefore, have to take place on a supranational basis. This view has been argued by many advocates of economic integration associated with international economic institutes and a significant section of the social democratic movement. They seek to either co-ordinate a worldwide reflation or to recreate a viable economic space so that stimulation is not lost through **leakages**.³² Yet even if the two premises of this view are granted – the combination of unused capacity and economic openness – its viability is deeply suspect. There are no substantive mechanisms for co-ordination or instruments for reflation at the international level; nor is the political means by which they could be implemented apparent, given the competition which still exists between capitalist nations and the spatial specificity of production structures. It is quite unclear, therefore, what it means to reduce unused capacity (and unemployment) at the international level, as this includes the vastly different national production structures and unemployment experiences of, for examples, Japan, Canada and Britain. Does global stimulation increase the exports of – and consequently reduce their unemployment – the industrial belts of Japan or the Atlantic provinces of Canada? In any respect, this solution returns to the myopic social democracy of the postwar period of attempting to resolve the capitalist unemployment problem through higher growth, with the distribution and production questions being ignored and the environmental one ultimately being damned.

Much of the social democratic movement has consequently drifted to sub-national levels of government, or specific industrial sectors, where some level of industrial capacity exists, and developed the 'progressive competitiveness model' as an alternative to neo-liberalism and keynesian reflation. Training policy has become the centrepiece of this strategy:

employment will result from highly skilled workers improving the competitiveness of high value-added firms selling on the world market. But this export-oriented strategy, too, has become incorporated in the pressures producing competitive austerity throughout the world economy and converged with neo-liberalism. Its advocates must confront the harsh fact that it is not the Anglo-American countries who are converting to the Swedish or German models, but Germany and Sweden who are integrating the 'Anglo-American model' of income and work polarisation. Toyota is laying-off and breaking life-time employment ~~guarantees~~, the Volvo plant in **Kalmar** is closing and the postfordist future of full employment in high value-added export-oriented **firms** now looks like one of the most **pot-holed** detours taken by the left in the 1980s.

As the golden age of capitalism was at its end in the **1970s**, Joan Robinson, the foremost analyst of postwar employment policy, made the following bitter observation on the keynesian experience: 'Growth of wealth has not after **all** removed poverty at home, and 'aid' has not reduced it abroad. Now unemployment exacerbates social problems and embitters politics. In this situation, the cry is to get growth started **again**.' Two decades later, with a persistent lengthening of the unemployment queues, the supply-side 'cry to get growth started again' is even more pitched. But now there is clearly even less reason to believe, and ecological and redistributive reasons actively to oppose, the supply-sider's proposition that better microeconomic performance leading to faster economic growth is capable of resolving the capitalist unemployment problem. Upon surveying the wreckage produced by these views there is, indeed, good reason to adopt Robinson's dismay.

Yet there is as well, on this point, a lesson still to be absorbed from Keynes on national economic **policy**:

... if nations can learn to provide themselves with **full** employment by their domestic policy (and, we must add, if they can also attain equilibrium in the trend of their population), there need be no important economic forces calculated to set the interest of one country against that of its neighbours. There would still be room for the international division of labour and for international lending in appropriate conditions. But there would no longer be a pressing motive why one country need force its wares on another or repulse the offerings of its neighbours, not because this was necessary to enable it to **pay** for what it wished to **purchase**, but with the express object of upsetting the **equilibrium of payments** so as to develop a balance of trade in its own favour. International trade would cease to be what it is, **namely**, a desperate expedient to maintain employment at home by forcing sales on foreign markets and restricting purchases, which, if successful, **will** merely shift the problem of unemployment to the neighbour which is worsted in the struggle, but a willing and unimpeded exchange of goods and services in conditions of mutual advantage."

Keynes's position still seems to be essentially correct. It strikes at the core of the present impasse of capitalist employment policy, where the demands for rationalization of all aspects of economic and social life for international competitiveness, so as to dump unemployment on other regions and countries, have become incessant. But for an employment

policy to move beyond competitive austerity today, however, will require a much bolder political, economic and ecological project than Keynes himself was ever capable of envisioning.

NOTES

1. J.M. Keynes, *The General Theory of Employment, Interest and Money* (London: Macmillan 1936), 381.
2. See: B. Rowthorn and A. Glyn, 'The Diversity of Unemployment Experience since 1973', in S. Marglin and J. Schor, eds., *The Golden Age of Capitalism* (Oxford: Clarendon 1990).
3. See: F. Burchardt, et al., *The Economics of Full Employment* (Oxford: Basil Blackwell 1944); D. Worswick, 'Jobs for All?' *The Economic Journal*, 95 (March 1985); and R. Solow, 'Unemployment: Getting the Questions Right', *Economica*, 53: supp. (1986).
4. Keynes, *General Theory* 33-4.
5. See: M. Friedman, 'The Role of Monetary Policy', *American Economic Review*, 58 (March 1968); and M. Bruno and J. Sachs, *The Economics of Worldwide Stagnation* (Oxford: Oxford University Press 1985).
6. J. Schumpeter, *Business Cycles*, Vol. 2 (New York: McGraw-Hill 1939), 515. Also see: OECD, *Employment Growth and Structural Change* (Paris: OECD 1985).
7. (New York: Monthly Review Press 1974.)
8. (New York: Basic Books 1984.)
9. On the different factors shaping the **skilling** process see: S. Wood, ed. *The Degradation of Work* (London: Hutchinson 1982); E. Batstone, et al., *New Technology and the Process of Labour Regulation* (Oxford: Clarendon 1987), Ch. 1; and R. Allen, 'The Impact of Technical Change on Employment, Wages and the Distribution of Skills: A Historical Perspective', in C. Riddell, ed., *Adjusting to Change: Labour Market Adjustment in Canada* (Toronto: University of Toronto Press 1986). Especially fascinating on this issue, in relation to economic performance, is: T. Nichols, *The British Worker Question* (London: Routledge 1986).
10. R. Hyman and W. Streeck, eds., *New Technology and Industrial Relations* (Oxford: Basil Blackwell 1988); A. Sorge and M. Warner, *Comparative Factory Organization* (London: Gower 1986); and M. Maurice, F. Sellier and J. Silvestre, *The Social Foundations of Industrial Power* (Cambridge: MIT Press 1986).
11. 'The Transition to Flexible Specialization in the U.S. Film Industry', *Cambridge Journal of Economics*, 13:2 (1989), 197.
12. **RII** For surveys see: A. Ziderman, *Manpower Training: Theory and Policy* (London: Macmillan 1978); M. Blaug, 'The Empirical Status of Human Capital Theory: A Slightly Jaundiced Survey', *Journal of Economic Literature*, 14 (1976); and D. Gordon, *Theories of Poverty and Underemployment* (Lexington: D.C. Heath 1972). It should be noted that human capital theory, in its early or more recent variations, is more concerned with market-based financing of training than with the dynamic relationship between skills and production. Entrepreneurs are responsible for innovations. But new developments in neo-classical economics are beginning to raise some similar concerns. See: F. Green, 'Neo-classical and Marxian Conceptions of Production', *Cambridge Journal of Economics*, 12:3 (1988).
13. 'Investment in Human Capital', *American Economic Review*, 51 (1961), 3.
14. See: A. Lindbeck and D. Snower, *The Insider-Outsider Theory of Employment and Unemployment* (Cambridge: MIT Press 1988).
15. See: *Theories of Poverty*, 92-4 and 122-4; and G. Cain, 'The Challenge of Dual and Radical Labour Market Theories to Orthodox Theory', *Journal of Economic Literature* 14 (1976).
16. Ziderman, *Manpower Training*, 34-9; and J. Davies, 'Training and Skill Development', in Riddell, ed., *Adapting to Change*. The problem may also be stated as follows: the contradiction between the generality of a particular skill in terms of its training content (**potential** transferability) and the generality of the investment (**potential** mobility of the trainee).

17. *Human Capital* (New York: National Bureau of Economic Research 1964).
18. The theoretical points in contention can be seen in: Ziderman, *Manpower Training*, 48–54; Davies, 'Training', 182–4; and W. Streeck, 'Skills and the Limits of Neo-Liberalism: The Enterprise of the Future as a Place of Learning', *Work, Employment and Society*, 3:1 (1989), 92–7.
19. Streeck, 'Skills and the Limits of Neo-Liberalism', 94.
20. Streeck's case is most directly presented in his 'Neo-Liberalism and Skills'. Also see: P. Senker, 'Technical Change, Work Organization and Training', *New Technology, Work and Employment*, 4:1 (1989).
21. *Ibid.*, 96–9.
22. **Although differing in** their assessment of flexible automation, several authors note the new skills profiles: R. Kaplinsky, 'Industrial Restructuring: Some Questions for Education and Training', *IDS Bulletin*, 20:1 (1989); A. Phillimore, 'Flexible Specialisation, Work Organization and Skills', *New Technology, Work and Employment*, 4:2 (1989); and P. Mehaut, 'New Finns' Training Policies and Changes in the Wage-Earning Relationship', *Labour and Society*, 13:4 (1988).
23. Sorge and Warner, *Comparative Factory*, 173–80; and C. Lane, 'Industrial Change in Europe: The Pursuit of Flexible Specialization in Britain and West Germany', *Employment, Work and Society*, 2:2 (1988).
24. *Empowering Workers in the Global Economy: A Labour Agenda for the 1990s* (Toronto: United Steelworkers of America 1991), 16–7 and 26.
25. R. Boyer, *The Search for Labour Market Flexibility* (Oxford: Clarendon Press 1988), 260. This choice has been discussed with respect to Canadian trade unions in: G. Albo, 'The "New Realism" and Canadian Workers', in A. Gagnon and J. Bickerton, eds., *Canadian Politics* (Peterborough: Broadview Press 1990).
26. See especially: M. Schmidt, 'The Politics of Unemployment', *West European Politics*, 7:3 (1984); G. Therborn, *Why Some Peoples Are More Unemployed Than Others* (London: Verso 1986); and F. Scharpf, *Crisis and Choice in European Social Democracy* (Ithaca: Cornell University 1991).
27. (London: Verso 1986.)
28. See Panitch's *Working Class Politics in Crisis* (London: Verso 1986).
29. This view has been developed in: M. Bienefeld, 'The International Context for National Development Strategies: Constraints and Opportunities in a Changing World Economy', in M. Bienefeld and M. Godfrey, eds., *The Struggle for Development: National Strategies in an International Context* (London: John Wiley & Sons 1982); and A. Lipietz, *Towards a New Economic Order* (New York: Oxford University Press 1992).
30. The problem of planning employment is linked to the reformation of the left's position on state administration. For a recent effort to do so see: G. Albo, D. Langille and L. Panitch, eds., *A Different Kind of State? Popular Power and Democratic Administration* (Toronto: Oxford University Press 1993).
31. The **diversity** of employment experiences through the 1980s has also amply illustrated that the labour supply must be considered as at least a medium term policy target. That is, countries have handled quite **differently** the size and composition of the labour supply in terms of access to paid, full-time work. As we **confront** the crisis of work, this needs to be brought more clearly into democratic deliberation, in terms of paid work as a right of citizenship for all ages, and the extent to which the national market should be open to labour flows, before the worst aspects of sexism, ageism, and xenophobia develop.
32. See: K. Coates and M. Barratt-Brown, eds., *A European Recovery Programme* (Nottingham: Spokesman 1993); M. Webb, 'International Economic Structures, Government Interests, and International Coordination of Macroeconomic Adjustment Policies', *International Organization*, 45 (1991); S. Holland, *Out of Crisis: A Project for European Recovery* (London: Spokesman 1983); J. Williamson, 'Global Macroeconomic Strategy', in Institute for International Economics, *Promoting World Recovery* (Washington: Institute for International Economics 1982); and F. Scharpf, *Crisis and Choice in European Social Democracy* (Ithaca: Cornell University Press 1991), 259–69.
33. *What are the Questions? And Other Essays* (Armonk: M.E. Sharpe 1980), 30.
34. *The General Theory*, 382–3.