

The Organisation of Labour Markets

Modernity, culture and governance
in Germany, Sweden, Britain
and Japan

Bo Stråth

Routledge Explorations in Economic History



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THE ORGANISATION OF LABOUR MARKETS

There have been dramatic shifts in the behaviour of labour markets and the conduct of industrial relations in the last century. This volume explores these changes in the context of four societies: Germany, Sweden, the UK and Japan. The author demonstrates that, despite their manifest differences, for long periods these countries' labour markets were similar in many important respects, but that at crucial moments they were shunted on to entirely different tracks.

The emphasis is thus on complexity, contextuality and contradiction in the interaction of economic and political processes, rather than on success stories and failures. The organisation of labour markets and the emergence of nationally specific patterns of industrial relations are shown to be the result of ongoing processes of problem-solving. Power relationships between employers, trade unions and governments are mapped out in detail, and the experiences of the individual countries are contrasted. Crucial to the outcome is the role of tradition within individual countries, which is, paradoxically, an agent of modernisation.

Among other things, the book discusses:

- the failure of neo-corporatism in Britain in the 1970s, and the subsequent rise of Thatcherism.
- the rise of Japan as a model for orderly industrial relations in the 1970s.
- the collapse of the German and the success of the Swedish labour markets in the 1930s.

Throughout, the book combines specific national factors and comparative analysis.

Bo Stråth is Professor at the Historiska Institutionen, Göteborg University. An expert on the modernisation of West European economies, his previous publications include *The Politics of Deindustrialization* (1987) and *The Linguistic Construction of Class Identities* (editor, 1990).

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CONTENTS

<i>Preface</i>	vii
1 MODERNISATION, CULTURE AND INSTITUTIONS: DIFFERENT DEVELOPMENT TRAJECTORIES IN ONE HEURISTIC FRAMEWORK	1
<i>Modernisation</i>	1
<i>Comparison and theorisation</i>	5
<i>Modernisation and crisis</i>	7
<i>The periods of crisis: an ideal type</i>	9
<i>Culture and power over problem resolution</i>	13
2 GERMANY	27
<i>Concentration and a contradictory organisation of the labour market</i>	27
<i>The master-of-the-house metaphor</i>	33
<i>The workers and their organisations</i>	37
<i>From compromise to conflict</i>	44
<i>The concept of rationalisation and the unemployment question</i>	53
<i>The Volk metaphor</i>	59
<i>The social market economy</i>	61
<i>The emergence and erosion of a liberal corporatist order</i>	68
3 SWEDEN	71
<i>Crisis and modernisation</i>	71
<i>The open cartel strategy of the unions and the flexible response of the employers</i>	78
<i>The state and the political embeddedness of industrial relations</i>	82
<i>The concept of rationalisation: from struggle to compromise</i>	85
<i>The compromises of the 1930s</i>	88
<i>The active labour market policy</i>	94
<i>The strains in the model and the dissolution</i>	99
4 UNITED KINGDOM	109
<i>The transformation of society in the 1890s</i>	109

CONTENTS

<i>Labour-intensive mode of production</i>	112
<i>The perceptions of the class concept and the political culture</i>	117
<i>Liberal Labourism and reformism</i>	125
<i>The failure of a compromise on the concept of rationalisation</i>	129
<i>Response to the unemployment of the 1930s</i>	137
<i>Continued fragmentation</i>	141
5 JAPAN	154
<i>Tradition, modernity and capitalism</i>	154
<i>Government and industry before World War I</i>	156
<i>The mobile workers and the weak unions</i>	158
<i>Management and government strategies</i>	162
<i>The family metaphor</i>	164
<i>The second outburst of workers' radicalism and the employers' double problem</i>	168
<i>The revolutionary upsurge and the third containment of labour</i>	178
<i>Job security and company unions</i>	183
<i>The restructuring of the 1970s</i>	188
6 CONCLUSIONS	194
<i>Notes</i>	230
<i>References</i>	252
<i>Index</i>	265

PREFACE

I started to work on this book in 1986–1987. I was just about to finish another book, where I had studied the politics of deindustrialisation during the contraction of the shipbuilding industry. When in a comparative perspective I studied the labour market mechanisms as six West European countries were on retreat from shipbuilding, my interest arose in the transformation of labour markets in more general terms in a longer centenary perspective of modernisation and governability of industrial societies. How homogeneous and stable were corporatist bargaining structures? How and when had such patterns emerged? What patterns of governance were there earlier? What has been the role of the state and the organised interests respectively? What does the concept of ‘tripartite’ really mean? Why is institutional compromise established in some cases, while, under similar conditions, in other cases development takes on a conflictual direction? When I considered these questions I also realised that I should include Japan with its labour market modernisation, which since the 1970s has served as a model for West European countries.

The first years of work on this book were simultaneous with my project on Continuity and Discontinuity in the Democratisation of Scandinavia in Comparison, the CONDIS Project, at the Gothenburg University, where we tried to look on democratisation and modernisation processes from new theoretical angles. One main task was to problematise and break up rigid dichotomies like conflict-consensus, continuity-discontinuity, state-society, action-structure, modern-traditional and subject-object, and thereby take the role of language, symbols and metaphors as our point of departure. In our view on modernisation and democratisation we came to focus on contextuality, contingency and contradictions. I think there was a fruitful interaction between these two projects on democratisation and labour market organisation.

Many people and intellectual environments in Europe and Japan have contributed to the forming of this book—too many than can be mentioned here. I am in particular grateful to Dr Joseph Melling and Dr Alan Booth,

PREFACE

Exeter, and Professor Ulla Wikander, Stockholm, who have read the manuscript in an almost final shape and given me invaluable comments.

I have benefited by many informal talks and critical comments during stays as guest professor at the Swedis Collegium for Advanced Studies in Social Sciences, Uppsala, Tokyo University, Saitama University, Bielefeld University, and École des Hautes Études en Sciences Sociales, Paris. I had the opportunity to present results and have them discussed at seminars headed by Professor Werner Abelshauser, Bielefeld University; Professor Robert Boyer, CEPREMAP, Paris; Professor Patrick Fridenson, ÉHÉSS, Paris; Professor Hartmut Kaelble, Humboldt University, Berlin; Dr Joseph Melling, University of Exeter; Dr Udo Rehfeldt, IRES, Paris; Professor Björn Wittrock, SCORE, Stockholm; and at a conference on modernisation arranged in Uppsala by the Swedish Collegium for Advanced Studies in Social Sciences with the journal *Daedalus* in co-operation.

I have also benefited from comments on specific points from Professor Shmuel Eisenstadt, Jerusalem, Professor Konrad Jarausch, Chapel Hill, Professor Jürgen Kocka, Berlin, Professor Okayama Reiko, Tokyo, Professor Rolf Torstendahl, Uppsala, and Dr Peter Wagner, Berlin.

Göteborg University and its vice-chancellor Jan Ling gave me exceptional working conditions. I can really not complain about heavy teaching obligations. Concerning financial support, in addition to the guest professorships provided by the universities and the Haute École mentioned above, I am in particular grateful to Japan Foundation, which on generous conditions made a six months stay in Tokyo possible. In this context I want to thank Professors Chida Tomohei, Kudo Akira, Ulrich Moehwald, Nakagawa Keiichiro, Watanabe Hisashi and Yoshino Naoyuki. The Swedish Council for Planning and Coordination of Research, FRN, and the Research Council for Social Science and Humanities, HSFR, financed part of the frequent network contacts which have been absolutely necessary for the writing of this book. HSFR also contributed to linguistic scrutiny of the text. The Institute for Working Life Research, Stockholm, and its Director General, Dr Anders L. Johansson, gave me important administrative assistance.

Linda Schenck has helped me to make my text drafts understandable in English for others than myself.

In the midstream of the work on this book I met Angela who changed my life a lot. I dedicate this book to Angela.

BS

Göteborg, March, 1995

MODERNISATION, CULTURE AND INSTITUTIONS

Different development trajectories in one heuristic framework

MODERNISATION

The purpose of this Introductory chapter is two-fold:

- 1 to deal with problems of methodology and epistemology in the social sciences and try to find a robust method for interpreting social relations; and
- 2 to provide a heuristic framework that enables us to compare modernisation processes in different countries over time, including the role of hegemony and discourse in industrial societies.

Although modernisation is a vague (and contested) concept, I prefer it to another vague concept, capitalism, because modernisation contains much more of a political dimension and the problem of legitimacy and governability of the transformation of societies during the last two hundred years. Capitalism relates much more to an independent economic system.

Until recently, modernisation theories taught that technological imperatives produced increasing convergence in policies and social structures through an evolutionist logic of industrialisation in sequentially higher stages. Technological imperatives were thought to produce increasing convergence as nations moved from traditional-agrarian to modern-industrial.

However, abundant historical evidence demonstrates that industrialising countries have not instituted these trajectories of development. Such modernisation theories do not pay sufficient attention to the political structures and processes of problem resolution through which highly varied responses to and impact on industrialisation are mediated.

Developments in Germany, Sweden, Britain and Japan refute the thesis of convergence. They represent different patterns of economic growth and distribution of welfare, different roles, power and influence of governments, industry, and trade unions, and different degrees of social conflict and

compromise. The American, West European and Japanese histories of the past one hundred years teach us that action patterns in response to basically the same problem have been oriented in very different directions in different societies.¹

This perspective on modernity signals a far-reaching shift from those that developed after World War II, when modernisation studies emphasised the convergence of industrial societies. These earlier studies assumed that with growing modernisation or industrialisation the basic institutional and cultural aspects of modern society would become increasingly similar. Implicit in all these studies was the assumption that progress toward modernity was almost inevitable. Differences were expected to disappear at the end stage of modernity.² A similar perspective is contained in Marxist theories.

In the perspective suggested in this book the *variety* of modernisation processes is discerned. The point of departure in this undertaking is the political culture of different societies. The political culture of a society and its institutional framework determine the particular horizon for how problems are perceived and solutions suggested. The discursive power is of decisive importance in these processes of problem resolution. My perspective can be further illustrated by the following cases:

In Sweden the year 1932 marked the beginning of a 44-year long almost uninterrupted period of Social Democratic government. The political foundation of this beginning was a compromise with the Farmers' Party as to how to respond to the unemployment issue and the agricultural crisis. The formula for the compromise was higher redundancy payments and higher agricultural prices by means of budget deficits and increased tariffs on agricultural imports. The politics have been described as the consequences of a conscious Keynesian strategy. However, the response to the crisis had very little to do with Keynes' theories but was simply what was perceived as the only possible reaction to grass root protests against mass unemployment for the Social Democrats to survive politically. The Social Democratic leadership did what it felt obliged to do. The problem of a budget deficit became a problem of secondary importance. Only later did Keynes legitimise their policy theoretically, after it had already proved successful.

In the Weimar republic in 1930, the last prewar government with Social Democratic participation (before the period of the presidial governments) resigned on precisely the same question—how to finance unemployment payments. Budget deficits as a conscious strategy seemed to be ruled out from the political agenda. Solutions to the crisis were sought in other directions by the democratic parties. In Germany, the Nazi regime carried through similar policies regarding unemployment as the Social Democrats did in Sweden, albeit with a greater concentration on the armament industry

as a receiver of public finance, but still with budget deficits as the key instrument to increase demand and reduce redundancy, without paying too much attention to compatibility with orthodox economic theory.

How can exactly the same problem produce such different responses? Why did not German Social Democrats look for the solution in the same direction as the Swedish ones? If they had, would this have meant that they might have neutralised the Nazis and gained the support of the masses? As a matter of fact, the central agreement between organised capital and organised labour in Germany in November 1918, the Legien-Stinnes Agreement, demonstrates that Germany was twenty years ahead of Sweden. In Sweden, the corresponding compromise on the organisation of the labour market was the *Saltsjöbaden* Agreement of 1938. The cornerstone of the 'Swedish model' for peaceful labour market relations was laid in this Agreement between the confederations of the unions and the employers. The response of the Social Democrats and the unions to the revolutionary situation in Germany in 1918 has been seen as their lost opportunity. The corresponding labour market agreement in Sweden twenty years later became one of the starting points of the Social Democratic boom period. What opportunities were there really in Germany in 1918 to institutionalise a lasting social compromise like that achieved in Sweden in 1938? Had an exploitation of the revolutionary situation resulted in a different development trajectory than the one that followed in Russia after 1917? In the 1920s Sweden had been one of the most strikeprone countries in the whole industrialised world. After 1938 the Swedish labour market became *the* symbol of peaceful industrial relations. Why did the German agreement not serve as a similar cornerstone? Why did not Germany rather than Sweden become the pilot case for peaceful labour market relations?

Such questions demonstrate that universal and evolutionary theories of modernisation suffer from an embarrassing lack of consideration for political conflict. Democratisation, for instance, can be regarded as the consequence of continuous protests against elements of industrialisation and bureaucratisation, and attempts to channel and integrate the protests through existing or emerging institutions. Integration has occurred either through fending off or diversion of the protests by ruling elites or through a breakthrough of the protests in one form or another. In practice it is often a matter of mixed forms between these two ideal typical extremes. The point is that the precise mix varies from one society to another. This mix has a great deal to do with the discursive power in processes of problem resolution. The compromises on the organisation of the labour markets in Germany and Sweden respectively must be regarded in this perspective of variation. Only this perspective sheds light on why the long-term outcomes were so divergent.

The complex interaction between the political and ideological processes, with their own dynamics, and the economic logic of technical and industrial change form the main theme of this book. The focus is on the two processes and their interaction: the changes in society and the change of interpretive frameworks. The empirical field of this undertaking is the organisation of the labour markets and of industrial relations in Germany, Sweden, Britain and Japan during the century after 1890.

One point of departure is that production of meaning is a structuring aspect of political and economic processes. The concentration is on the interface between different actors in the political/ideological domain and socio-economic processes. Similarities and differences between the four countries are discerned, and I attempt to integrate the experience into a theoretical discussion of the preconditions for conflict resolution in industrialising societies.

The different development trajectories since 1890 are related to one another in order to distinguish differences and similarities in the development of the organisation of the labour markets in the four societies, and to discern the historical context of turning points, where developments have been linked in different directions for different countries. My express intention is to demonstrate how *close* to each other these societies were in important respects, *despite* the decisive differences, not to paint a picture in black and white where I compare the cases of catastrophe of Germany and Japan with the success stories of Sweden and Britain. Each of the societies is reminiscent of the famous picture used in the psychology of perception, where viewers discern either an old woman or a young lady, depending on precisely how they look at the picture. Here, I study the question of what different pictures and interpretive frameworks were produced in similarly organised societies, and in what different directions they oriented political action.

Using this approach, retrospective knowledge is not used for a historiography in which it is argued that things happened because they happened, because they had to happen. My comparison of the four countries demonstrates how fragile established equilibriums or hegemonies are and how close to one another, in certain respects, organisations of societies can be initially, before their developments are shunted on to completely different tracks. My main argument is that differences and similarities in the organisation of the labour markets in the four societies are, above all, readable in political language, public discourse and intellectual constructs of interpretation. This argument will be elaborated below in the section Culture and Power Over Problem Resolution. The struggle for discursive power reflects—and affects—socio-economic processes, provokes and transforms specific interests, which are not automatically given by socio-economic position, and orients action. I examine how problems are defined and how concepts and frameworks of

interpretation are established as responses to socio-economic processes, as well as how they affect such processes. I study the historical contexts in which they arose as well as examine by whom they were developed. Furthermore, I examine the extent to which such interpretive frameworks have promoted or undermined identity categories such as class, and have promoted social compromise or encouraged conflict.

COMPARISON AND THEORISATION

One crucial point of departure of this book is that in a time when the macro-theories on development and society have collapsed, the historians have lost important points of reference. Of course, theoretical reflection, in order to organise and understand the empirical materials, is as necessary as it has always been. However, the continuous interaction between narration and theoretical reflection can no longer be based on major theoretical constructs. There is hardly any alternative to systematic comparison for elucidating points of reference.

Marc Bloch's famous statement that there is no true understanding without comparison is more relevant than ever. He and others in the early twentieth century who argued for a comparative method, such as Max Weber, Werner Sombart and Otto Hintze, must at last, at the end of this century, be taken seriously on this point. A great deal of homage has been paid to comparative method, very little comparative work has actually been done. Without the systematic comparison of similarities and differences there is as little true understanding today as at the beginning of this century.

The four countries were selected mainly on the basis of their contrast in political solutions to economic crisis, their different capacities to institutionalise compromise on the labour markets, and similarities *and* differences among them concerning the industrialisation process itself, and the roles and power relationships in the triangle-state, organised labour and organised capital. There are *both* similarities *and* differences among these four countries, which is a necessary precondition of comparative analysis.

The theoretical implication of this point of departure is that historical analysis must get away from simplified and abstract models of functioning systems, where the historian's role is seen as being to 'explain' in some causative way why the systems function without disturbances. The historical analysis must do more justice to contingency, complexity, contradictions and contextuality in historical processes. This point of departure also means less fixation on causes and more concentration on consequences in the analysis.

The systematic comparison—the Weberian ideal type can be seen as a special case of the comparative method—is an intellectual instrument that prevents increased concentration on contingency, context and complexity,

on idiography rather than universalism, from leading to an analytical collapse into pure empiricism or *Neohistorismus* or into total relativism. I demonstrate in this book that this plea for the use of a comparative method contains theoretical potential which makes it possible to respond to the challenges posed by the post-modernists without abandoning the concept of modernity.³ In this respect the book has the ambition to be theoretically innovative, despite the fact that it refers to an old recipe.

For instance, only systematic comparison makes it possible to determine the role of tradition in processes of modernisation. Theorisation on historical processes with theories of social sciences as the only point of departure leads us astray. Such theories assume, for instance, the opposition between traditional values and modernisation. Nothing underpins this argument better than the debate since the 1970s on modernisation in Germany and Britain. The German derailment (the *Sonderweg*), as well as the alleged British economic decline, are both explained by the negative influence of residual feudal/aristocratic structures on the industrial society and its ruling classes. Something must be wrong when two so completely different modernisation processes as the German and the British ones are explained by reference to the same factor.

The error is located in a theoretically determined assumption of some kind of linear, evolutionary modernisation process, towards ever higher stages, from agrarian to industrial societies, where traditional values are shaken off in the course of progress. If such values still exist, then something must be wrong, according to theoretically derived wisdom, and their existence can consequently be used to explain deviations from the anticipated evolutionary 'norm'.

Systematic comparison shows that tradition, instead of being in opposition, has been a key supportive ideological element of modernisation. The frequent use of paternalist strategies in industrial relations indicates that tradition is not only in dichotomic opposition to modernity, rather it also legitimises modernity. This seems to be a common denominator in most modernisation processes. Exactly how the incorporation and transformation of traditional values occur, however, is different for different societies. For this reason action is oriented in different directions.

My heuristic framework, empirically underpinned in Chapters 2–5, includes a view on the role of tradition in modernisation processes. One of the questions addressed in this book is what role traditional values have played in modernisation processes in the labour markets in the four countries. Moreover, the heuristic framework includes a view on continuity and discontinuity in historical processes that is much less dichotomised than is generally the case when historians try to periodise developments. The consequence is an emphasis on transformation rather than formation, on process rather than structure, and on action as being a structuring element of such processes. There is an emphasis on the concept of compromise and the

capacity to achieve and institutionalise compromise, rather than on the dichotomising concepts of conflict and consensus.

MODERNISATION AND CRISIS

The growth of nation states and the development of capitalism in terms of property and production have characterised the modern world in recent centuries. The ensuing national alterations in the organisation of production and means of coercion have set the great historical rhythms, although with considerable intra-regional and intra-enterprise variation. The organisation of the labour markets and of industrial relations has constituted a key element of these processes.

Far more than being a smooth and predetermined evolution, modernisation is a process full of contradictions, tensions and backlashes, where no 'final' outcome is ever guaranteed. The modernisation processes in Western industrialising societies over the past two hundred years can be seen as summings-up of a number of subprocesses such as industrialisation, bureaucratisation, professionalisation and democratisation. These subprocesses have interacted in complex patterns and produced tensions. The subprocesses take the form of different rhythms and paces which is one of the sources of tension. Interpretive frameworks and the conceptual topography often lag behind technological change, for instance, with obvious difficulties for political discourse. Periods of particularly strong tensions are experienced as 'crises', which have provoked claims for new problem definitions and solutions and promoted conceptual and interpretive transformation. In discursive struggles about problem definition and solutions new interpretive frameworks have emerged.

The view suggested here on tensions provoked by different time rhythms is different from Fernand Braudel's division of time into *la longue durée*, *l'histoire conjoncturelle* and *l'histoire événementielle* as different, coexisting levels of history.⁴ Braudel certainly admits contradictions and tensions in this coexistence of different times. However, he discerns evolution in particular. My perspective here is one of a more systematic *dialectique* or *opposition de la durée* similar to the way the German historian Reinhart Koselleck has developed his perspective of conceptual history (*Begriffsgeschichte*). His point of departure is the constant state of political crisis which he considers to characterise 'modernity'. Thus the term 'modernisation' takes on new significance as opposed to the usual connotation of a rationally calculated, linear, evolutionary development process. Koselleck has referred to Nietzsche's remark that *was definierbar ist hat keine Geschichte*, what is definable has no history. There is a struggle through which concepts are invented and interpreted in order to acquire priority of problem formulation. Discursive power is an important instrument in the exertion of power in general terms. What distinguishes a

concept from a word is that while words may become unambiguous, a concept must remain ambiguous in order to remain a concept. It is this ambiguity which gives a concept its political quality. Precisely because concepts are ambiguous, their meaning can be disputed.⁵

Some periods of conceptual crisis and intellectual reorientation have been crucial to the linkage of the development into different trajectories. Such periods can be seen as phases of unusual problem accumulation owing to tensions between the subprocesses of modernisation. The tensions produce strains on the interpretive frameworks, and problems of legitimacy emerge.

The perpetual tension between market expansion and market regulation, between economic and political forces, in the perspective applied by Polanyi, is a case in point. Market expansion provokes claims for protection, either as protests from social groups exposed to market threats or from low-performing industries exposed to competition on world markets. In complex patterns of opposition, liberalism clashed with protectionism and labour with capital. In his *The Great Transformation*, Polanyi argued that the free market is as much a political creation as the socialist planned economy. Both planning and market exchange require a political framework. The fact that the working of the market has a tendency to transgress this framework only means that society, in self-defence, develops new institutions reducing the deleterious effects of the market. The (market) solutions of today become so to speak the (political) problem of tomorrow. There is an interactive processual movement between market expansion and political regulation. This movement cannot be understood or conceptualised in an evolutionary or neo-classical perspective.⁶ Modernisation must be separated from functionalist connotations to smooth and linear evolution. Polanyi had in particular commodity markets in mind. However, his perspective can be used also for the organisation of labour markets.

In the organisation of national labour markets the strengths and degrees of interdependence of the owners and managers of capital, of the labour force, and of 'the state', i.e. the government administration and parliamentary order, have varied, and this has meant that the prerequisites for problem resolution have also varied. In the test of strength among these three elements—and within each of them, and between them as a totality and other similar totalities in the international order—during the industrialisation process, the mental and ideological framework has been important for the mobilisation of popular support and for the production of a cohesive social cement. Here, traditional values and ideas have come into play and coexisted, with more or less tension, with ideas of modernisation. This kind of tension not only develops between progressive and reactionary social forces. It can also be found within progressive movements, where defending attained goals produces conservative dialectics, e.g. workers' preservative struggle for their jobs in declining industries or employers,

allegedly conservative, who destroy profitable structures in their search for even more profitable arrangements.

THE PERIODS OF CRISIS: AN IDEAL TYPE

Periods of major transition and experiences of crisis in the modes of organisation of society, with the ensuing conceptual tensions in the images of society are of special interest in tracing the rise of a new interpretive framework or the transformation of an old one. The 1890s, 1930s and 1970s-1980s have been such periods.⁷ Important questions in my modernisation perspective include: how did the transitions occur, precisely, in the 1930s, for instance, when organised capitalism was transformed into participatory capitalism in Sweden and into fascism in Germany and Japan? What cultural continuities and discontinuities were in operation?

In retrospect, these three periods of enhanced problem accumulation in early industrialised countries can be summed up in an ideal typical way (the precise changes in society and the precise experience of problems and the solutions varied). The ideal type serves as a point of reference to discern differences and similarities among the four countries. The ideal type can be characterised as follows:

- 1 The 1890s brought mechanisation and bureaucratisation of industrial manufacturing production, unionisation of the rapidly growing number of workers under construction and consolidation of class identities, and counter-organisation of capital including attempts to block the emerging class identities by means of an intensified emphasis on national values. National identity was launched as an alternative to class identity. This period is usually referred to as organised capitalism. The employers built networks of secretariats and information retrieval systems. They were influential not only in bargaining with the unions but also in political matters, owing to the knowledge basis they provided which was considered necessary for many decisions on social issues.⁸
- 2 The 1930s brought responses to the economic crisis with mass unemployment in two directions: fascism/nazism and Social Democratic liberalism with concessions to the working class which, in the long run, created prerequisites for mass consumption which, in turn, provided the basis of mass production in a mutually reinforcing process. In the democratic case, the symbiosis of mass production and mass consumption provided the basis of political participation of the masses in the distribution of welfare. This was participatory capitalism in Torstendahls terms.⁹ In the fascist/nazi cases this democratic phase occurred only after World War II. The organisational expression of the transformation in the wake of the crisis was the piling up of hierarchical structures for tripartite central bargaining and trade-offs. This emerging model of economic

regulation based on increased public intervention was diffused and consolidated in the developed countries of the West after the war. Keynesian economic theory provided theoretical legitimation. Even if timing varied considerably, two essential elements can be identified: the maintenance of the balance between supply and demand through policies to support demand, and the use of public expenditure as the primary component of such policies, and also as a tool to produce compromise. This arrangement was accompanied by an increasing importance of the macro-economic level and a progressive growth of the regulative role of the 'centre'. Especially where the workers' movements were strong, and left-wing parties had access to government, the Keynesian welfare state was sustained by tendencies leading towards the centralised co-ordination of the economic and social policies of the government and the largest interest groups. There was a substantial continuity between Keynesian policies and centralised concerted action, where the primary aim was to control aggregate demand. Concerted action was the tool for the maintenance of this objective in a situation of increased power for the trade unions.¹⁰ Neo-corporatism in the sense in which Schmitter introduced the concept in relation to democratic societies in his article in 1974 not only meant state intervention in the economy but also tripartite negotiation and hierarchical organisations with disciplined members, so that the agreements could be guaranteed.¹¹ Corporatism in the democratic neo-version of Schmitter and Lehmbruch was the culmination of participatory capitalism.¹²

- 3 The 1970s–1980s produced new management strategies to cope with productivity problems, when the conveyor belt and piece work productivity had reached its limits and robots and computers increasingly replaced manpower. Small scale production replaced large scale production. Technology made it possible to satisfy personal tastes in endless product combinations. The production process meant that the demarcation between blue and white collar employees was blurred. Quality control and product responsibility were increasingly delegated to shared management-workforce efforts at the local plant level at the same time as financial control and long-term strategic investment decisions were centralised in transnational corporate groups. Sophisticated computerised systems directed borderless flows of capital and commodities within these transnationals. National class-based patterns of identity and solidarity eroded. Intensified identity construction around the enterprise emerged. This process was underpinned not only by developments in the future-oriented industries but also in the declining industries in the form of local management-workforce coalitions in struggles for survival on the market against corresponding coalitions in competing companies.¹³ The invention of the concept of colleague, *Mitarbeiter*, *medarbetare* gradually eroded

national class identities, based on the concept of worker, *Arbeiter*, *arbetare*, and centralised hierarchical corporatist structures at the same time as business operations and financing strategies became truly global and transnational by means of new computerised communication technology. The fragmentation of the corporative central decision-making level and transnational centralisation of financial control and cash flows went together with increased union activity at the local level. The long-term implication might be a transformation towards company unions being an element of the personnel function of the company.¹⁴ The fragmentation also means mass unemployment and marginalisation of large groups whose labour is not in demand. So far these groups have particularly suffered from lack of interest articulation and representation. Trade unions have been weakened and their consent has therefore become less necessary for central decision making. The increasing differentiation within production and employment has made it more difficult to maintain a high level of organisational centralisation. This third transformative phase over the last century, which can be called transnational capitalism, is probably as profound as the transformation in the 1890s from an agrarian to an industrial society. This transformation deals with the change from the industrial society to the knowledge and information society.

Responses to crises emerge at different speeds in different societies, in the form of new economic and social conventions. Tayloristic 'scientific' work organisation or Henry Fordian wage policies can be seen as the beginnings of such new conventions.¹⁵ The 'invention' of unemployment occurred all over the industrial world at the end of the nineteenth century, although with great variety as to its precise form. The concept of 'unemployed' was constructed to express an understanding for deviations from a new emerging 'normalcy' involved in wage work and wage agreements. Unemployment, alongside sickness and old age, gradually came to be considered as a 'normal' form of work interruption. Strike was a fourth (although disputed) category, suggested on the political agenda. These categories were demarcated and legally, politically and economically determined in intensive discursive contests over long periods between employers, trade unions, the state and local governments.¹⁶

In the 1930s the concept of unemployment in some countries became an element of political strategies in the framework of the nation state. The later outcome of this problem resolution and crisis response was the Keynesian full employment Convention. The construction work on the unemployment concept which had begun in the 1890s shifted in the 1930s into a generalisation of the concept to a central action-oriented element of politics. This convention has been questioned since the 1970s through catch words like 'flexibility' in the framework of economic transnationalism and

globalisation. It is still difficult to imagine what new kind of convention might ultimately develop.

My emphasis on the three phases of major transformation does not imply a view discerning three clear-cut discontinuities with phases of stable patterns of labour market organisation between them. On the contrary, continuities and discontinuities overlap and exist simultaneously. The phases of major transformation are, as a rule, only discernible as the great watersheds they have become several decades later, through meaning-building processes. Only in the mid-1950s, for instance, did the insight that economic growth was to continue for the future emerge, although the 1930s now appears as the dividing line. Until the mid-1950s there was considerable uncertainty about the prospects of maintained growth. An early important marker was John Kenneth Galbraith's *The Affluent Society* in 1958. However, not until the 1960s did this belief become public property. In 1965 Andrew Shonfield published *Modern Capitalism* and in 1967 Galbraith published his second major contribution to this debate, *The New Industrial State*.¹⁷

Not until the 1960s did it seem clear that the capitalist system had changed dramatically, owing to the new role of the state. A solution had at last been found to the age old problem of unemployment and slow growth. This insight became general wisdom just a few years before it was shaken to its foundations. The situation of belief in permanent economic growth only lasted for some 10–15 years. Similarly, Schmitter's term '(neo)corporatism' was suggested in 1974 when the basis of the organisation of society and mode of governance he wanted to describe was about to be undermined, thereby demonstrating the relevance of Hegel's statement that Minerva's owl only flew in the dusk. These examples demonstrate that new interpretive frameworks emerge much later than the crisis when older interpretive frameworks collapse. Historical legitimisation belongs to the new interpretive frameworks. In the construction of historical legitimacy, watersheds are created, points at which everything allegedly changed. The 1930s represent such a watershed, mentally constructed in the 1950s and the 1960s. Now the 1970s seem to be becoming a similar dividing line. The ideal typical phases which have been discerned above are all retrospective *ex post facto* reconstructions. Keynes' legitimisation of the crisis solutions in the 1930s became economic policy in the late 1950s.

It is obvious to people living in phases of crisis that these phases represent deep transformations, but exactly what and how becomes clear only later. Moreover, transformations also mean that the intensified change continues during long periods after the immediate experience of crisis. The contest between the identity categories of class and nation which was intensified in the 1890s continued at least until 1914. In Germany, this question squeezed the trade unions and the Social Democrats throughout the Weimar Republic until 1933. Keynesian politics as a response to the Great Depression made a

general breakthrough in the 1960s, only shortly before Keynesianism came to be a problematic intellectual tool for coming to terms with the crisis of the 1970s. The intensified transformation which began in the 1970s continued in the 1980s and the 1990s.

Change and transformation are normal. History is flux. Continuity means gradual change, as in the verb 'to continue', to proceed. Continuities are intertwined with discontinuities of more dramatic change. Phases of crisis should not be understood as long and stable periods suddenly interrupted by dramatic change. Still, the very experience of crisis makes it justifiable to identify these phases for analytical purposes, although the interpretive frameworks emerge only later.

CULTURE AND POWER OVER PROBLEM RESOLUTION

The ideological responses to twentieth-century crises have varied over time and among societies between 'liberal Taylorism/Keynesianism' and fascism/nazism. Charles S.Maier has demonstrated how close to one another they have been, in some respects. They both argue that managerial hierarchies or public policies benefit all social classes equitably and provide scientifically optimum guidelines for economic alternatives. When I use the term 'liberal Taylorism/Keynesianism' I mean the rationalistic belief in a scientifically based capacity to organise society in the production sphere and the political sphere under democratic forms which emerged after the turn of the twentieth century in the wake of F.Taylor's ideas about scientific management. Keynes, after World War II, underpinned this belief in scientific management and extended it to the political sphere. National Socialist-fascist ideologies and Taylorism/Keynesianism both promised a non-zero sum world in which classes no longer prospered only at one another's expense. Marxism with its zero-sum perspective involved the most radical redistributive objective. The Taylorist/Keynesian liberalism and fascism claimed to avoid such painful transfers. Both presupposed that conflicts of interest were ultimately misunderstandings, that apparently incompatible economic interests could be harmonised, in the liberal case according to scientifically founded criteria of efficiency, in the fascist case by reference to a mythical people's community. Economic organisation should not remain an arena for contending preferences, but become a matter of technological or social engineering.¹⁸ Although both promised the same thing, they were incompatible and consequently clashed. World War II can be seen as one gigantic conflict between these two ways of organising an industrial-capitalist economy.¹⁹

Liberal Taylorism and fascism both illustrate the contradiction between the utopian goal of social consensus and the conflictual social practice. It seems as if the more conflictual and polarised the society, the greater the breeding ground for totalitarian consensual mythology. What is usually in

textbooks on political science referred to as consensual societies should more properly be called societies with a high capacity to resolve and regulate conflicts. In such societies, the conflicts have in the long run enforced compromises and the institutionalisation of compromise. (Institution means a society's value pattern and regulatory framework, and the organisational expressions of these values and rules.) The institutions of compromise, in turn, produce legitimating interpretive frameworks.²⁰

The contradictions between Utopian consensus models and actual experiences of conflict were perceived differently, and oriented action and shaped institutional settings in different directions. The variety over time and among different societies is particularly obvious in a comparison of the organisation of industrial relations between Germany, Sweden, Britain and Japan over the last century. Developments in the labour markets in these countries represent different approaches to the mythical construction of consensus and different responses to the issue of conflict and compromise. The conflict pattern in these processes has often been much more complex than Marx's class struggle model. Weber's 'metaphysics of struggle' constitutes a more realistic approach. Weber repeatedly emphasised the inevitability of conflict among nations, among classes, among individuals, and, not least, within each individual.²¹

Constructing a myth of consensus does not mean that leaders simply manipulate their followers. Rather, they are successful in capturing symbolic assent and compliance because people require symbols when they objectify myths which offer a feeling of participation and identity. Perception of a thing is as real as the thing itself. Fascist mass movements were, in fact, movements of consensus rather than of manipulation.²² Metaphors and symbols and linguistic power are much more than decorations of politics. They constitute the choreography of the political scene and influence the composition and the perspective of political visions. Language is an instrument of power used to convince and mobilise.²³

Mobilisation by means of language and symbols orients responses to basically the same kind of problems in very different directions. In a comparative analysis of the Depression in the 1930s the authors convincingly argue that economic processes did not introduce sufficient variation between the investigated countries to 'account for' the collapse or the survival of the political order under the impact of the Depression. A study of the processes of national compromise formation in liberal Taylorist/ Keynesian terms or mythical consensus construction in fascist terms provides the distinguishing variable for understanding the courses of polity survival or collapse on a comparative base.²⁴

Politics is an art of unification. Symbolic activity is probably the most important means of bringing things together intellectually and emotionally through complexity reduction. The state and the union of men are invisible and must be personified, symbolised and imagined in order to be seen and

conceived.²⁵ Economic and administrative resources are important means of power.²⁶ However, in order to serve powerful purposes they have to be activated and mobilised by means of language and symbols. On this point Mann has delivered convincing theoretical contributions.²⁷

On the other hand, controlling economic and administrative resources gives quite other preconditions for appropriating symbolic and discursive hegemony than not disposing over such resources. The organised control of the supply of labour through disciplined union members with a high unionisation rate is an economic resource just as much as money for propaganda. However, if the union leaders fail to mobilise their members or if the economic resources are used for uninteresting propaganda, neither hardly constitutes an instrument of power. The relationships between economic and administrative resources, on the one hand, and symbols, on the other, are interactive. If they manage to mutually reinforce each other they constitute the basis of social power.

In the cases of Germany, Sweden, Britain and Japan over the last century mobilisation by means of language and symbols occurred in the framework of consolidated national cultures.²⁸ The issue is that different national institutional settings have emerged and, ultimately, for example with regard to conflict resolution and industrial relations, have led to the development of specific institutional arrangements which, in turn, have developed their own self-enforcing logic. The institutions themselves are clusters of values and rules based on experience of earlier conflict resolution and traditions shared by actors in, for instance, an industrial sector and built into the sector as organisational structures. However, while institutional inertia is powerful, it can always be challenged through the production of new meaning in the form of responses to emerging problems in the organisation of society. Institutions not only produce inertia, they can also promote change. History is a process and its issues are open-ended.

It has been suggested that the different Social Democratic responses in Sweden and Germany to the mass unemployment of the early 1930s depended on the historically stronger position of peasants in Sweden and on feudal structures in Germany. An argument in the German *Sonderweg* debate is that the German development was shunted on to a fatal track in the late 1870s, when the paths towards democratic liberalism were finally blocked as liberalism merged with an expansionistic and aggressive nationalism. Certainly, a heavy mortgage on later developments was taken in the 1870s, but what role did this mortgage really play in 1930? Did not the hesitation to devalue the *mark* and to operate with budget deficits have more to do with the experiences and memories of the hyperinflation less than ten years earlier? Was it not the experience of hyperinflation which finally determined the way in which problems could be identified and questions posed?

To what extent were owners of capital and managements in the emerging industrial society formed by older traditions and structures?

What role did nobility patterns of thought play? What ties of continuity linked the preindustrial city burghers of the society of the estates to the emerging bourgeoisie of the industrial capitalist order? Was there any continuity at all? The preindustrial urban burghers defended an order that was dying out; the industrial capitalist bourgeoisie was the spearhead of the emerging order. What more than the label of burgher/bourgeoisie did they have in common? What role did the strong social and political position of the peasants play in the modernisation of Sweden? Historians like to put this kind of question. Their professional training has educated them to think in long-term genetic terms. They pay attention to cause rather than consequence. An older structure somehow causes a younger one.

An important alternative point of departure is that actors are marked by the age in which they live and the specific problems of that age. The problems of the age in which they live are much more decisive for their strategic choices and problem solutions than their roots in an older society. The problem discussion in enterprises and labour markets deals with mobilisation and co-ordination of resources and movements on markets for commodities, labour and capital. In this context, the social origin of managements is of limited value. Of course the historical and social dimensions also play a large role in problem solution. However, their role is mediated through the cultural production of meaning.

In this cultural/institutional perspective, the question of how managements have perceived threats and opportunities and how they have formulated problems is more relevant to a discussion of the different development trajectories in Sweden and Germany than questions of the extent to which German employers were of noble stock and Swedish ones were descendants of peasants. I do not deny that the degree of feudalism or peasant power in a society is important. However, it is not directly derived unmediated from social and economic structures but is indirectly derived via political culture and institutions which were formed through problem solution in the past. The origin of the employers meant less than the German and Swedish workers and the very concrete problems in terms of threats, challenges and opportunities they posed to the employers. Of course, the opposite is true for the workers' community formation around the class concept, which varied considerably, too.

This approach is different from that of Barrington Moore, who compares different national development trajectories in *Social Origins of Dictatorship and Democracy*.²⁹ His aim is to explain what structural and historical features distinguish breakdown cases of democracy in the interwar period from societies that remained democratic. The breakdown cases (Germany and Japan) were characterised by an authoritarian coalition of landed aristocracy, the state and the bourgeoisie, with the landlords in the decisive role. The landlords, who had previously cemented an alliance with the state,

exercised a political and ideological hegemony over the rising bourgeoisie, which did not find the ideological leadership of the landlords incompatible with its own interests, owing to the state support available for industrialisation. Only in states where there was a bourgeoisie-led break with the aristocratic past was there democratic development.³⁰

In the debate that has followed on Moore's thesis, the sharp line of demarcation between class conflict and bureaucratisation (i.e. between Marx and Weber) as the prime mover in changing society has been transgressed. However, the more or less implicit assumption still seems to be some kind of 'normalcy' with deviating development patterns. The 'normal' development or modernisation and the deviations are, as a rule, explained with reference to socio-economic structures, which are reflected in the political and ideological developments towards democracy or dictatorship.

Moore only discusses the role of culture in his short epilogue. His point of departure is a relationship between social movements and culture. Although Moore is open to complexity, he still looks for an explanatory power in which the cultural factor can be derived from specific interests and socio-economic structures, an explanatory power which assumes predictability in principle. Interests are given by socio-economic position. He does not consider the possibility of contingency derived from shifting power relations or varying capacity for conviction and attraction of the interpretive frameworks that social groups develop, which can turn the development in one or the other direction. This direction never lies open in socio-economically derived 'objective' interests of social actors.

At the root of Moore's widespread approach is the Marxist assumption that the fundamental feature of capitalist society is class struggle, that all politics which is not a direct expression of the interests of one class is a direct expression of the interests of another. This frame of mind has been dominant in the study of labour relations, whether explicitly phrased in terms of Lenin's distinction between 'trade union consciousness' and an allegedly higher 'socialist' or 'revolutionary consciousness', or derived more indirectly from traditions in the social and political sciences since World War II. Much energy was invested in trying to explain why the working-class deviated from the 'normal', i.e. theoretically predicted revolutionary way. As a result, as Biagini and Reid have emphasised, for instance, most British historians have found working-class liberalism embarrassing, and have tried to explain it away as an unfortunate interlude between the 'early socialism' of the Chartists and the 'revival of socialism' in the late nineteenth century.³¹

Historical processes are full of alternatives. This point of departure contains an emancipatory message much more than presumptions of a connection between 'objective' structures and consciousness. The historical givens, of course, play a role. Experience constitutes an important factor, although it is not the only factor in action orientations. When culture and

institutions mediate the problem solutions of earlier generations, social origin is transmitted only indirectly. Culturally and institutionally embedded action recommendations provide considerable inertia and they often although not always constitute a force which obstructs change. However, at the same time, every problem contains new elements, which cannot be found in the recipes of the past. This fact is particularly obvious in periods of problem accumulation. Politics is a permanent process of problem resolution in response to the constant state of crisis which constitutes modernity. This process should not be understood in terms of irreversibility but in terms of alternatives, which, of course, are more or less realistic.

More important than the socio-economic structure *per se* is how identities like class and interests have been discursively constructed and how the power position of a class and that of other classes or groups have been perceived, and what concepts, metaphors, interpretive frameworks and strategies have developed out of such perceptions. Out of the mixes which arose when the different cultural expressions of interests came together, different political cultures arose with regard to conflict, compromise and coalition.

In the wear and tear of different forces, it is difficult to discern any 'normalcy'. What can be discerned is the concepts with persuasive capacity that have arisen at different points in time (unless a pure physically coercive power has been demonstrated), what interests they have expressed and mediated, when there have been intellectual hegemonies, and so on. The different patterns thus discerned must be understood in their own historical contexts, where social actors, whether or not they were aware of their possibilities and restraints, and those of others, formed their images and strategies, not as 'normalcy' or 'deviation' and not as automatic expressions of specific socio-economic structures.

The insight that similar social structures can lead to different action orientations has certainly grown in the scholarly debate. In the search for preconditions and causes of the differences increasing attention has been paid to the role of culture in the sense of the underlying value patterns of a society rather than the socio-economic structures. However, this cultural approach is not unproblematic. For instance, French sociologist Philippe d'Iribarne argues in a study of industrial relations and management styles in three enterprises in three countries that Calvinist religiosity and a juridical firmness of contract are typical features of American society. He explains the distinctive character of the Dutch enterprise by reference to 'pillarisation', *verzuiling*, which emerged when a liberal bourgeois order after the mid-nineteenth century was transformed into three different segments: a Calvinist Reformist, a Catholic and, somewhat later, a socialist one. All three segments were highly autonomous which meant a pluralistic competition in the whole of society between three autonomous segments without hegemonic claims beyond each segment.³²

Correspondingly one could imagine deriving the Swedish labour market culture from deeply-rooted value patterns such as the Lutheran work ethic and the conception of the state. Swedish Social Democracy could be regarded as secularised Lutheranism. In scholarly works on Japan conflict has, virtually paradigmatically, not been experienced as worth paying attention to. A feeling of group community and concord has been regarded as a uniquely Japanese empirical reality. If the question of origin has been put at all, it has been answered with reference to Confucius or to value patterns in effect since time immemorial. The problem involved in an approach where socio-economic structures are replaced by deep underlying cultural value patterns, is that there is no hint of how such value patterns are mediated and converted into action orientations. Relationships which appear plausible are postulated but not demonstrated.

Why are the Japanese institutions and their cultural embedding considered so unique? What distinguishes them from Western institutions? While frequent reference is made to the labour ethics of Confucius in the East, very little is usually said about Luther in the West, although his teachings, to work faithfully and to submit to the decrees of the authorities, have had a strong hold on Western thinking for centuries. Except for Weber's discussion of the connection between capitalism and the protestant ethic, which paid more attention to Calvin than to Luther, the questions have not been asked as to whether and why Luther's teachings have been transcended today in the West, while Confucius's teachings have remained strong in the East. References to paternalistic prerequisites are not convincing, because paternalism was also a common employer strategy in Germany, Britain, and Sweden in the nineteenth century.

For historians of Japanese culture, the mix of cultural mysticism in which the institutional kernels have been embedded has given features of timelessness to the theories pretending to explain the very dynamic Japanese economic development, which is referred to as a miracle. If it is argued that the regime of industrial relations in Japan was given by and inherited from a specific Japanese value order or set of norms, how then should Japanese developments in the 1920s and 1930s be interpreted?³³ The historians of Japanese culture forget that from the beginning of the new phase of intensified industrial development around 1890 until 1955 Japan developed in ways strikingly similar to Germany. For example, phases of fast growth were followed by economic crises. During the phases of growth the armaments industries functioned as the locomotive. Worker radicalism was a recurring theme. The 'miracle' the theorists use as a descriptor applies to the 25-year period after 1955. (Here, too, the similarities with the German *Wirtschaftswunder* are conspicuous.)

Questions about the role of Confucius and Luther and about the role of culture in the perspective of d'Iribarne have such a wide approach that they can be used to demonstrate both anything and nothing. With a narrower

approach, the decisive question does not deal with Confucius or Luther, but whether differences between Japan and European countries can be considered as a matter of different domestic discursive power relations. How were the problems perceived and defined and what solutions were suggested? How were the concepts, the metaphors, and the frameworks of interpretation established in the discourse and by whom? Who shared the ideas expressed in them? What interests did they express and mediate? How action oriented were they? Did they promote conflict or compromise?

A mediation which focuses much more on action orientation could be achieved if the point of departure was culture in the sense of production of meaning rather than deep value patterns. The producers of meaning are those who have appropriated positions of priority of problem formulation by means of discursive power. Who has the power to define the problems of a society and to propose solutions? What do they propose? By means of such questions deeper value patterns are linked to action orientations. True, the 'linguistic turn' with its increased emphasis on the element of construction in historical processes was pregnant with the same bias, in its focus on discontinuity, as were Marxist stage theories, to which the cultural approach stood in opposition. The emphasis on the element of construction must be supplemented with, and linked to, the deeper value structures of society. The emphasis must be on continuity *and* discontinuity, on *transformation*.

The historical dimension of the problem solution is mediated through the political-cultural embeddedness of the problem discussion in traditions and institutions which channel the search for solutions in specific directions. Here the elements of continuity in history are to be found. This embeddedness influences the problem solution by setting limits and channelling the solutions in specific directions. These traditions and institutions, in turn, are influenced by the problem solutions, either by being strengthened or by being transformed.³⁴

Rules and norms constitute a cognitive order. There is a kind of 'social belief, which is different for different societies in relation, for instance, to questions of employment, redundancy, productivity and so on. This belief order is historically established and gives a kind of genetic code to the institutions. Strategies used during processes of problem resolution are tried out much more under influence of norms and rules than being the consequence of some kind of rational choice or chess game rationality.³⁵ Hindsight wisdom produces views on political action as if politics was chess. However, politics and decision making can not be analysed in terms of the chess game metaphor. Political movements develop tactically, not logically, through improvisation in the search of support and through incorporation and adjustment of different ideas to specific goals. They are a mixture of interpretations and programmes, rather than being uniform intellectual orders free from contradiction.³⁶ The organisation of society takes form

through processes of muddling through. Strategies are formed more from intuition than intention and game-theoretical considerations in a historical process of permanent problem solution where every solution in itself contains the germ of new unforeseen problems.

Strategies of other actors produce structural dictates which are never realised to their full extent. Only the historical *a posteriori* reconstruction creates the superior rationality and structures which are analysed without having been clear for these agents who are analysed.³⁷ Intuitive action is often mistaken for intentional action. Structures are not static and given once and for all, but are emergent and contingent on the specific historical context. Structures are potentials which are realised contextually. Actors unconsciously or consciously shape structural dictates of other actors in interactive relationships. The uncertainty about the intuitions, intentions and strategic choices of other actors is great. In many respects the process of problem solution is reminiscent of the game of blindman's buff. This uncertainty results in structural dictates, which are discernible only in the historical reconstruction *ex post facto*, and which reduce the scope of action without telling contemporaries exactly where and how wide this scope of action is. The future is full of alternatives and uncertainties which are all too often forgotten in the historical reconstruction.

Norms and rules are more institutionalised in some societies than in others. Different kinds of institutions play the main role in different countries. Depending on the norms and rule order, a concept like 'trust' has different meanings in different societies. Trust is important, because it enhances predictability and reduces risks and uncertainty. This does not necessarily occur in a contractual sense. Risk reduction is a matter of complex and diffuse relationships. Authority is another relevant concept full of contested meanings. What are the dominant ways in which supra- and subordinating relationships are institutionalised? What has the change from paternalistic to democratic values meant in terms of power and authority?

A key question—which is not at the focus but rather forms the framework of my study—is which institutions have played the main role in the organisation of production in the four countries. Hypothetically, the finance system has constituted a hub in the UK, the enterprise in Japan, and the union-employer organisation of the labour market in Sweden. How and when did such institutional cores emerge and establish themselves? How are they coupled to other institutions? Are, for instance, labour market organisation and industrial relations, finance and banking system, and government administration loosely or tightly coupled? What degree of coherence does the institutional network constitute? The fact that the state so dominates the stage of modern Japanese history, for instance, is a product of history and of historians. Just as Habermas's idea of 'public sphere' arose in a Germany of a certain time and type, each society generates the concepts

it can handle. Different places grow different histories from the ground of communality of shared experience.³⁸

My emphasis on institutions and their cultural embeddedness, in the sense of production of meaning, does not represent a simple, naive culturalist account. In analyses of modernisation processes attention must be paid to questions of how particular cultural idioms and ways of thinking and talking about, for instance, the organisation of the labour market and of enterprises were reinforced and activated in specific historical and institutional settings. They shaped opinions of what was politically possible or imperative. These specific national cultural idioms are not immediately given by economic or technical developments but are mediated by self-understandings. The production of context and meaning is created from signifying elements, such as concepts, metaphors and frameworks of interpretation. The analysis of the cultural factor implies elucidation of how authority, legitimacy and social solidarity are established. The decisive factors are not economic and social structures or processes as such, but the ways in which they are comprehended and perceived. The important fact is that structures can be perceived differently by social actors.

Social change is a matter of groups and classes possessing different, sometimes incompatible political languages of widely varying provenance. This perspective entails an analysis of the conditions under which groups and discourses with very different points of departure enter into relationships of stable coexistence or even mutual reinforcement at particular moments, while elsewhere, under similar conditions, they lead to conflict and polarisation. Obviously, this emergence of contrary development patterns developing on the basis of similar prerequisites cannot be explained by reference to any causative derivation in one direction or the other. Neither the power of language nor the direction and the strength of the cultural construction of interests and identities can ever be predetermined.

‘Society’ is not an all-embracing order but a series of diversely established unifications, coming to terms with remaining conflicts of various ranges, durations and substances. ‘Social work’ is required to achieve such unifications, social work to interpret situations and to adapt various interpretations to one another by means of concepts, metaphors and symbols. Unifications cannot be derived from the art of conflict or from social positions.³⁹ Concepts, symbols or metaphors do not in themselves cause change but establish a particular horizon for potential experience and theory. They make change possible, i.e., they set limits for, rather than cause, change. This is similar to Weber’s view, according to which *Weltbilder* function as pointsmen, *Weichensteller*, leading developments into new trajectories. These horizons and world views are different for different societies and therefore result in different modernisation processes.⁴⁰

Ideology could, then, be regarded as a more elaborated and more action-oriented intellectual construct than concepts and metaphors, as it is closer to

the political field. Ideology surpasses experience and cannot be tested by experience, but it need not be false as it is considered in some theoretical formulations. If it is, it is less likely to be spread, because people are not, in the long run, manipulated fools. Although ideologies always contain legitimations of private interests and relationships of domination, they are unlikely to attain a hold over people if they are merely such legitimations.⁴¹

The symbolic form of politics should not be placed above all other historical variables. However, with reference to Gareth Stedman Jones, I treat a concept like 'class' as a discursive rather than an ontological reality. Languages of class and cultures of industrial relations are explained by the nature of politics rather than the character of politics being determined from the nature of class and the production process. There is no such thing as 'objective' interests of social classes derived from socio-economic structures but only emerging interests in the processes of production of meaning.⁴² The interrelation between the 'real' past and the image of the past constitutes the basis of human action.⁴³ When analysis is confined to the investigation of the structures of the 'real' past our opportunity to understand the role of the past in our own time is lost.

Concepts produce meaning. Meaning is multi-dimensional and relationally formed in an existing discursive field, at the same time as new fields are created. Meaning is contingent. Positive definitions are dependent on negative ones and vice versa. A concept like 'class' is established through distinction. Class, and other similar identity categories, are politically constructed. Therefore they must be relativised and historicised instead of being reified. Instead of being seen as objective structures *an sich*, they must be seen as potential, which can be mobilised through language. Thus class becomes a useful tool in analysis. Class should not be looked for in 'objective' material structures but in the language of the political struggle. The language determines the conditions for political coalitions and produces comparability between different social groups. Language in this sense is not the enumeration of words but the production of meaning through distinction and separation. Production of meaning is not a completely fortuitous affair, but stands in some kind of relationship to social and economic processes. However, the different patterns of organisation of production and coercion demonstrate that production of meaning is never *a priori* causative but always contingent. Collective protests cannot solely be referred to changes in the economic basis of society. Neither can structural changes be expressed solely in intentional terms. The causal powers are emergent ones.

As in hyperdynamic processes, where very small unforeseen changes suddenly become greatly magnified in an unpredictable way, contingency means that nothing is predictable and everything is of uncertain occurrence. The historian's reconstruction *ex post facto* means that lines of development are drawn but these lines should not be mistaken for the *ex ante facto*

perspective of the actors studied or for *a, priori* explanative power. An example of a link between cultural production of meaning and action orientation is the discourse on the concept of rationalisation over the whole industrial world during the decades around World War I. Everywhere the work process was mechanised, the labour force homogenised, and enterprises bureaucratised, and the workers organised under the development of class identities. The employers responded with the development of new patterns of employer solidarity and identity whereby local and regional networks were transformed to co-ordination at the national level. The development of national identity patterns among the workers enforced the national counter-organisation of the employers. This epoch of 'organised capitalism' brought not only the organisation of interests but also of factories, where the use of scientific methods was believed to make 'rational' production possible and prevent social conflict. Science would guarantee a fair distribution without conflict. Everywhere the point of departure was the same: how can the competitive capacity on the world market be improved through improved productivity? However, the interesting thing is that the discourse of rationalisation and the precise problem formulation about this basically similar problem varied from country to country. In no two countries was the solution to this problem identical. Insofar as industrial Europe has a common culture, the rationalisation discourse demonstrates that it is primarily American. However, and this is the point, one has to take on board the various European revolts against and transformations of this Americanisation.⁴⁴ This fact can only be understood in terms of country specific cultural and institutional embeddednesses.

In a corresponding way in the 1970s the concept of Japanisation was fashionable in a discourse on basically the same problem. As in the case of rationalisation the conversion of this Japanisation into action orientation varied considerably from country to country. Another example is the different reactions to the Great Depression in the 1930s in Sweden and Germany mentioned above. Discursive hegemony concerning the broader themes of the debate means contextuality and complexity and variations among societies in a comparative perspective.

This kind of complexity, ambiguity and contradiction is demonstrated by Carol Gluck in her study on the role of ideology in the late Meiji period. Her study provides an example of how hegemony can be established and how it can prevent the emergence of intellectual alternatives. Hegemony means priority or even monopoly of problem definition. Hegemony determines what is possible to propose and what is ruled off the political agenda. However, this does not mean the existence of only one discourse ruling out all others. Gluck's premise is that the intellectual space in which hegemony arose in Japan was a disorderly collection of ideologies. While in the early Meiji period, one group of

bureaucrats lamented the decline of self-sufficient agriculture, another berated farmers for their commercial laggardliness. Together they constituted 'an ideological chorus, which, like the chorus in Greek drama, both participated in and commented upon the scene around it'. Social problems, social reform, social policy, social education, social revolution, social novels, socialism, sociology: the choric theme was clear. Hegemony as an overall feature did not exclude pluralism and competition and contradiction among different ideologies applying for attention from different points of departure. Instead, these were what constituted the hegemony. In Gluck's perspective, ideology and hegemony become elements of a discursive struggle for power.⁴⁵

'Hegemony' is not a static concept, although it is based on an intellectual construction with great convincing capacity and of a certain durability. In the traditional literature on Japan's prewar ideology, the ideology has been seen as the product of a modernising elite legitimising itself along with its capitalist and imperialist goals. This elite created a state orthodoxy which extolled collectivist ethics and focused loyalties on the imperial institution, imposing it on the obedient, deceived citizens. Gluck paints a complex portrait, describing a diverse group of influences that coalesced. Rather than the calculated imposition of a preconceived and full-blown ideology, she finds that Meiji ideology emerged by a confused, fitful and inconsistent process. Certainly many officials were involved in the process, from central government bureaucrats to petty officials. But more significantly, outside the government, journalists, intellectuals, and public figures were heavily involved and the strongest views—the hard line—often came from outside rather than inside the government. This is a very different process than an integration *von oben* with a 'carrot and stick' mentality. The interaction of the bureaucratic and social spheres accounts for the strength of the hegemony.

The areas of consensus as well as those of common tension often appear in the interstices between the versions of ideologies, where they seem so common-sensical as not to merit comment. Who disputes the value of progress and who doubts the moral ambiguity of politics in its modern form? On the other hand, what is the content of 'progress'? That question can be long disputed. Tensions between consensus and dispute arise in all complex modern societies, however different the contents of their ideological formulations. In this perspective, cultural hegemony involves a complex mental state, a contradictory consciousness mixing approbation and apathy, resistance and recognition. The mixtures vary from individual to individual and from one social interest and identity organisation to another. Hegemony is a matter of a continuum from active support via silent consent to ignorance, lack of interest, and general lack of political perspectives. If key parts of the working classes are at the latter end of the continuum, there is no reason to expect the rise of a counter-ideology. Ruling groups never engineer

consent with complete success, however. The outlook for subordinate groups is always divided and ambiguous.⁴⁶

This complexity and contradiction means that the action orientation can take on quite different directions in two societies which are experiencing similar problems. Charles S. Maier's connection between Taylorist liberalism and fascism is a case in point. This view is not one of a static and closed ruling-class domination. It is a society in constant transformation, where the creation of counter-hegemonies always remains a real option. Hegemony is uneven in the degree of authority or legitimacy it commands and leaves room for antagonistic cultural expressions to develop. Hegemony should not be mistaken for functionalist consensus. Cultural manifestations are not demands of any 'social system' but expressions of inequalities of power without reducing society to a system. Nor is it a matter of reifying society 'into a being that has needs and interests apart from human agency'. Rather, the human producers of culture, with their culturally created needs and interests, are emphasised.⁴⁷

The modernisation perspective I want to emphasise, in my analysis of the organisation of the labour markets in Germany, Sweden, Britain and Japan, concentrates on the discerning of different historically specific patterns of the struggle for discursive power and priority of problem formulation. Key questions deal with how the organisation of production and coercion and the establishment of authority and legitimacy have varied within and among labour markets of the four countries.

2

GERMANY

CONCENTRATION AND A CONTRADICTIONARY ORGANISATION OF THE LABOUR MARKET

In the 1850s and 1860s industrialisation in Germany accelerated. There were, however, great time differences as to industrial breakthrough in the different regions. Saxony and the Prussian Rhine Province with the Ruhr area were the promoters and forerunners of large scale industrialisation. Mass migration of labour from the rural areas in the east to the rapidly growing, bustling industrial centres around Berlin and in the west gave German industrialisation its distinctive mark. The development was not unlike the British development half a century or more earlier, although the concentration of unskilled factory workers was much higher in Germany because industrialisation had reached a different technological and organisational level.

The gigantic migration from the agrarian eastern part of the *Reich* towards the overcrowded industrial areas in central and western Germany and in the Berlin region posed quite a different experience of threat to the ruling classes than was the situation in Sweden (Chapter 3). Although Sweden, too, went through a process of economic growth of about the same magnitude as Germany, urbanisation and proletarianisation were much less. The emigration from Germany to North America certainly provoked protests among the Prussian landlords against *Landflucht* and *Leutenot*, but it was much less of a problem for the industrialists in the immigration areas in the west than in Prussia. The capital-strong employer dynasties and their managers satisfied their enormous demand for labour, particularly unskilled labour through the corresponding enormous supply of labour from the east and through elaborate recruitment strategies. They exerted their power by means of a rigorous regulation of the labour markets.¹

As compared with Britain, Japan and Sweden this compressed German industrialisation and urbanisation process produced different pressures for intellectual reorientation and different demands and offers of new

interpretive frameworks. One particularly distinctive German mark was contraction and concentration in heavy industry and mergers into corporate groups, cartels and syndicates, and the organisation of these interests in strong hierarchical voluntary associations. The concentration process which had begun during the long period of stagnation and depression after 1873 continued into the new period of economic growth from the mid-1890s. In 1907, the fifty largest enterprises in metal manufacturing, for instance, employed 45 per cent of all workers in this industry. Between 1882 and 1907 the share of enterprises with more than fifty employees trebled and the share with less than five was halved. But this was also a period of rapid expansion, not only concentration. Between 1882 and 1907 the number of industrial wage workers increased from 4 to 8.6 million. On average, 180,000 new industrial jobs were created annually over this twenty-five-year period. During the same period, the number of white collar employees in the industrial sector increased from 100,000 to 700,000. The reason for this rapid white collar development was an increasing division of labour and a distinction between production plant and enterprise administration.²

The concentration process not only produced large enterprises and cartel co-operation. There was an organisation of interests in centralised and hierarchical employers' associations, *Verbände*, for different industrial sectors, for the whole industry, for small employers, for large employers, for labour market policies, and for the industry and trade policies of the business community. This was the era of transformation of the corporative order of estate into organised capitalism.³ The *Verbände* of the employers' movement constituted co-ordination centres which, in the key areas of the expanding industries such as steel and heavy engineering, were superior to those of the unions. As in other industrialising countries, labour was first to federate and the employers basically unionised in response to the trade union movement among the workers. The employers' federations over-shadowed the workers' unions in power and influence when peace reigned on the labour market, since they based their authority on their bureaucracies. The German employers and industrialists were probably more organised than their equivalents in other countries.⁴ They built networks among powerful organisations which competed and co-operated in complex patterns, with a resulting increase of power.

The masses of migrating workers were more difficult to unionise and organise in the bustling urban centres with eroding value patterns and general turbulence. The preconditions for the emergence of an overall workers' solidarity and a unified action orientation deteriorated owing to rapid immigration, when ties of solidarity followed identity categories like geographical origin, religion and skill.⁵ Labour unions could not compete with the information system of the employers. Torstendahl has demonstrated that the bureaucracy of the employers' federations was a

refined and powerful instrument as long as open conflict could be avoided. Open power contests were a better way for the workers to challenge the existing social distribution of wealth than peaceful bargaining.⁶

The problem of the employers in the Ruhr industry was in maintaining control over labour markets and work processes where the high migration of unskilled labour from rural districts brought erosion of family structures and of the cohesive power of traditional instruments of social integration in its wake. This erosion produced a breeding ground for a rather autonomous workers' culture, where the emerging class identity was not necessarily socialist but characterised by regional, religious, generational and political differences. Membership in the socialist, Christian and Polish mining unions increased continuously until the strike defeat of 1912.

By 1910 the employers in the large industries, the core of which was the coal and steel conglomerates in the Ruhr valley, estimated that they had achieved an organisational strength with which the workers 'can hardly hope to catch up'. The managing director of the *Centralverband Deutscher Industrieller* maintained that the fighting target of the CDI was 'to put down, smash, and exterminate the unions'.⁷ The guideline for their personnel strategy was the master-of-the-house metaphor (see next section).

Social reality during this process of interest organisation and concentration cannot be ascribed to one monolithic mass of proletarian workers. Especially in the mechanical engineering, metal-manufacturing and engineering industries, the proportion of skilled labour was high. Turners, lock-smiths, smiths, boilermakers, founders, etc., all worked in a long professional tradition. Although they were threatened by, and exposed to, deskilling during the process of industrial concentration, they had sufficient knowledge to adjust to new production methods more easily than workers without formal training. Technical development also meant increased demand for skilled labour. Rationalisation and mechanisation were not necessarily followed by status and income levelling. There were also counter-trends of professionalisation and requalification.⁸

These contradictory trends in the labour market were part of a more general ambivalence in the *Kaiserreich* at this time. Reactionary and progressive, static and dynamic were the dual aspects of its Janus face. The empire was both a military state and a *Machtstaat*, and also a *Rechts- und Kulturstaat*. The imperial administration was conservative and authoritarian but also rule-governed and efficient. The political order blocked reforms at the same time as parliamentary government slowly emerged. Thomas Nipperdey has described this period as the 'stable crisis'. The establishment was full of divisions and conflicts and did not present a uniform picture.⁹ Foreign and domestic politics as well as conservative system preservation and progressive modernisation formed a complex and contradictory symbiosis. The colour of this symbiosis was not white or black but grey with endless variations.

Burkart Lutz argues that the driving force of industrialisation and economic growth in Germany before World War I was exports.¹⁰ Exports as an engine was only a set of structural prerequisites which had to be exploited by means of production of meaning and interpretive frameworks. H.-U. Wehler has emphasised the role of imperialism in this process. His key concepts are social imperialism and the plebiscitary mobilisation of popular opinion as a substitute for genuine parliamentary rule. Political management and manipulation by elite groups diverted social and political tension outward by an aggressive foreign policy, which included acquiring a colonial empire and constructing a battle fleet.¹¹

Organised capital meant that a veritable network was constructed with strong hierarchical organisations in the nodes. This business web of dependencies was tied to the state network. The vision of the liberal nightwatch state doing nothing but vouching for the free market never crossed the minds of business. State intervention was welcomed to support the expansion and concentration, and to assist in fending off the attacks of organised labour. Wehler and Kocka have emphasised the combination of private and public stimuli as the specific element of the period of organised capital. Kocka has studied the bureaucratic tradition and the transfer of bureaucratic models from the public to the private sector.¹²

The standard interpretation of the German *Sonderweg*, introduced in the early 1970s by Wehler, Winkler, Kocka, Puhle and others, is that the German bourgeoisie succeeded economically but failed to fulfil its historical mission of political and social modernisation. Because of its political and social weakness, it submitted to the feudal order instead of bringing about the bourgeois revolution. It failed in 1848. The *Kaiserreich* was a mixture of successful capitalist industrialisation and surviving pre-industrial institutions, power relations and cultures, and of economic modernisation and political backwardness. This was an unstable mixture with a great deal of internal tension, oppression and manipulation, and an aggressive foreign policy. Much of the old legacy survived and contributed to the weakness of the later Weimar democracy.¹³

This picture has been under revision during the last ten years. The fact that the German bourgeoisie acquired certain feudal values and status symbols should not be mistaken for feudalisation. This process in fact occurred not only in Germany but also in France and Sweden, for instance.¹⁴ Blackbourn and Eley criticised the ideological element in a historiography which explained the collapse of the Weimar Republic as the inevitable consequence of a specific German *Sonderweg* because of bourgeois political backwardness and lack of liberalism. National socialism must be understood much more in terms of the immediate problems in the wake of the social, political and economic crisis of the 1930s than in terms of something being predetermined by feudal nineteenth-century structures.¹⁵

The point of departure of the debate was socio-economic formations which have not been defined or problematised in detail. The formations are presumed to have had specific material interests, given by their socio-economic positions. Feudal ruling elites had their specific interests, which differed from bourgeois interests which, again, differed from workers' interests. In the perception of Blackbourn and Eley the German *Sonderweg* was the connection between a strong bourgeoisie and a degenerate capitalism, i.e. a monopoly capitalism, whereas Wehler and others emphasise the connection between a politically weak bourgeoisie and the lack of political modernisation.¹⁶

Blackbourn and Eley no doubt have a point when they argue that 1933 was not necessarily pre-programmed in 1848. Their emphasis on history as an open process full of alternatives, and on politics as a permanent process of problem resolution where there are always different options, is important. However, the question is how close to such a perspective Blackbourn and Eley really are themselves, whether they do not themselves ideologically exchange a weak bourgeoisie for an almighty capitalism in their alternative approach. They do not discuss the opportunities for integrating the working class and the labour movement into policy making.

Arguments have been brought forward against the thesis that 1933 was pre-programmed in the nineteenth century, and that there was a considerable modernising capacity in German society much later. Konrad Jarausch, for instance, argues convincingly that the existence of a corporative language of estate in the German public discourse should not be mistaken for an absence of modernisation capacity. When old concepts such as *Stand* were used, this only meant a transformation of the concepts so that they were also able to interpret the new emerging order. Concepts expressing traditional values underpinned modernisation. With regard to the intensive interest formulation, Germany on the eve of World War I was more of a post-liberal than a pre-liberal society.¹⁷ Larry Jones rejects the idea of a decisive break in the nineteenth century, and argues that alternatives existed even after World War I. German liberalism was certainly weakened through internal division concerning relationships with the state, the economy and civil society, but the attempts by Friedrich Naumann and others to bridge the division were not as impossible to carry out as has been assumed. The potential for social reform on the eve of World War I was greater than at any other time since the rise of the German liberal movement in the early nineteenth century.¹⁸

The strength of the owners of capital and the role of the state resulted in an acceleration of Germany's capitalist transformation and the imposition of a specific pattern of conflict, meaning that employers' political ambitions were articulated considerably differently than in Britain and Sweden. In Britain, the labour market networks were much more decentralised and there were far more direct ties between employers and unions through wage bargaining at the local company level or the regional district level. In

Sweden, organised capital and organised labour certainly built up hierarchical and centralised organisations like those in Germany, but they developed direct communication linkages very early. The state had a much wider intermediating role. This Swedish organisation pattern is explained by the early strength of the trade unions depending on quite specific framework conditions (Chapter 3). The failure in Germany to develop a native social liberalism of comparable vitality to that of Britain and Sweden must be seen as related to a different institutional framework for the production of meaning during the dynamic process of industrialisation, rather than to the continuing domination of a pre-industrial elite.¹⁹ Class identities were underpinned by the employers' master-of-the-house metaphor (see below) and by concepts such as *vaterlandslose Gesellen*.

In imperial Germany there was a tension between the idea of the state as an executor of social discipline, *von oben*, and the idea of the state as an instrument that guaranteed collective self-help and a given level of social welfare. Despite this tension between the two approaches, they had one thing in common: the state guarantee of a minimum of social security. The driving force of the social policies of the 1880s (health insurance, work-place accident insurance, and disability and old age pensions) was less the wish to mitigate the social misery in itself than the fear that the proletariat would upset the political and social order. The aim was to undermine the workers' support of their socialist organisations through the demonstrated state interest in the workers' conditions.

However, the German labour market prior to 1914 was not all confrontation and polarisation. German society *was* more polarised than the Swedish and British societies even if it did contain important signs of modernisation in a social-liberal direction. The unintended long-term effect of the social insurances of the 1880s was the strengthening and integration of the workers' organisations. This effect was achieved by union participation on the social insurance boards, in the courts of trade (*Gewerbegerichte*), the conciliation and arbitration boards (*Einigungsämter*) and the labour exchange offices. Contacts with the employer representatives and the lower strata of state and local government bureaucracies decreased class tensions, isolation of the workers and their organisations and social polarisation, although the regional differences in these respects were considerable.²⁰ The emergence of a labour exchange order was one of the most important areas of increasing co-operation between local government administration and the unions. This integration of the unions in the insurance systems was an important prerequisite for the gradual reduction of social conflict.

Carl Legien, the chairman of the General Commission of the unions, had this integration in mind in 1899 when he stated that the unions had done much more than the employers for the existence of the state and that, as a matter of fact, the unions were an eminent state-preserving force.²¹ Theodor

Lohmann had expressed a similar view earlier in the 1890s. He was a reform bureaucrat whose conception collided with Bismarck's ideas of the patriarchal welfare work of the state. Lohmann was a spokesman for the education of the workers for active participation in social reform through their own organisations and through the recognition, in principle, of the idea of parity of interest representation. The aim of his scheme was the reconciliation of the monarchical state and of the workers.²²

In the 1890s, opinion hardened among conservatives and industrialists that although the government's social policies were far less ambitious than Lohmann had intended, they still improved the abilities of the workers to organise their interests in socialist political parties and unions. Reform bureaucrats and reform politicians certainly argued against this fear from conservatives, that it could not be the objective of government policy to try to separate the workers from their organisations. The long-term goal would be to integrate the workers with them. The Prussian Minister of Trade, Baron Hans Hermann von Berlepsch, tried to develop such a long-term scheme, with Theodore Lohmann as his closest staff member, but he lacked the necessary political basis. In 1896 he was forced to resign. Neither the Emperor, under the influence of the Saar industrialist Baron von Stumm-Halberg, nor the vast majority of members of the government were prepared to consider the workers as equal partners in the industrial relations system. Carl von Stumm-Halberg was one of the leaders of the parliamentary faction of the Free Conservative Party. 'Kingdom Stumm' was the heavy industrial centre in Saarland and one of the most reactionary enterprises in Germany. No unions were tolerated and all unionisation attempts were nipped in the bud by means of police persecution and disciplinary punishment by the employers. In the 1890s, Stumm-Halberg and other representatives of heavy industry formed a counterforce based on the master-of-the-house viewpoint with the goal of crushing the unions. This development led to the isolation and overthrow of Berlepsch.²³

There were considerable regional differences as to how the state and employers treated the unions and the Social Democrats. In Saxony and those parts of Prussia where state repression had been most forceful and where industry most persistently refused to negotiate with the unions, leftist radicalism had its strongholds. The reformists had their strongest positions in Baden, Bavaria and Württemberg, where discrimination against the Social Democrats was less pronounced and where the SPD (*Sozialdemokratische Partei Deutschlands*) had some influence in local government.

THE MASTER-OF-THE-HOUSE METAPHOR

The *Herr-im-Hause* (master-of-the-house) metaphor was developed by German employers in the heavy engineering industry. As opposed to the family metaphor of the Japanese employer (Chapter 5), where the *pater*

familias based his authority on the consensual support of his family members in a kind of positive integration, his German counterpart relied on his own strength in an authoritarian rule over the family. The family metaphors in themselves do not explain and did not cause either the authoritarian policies in Germany or the seemingly more consensual policies in Japan. Wehler's opinion that metaphors (*Leitbilder*) do not in themselves *cause* anything, but that they function as multipliers or 'amplifiers' in their definition and interpretation of historical tendencies, offers an explanation of the differences between Japan and Germany.²⁴

This means that the master-of-the-house metaphor must not necessarily be seen as the expression of a 'backward' and unusually reactionary mentality, in the sense of aristocratic or pre-industrial.²⁵ The metaphor does not at all necessarily have to be regarded as opposed to a particular form of capitalist rationality. The metaphor was a perfectly rational expression and an intellectual mediator of prevailing power relationships, although the rationality it expressed prevented the acceptance of more 'modern' forms of industrial conciliation. It was not traditional patterns of authority that stopped the big employers in heavy industry from developing an enlightened view of their own self-interest by acknowledging the 'just' demands of the working class. The actual power relationships—i.e. the strength and the confidence of the employers in a polarised situation with a strong and militant working class, although not strong enough to threaten the position of capital—meant that the employers did not have to concede to the workers.²⁶ In this sense the *Herr-im-Hause* metaphor expressed 'rationality' perfectly, with the aim of crushing the unions before they became too strong.

The *Herr-im-Hause* metaphor underpinned an employer approach which can be described as a mixture of authoritarian management style, patriarchal sentiments and unscrupulous exploitation of labour. After a strike in 1905, an increased interest in firm-specific social policies emerged. However, only a few employers realised the importance of comprehensive social policies. Certainly some militant advocates of the *Herr-im-Hause* standpoint, like Alfred Krupp and baron Carl Ferdinand von Stumm-Halberg, decided to develop enterprise welfare schemes containing e.g. wage and retirement funds, apprenticeship and training programmes, family housing, etc., but this did not prevent the development of the authoritarian approach. In some cases, genuine paternalism in the form of company housing and welfare programmes mitigated the master-of-the-house approach, but only a few companies went very far in that direction.²⁷

The stronger the unions became, the keener were the employers to continue their defence strategy: rejection of collective bargaining and no recognition of the unions. The increased interest in social policies at the enterprise level after 1905 can be seen as a continuation of this approach in forms adjusted to what happened on the worker side. Their counterstrategy

was to replace the *Arbeiterkultur* with a *Werkskultur* in order to legitimise a social and moral leadership not only in the firm but in society in general.²⁸ The emergence of a social bureaucracy in the Ruhr industry and the introduction of housing schemes, training and promotion schemes and family aid schemes in the enterprise framework served openly anti-union purposes and were aimed at the promotion of employee loyalty toward the enterprise.

The emerging management style in the Ruhr industry was not just a bipartite (state-industry) realisation of a traditional German *Herrschaft* style in an industrial sector where the state has historically had a considerable influence and responsibility. The social homogeneity and the bureaucratic mentality of the protestant *Bergassessoren* caste have certainly, to some extent, contributed to the authoritarian management style. However, the exceptional severity of industrial relations before 1914 has less to do with preindustrial mentalities than with the social ambitions of an emerging professional management elite, separated from the owners, in modern large enterprises. They emerged in the mining industry as well as in the iron and steel industry, and they shared a vision of union-free firms.²⁹

The state was not at all a passive instrument at the free disposal of this management elite. The imperial state had certainly long equated protection of blacklegs with the protection of public order. However, around 1890 when the Ruhr industrialists tried to get the government to intervene militarily in a labour dispute with reference to general disorder in the wake of the conflict, Chancellor von Bülow rejected this idea, arguing that such a struggle against the Social Democrats was not in the general interest.³⁰ The attempts by the industrialists to present their struggle as a national defence which dealt not only with the *Herrschaft im Betrieb* but with the whole existence of the *Reich* failed. The political refusal to support the owners was a bitter disappointment to the employers.

Another example demonstrating that the role of the state was much more complex than being just one half of a bipartite state-industry block, is that the Ruhr industrialists had to withdraw their blacklists of militants and agitators after heated debates in Parliament in 1909.³¹ The '*Herren aus dem Westen*', the heavy industrialists of the Ruhr and the Rhine personified, in an ideal typical way, an economic power elite which, on the one hand, implemented an extensive modernisation of production and sales methods, while on the other hand, they denied all rights of association to the workers. The master-of-the-house strategy was uncompromising. The underlying motivation for the employers' approach was to defend themselves against strikes and socialist tendencies.

The resistance to reform is generally attributed to the activity of the right-wing heavy industrial lobby in the *Centralverband Deutscher Industrieller* (CDI) which maintained a consistent hostility to all proposals for the conciliation of organised labour, including the active pursuit of new legal

restrictions on both the unions and the SPD after the abolition of the Anti-Socialist Law in 1890.³² The strategy adopted by nearly all large employers in the highly concentrated sectors by the turn of the century contained an impressive repertoire, including shop-floor discipline, black-listing of militants, agitators, union members, and 'troublemakers' in general, labour exchanges, compulsory welfare schemes, centralised employers' associations and company unions. Under small-scale competitive capitalism with high labour mobility and little co-operation among employers, there was no use of, for example, blacklisting and company unions. The major employers, who enjoyed the benefits of a near-monopoly organisation, were the most intransigent.

However, industrial relations in heavy industry along the Ruhr cannot be immediately translated to other industries and other regions. There were considerable variations in the degree of hostility towards the workers. This depended on the personality of the individual entrepreneur and on the size of the firm and on the specific branch of industry, for instance.³³ The smaller firms which lacked the advantages of size and near-monopoly organisation gave in most easily to trade union pressures. The *Bund der Industriellen* (BdI) was established in 1895 as a counter-movement to the CDI in German industry. The BdI was based in the less concentrated sectors of the light manufacturing and consumer goods industries. The CDI remained opposed to the BdI until World War I, firm in its resistance against what it called a *Klassenkampfparitätismoralismus*.³⁴ As a rule, the new industries were more inclined to modify the tough *Herr-im-Hause* approach, while coal and steel remained by and large 'punishment-centred'. This was also the attitude of many small and medium-sized industries.³⁵ However, metal manufacturing in areas where the firms were geographically much more dispersed could not co-ordinate their conflict strategies as well as the large corporate groups in the regions of industrial concentration. Employer solidarity was fragile. The growing strength of organised labour provoked alternative strategies of integrating, instead of crushing the unions. Therefore, employer strategies and the role of the master-of-the-house metaphor was full of contradictions as soon as one gets beyond heavy industry in the Ruhr valley.³⁶

The dichotomy between heavy industry and light industry used to express divisions in German industry is broadly correct, but if used simplistically it can obscure significant cross-cutting features which became more important on the eve of World War I. The degree of homogeneity in the two camps should not be exaggerated. The influential role of the banking, insurance and commercial sectors, i.e. financial capital backing, can also be difficult to fit into a simple dichotomy framework.

Thus the master-of-the-house metaphor in Germany covered only one part of the reality, although an important one. There was a contradiction between modernising strategies and repression. The master-of-the-house

approach was combined with a considerable modernisation capacity in a progressive integrational direction among the employers in other sectors on the eve of 1914. Institutions for conciliation and conflict regulation emerged on the labour market. The conflict level decreased.³⁷

Larry Jones has pointed out that Liberal alternatives in social politics still had a strong position on the eve of 1914. The Liberal movement was certainly split in its views on the state, the economy and the nation and therefore politically weakened, but the attempts undertaken by Friedrich Naumann and others to unify the factions must be taken seriously and they were not without hope of success to the extent that has been assumed. The potential for democratic reforms was not unimportant.³⁸

In the area of social policy there was in the framework of *Verein für Sozialpolitik* both continuity and transformation since the social insurance legislation of Bismarck in the 1880s. Not least, the integration of the unions in the administration of the Bismarckian social insurances underpinned reform capacity. However, the liberals in Germany never helped to bridge the chasm between the labour movement and organised capital to the same extent as in Britain (where capital was much less organised) and Sweden. The German liberals were to a smaller degree elements of an integrative Social Democratic-Social Liberal reform coalition, as in Sweden and Britain, and more believers in the rescue of the established order through persuasion of the conservatives to make concessions. The realities of the Wilhelminian high-industrialisation phase implied conflicting interests organised on a mass scale. During this process, the liberals were squeezed between ideals and hard realities and declined rapidly. In 1881, they held some 40 per cent of the seats in the *Reichstag*. In 1912, the figure was just above 20 per cent.³⁹

No real alternative metaphor to the master-of-the-house was developed to interpret and mediate intellectually regulation of the industrial conflict. This was, *per se*, a serious flaw in conflict regulation. Other tendencies notwithstanding, society continued to be interpreted in polarised terms in leading employer quarters. Their frameworks of interpretation contained less room for compromise than for conflict. There was a general lack of communicative and integrative capacity in the German labour market organisation. Progressive approaches to recognise the unions were offset by reactionary approaches to destroy them.

THE WORKERS AND THEIR ORGANISATIONS

The workers' perception of a class identity emerged during the dynamic growth of industrial manpower in the 1860s. Identity construction around the class concept and the polarisation process had already accumulated considerable strength by the early 1870s, although it was partly concealed by paternalist-authoritarian forms of industrial relations. One important

interpretive lodestar of this process of identity construction was the class struggle metaphor. Major strikes in the Ruhr area in 1889, 1905 and 1912 gave an inkling of the inherent energy in this process. The aggressive propaganda of the employers underpinned the tensions. Although the state also demonstrated, after the abolition of the Socialist Law in 1890, that it could resort to coercion and physical violence at the slightest sign of industrial unrest, its attitude became increasingly hesitant as the ongoing escalation of the conflict threatened an explosion. We have also seen that expressions of hesitation emerged in the government. The decision of the Social Democrats at the outbreak of World War I to participate in the war mobilisation demonstrated that there were also long-term integrational tendencies in the process.

The Social Democrats not only developed a class identity but also an identity with a Utopian *Vaterland*. In the 1880s the Social Democratic *Vaterland* concept certainly rejected the existing institutions of the Prussian-German Empire in favour of a future oriented vision of a social, economic and political community. The Social Democrats rejected the monopoly of the ruling classes to represent the nation state of 1871. The nation, *das Vaterland*, incarnated, in the view of the Social Democratic leadership, the geographical and socio-political basis of the workers' revolution. Therefore, the *Vaterland* had to be defended against external attacks. A kind of conditional Social Democratic loyalty to the *Vaterland* emerged in the 1880s under the perception of an external threat to the *Reich* and the simultaneous imperialist wave on which the export industry surfed. For the majority of the Social Democratic leadership 1914 did not deal with a choice between international working class and national state. The vote for the *Vaterland* was perceived as being completely consistent with their interpretation of socialist theory. *In this respect*, the German working class was integrated in the nation decades before World War I.⁴⁰

This contradiction within the proletarian networks emerged as a mirror image to bourgeois networks which were as contradictory as those on the labour side. The contradictions were underpinned by competing value patterns around phenomena like nationalism and militarism taught by the Protestant Church, the school and the army. These values undermined socialistic class identities. The *vaterlandslose Gesellen* were, as a rule, good soldiers, well drilled as they already were through the discipline of their organisations.⁴¹ Ideas of a polarised class society went hand in hand with ideas of a national community in a complex and contradictory pattern.

The origin of a polarised language of class was in the Social Democratic Party and the unions, and in the labour clubs and associations affiliated to the SPD, the hard core of which was protestant Prussia. There, the experience of a repressive state assisted by the Church (*Thron und Altar*) produced polarisation. The protestant religion failed to articulate the protests of the persecuted. The Social Democratic language that developed

has been regarded as a transformation of protestant religion rather than an alternative—Social Democracy as a kind of secularised Lutheranism.⁴²

Protestantism was the state religion in Prussia. The Catholics lived as a minority in opposition to the Prussian state which, in the 1870s, launched a veritable campaign against the Catholics, the *Kulturkampf*. Therefore, in the Catholic Ruhr area the Catholic Church and the labour movement were both in a state of opposition to the state and the Protestant Church. Thus, conditions were favourable for the Catholic Church to bring together the workers by way of labour associations and social welfare institutions. Particularly in the Ruhr area, the lower clergy ('the red chaplains') helped to articulate and institutionalise the social, cultural and political interests of catholic artisans, journeymen and workers.

The liberal labour movement was weak. Most of its adherents were in small enterprise regions outside the areas of industrial concentration. The ties between the liberals and the socialists were definitively cut in the 1860s, although there had been strains ever since the abortive revolution in 1848. In this framework of various alternative formulations of protest and construction of identity and community, the rise of strong working-class organisations based on a Marxist framework of interpretation, much more pronounced than in other western countries, especially compared to Britain, cannot be taken as self-evident. Rather, as Pollard has emphasised, this strong Marxist tendency has to be explained.⁴³

The repression of the Social Democrats during the period of the *Sozialistengesetz* (the Anti-Socialist Law 1878–1890), when the party was forbidden as an organisation (although Social Democratic candidates could run for parliament in general elections) had the opposite effect to that intended. Persecution strengthened the illegal organisation. There was a theoretical radicalisation under the influence of Marx. Lassalle's confidence in the state through the workers' gradual conquest of parliamentary power for the emancipation of the working class seemed as unrealistic under the *Sozialistengesetz* as did his idea of the workers' production co-operatives in an era of increasing large-scale and complex organisations of production and financing. Marx's explanatory pattern matched the day-to-day experience of the workers better than the pattern offered by Lassalle. The *Sozialistengesetz* and the rise of large scale industry stirred emotional radicalism considerably, and in this development Marx's framework of interpretation was a better fit than the Lassallean one. The content of the growing radicalism was defined in terms of anti-monarchial and anti-religious ideas, in which the anti-religiosity was, as has been mentioned, much more of a mental transformation of protestantism than a mere substitute.⁴⁴

The contradiction between revolutionary theory and non-revolutionary practice hardly constituted a major problem, because the non-revolutionary practice under the coercion of the *Sozialistengesetz* required precisely the preservation of a radical framework of interpretation as its cohesive cement.

The Marxist patterns of explanation did not transform the Social Democrats into a revolutionary party but into 'a new European type of normal professional party of the industrial workers'.⁴⁵ The interpretive basis was class. The development since the days of Lassalle from a *Volk* party to a class party was contrary to the Swedish case, where the class as an identity category was gradually broadened to comprise the *folk* during an extended phase of coalition building.

After the abolition of the Anti-Socialist Law, the state gradually reappeared as an achievable goal for the labour movement. Social reforms which prepared and accelerated this process were legitimised as revolutionary. The combination of revolutionary theory and reformist practice constituted a kind of linguistic regulation through which all intellectual currents in the party could be integrated. The alleged dualism between revolutionary theory and reformist practice was constructed under the impression of a lasting tension between integration and repression to which the labour movement was exposed before 1914.⁴⁶ This political mass movement developed a tight and multifold organisational network. In 1906, the party had less than 400,000 members. In 1914, the figure was almost 1.1 million. By then Berlin had more organised Social Democrats than the whole of France, and Hamburg had more than the whole of Italy. At the turn of the century, the socialist unions had 680,000 members, the catholic unions 75,000, and the liberal unions 90,000. (Thirty years later the figures were 4,950,000, 795,000 and 170,000 respectively.)⁴⁷

This tightly-knit organisational network made the Social Democratic movement before World War I a kind of community. As the cement of this community suggestive elements like the red banner, the red carnation, the celebrations and festivals, the Labour Day rallies, the workers' sports clubs and singing societies, obituaries for deceased comrades, etc., played an important role. The contours of a cultural configuration could be discerned from a multitude of symbols. Names and concepts symbolised cultural attachment and ideological tendencies. Certain key concepts signalled the close link to the socialist labour movement. The terms *frei* (free) and *vorwärts* (forward) became almost the exclusive possession of the Social Democratic labour movement, and the key word of 'club language' was *Genosse* (comrade).⁴⁸ The language of class exercised symbolic power and gave cohesion.

However, the emergence of a cultural working-class community did not imply a cohesive and self-consistent ideological posture. There were fluctuating cultural borders between the labour movement and the rest of German society, not least owing to the role of the Catholic religion and the power of attraction of bourgeois culture. The participation of the union leaders in the social insurance boards and offices worked in the same direction. There were various currents also in the social-cultural milieu of the socialist labour movement. The milieu was held together by a number of

interacting elements. Lidtke mentions occupational identification, class awareness, secular rituals, symbolisms, the hostility of non-socialist German society, and a broad and different sense of ideology.⁴⁹

Movements can threaten existing political orders without necessarily calling their followers into the streets. Lidtke is convincing, when he argues that the socialist labour movement was a genuine threat to the Imperial regime, though not necessarily through overt revolutionary political action. The tradition of intransigent parliamentary opposition, combined with the frequent use of a new vocabulary, created the image of a party that could at any time mobilise its cadres for a decisive onslaught against the whole order. The threat was not in the insurrectionist sense, since the socialists did not bother to draft insurrectionist strategies. The threat was that the socialists presented German society with a radical alternative to existing norms and institutions.⁵⁰ The danger lay not only in the principles of the radical alternative but also in the dramatically growing support for that alternative. The share of votes for the SPD in the *Reichstag* elections increased from 6.1 per cent in 1881 to 34.7 per cent in 1912. In 1890 more votes were cast for the SPD than for any other party. In Berlin they got 52.8 per cent of the votes, in Saxony 42.1 per cent, in Bremen 48.7 per cent, and in Hamburg 58.7 per cent. In this sense the labour movement's alternative after 1890 was moving from the realm of ideas to taking on concrete form. In this process salient features, trends and directions can be discerned, although it would be misleading to talk about the alternative in terms of a fixed entity or to claim that it ever reached a static state.⁵¹

There was a perception and conceptualisation of a polarised society, and political conflict coincided to a considerable extent with real, deep tension between workers and employers, although political and economic conflicts did not overlap perfectly. There were, as has been emphasised, not only horizontal class lines but also vertical lines of confessional and regional differences. Lidtke conceptualises the polarisation using three basic notions: segmentation, conflict and coercion. Imperial German society was more of an agglomeration of separate segments than an integrated order with a clearly defined dominant culture and a counter-cultural socialist movement; the origins of what Walter Laqueur has found so fatal for the Weimar Republic were visible already in the *Kaiserreich*: Germany had innumerable societies, but it had no society.⁵² The strange combination of polarisation and polycentrism had to do with a general lack of communicative capacity. Rainer Lepsius has emphasised that the German problem was less the functioning of the political order and the formal access to the power centres, or the opposition between capital and labour, or the predominance of feudal structures, than the relative powerlessness of the intermediary systems. He talks about 'socio-moral environments', and the deficit in their capacity to produce coherence based on shared values and convictions and organisational networks overlapping one another among social

formations.⁵³ The socio-moral environments demarcated themselves from one another under general fragmentation, rather than building coalitions. No popular reform coalition emerged as in Britain and Sweden. Antagonism, real or potential, characterised the fluctuating relationships among most of the segments. Catholics in the Ruhr valley were in constant conflict with Social Democracy, which does not alter the fact that Catholics and Social Democrats together lived in a condition of tension with the Protestant dominated Prussian state. Various organisations within the social-cultural milieu of the labour movement could occasionally relate positively to other segments of German society. Such linkages were possible because segmentation and conflict were multidimensional, not unidimensional. The reality of German industrial relations before World War I was not a *Herr-im-Hause* culture against an *Arbeiterkultur*; the society was certainly polarised, but in a complex way, with various alternatives on both sides. That gave the labour movement a chance for a limited degree of flexibility in defining its relationship to the constituent parts of the larger society. However, given this multidimensional context of culture and conflict, it is clear that the most powerful segment of German society was constituted of those groups closest in outlook and social standing to the Prussian monarchy and the institutions it controlled. Although the social conflict cannot be interpreted within the confines of an all-inclusive polarity that envisages a Social Democratic movement standing against a coherent dominant culture, it is clear that the conflict between organised labour on the one hand and organised capital on the other was an order of magnitude greater than other major conflicts. To some extent, the government officials mitigated the conflict, although they were more on the side of organised capital than of labour. Despite obvious reformist currents in the Social Democracy, Prussian officials and employers did not change their conviction that organised labour constituted a dangerous and evil force. The establishment of organised capitalism meant that they stepped up their campaigns of bureaucratic obstructionism, police harassment, and legal constraints, although there were also limits to this approach, as has been mentioned in the discussion of the Ruhr industrialists.⁵⁴

In this sense, Germany was a more polarised, and at the same time more segmented society, with less integrative and communicative capacity, than Britain and Sweden, with different problems defined in the public discourse and, in the Swedish case, dealing with recruitment of labour rather than with fending off revolutionary threats in overcrowded labour markets. Germany was also more polarised than Japan, where labour was too weak to develop a cultural alternative.

The German development brought the establishment of strong hierarchical organisations on the labour side. Initially, there was a push from the local level for central organisation building. Later, the initiatives moved downward through the hierarchical structure. In 1890, the General

Commission of the German Unions was established with Carl Legien, a 29-year-old metalworker, as its chairman. Ten years later the General Commission had made itself indispensable. It contributed to the extension and consolidation of the union movement and to the rationalisation of the attitudes toward strikes through strike rules and statutes, which strengthened the position of the central union federations at the expense of the local branches. It was clearly stated that the unions stood on the foundation of the contemporary bourgeois society, in the framework of which they would fight for higher wages and improved working conditions. Within this framework, they intended to increase and legally safeguard their scope for manoeuvring. This union approach no doubt strengthened the workers' understanding of and interest in institutionalised democratic interest representation. This understanding constituted the core of union reformism.⁵⁵ But this development should not be mistaken for a linear process of rationalisation. It was the long-term tendency, visible only *ex post facto*, of a process which contained conflicting and contradictory tendencies in the short run. The activities of the unions in imperial Germany always took place in a 'jeopardised asylum', because freedom of association was not legally guaranteed. The strong internal integration into the party and the social-moral milieu in the SPD increased their difficulties in broadening their membership and adherent basis beyond the industrial working class to farm labourers, farmers, artisans, and white collar employees, or to Catholic workers. Moreover, seen as a matter of power relationships, the employers were in principle and in general much stronger than the unions because of employer solidarity and their rigorous use of the weapon of lock-out, and, in particular, their greater organisational resources in terms of money and bureaucratic capacity.

Gerhard A. Ritter has emphasised how wrong it would be to talk about a linear process of decreasing repression and increasing integration of the working class in society after 1890. There were several indications of continued social and political polarisation.⁵⁶ The class struggle metaphor continued to work as did the *Herr-im-Hause* metaphor among the employers. The requirements of the situation in August 1914 produced a different response than could have been forecast on the basis of the intellectual polarisation.

Social Democratic and union reformism made the working class an important and mighty social and political factor in Imperial Germany. It drove social, political and cultural emancipation of the working class far ahead in a society and a state which had sworn to fight the labour movement. In this respect, the labour movement became an integrated part of the *Kaiserreich* after having gained at least *de facto* recognition through being identified and targeted as an enemy of society. It could not be silenced. This was the inherent logic of the fight, although it was not generally

recognised at the time, especially not among the industrialists in the coal and steel industries.

In the Wilhelminian *Obrigkeitsstaat* the labour movement developed an alternative consciousness and realised forms of action which pointed forward to the modern welfare state and to modernised forms of conflict regulation. Without this 'positive integration' it would be difficult to understand both the Social Democratic standpoint in 1914 and the accumulation of political capital which was used in the revolution in 1918–1919, and afterwards to promote the Social Democratic welfare state.⁵⁷ The German trade unions and the Social Democratic labour movement in general had considerable modernisation capacity but were not strong enough to break through the political and economic structures and decisively influence the shape of the emerging modernity. Cartelisation, association building and organisation of interests were more extensively developed in Germany than in Sweden, Britain and Japan.

There is a general image of Germany during the years before World War I as incapable of action, anti-liberal and petrified, steering towards the big crash. Translated to the organisation of the labour market the master-of-the-house metaphor corresponded well to what can be described as petrified structures, and there were more obvious signs of polarised and segmented society than in Sweden, Britain and Japan at this time. However, the general picture has to be modified in industrial relations. In the labour markets there were also progressive employers and institutions for conciliation and regulation of the industrial conflict slowly emerged. In conclusion, there was a considerable modernisation capacity, and it is easy to imagine alternative developments. However, in a comparative perspective the discursive power of the Ruhr industrialists and CDI prevented the trade unions from breaking through in the debate and determining how the problems would be defined. Although there were many similarities as to industrialisation and organisation of the labour market with Sweden, for instance, there was this decisive difference. It did not have so much to do with feudal preindustrial structures, where the development was more or less predetermined in the 1870s, but rather with specific problems in the wake of the process of industrialisation, for instance the mass migration of labour and the very dynamic urbanisation process, which put different problems on the political agenda than in Sweden. In Britain, the corresponding process occurred much earlier and involved a different kind of labour, which made it easier to absorb the strains.

FROM COMPROMISE TO CONFLICT

For a very short while in the late autumn of 1918, the German labour movement was at the height of its power owing to the collapse of other power centres in the revolutionary situation produced by the war. The shifts

in the balance of social and political forces affected the relationship between industry and the unions. The alliance between the Provisional Government and the Army (the Ebert-Groener Pact) in November 1918, aimed to restore and safeguard 'Law and order', was given flanking support by the Stinnes-Legien Agreement about co-operation between the unions and the employers in the framework of the *Zentralarbeitsgemeinschaft* (ZAG). The employers conceded such union claims as the eight-hour workday in return for a promise to shelve ideas about the nationalisation of basic industries. On the side of the employers, the ZAG was supported by influential industrialists such as Hugo Stinnes, August and Fritz Thyssen, Carl Friedrich von Siemens, Gustav Krupp, Walter Rathenau and Carl Duisberg. The big advance in comparison with the prewar period was the recognition of the unions by industry.⁵⁸

However, it soon turned out that the powerful managers of heavy industry had never seen the ZAG as more than an arrangement forced upon them by the emergency situation in 1918.⁵⁹ As regards wages and social policy, this implied that mediation by government agencies was to be abandoned and to be replaced by company bargaining or, at most, a purely bilateral relationship between employers and unions. Ultimately the aim was to restore the primacy of economic considerations and to roll back the advances in social policy that had been made in the early postwar period. Organised capital tried to compensate for the loss of power after World War I through concentration of their interest organisations. The two peak associations of the *Reichsverband der Deutschen Industrie* (RDI), founded in 1919 through a merger of the old CDI and BdI, and the *Vereinigung deutscher Arbeitgeberverbände* (VdA), founded just before World War I, represented the voice of industry in matters of economic policy and general political questions, and social and wage policy, respectively. There was an intertwining at the personal level between the leadership of the two federations, in order to guarantee a united front. More and more the policies of VdA were brought into line with those of the powerful RDI.⁶⁰ Of all peak associations, the RDI was the most politically active, and it was dominated by big business interests. Well financed, elaborately organised, and led by prominent industrialists, it took up the task of heading the lobby for the economy. Its officers enjoyed access to the highest officials of the Republic. Its professional staff bombarded cabinet members, ministerial officials and parliamentarians with barrages of statistics and position papers. With the establishment of RDI the opposition between authoritarian and reformist employer strategies shifted to the internal level of the federation.

The adherents of an authoritarian approach lost some influence, especially during the stabilisation phase after 1924. The election of Carl Duisburg from the chemical industry as president in 1925 confirmed this development, which by no means meant that the power of heavy industry

was broken. At the annual meeting of the RDI in 1926 Paul Silverberg, one of the reformists, recognised the Social Democrats as representatives of German workers, and argued that this was why they should participate in the government. The controversy in the wake of Silverberg's talk demonstrates that the conservatives among the employers still had considerable power. The prevailing mood in the RDI can be described as a stalemate or a kind of veto for the conservatives. The controversy is a good illustration of how the contradictory reactionary and progressive tendencies which had already emerged in the *Kaiserreich* continued among the employers in the Weimar Republic.

In terms of organisation, in the 1920s German industrialists enjoyed far greater cohesion than they had during the Empire. Wartime economic mobilisation and curtailment of foreign trade mitigated differences of interest that had formerly produced repeated open clashes between domestically oriented basic industries and export-oriented manufacturers. Previously organised nationally into rival associations, these two groups co-operated closely during the war and the revolutionary period. After the war they joined the RDI, along with the young chemical industries.

The employers in heavy industry soon managed to come out of the defensive position forced upon them by the Legien-Stinnes Agreement of 1918 and by the economic performance of their industry in the slump after the war. In 1922, they suggested a programme for the reconstruction of the economy. It was rich with slogans like 'removal of the coercive state planned economy', 'abolition of the demobilisation decrees, including the working hours regulation', 'decreased wage costs and increased productivity'. Hugo Stinnes suggested a prohibition against strikes. The 'basic evils' in German politics since 1918, according to the employers in heavy industry, were the November Revolution, the Versailles Treaty, social policies and the wage policies of the unions.⁶¹

The eight-hour working day and the law on compulsory collective bargaining became the targets of attack of RDI and VdA. Social policy was no longer evaluated in generally negative terms, however. The reorientation in this respect must be understood in terms of the transfer of costs from the industry to the public sector that followed on the social policy schemes. However, they argued, social policy had to be designed in such a way that Germany did not slip into a *Fürsorgestaat* which held back intellectual mobility and energy. In a contradictory but consistent way they both argued for an increasing role for the state in this sphere and warned of the social burdens put on the state. Their aim was to consolidate the level achieved and to prevent expansion. VdA was well aware of the political risks of claims for an extensive revision of the social policies and defended themselves against accusations of striving for the decomposition of the social insurance system.⁶² The social conflict escalated in 1924 when the union confederation ADGB revoked the agreement of November 1918 between Hugo Stinnes

and Carl Legien because of the employers' campaign against the eight-hour day. However, it would be a mistake to argue that the employers bore the sole responsibility for the deterioration and failure of the Stinnes-Legien Agreement. In the unions, too, it had powerful opponents from the very beginning. On both sides there were influential organisations which preferred a power demonstration to the principle of parity and which recognised no other maxim than the class struggle and the master-of-the-house metaphor, respectively.⁶³ On the labour side, this was especially valid for the communists. The principle of parity, *paritätische Mitbestimmung*, was not new with the agreement of November 1918 but had been proposed already by Theodor Lohmann in the 1890s, for instance. The principle coexisted with approaches which emphasised conflict. This was a crucial line of continuity in the organisation of German society.

The emergence of an unemployment insurance scheme, although it went slowly, is an illustration of the considerable capacity for conflict regulation and of more progressive strategies in the organisation of the labour market simultaneously with the polarising tendencies. The question of unemployment insurance had been debated in the *Kaiserreich*. To the unions, the problem was how to combine autonomous administration of the unemployment benefit with government subsidies. With regard to the key role that unemployment played in the labour market, control of the funds was fundamental to the unions, when they tried to cartelise the supply of labour. It was crucial that only union members could benefit from the funds. Internal opposition in the unions argued that government subsidies would only corrupt the unions. Others argued that only direct government and employer participation in the administration of the funds would make the government and the employers interested in paying. The unemployment insurance question at the turn of the century was pivotal for the role of the unions as fighting organisations or social partners. At this time the perspicacious union leader, Carl Legien, saw more opportunities than problems in the funds. Union involvement would lead them into more permanent corporatist structures of political influence. In this respect, they underpinned the effect of their participation in the administration of the social insurance system of the 1880s.⁶⁴

Before 1918, decisive steps in the direction of a solution had been prevented by the hegemonic norm that the state should not intervene in a way that changed the power relations on the labour market. The state could intervene in order to relieve destitution as it had done in the 1880s, but unemployment, like labour exchanges, was a much more tangible question of market power. The mass redundancies after World War I brought the question of financing far more immediately onto the agenda. It became ever more evident that something had to be done. Unemployment in a highly-industrialised society cannot be treated like poor relief in an agricultural society. Somehow, the government had to contribute. The

prewar principles of power relationships were transformed to a triangular fight about who to pay and how much. The linkage of the unemployment insurance funds to the labour exchange was the instrument which made the compromise possible. In this linkage the crucial question of power in the labour markets could be contained in a tripartite corporatist formula. At the end of 1921 an attempt to introduce contributions to the funds by the employers and the employees failed. In January 1923 both parties emphasised, in rare harmony, that they were not interested in such solutions.⁶⁵ However, at the end of 1923 the employers and the unions gave up their opposition to financial contributions in the framework of mass unemployment during the hyperinflation, although the issue continued to provoke debate and opposition in both the unions and among the employers. The left-wing opposition in the unions argued that the private capitalist insurance should not be financed at all by the employees, who were nothing but the victims of the capitalist system. After seven years of changing governments, parliamentary instability, and opposition between the Ministries of Finance and Labour in almost every cabinet, an unemployment insurance act was at last adopted in 1927. The insurance was linked to the labour exchange system.⁶⁶

The reaction in the public debate to the legislation of 1927 was contradictory. On the one hand, the Act was welcomed as a great achievement of German social legislation and as its keystone. A new epoch had begun. The most positive comments came from the Christian trade unions and from the Social Democratic trade union confederation ADGB. The Act was a great success and would decisively lead to the de-proletarianisation of the workers, they argued. To them the solution of the unemployment question demonstrated that there was no union autonomy in absolute terms. It had to be related to the interests of the employers. This could only occur in the conceptual framework of an intervening state. Ideas of collectivist autonomy in the unions had to be harmonised with ideas of state authority. In this argumentation, neo-corporatist ideas in the post-World War II style are discernable.⁶⁷

However, not everyone on the employee side was so lyrical. It was argued that the union influence and the material conditions were unsatisfactory. The communists rejected the Act completely, and argued that the state alone should pay for the insurance since unemployment was a system-conditioned phenomenon, which was beyond the fault of the individual worker. Among the employers' arguments were, for example, that the benefits from the funds would imply subsidising people who did not need it. The unemployment insurance question is an excellent illustration of how interests are not materially given and fixed, but gradually formulated in processes of problem resolution and muddling through, and under constant adjustment to the interest formulation of others. The question is also a good illustration of modernising capacity in a

progressive direction in the Weimar Republic as well as of how fragile this capacity really was. The failure in 1930 to agree on how to finance the unemployment funds was fatal for the whole Weimar Republic.

Another example of this modernising capacity was the Weimar Constitution, Article 165 of which guaranteed the unions equal participation not only in the regulation of wages and working conditions but also in the general economic development, not merely restricted to the area of social policy as the employers had wished.⁶⁸ The progressive parties in the first Parliament (SPD, the left socialist USPD, the Catholic Zentrum and the left liberal DDP) had 351 of the 421 seats in Parliament. However, this overwhelming majority proved to be very fragile, too. The Social Democrats resigned from the government in November 1923 shortly after the employers had stepped up their campaign against the eight-hour working day. The turmoil in the wake of the hyperinflation and of the polarisation between left and right extremism brought this progressive period to an abrupt end.

The legal recognition of the unions in the Constitution, which had been born in embryo in the War Aid Service Act in 1916, was supplemented by the Works Councils (*Betriebsräte*) Act of 1920, which can be regarded as a concession to the Social Democratic union leaders in order to curb the revolutionary councils movement, the *Rätebewegung*. The Works Councils Act was passed under sharp employer resistance. It contributed to some democratisation at the enterprise level. The problem was its lack of a national level supra-enterprise framework.

This radical version of co-determination took shape in long debates among Weimar's Social Democracy in a commission that the trade union confederation ADGB had constituted at its 1925 Breslau Congress. This commission was mandated to draft a comprehensive programme for economic democracy. This programme, submitted to the ADGB Congress in Hamburg in 1928 envisaged an equal voice for the workers, represented by their union officials, in the decision-making processes of individual enterprises and from there all the way up to the national economy through *paritätische* bodies. Thenceforth *paritätische Mitbestimmung* as the constitutional structure of *Wirtschaftsdemokrati* became the watchword among those unionists who had abandoned the idea of revolution. They saw economic democracy as a way of bending capitalism before it was broken. The employers quickly recognised its anti-capitalist thrust and launched a violent campaign against it.⁶⁹

The Economic Council (*Wirtschaftsrat*) never fulfilled the function of a central-level institution of parity co-determination, where solutions could be found to the tensions between wages, employment and rationalisation. Left Utopian corporatist ideas after 1918 about a Chamber of Labour in Parliament and a Production Council in their Weimar Constitution compromise form were far from the original ideas. The Economic Council

included employee, employer and public representatives. It was originally expected to crown a pyramid of economic advisory organs. However, the subordinate economic councils never came into existence, and the *Räte* influence never reached the *Reichswirtschaftsrat* directly.⁷⁰ In Sweden, corporatist central level trade-offs became the driving force of the tripartite Swedish model of the active labour market politics, although this model only took shape in the 1930s. The long-term flaw of the democratisation of labour market relations in Germany around 1920 was that they basically remained an internal firm-level phenomenon. This flaw became more obvious in 1924 when the unions withdrew from the *Zentralarbeitsgemeinschaft* they had formed with the employers in November 1918. The exodus was a direct consequence of the employer attack on the eight-hour working day agreement. However, the walk-out must also be related to the strength of the adherents of class struggle strategies within the unions. They had never been reconciled to the Legien-Stinnes Agreement on the ZAG. The break occurred shortly after the SPD had left the government in November 1923.

In the summer of 1924, the main employers' federation VdA presented a memorandum on the working hours issue. They argued that the German economy was under the influence of 'the Versailles dictates, inflation, and a *Sozialpolitik*' hostile to production. The eight-hour working day agreed upon in November 1918 had contributed to bringing the economy to collapse. The production increase required for the reconstruction of the German economy could only be achieved through complete exploitation of technical progress, organisational improvement, and intensified and longer working hours. Heavy industry assumed the management of the employers' attack on the labour movement's gains in 1918–1919. Reference to their traditional instigating role and to their master-of-the-house mentality is not enough to explain why heavy industry was the party that assumed management. The peace agreement of Versailles brought down the severest reconstruction problems upon heavy industry. A considerable proportion of the iron and steel plants had to be reconstructed from scratch to compensate for the plants which were lost through the peace agreement. In 1922, considerable progress had been made in this respect. However, labour productivity in heavy industry still lagged behind manufacturing industry. Therefore, in the autumn of 1922—in the framework of hyperinflation and negotiations and regulation of the reparations question—prominent heavy industry employers made up their minds to launch an attack on the eight-hour day. 'Back to the prewar working hours' was their battle cry. They knew they could reckon with considerable support not only from the government. Theodor Leipart, the leader of the unions' main federation ADGB realised how problematic the situation was for the unions. The employers' argument that Germany could only be saved through more work had broad support in public opinion.⁷¹

The French occupation of the Ruhr area in 1923 only brought a very short interruption of the sharp confrontation between labour and capital in heavy industry. In retrospect, it came to be trend-setting for industrial relations in general, although there were more progressive tendencies on both sides. The common front of industry and labour against the occupation was fragile. Not least because of the severe dispute about the eight-hour working day several unions refused to co-operate. In November 1923 the Social Democrats resigned from the government, under pressure from the unions to refuse concessions on the working hours issue. These framework preconditions in the form of the French Ruhr occupation and hyper-inflation enforced resource mobilisation and provided specific points of departure for the definition of problems. The Ruhr industrialists could claim that they had a key role in this situation and that their output had to increase at any price. Under these framework preconditions, their frontal attack in 1923 on the eight-hour working day agreement occurred. This attack, in turn, provoked union militancy and polarisation.

From this frontal attack in 1923, which made the unions abandon the ZAG co-operation in 1924, there is a connection to the *Ruhreisen* lock-out in 1928, which was an employer attack on the Weimar labour market legislation and on the institutions for arbitration and conciliation. In the name of international competitive power, they demanded a more flexible wage policy than the collective agreements admitted. These were the framework conditions under which ADGB debated *Mitbestimmung* and economic democracy as a way of bending capitalism at the congresses in 1925 and 1928. The lock-out, which hit some 250,000 workers, was the largest lock-out in the history of Weimar, and was also a political attack on the Social Democratic Chancellor Hermann Müller and Minister of Labour Rudolf Wissell. The heavy industrialists refused to accept arbitration by Wissell when, according to the Conciliation Act of 1923, he laid down the wage level decided by the president of the Conciliation Commission for the Ruhr district. The fact that the employers, in the name of economic efficiency, openly defied some of the key principles and institutions of the order of Weimar industrial relations meant a considerable erosion of credibility of the regulatory framework. In this respect, there was a clear line of continuity from the attack on the eight-hour working day agreement to the *Ruhreisen* conflict.

The events in the Ruhr area in 1922–1924 demonstrate how decisive the role of heavy industry was for the stamping of industrial relations in Germany. Through their extreme attitude and key position in the war indemnity economy, they blocked or suppressed more moderate employer approaches. In this respect they continued their role in the *Kaiserreich*. They provoked labour claims for a general strike and they developed plans for a corresponding decisive battle. All this contributed to making industrial relations in Germany heavily politicised. The labour market disputes in

1922–1924 were a continuation of the political strikes in the early days of the Weimar Republic and a stage in a development which culminated in the large *Ruhreisen* lock-out in 1928.⁷² During the ‘stabilisation phase’ of the Republic (1924–1929), the number of lock-outs exceeded the number of strikes. The fact that the conciliation institution itself became the target of the employer mobilisation in the Ruhr area in 1928 demonstrates the intransigent attitude of key groups of employers.

The social compromise of 1918 had stood on very weak legs from the outset. It was not completely broken by the employers’ offensive against the eight-hour working day, but by 1924 when the unions left ZAG, the compromise had been largely superseded by social confrontation. The conflict in 1928 deepened the crisis. The tendencies towards polarisation in the name of economic efficiency which, in turn, was an argument which had its breeding ground in the Peace of Versailles, were stronger in the long run than the simultaneously existing tendencies on both sides towards more conciliation. The Social Democratic unions and the SPD, which were exposed to strong pressure from the left feared, for very good reasons, that the economic stabilisation the employers argued for would be an attack on the *Sozialstaat*.

Amidst the obvious progressive modernisation tendencies in the labour market in Germany in the 1920s there were strong tendencies both among the employers and in the unions, which worked in a direction of confrontation and polarisation. Only in retrospect did the mutual strength relationships between these tendencies become visible. Nothing was predetermined. There were both progressive and reactionary alternatives. The outcome of the trial of strength between the opposing tendencies probably had more to do immediately with the general economic framework conditions in the Weimar Republic, which, in turn, were largely dependent on the Peace of Versailles and the war indemnity, rather than with old surviving structures of the *Kaiserreich*. Hyperinflation, for instance, gave more discursive power to the employers when they argued in the name of ‘economic necessity’.

Deterministic perspectives on the interwar period in Germany must be rejected, although the scope of action was small for the actors. Weimar was a class society in transformation and the workers’ class identity was being increasingly eroded. Working-class culture was only a concept in the minds of a small counter-elite, and was declining in favour of a class transgressive mass culture. The political camps were divided across extreme social stratification. The lack of communicative capacity and the demarcation of socio-moral environments from one another which had emerged in the *Kaiserreich* continued. It was not the leftist class struggle approach in itself, but the experiences of threat it provoked in the bourgeois society that prevented parliamentary stability. This mentality was exploited by the major industries which were not interested in maintaining the

compromises of 1918–1919. Their attacks on the eight-hour working day and the conciliation institutions were important steps in the erosion of the Weimar Republic.

In 1924–1928, during the ‘stabilisation phase’, an embryo of a re-establishment of the historical compromise in 1918 could be discerned. The energy demonstrated by the Ministry of Labour in settling disputes was one sign. Another was the unemployment insurance. However, the economic stabilisation functioned for the new, expansive export industries, but hardly for the Ruhr industry, which in 1926–1927 faced declining prices, which, in turn, provoked a harsh attitude in labour relations. The coal and steel industry faced an uphill struggle after the hyperinflation, and at the end of the 1920s it used its political influence to require tariff protection. In 1930–1931, the old protectionist rye-iron coalition was re-established and German trade policy changed in a less liberal direction. Economic reality by then pressed in upon the Ruhr industry on every side during the ‘stabilisation phase’ and the industry acted accordingly: they campaigned for tariff protection and firmness toward labour. This development, in turn, destabilised the political system. This was the implication of the ‘stabilisation phase’. The attempts to stabilise the economy politically resulted in destabilisation of the political system.⁷³ This outcome was underpinned by the debate on rationalisation.

THE CONCEPT OF RATIONALISATION AND THE UNEMPLOYMENT QUESTION

The establishment of the *Sozialstaat* in 1918–1919 presented a bill that would have to be paid in the future. The unions and the Social Democrats realised that the bill would only be dischargeable if there was high enough economic growth and increased productivity to cover both war indemnity and the social welfare system. However, according to them, this could only be achieved if there was a reasonable balance of power between interest organisations on a labour market capable of making compromises, and if political parties capable of integration and of adjusting themselves to the functioning of a parliamentary democracy could give the state a broad basis of legitimacy.⁷⁴ The need for productivity and rationalisation was realised by both organised labour and organised capital, but they completely failed to agree on a strategy for rationalisation. For employers in heavy industry in the Ruhr, ‘rationalisation’ became a key concept to recapture concessions made to the unions in 1918.⁷⁵ The Ruhr employers were important for the specific German turn of a rationalisation discourse which was a general phenomenon in industrial societies at this time.

The replacement of the capital equipment worn out during the war brought accelerated rationalisation and enormous productivity gains. The heyday of this rationalisation was between 1925 and 1929. Productivity

increased by 45 per cent in the mechanical engineering industry between 1924 and 1927 and by 41 per cent in the iron industry. The increased achievement per man-hour was an expression of these efficiency improvements. Another effect was less job security. The instruments of rationalisation were concentration and cartelisation on the one hand, and intensified exploitation of new materials, energy, machinery and labour on the other. Intensification of the work pace occurred through the application of Taylorist methods and/or through extension of working hours. In industries like iron and steel, where machines already determined the pace of the work process, increased work pace was a less feasible way of increased output per employee than extension of the working hours.

Heidrun Holmburg has studied the roots of a specific German shape to the rationalisation concept which was vividly debated all over the industrialised world in the 1920s. Up to 1923, the themes in the German management discourse were Taylorism and scientific management, which served as pivots in the debate on how to realise an efficient organisation of society. In 1924, an interest in Fordism emerged. However, from 1926 onwards, the key concept was the German word 'rationalisation' which definitely became the pivot of the discussion.⁷⁶ The German design meant a failure to establish a lasting linkage between work productivity and peace on the labour market. When, after World War I, social policy under the auspices of the government was introduced to compensate employees for the consequences of the intensified work process, the outcome was an employer attack on the intervention of the state. The employers wanted enterprise autonomy in the field of work organisation.⁷⁷ Between 1923 and 1928, industrial production more than doubled. However, the inconsistency and contradiction involved in the concept of rationalisation was increasingly underlined.⁷⁸ Unemployment in 1923 was three times as high as the average for the period 1907–1913, and in 1927 it was eight times as high. For the metal workers' union 'rationalisation' in the early 1920s connoted longer working hours, and by the end of the decade and in the early 1930s it connoted unemployment.

The Dawes Plan, which after the hyperinflation and the occupation of the Ruhr provided a regulation of the reparations payments, produced a major infusion of foreign credit. With the help of this credit much of industry embarked on rationalisation. Production in many industries became concentrated in larger units utilising assembly lines and the management techniques pioneered by Frederick W. Taylor; sophisticated labour-saving machinery automated and accelerated production, and the demand for labour decreased. The unions were not integrated into this rationalisation process.⁷⁹ While the employers regarded longer working hours as a necessary means in the fight for rationalisation in heavy industry, the metalworkers repeatedly claimed in the 1920s that rationalisation caused redundancy. Shorter, rather than longer working hours was their repeated demand.

However, it was not the advancing rationalisation movement but the mass unemployment in the wake of the collapse of the world economy in 1929 that gave this union claim significance. In Sweden, a corresponding union claim in the early 1920s was the basis of the emergence of a shared view on the content of the concept of rationalisation (see Chapter 3). In Germany this trajectory was blocked through the rigid employer strategy, and the lack of a bipartite or tripartite national forum to cope with the correlation between rationalisation and unemployment at a supra-enterprise level.

Beginning around 1925, the German-elaborated concept of 'rationalisation' dominated discussions of scientific management. Technologists, civil engineers, managers, professors, and owners of capital as well as the unions participated in the lively debate where 'rationalisation' was seen as the magic formula which would relieve the economic problems. Six hundred private economic associations and eighty-five state institutions emerged in the wake of the rationalisation discourse. German competitive power in the world markets was a recurring theme in the debate. Soon the concept of rationalisation in this context came to connote wage restraint. The emphasis on scientific management became exactly the zero-sum contest that Taylor had argued would be possible to avoid through scientific management. Rationalisation was, much less than in Sweden for instance, the idea of economic politics that promised a radical reorganisation of society with gains for everybody. The enthusiasm for rationalisation in the Weimar Republic accompanied the four-year period between 1924 and 1928 with political domination of the conservative and bourgeois parties, not the governments with SPD participation.⁸⁰ In this respect, rationalisation came to be an element of employer cost-reducing strategies parallel to their attack on the eight-hour working day.

This development did not prevent the unions from participating in the debate. They struggled with the rationalisation engineers about the content of concepts like *Selbstverwaltungskörper* and *Wirtschaftsdemokratie*, which had great discursive power of attraction from various points of departure exactly because their meanings were so contested. Only union concepts like *Gemeinwirtschaft* and *Sozialisierung* which had heavy connotations of a Bolshevik vocabulary were excluded. *Wirtschaftsführer*, *Organisator* and *Wirtschaftsingenieur* became some of the key concepts which mediated identity. The engineers of rationalisation did not simply reflect ideas from above. It was much more a matter of bending, prying and loosening the general theme. The group portrait of the participants masked the long-term dominating trend in this plurality at the same time as they constituted the instruments of this trend.⁸¹

Physical and psychological alienation, disqualification, monotony and redundancy became growing problems. The workers' increasing feelings of uneasiness led to direct and indirect forms of resistance and obstruction,

which, in turn, provoked an increasing interest in attempts at rationalisation of the human psyche. The heavy industrialists of the Ruhr placed themselves at the head of this movement. Human economy and economisation with human materials became central notions. Much more than in countries like France, Sweden and Britain, for instance, the German rationalisation engineers tried to be philosophers. Their work philosophy was an attempt to mediate anti-Marxist and anti-union opinions and to guarantee social peace by means of psycho-technical methods which would produce *Arbeitsfreude*.⁸²

A kind of symbol of this specific German psychological human economic approach to rationalisation was the *Deutsche Institute für Technische Arbeitsschulung* (DINTA), which was established in 1925 in Düsseldorf with the heavy industry in the Ruhr as its main promoter. The industrial psychological model of DINTA was an attempt to produce compliant workers with soldiers as a model. The workers were seen as soldiers of work and their supervisors and managements as company *Führer*. Social enterprise politics and social rationalisation meant a human economic treatment of labour. The key group was skilled workers, who were to be educated and trained to be a company-faithful labour aristocracy, as opposed to the mass of unskilled communist production workers. This psychological approach was more pronounced in Germany than elsewhere. However, in this field, too, there were differing attitudes among German employers. The electrotechnical and the chemical industries rejected DINTA. This underlines the continued parallel existence of contradictory reactionary and progressive approaches among the employers even on the question of rationalisation.⁸³

Rationalisation in Germany, as in other industrialised societies in the 1920s, focused upon enhancing productivity and technical efficiency, but in Germany it was also associated with extensive corporate activity, the formation of new cartel-like arrangements on the ruins of such fragile vertical configurations of the inflation period as the Stinnes empire. This corporatist connotation was another distinctive German trait, whose adherents wanted private networks of producers to form the nuclei of public authority. Financial manipulation became as important as technical planning and organisation.⁸⁴ These corporatist arrangements, where the unions were excluded, were of a different kind than the bipartite or tripartite national-level ones which emerged in Sweden, for instance, somewhat later (see Chapter 3).

However, there were also corporatist ideas which involved the trade unions. Whether with or without the unions, the German corporatist approach had important roots in the planned war economy as well as in Utopian ideas of an organic community. The industrialist of AEG, Walther Rathenau, and his collaborator, the Prussian aristocrat and engineer Wichard von Moellendorf, elaborated a *Planwirtschaft* to be preserved after

hostilities ended. In this undertaking they came close to ideas of Social Democrats such as Rudolf Wissell, Economics Minister in 1919 and later Minister of Labour, and Max Cohen, who advocated a corporatist upper house and sought to structure the economy by combining elements of the leftist *Räte* (councils) idea with organic concepts of the state and community. From Wissells and Cohen's point of departure, socialism meant little more than an easier path to enhanced productivity, and it required a continuing partnership with the entrepreneurs, if not as capitalists, then as industrial experts. Of course, the implication of such plans was that they really abandoned any significant redistribution of power to the working class, concentrating instead on seeking a harmony that would eliminate the need for socialism or workers' control.⁸⁵

Rudolf Hilferding, the economic theoretician of the SPD, did not suppress the question of power but was nevertheless not far from Wissell and Cohen. He concluded optimistically that the organised capitalism one could see taking shape would inexorably lead towards an even more organised socialism if the capitalists were permitted to continue reshaping the economic order. Even cartels and other price-fixing and production-regulating combinations seemed to represent positive portents of rapidly decaying capitalist individualism and evidence of an emerging collectivist trend.⁸⁶ The question which finally blew up this understanding was unemployment, which provoked massive grass roots pressure in the union movement. In the spring of 1930, 30 per cent of the members of the Metal Workers' Union (DMV) were unemployed. In 1932 the figure rose to 47.4 per cent. Other unions were even harder hit by the economic collapse.⁸⁷

The energy of the union movement was absorbed by local level issues, which made it difficult to launch a general strategy for job procurement. The unions failed to establish a consistent framework of solidarity at national level. Only the employers, especially the Ruhr industrialists, managed to combine enterprise-specific strategies with a more global heuristic framework.

In the German union movement, the theory of the purchasing power of the masses received increasing attention too in the wake of growing unemployment. The point of departure of the theory of the unions was that productivity in the 1920s had gone up by leaps and bounds, with the implication that industrial production capacity now far exceeded demand. Through enhanced mass consumption, the demand side would have to be strengthened to the effect that labour made redundant in the rationalisation campaign could again be integrated into the work process. The DMV particularly promoted this argument. The 'rationalisation rage' of the employers, it was argued, was the triggering factor. The remedy for unemployment was thus shorter working hours.⁸⁸ This strategy of the metalworkers was based on the assumption of wage compensation for reductions in working hours. The strategy led to tension in the union

movement, because the economic expert of the trade union confederation ADGB, Fritz Tarnow, argued that wage compensation was an impossible goal under the prevailing power relationships. Therefore, he argued for a job procurement programme with an expansive budget policy, which he hoped to get Social Democratic support for in the *Reichstag*.

How realistic were his hopes? In both Germany and Sweden the unions pressured the Social Democratic parties. The difference was that in Germany the unions encouraged the Social Democratic chancellor Hermann Müller in breaking up the government in 1930 when he failed to gain support among the coalition parties for an agreement he had made with the unions to raise the charges to the employers for unemployment insurance to finance the increasing unemployment. After this cabinet crisis, rule by decree under presidential order was introduced. In Sweden, union pressure caused the Social Democrats to look for a coalition partner for parliamentary support for increased unemployment compensation. The red-green coalition became the start of more than 40 years of Social Democratic government. The experience of hyperinflation produced a different horizon of action in Germany than in Sweden. This horizon set specific limits for expansive budget policies.

The role of the SPD had to be redefined because of the economic crisis, according to Tarnow. The decisive crisis of capitalism had not yet occurred. Therefore, the role of SPD was to be both the heir to, and the doctor at the bedside of, capitalism. The cyclical crisis had to be gradually combatted through a systematic job procurement policy with budget expansion, without giving up the goal of socialism.⁸⁹ The experience of hyperinflation was still fresh in the memory of the metalworkers, who reacted negatively to Tarnow's proposal. They argued that the only outcome of 'monetary experiments' would be a price rise, which would hit the unprotected workers. Tarnow did not give up when the Social Democrats left the government in 1930. In December 1931 at the height of the Depression the WTB Plan was launched, so called because of its authors Wladimir Woytinsky, Fritz Tarnow and Fritz Baade. The plan contained in a sense a proto-Keynesian solution where the Depression should be overcome through deficit-spending, closer economic management and work creation.⁹⁰

For a short while, by the end of 1931, the unemployment question took precedence over inflation in the DMV, a fact not only attributable to rising unemployment, but also to the fact that the Communist Party had become the party of the unemployed. However, in the spring of 1932 when a united union front at last seemed possible after the new approach of the DMV, the SPD hesitated. Rudolf Hilferding opposed the job procurement plan of the ADGB because of its inflation risk and because it was 'unMarxist'.⁹¹

The dilemma of the 'double doctor-heir strategy' of the ADGB (cyclical job procurement within the framework of the capitalistic order and the

introduction of socialism) and its small scope of action became visible when the Papen government tried to adopt an expansive strategy and began to realise a job procurement plan of its own. The unions found it impossible to support the steps taken by the government because the plan proposed tax credit notes which would favour the employers unilaterally, and it also contained elements of deconstruction of social achievements in the Weimar Republic. The union response was the demand for a 'consistent socialist policy'. The job procurement plan of the government had to be struck from the agenda. Supporting it would have cast doubt on the seriousness of the goal of socialism, according to the chairman of the DMV.⁹² His statement must be seen in the framework of the faction struggle with the communists.

While the ADGB and the SPD failed to agree on a common strategy, the Nazis managed to create credibility for a programme of 'military Keynesianism' which involved both socialism and job procurement. Unemployment did away with vague ideas about a state corporatist socialism as conceptualised by Wissell and Cohen. Instead, the Nazis took over and transformed such schemes for a corporatist community whereas socialistic visions among the socialists were defined in class-struggle terms.

THE VOLK METAPHOR

George Mosse, in his impressive study of German ideology, talks about an intellectual crisis which had its starting point in the 1870s. After economic stagnation, beginning in 1873 it seemed clear to many that the great promise of national unity had somehow gone sour. Mosse terms the set of ideas which developed 'volkism'. They can be traced back to the struggle for national unity at the beginning of the nineteenth century.

Volk is one of those perplexing German terms which connotes far more than its specific meaning. '*Volk*' is a much more comprehensive term than 'people', for to German thinkers ever since the birth of German romanticism in the late eighteenth century '*Volk*' signified the union of a group of people with a transcendental 'essence'. This 'essence' might be called 'nature' or 'cosmos' or 'mythos', but in each instance it was fused to man's innermost nature, and represented the source of his creativity, his depth of feeling, his individuality, and his unity with other members of the '*Volk*'.⁹³

Mosse's conclusion is clear. 1933 was not an accident of history, but had been prepared long beforehand. If National Socialism had not taken the lead, other *Volk*-oriented parties stood ready to do so. Not that the triumph of a different section of the right would have had the same results—perhaps the fall of democracy could have been avoided. But democracy had been

faltering ever since its founding and millions had sought refuge in 'volkish' attitudes. Mosse's saying that 1933 was not an accident of history does not mean that he denies the importance of the actual mechanism of the Nazi seizure of power, only that the way was prepared. Even more decisive than the fact that the 'volkish' ideas captured the entire right was probably that they also captured social groups which, in Sweden for instance, belonged to the left. S.M.Lipset's famous thesis that Nazism was mainly a petty bourgeois movement, has been modified considerably. The working class was not untainted and the Nazis had influential adherents among the high professionals in the *Bildungsbürgertum*. It would also be wrong to blame only big business. The theory of the Nazi regime as nothing but the spearhead of monopoly capitalism is far too simple. National Socialism was a popular movement which transgressed class barriers.⁹⁴ In recent years, the research on national socialism has increasingly emphasised its revolutionary and pro-modernising character, as a movement which did not aim at the re-establishment of an idealised agrarian society but at a new order based on race instead of class. The core of Nazism was a merger of social Darwinian power struggle and the aestheticisation of politics. Its decisive *tour de force* was its promise of social peace and harmony in a way compatible with its Darwinian elements. In the polarised intellectual structure in Germany, the role and the significance of the concept of *Volk* was quite contrary to that of *folk* in Sweden, where there was not the corresponding ideological polarisation and where it captured almost the entire left. The unified performance made the left a powerful transformative force. 'Volk' and 'nation' supplied the Germans with the class-bridging metaphor that the alternative class struggle and the master-of-the-house metaphor had failed to provide. In Sweden, the *folkhemmet* metaphor (see Chapter 3) played a corresponding class-bridging role, although it was launched from the left. This difference was decisive also for the organisation of the labour market.⁹⁵

The NSDAP managed to bring the contradictory roles of class-bridging *Volkspartei* and as revolutionary *Arbeiterpartei* together in one ideological construct. The point of departure for the transformation of Marxist theory into Nazi ideology was the promise of full employment, *Recht auf Arbeit*. In 1926 Paul Silverberg had realised that Germany could not be governed without the working class. He had understood the importance of the Social Democrats for the social integration achieved during the consolidation phase after World War I. However, he did not get a majority among the members of the RDI to support this view. In the early 1930s this opportunity for integration had disappeared, owing to the Social Democratic failure in the unemployment question. The Nazis managed where the Social Democrats failed. They legitimised the capitalist society, thereby gaining support among the representatives of industry, and at the same time propagated the anti-capitalist revolutionary destruction of that society, thereby gaining support

among the workers.⁹⁶ The myth of national consensus was built. *Volk* was not a counter-symbol like the class struggle or like *folk* in Sweden where the left had seized the interpretation of the concept and made use of it in the struggle against the establishment. The paradox—and the danger—in Germany lay precisely in the congruity between the official symbols and the symbols in the name of which the nationalist opposition was mobilised. The integrity of these symbols was never in dispute; what was at issue was the authority to interpret them.⁹⁷

THE SOCIAL MARKET ECONOMY

To what extent big business contributed to Hitler's *Machtübernahme* is a controversial question. Quite irrespective of the actual extent of the involvement of heavy industry, what was important after the war was the role people believed it had played. By 1945 there was not much left of the polarised *Kaiserreich* and Weimar class struggle discourse or the master-of-the-house metaphor. The main intellectual current was anticapitalist instead. Ideologically, it was based on visions of either democratic or Christian socialism (or a combination of the two). The reaction was the expression of a general desire for material improvement, order, peace and security which it was thought that a planning, provident and responsible state would be able to establish. The parallels to the situation in Japan are obvious, but there were differences, too. The vague socialist ideas in Germany did not provoke the same mass mobilisation as in Japan. In Germany, the mood was much more pacifist than militant.

Class struggle politics and orthodox Marxist socialism did not emerge on the labour side. As Kurt Schumacher, the German Social Democratic postwar leader expressed it, the Social Democrats had to break once and for all with the class struggle perception of society. Socialism had to enter into an indissoluble association with parliamentary democracy. The SPD fought for 'democratic socialism'. This concept involved nationalisation in the economic sphere, especially of banks and basic industries, and the implementation of the Weimar concept of *Wirtschaftsdemokratie*, economic democracy. The concept recurred frequently in the early postwar trade union statements. As to the claim for nationalisation of key industries and banks and central state planning of the economy, the approach was flexible and pragmatic. In 1948 Hans Böckler, who was to become the first chairman of DGB, the trade union confederation, said that if nationalisation was not compatible with the Marshall Plan, the unions were prepared to postpone the question of nationalisation.⁹⁸

The unions re-emerged on the basis of the *Industrieverband* principle, i.e. only one union was represented in a particular company. They were organised along uniform lines combining divergent traditions such as Social Democratic, Christian, Communist and Liberal. These

Einheitsgewerkschaften, which at first operated on a zonal basis, were brought together in the *Deutsche Gewerkschaftsbund* (DGB) in 1949 after the foundation of the Federal Republic.⁹⁹ (In the Weimar Republic, there was ambiguity between class and state. The tension this ambiguity produced was based on the chasm between the class-struggle framework of interpretation and the requirements of political practices where wider interest representation, which its role as government party brought with it, led to the primacy of political practices in the SPD.)

There was a certain parallel between the Social Democratic debate, and that among the Christian Democrats. Their point of departure, too, was socialism. Their target was socio-economic reforms and the breakdown of confessional barriers. They incorporated many of the ideas of the Christian labour movement into their programme. In a Dominican monastery in Walberberg in the Rhineland, the Ahlener programme was elaborated on the basis of the ideas of the Christian trade unions and the Catholic labour movement. The wage earners were a key group in the programme. Although the concept of socialism was eliminated in the second revised edition of the programme, it was still difficult to see any major difference between them and the Social Democrats. The similarity was even more pronounced in Hessen, where the Christian Democrats elaborated another programme with the slogan of economic socialism on a democratic basis. Nationalisation of heavy industry and some other industries, a planned economy, and employee co-determination were demanded.¹⁰⁰ Social justice became an important leitmotif of socio-economic reform, which had the same goal—breaking the power of big business—as the Social Democrats.

This shared intellectual framework of the Social Democrats and the Christian Democrats was split after only a few years. At the SPD's first postwar conference in Hannover in 1946, Viktor Agartz, spokesman on economic policy, said that he considered central state planning the most important goal. His proposal was approved and developed during the following years. Although the difference as compared with centralisation of the Soviet Russian type was emphasised, the SPD became much more tied to nationalisation and state planning than it had been when the first vague ideas of popular socialism were developed in 1945 as an intellectual attitude rather than an action-oriented norm. The class party became the 'state party' in the SPD's own perception more than the people's party it had imagined being in 1945. The nationalisation list included raw materials and some key industries, rail transport, energy, cement production, banking and insurance.

After 1947, the ideological development of the Christian Democrats went from Christian socialism to secular economic liberalism. Against the centralism of the SPD stood the economic liberalism of the CDU. The underlying preconditions of the shared intellectual framework immediately after the war had been the conviction that capitalism was the basic cause of

the war and that a new social order therefore had to be built on a different cultural and interpretive foundation. Christian tendencies and social conservatism were still fully visible in the Ahlener Programme of 1947, but after this they died fast. The free enterprise style the US promoted was one expression of the new tendency. The establishment of the Economic Council in Frankfurt in the summer of 1947, the accession of Ludwig Erhard to the administrative leadership of the economy in the spring of 1948, and the currency reform in June 1948 were important milestones on the way towards a liberal market economy. The currency reform hit those who held their savings in cash, and was unilaterally beneficial to those who held their assets in property. By now two intellectual views on the economy were fully visible. This development was underpinned by the emerging Cold War and later, in the 1950s, by the very success of the economy during reconstruction. The *Wirtschaftswunder* was a concept which described this almost self-fulfilling economic policy. Instead of popular socialism, a vision emerged of a kind of popular capitalism that appealed, more than socialism, to everyday experience. The contrast with economic performance in the Soviet occupation zone was obvious and fortified the intellectual development of the liberal market metaphor. The free market, with as few obstacles as possible, became the regulatory self-fulfilling principle. However, this was only part of the truth. The well-known personal antipathy between Ludwig Erhard and Konrad Adenauer was, when it came to a question of facts and *Realpolitik*, translated into different views on how liberal the economy should be.

The Social Democratic cries for more central planning rang hollow. The SPD was at an impasse. How deep the chasm really was between the Social Democrats and the predominant political comprehension of the vast majority of the population became obvious in the elections to the new federal Parliament in 1949, when the SPD won only one-third of the votes. The framework of interpretation Schumacher had imposed on the workers did not fit with the market concept.¹⁰¹

In the first postwar plans, as in the programmes of the Christian Democrats, there had been a great deal of concentration on control through employee co-determination and co-operation between government administration, parliament, management and unions, whereas central state planning was much less to the fore. By 1947, the focus was on central state planning. Although the SPD supported the trade unions in their fight for co-determination, it is quite clear that the party did not attach great importance to the issue. To a large extent, it was left to the unions to take the initiative. The issue was how to develop the industrial relations system and how to establish institutions for conflict regulation. One point of departure was the agreement between Stinnes and Legien in November 1918, and the works council system which was developed on the basis of that agreement. The bone of contention was whether the employees were to gain real influence or

whether the dual interest representation (trade unions and works councils) would lead to the breakdown of employee solidarity beyond the framework set by the enterprise. The debate began when parity co-determination was introduced in the coal and steel industry in 1947. During the next few years in particular it involved the trade union confederation (DGB) and the federation of the metalworkers (IG Metall), the interest organisations of the employers and the industry, and Adenauer's Conservative government. The SPD leadership considered the struggle for co-determination to be a waste of energy on socio-political side-issues when all concentration of the labour movement was needed on the question of nationalisation and central economic planning which—if implemented—would give the co-determination issue quite a different framework.¹⁰²

Volker Berghahn has demonstrated how elements of continuity varied with elements of discontinuity and how American influences were merged with German traditions in a complex way when the labour relations order emerged after 1945. Contradictory and oppositional tendencies existed side by side both among the unions and the employer associations. One of the union architects of a new order was Fritz Tarnow who returned to Germany after exile in Sweden to become an economic expert on the Right of the DGB. By now he had fully developed arguments for a Keynesian approach and he was less interested in the recipes for economic democracy that were being discussed in the German labour movement in the late 1940s. He turned his attention not to the institutional arrangements at factory level but to the building of a corporatist tripartite order for the promotion of higher living standards through greater productivity and an extension of the social security net. He was one of the fathers of the union expansive wage policy and the 1959 SPD Bad Godesberg programme in which the SPD completed its postwar transformation to become an adherent of a liberal capitalist welfare-statist economic order.¹⁰³

The unions in the Federal Republic expected to achieve a powerful institutionalised voice in the management of the economy both at local and national levels. They expected to gain parity with 'capital' at both levels. It is important to differentiate between these two levels of *paritätische Mitbestimmung*. Company co-determination was intended to achieve parity on the supervisory boards of larger companies, whereas the idea of a national co-determination was based on newly created institutions with a capacity for economic planning.¹⁰⁴ However, the idea of national level co-determination soon proved to be problematic in the face of the gearing towards a parliamentary model. As soon as the parliamentary-representative principle began to provide the basis of legitimacy, this eroded the notions of parallel union control over the economy. The introduction of parliamentarism demoted all 'councils' envisaged by the unions automatically to mere advisory bodies with no tangible powers.¹⁰⁵ This was not the first time this happened in German history. The

resemblance to the destiny of the *Wirtschaftsrat* in Weimar is obvious. The German politico-economic order is often referred to in terms of centralism after the unification in the Empire in 1871. Nevertheless, in the organisation of the labour market, decentralising forces have historically repeatedly prevented the emergence of a fully-fledged centralised and liberal corporatism as in Sweden.

The central-level decision-making which emerged was rather a bipartite industry-ministerial bureaucracy affair where the unions were mainly excluded. All that was left for the unions to pursue was the idea of achieving parity at company level. Prospects of attaining enduring successes in this field seemed better immediately after the war, because of the weakening of the old power positions of the entrepreneurs both in moral-political and economic terms, due to their association with the Nazi regime. In the early postwar months, in many places, the workforce took over factories. However, the occupation authorities soon put a stop to these practices, and many companies were again run by their old managements. The powers of the works' councils were curtailed.¹⁰⁶

However, despite the bitterness and disappointment of the rank-and-file in the face of this development, *Mitbestimmung* at company level continued to be a key goal for the unions. The emerging Cold War and the growing need to use organised labour in the mobilisation of national resources was a trump card in their hands. In April 1950 the unions submitted their 'Proposals for the Reordering of the German Economy' which postulated the need for *paritätische Mitbestimmung*. The government was already working on a draft bill which was designed to curb trade-union influence and emphasised the need to grant participatory rights to the individual employee. The demand of the DGB that the unions should select the representatives of the workforce on the supervisory boards was rejected, but organised labour was given the right to propose candidates in collaboration with the works' council (*Betriebsrat*). This solution was not agreeable to the hardliners in industry. As in the Weimar Republic, there were different opinions among the industrialists as to how to organise the labour market and to cope with organised labour. However, as opposed to Weimar, the hardliners did not have the corresponding almost hegemonic influence, and at the political level the conservatives were also much more aware that the new West German state could not do without the labour movement and that it had to be integrated.

Volker Berghahn has analysed this process in his detailed and informative study on what he calls the Americanisation of the West German industry after World War II.¹⁰⁷ The outcome of the struggle on co-determination was that the unions managed to maintain the order which was introduced for the coal and steel industry in 1947–1948, but only in this industry. The DGB was not strong enough to obtain parity in large-scale enterprises of other sectors, as had been officially proclaimed in April 1950. The Works' Constitution

Act of July 1952 established the principle of *Mitwirkung*, participation, instead of *Mitbestimmung*, co-determination, but not the principle of equality of capital and labour.

In the framework of the Cold War and spectacular economic performance, Kurt Schumacher and the party he represented looked increasingly like a tedious anachronism to most of his contemporaries. The vision of a struggle between capitalistic reaction and socialist progress did not appeal to the average West German, and probably not even to a large number of traditional SPD voters. The Social Democratic Bad Godesberg Programme of 1959 meant an adjustment of Social Democratic policies to the successful market concept. As in the employer camp the progressive modernising tendency in the labour movement got the upper hand in the 1960s. The Social Democratic adjustment in this respect was confirmed in the Bad Godesberg Programme.

In 1966/1967 the Federal Republic experienced its first serious recession since the high-growth period in the 1950s. The recession provoked government intervention spearheaded by a Keynesian economist, Karl Schiller who as Minister of Economics in the 1966–1969 Grand Coalition applied the concept of a ‘global steering’ of the economy.¹⁰⁸ Keynesianism and tripartite neo-corporatist governance since the *Wirtschaftswunder* had replaced the devastation of the war and given employees and consumers taste for mass consumption. Mass production and mass consumption as a basis for sustained economic growth without inflation and a distribution which large sections of the population considered to be fair required Keynesian intervention and corporatist bargaining.

All this became possible also because the employers had changed. They had slowly abandoned their traditional hostility toward the unions and increasingly treated them as bargaining partners. This was facilitated by the fact that the unions no longer wanted to abolish capitalism, and it was possible to work out pragmatic compromises over wages, employment and social welfare. The government became the third member of this liberal-capitalist concertation strategy. This had begun with Ludwig Erhard who was not quite the *laissez-faire* liberal that has been argued. His *soziale Marktwirtschaft* contained from the start an explicit welfare-statist commitment. Schiller’s predecessor began to go for more planning, forecasting and management of the economy. A basis was laid for Schiller’s Keynesian approach in 1966/1967.

(The Bad Godesberg Programme contributed to the development of a class-bridging interpretive framework, by consent, involving large sections of the lower classes for the first time in German history (except for a very short period in 1945–1946). In that respect it not only expressed the interests of different social classes but also an interest in class compromise. This Social Democratic reorientation around 1960 was a decisive step towards corporatist arrangements.)

However, in leading circles of the Confederation of German Industry (BDI) the new approach of the Social Democrats, demonstrated in 1959 in the Bad Godesberg Programme, did not result in moderation of their antiunionism. The attitude was much more positive in the Confederation of German Employers (BdA), where the president battled against the wide-spread anti-unionism in the entrepreneurial camp. The question of the long-term cultural penetration of the old hardline industrial relations approach by a more modern one inspired by American ideas is convincingly elaborated by Berghahn.¹⁰⁹ The element of continuity from the prewar mental structures was considerable. The hardline approach had difficulty gaining a hearing during the first decade after 1945 when the mood of *Stunde Null* and later economic liberalism under Erhard still prevailed. However, by the mid-1950s things changed. After having fully supported Erhard's liberal free-trade approach in the European free-trade negotiations at this time a major shift of strategy occurred in 1955–1956 in the BDI. The shift occurred through exploitation of the opposition between Erhard and Adenauer. BDI not only turned from a support of Erhard's policy of a European free-trade area in the framework of the OEEC towards a support of the plan for a more protectionistic and exclusive European customs union, but also developed a language not heard since the war. Leading figures started, for instance, to talk about the need for a *Großwirtschaftsraum*, by implication a large protected European market where German industry could expand.¹¹⁰ Here it is interesting to compare the attitude of Swedish industry which as late as 1958–1959 was hesitant, to say the least, toward the Treaty of Rome because of its elements of regulation of markets and industrial relations. Swedish industry was much more in favour of Erhard's ideas in this respect.¹¹¹

Elements of continuity and tradition were interwoven with a progressive new orientation in a very complex pattern in the German employers' and industrialists' approach in the 1950s. Only in the 1960s did the modern approach come out as the more successful one after two decades of contradictory and opposing reactionary versus modernising trends, as in the *Kaiserreich* and the Weimar Republic. BdA played an important mediating role in this development. It is possible to recognise a line of continuity to the 2AG tradition of 1918, as well as affinities between the campaigns of BdA in the 1950s and the spreading American managerial ideology in the 1920s.

Both the decentralised local and the centralised hierarchical interest representation rested on traditions from the Weimar Republic. While the centralised and hierarchical tendency was visible in the general policy formulation of the unions, wage bargaining had rather a regional focus and, due to the works councils and the employee representation on the company boards, industrial relations had a more decentralised structure than in Sweden, for instance, although not nearly as extreme as in Japan. This

organisational structure gave the labour market organisation in Germany a more decentralised profile. Nothing like the Swedish 'wage policy with solidarity' (p. 94) developed. This conclusion should be related to the intense debate among German economic historians recently as to how corporatist post-World War II Germany was and when it is justifiable to talk about a corporatist German model. The debate was opened by Werner Abelshauser, who argued that there was a continuity between corporatist structures in Weimar and the early 1950s when the old corporatist structure re-emerged. He denied the emergence of a special kind of liberal German market economy (*soziale Marktwirtschaft*) after World War II, with Ludwig Erhard as its alleged architect. The Korean boom resulted in a corporatist organisation which could be described as a *korporative Marktwirtschaft*. The organised interests dominated in the framework which was imagined to be ruled by the market mechanism.¹¹²

THE EMERGENCE AND EROSION OF A LIBERAL CORPORATIST ORDER

The answer to the question of corporatism depends, of course, on the definition of corporatism. It is clear that the German economic miracle was not created by a spontaneous market economy, but by a systematic, successful political organisation of the economy in order to benefit by the high international demand for industrial commodities, where the government up to mid-1956 managed to get the unions and consumers to agree to a collective act of self-denial in favour of the owners of capital and the expansion of industry. To this end the concept of *soziale Marktwirtschaft* played a role as a mobilising interpretive framework. By the end of 1956, a number of sharp conflicts occurred over wages, prices, investment levels and full employment. While the boom strengthened the hand of the unions, Erhard's economic policy relied largely on appeals for moderation which, after 1955, proved ineffectual. The creation of institutionalised tripartite bargaining and economic policy making was suggested. The president of the Confederation of the Employers revived ideas of a Round Table and of a *Bundeswirtschaftsrat*, which, however, then provoked objections because of the constitutional problem of economic councils in a parliamentary system.¹¹³ However, this emerging order is difficult to call corporatist before 1967 in the sense of Schmitter in which it has been used to describe Sweden, for instance (Chapter 3), because of the many decentralising elements in industrial relations in relation to wage formation and co-determination, and the smaller degree of real tripartism.

Moreover, in Weimar under the Arbitration Act of October 1923, 80 per cent of all collective agreements between 1924 and 1928 were compulsory agreements where, as a rule, employer bids were raised to law.¹¹⁴ This authoritarian bipartite employer-government coalition can, of course, be

called corporatist, but then it was not corporatist in the liberal sense of Schmitter's neo-corporatist concept after World War II. Only in this authoritarian sense is it possible to discern a corporatist line of continuity between the Weimar and the Federal Republic. This continuity was based on the same remaining influence of the hardliners among the employers as demonstrated by Berghahn. Their position of strength in the 1950s constituted the real line of continuity which connected the Weimar Republic with the 1950s. This continuity was not based on tripartism or the principle of equality of capital and labour.

In the 1960s this line of continuity was broken. One consequence of the decreasing influence of the hardliners in the employer camp was improved preconditions for tripartite centralised bargaining and liberal corporatism. In 1967, one year after the Grand Coalition (CDU-SPD) had formed a government a tripartite wage, price, and economic political coalition was established on the initiative of the Economics Minister Karl Schiller in the name of *konzertierte Aktion* in order to stabilise the economy. Now a second line of continuity from Weimar appears, that of expansive proto-Keynesian budget politics. This line of continuity is only at the level of ideas, however, since although it was vividly debated it was never politically implemented in Weimar. The decade which followed after 1967 was the period which really can be called corporatist in the liberal sense of centralised wage and distribution bargainings based on the principle of equality of capital and labour and on legitimation through Keynesian economic theory. This development was underpinned by a general radicalisation in Western societies in the wake of 1968, which spread to the labour market in Germany as in other countries. The Co-determination Act and the Works' Councils Act were amended. The impetus behind these pieces of legislation came from social forces other than the industrial elites. The local level of the industrial relations order was emphasised by this legislation.

In the framework of a liberal Constitution and a neo-liberal rhetoric, collective wage formation from the mid-1950s onwards was increasingly co-ordinated in a corporatist macropolitical framework with considerable influence from the state. Both the unions and the employers maintained their liberal ideas of freedom of negotiation and freedom of contract, but became increasingly involved in politically co-ordinated wage formation.¹¹⁵ However, the framework of wage negotiations and agreements was not at centralised national level, but was focused on region and industry. Nothing like the Swedish wage policy with solidarity emerged. Between 1977 and 1982 this tripartite pattern eroded and the old continuous decentralised structure of wage formation and co-determination re-emerged. This development had several causes.

When shipbuilding, automotive, steel and the heavy engineering industries in the 1970s were exposed to severe structural changes, and politics of deindustrialisation were introduced, obvious tensions in the

industrial relations order emerged. In the fight for survival, regional workforces were played off against other regional workforces and company workforces against other company workforces. Company-based coalitions between managements and local unions eroded hierarchical structures and reinforced decentralising ones. Union power was fragmented. This was especially palpable in the steel and shipbuilding industries.¹¹⁶ Marginalisation of large sections of the labour market and mass unemployment were other distinctive marks of this transition.

This trend towards an emphasis on the local level was underpinned by a transformation of the work organisation, owing to new production technology and new methods of achieving productivity gains. The outcome of these processes was the erosion of old class identities and the emergence of new identities with the enterprise. Employee strategies were developed where key groups of employees were tied to the enterprise. '*Mitarbeiter*' (colleague) instead of 'worker' was a concept which was developed in this strategy. The 1980s underpinned this development. Hierarchical structures in the trade union organisation were undermined. At the beginning of the 1990s the trade union confederation DGB was increasingly described as an 'effete giant'. This development was similar to that in Sweden and is discussed more fully in Chapter 3. Important background factors were the transformation from manufacturing towards services and the increasing substitution of robots for labour and computers in industrial production on the one hand, and the globalisation of national economies on the other. Transnational capital movements dramatically eroded national tripartite corporatist structures and Keynesian economic policy strategies in the 1980s.

Given this parallel development in Sweden, by the mid-1990s there probably still remained more corporatist arrangements in Germany than in Sweden. Germany as a much bigger economy could maintain more of a Keynesian approach in important respects, especially because of the particular requirements the reunification in 1989 put on the German economy. The fact that Keynesian ideas continued to be applied after the neo-liberal rhetoric of the 1980s is attributable to the problems that the collapse of the GDR imposed on the new Germany.

3

SWEDEN

CRISIS AND MODERNISATION

Industrialisation in Sweden around 1850 began a new phase of penetration on a more national scale. This process was intensified at the national level in the 1870s, and even more in the 1890s, when regional business networks were transformed to national ones and an organisation of interests increasingly occurred at the national level.¹

After a deep but short economic depression in the early 1880s, a process of remarkable transformation began in the 1890s, which was a period of dynamic, interactive, mutually reinforcing organisation of interests. The growth of manufacturing industries and the emergence of national business networks and finance markets transformed the labour force and the labour market and brought intensified unionisation, which, in turn, resulted in enhanced organisation of employers' interests. Classical industrial capitalism shifted to organised capitalism.² A new pattern of organisation of society emerged. Interests became nationally organised not only in terms of economic and financial operations but also in the labour market, and strong central and hierarchical employee (*Landsorganisationen*, LO 1898) and employer (*Svenska Arbetsgivareföreningen*, SAP 1902) confederations became key factors in the appearance of a national industrial relations framework.

The emergence of national business and employer associations was one of the key elements of the transformation in the 1890s which strengthened the national co-ordination arena. The earlier strong connection between regional economic and political power was finally broken through the suffrage reforms in 1907 and 1919 and the emergence of modern national political parties during the first two decades of the twentieth century. Before these reforms MPs had been locally and regionally rooted.³

Developments in foreign demand, technology and banking produced a framework for Swedish entrepreneurs, businessmen, workers and their emerging organisations, and politicians to be active in problem resolution.⁴ In the new national economic and political networks owner groups and large

banks in the three metropolitan areas (Stockholm, Gothenburg, Malmö) developed central positions. The merchant houses which had been central in the operations of the finance markets during the earlier phases lost their role after 1900.⁵ The merchant capital was transformed into financial capital of quite a different expansive capacity through the establishment of the large banks. A conspicuous number of merchants had a progressive approach to investment in banks and industry, and were often among the founders of new enterprises. The expansive power of the Swedish economy came from the merchant capital. The iron industry which, since the eighteenth century, had been the backbone of the Swedish economy (after agriculture, of course), failed to form the basis of technological innovation and economic transformation. Many of the old bar iron foundries (*bruk*) were too tied to old production traditions, and were stuck in their old structures.⁶

A pattern was established in which many enterprises were owned by the large banks or were strongly dependent on loans from them. The banks became big stock owners in many firms. The Wallenberg family was the personification of this pattern, established in the period 1890–1920, in which the major banks formed large owner groups. It was not a matter of disparate conglomerates loosely put together. In the Wallenberg group, for instance, there was a clear strategic concentration to banking, engineering and the forest products industry with a focus on large scale operations and an openness to international management ideas. The owner groups specialised in different fields and seldom competed with one another. Taken together, however, they reflected a high degree of industrial concentration and organisation.⁷

Opportunities from integration of the increasingly nationally organised economy into the international economy were balanced against the destructive aspects of an open economy. The increasing emphasis on the national level of social organisation produced a redefinition of the role of the state in a more interventionist direction. Tariffs and subsidies in the 1890s were recognised as valuable support to new industries. A combination of tariffs, subsidised loans and policy in support of upgrading characterised the industrial sphere and contributed decisively to dynamic developments.⁸

The new view on the state which was implicit in the breakthrough for economic protectionism around 1890 after a heated political struggle meant that the state was increasingly recognised as an instrument for the promotion and protection of specific Swedish interests.⁹ This transformation of the view of the state occurred in the framework of an intensified national identity construction. This transformation of earlier views, where the state should only balance different interests without actively intervening in the economy, together with the transformation of industry, formed the basis for organised capitalism in Sweden after 1890.

The state accumulated an extensive amount of industrial knowledge in the period up to 1913 and the state was itself reformed during this

period to make full use of its capabilities. The requirements of state personnel encouraged closer association with industry and new state institutions were established to forge a converging interest between public and private sectors.¹⁰ This converging interest meant that public ownership never became a significant aspect of Swedish development.¹¹ Economic and social development came about slowly in one important respect; it was not until the mid-1930s that the industrial sector gained a larger share of employment than the agricultural sector. The dynamic industrialisation was not accompanied by a corresponding urbanisation, as in Germany.¹² The relatively small share of the labour force working in industry and the rapid accumulation of capital set up favourable conditions for absorbing change.

This capacity for absorbing change was facilitated by another factor; the emigration of one million people to North America between 1850 and 1925. This corresponded to one-fifth of the Swedish population in 1900, an emigration figure which was only exceeded in Ireland and Norway. Later, 200,000 of these people returned, many of them with capital and fresh ideas. Between 1870 and 1910, the golden period of industrialisation in Sweden, the number of male emigrants of working age (15–65 years) was higher than the number of new jobs created in industry. The net inflow of financial transactions from the US amounted, at the turn of the century, to more than one-fourth of the exports of the Swedish engineering industry, which was about to become established as a key export industry.¹³

In 1882 neo-Malthusian economist Knut Wicksell argued that emigration would solve the pauper problem which threatened labour-abundant Sweden. Emigration was, according to him, an opportunity in this respect. However, later on emigration was experienced less in terms of opportunities than problems. The Conservative MP and political scientist Rudolf Kjellén, for instance, reckoned that each emigrant was worth 5,000 *kronor* and deplored the loss of 20,000 to 25,000 emigrants each year. Contrary to Wicksell emigration was interpreted in terms of capital outflow.¹⁴ Statistician Gustav Sundbärg was another prominent opponent of Wicksell's ideas.

This changing view of emigration was particularly obvious after the Norwegian break-away from the union with Sweden in 1905, which provoked sentiments of a national crisis among the ruling classes. The emigration issue became the catalyst in the subsequent crisis therapy. Although the highest levels had occurred earlier, emigration now became the symbolic representation of the crisis on the political agenda, where the key question was what had gone wrong with Sweden.

There was American influence in the social discourse in two respects: the problem of how to prevent emigration and labour drain, and the American model of modernisation as a model to emulate. A government commission on emigration was appointed in 1907 and its work, which went on until 1913, resulted in a twenty-one-volume report. The research for the

emigration commission also included an investigation on industrial methods of work in the US. A special inquiry among industrialists, trade and business corporations attempted to find out what was wrong with Swedish industry and to study its 'weak and slow development' in connection with emigration. The country was said to need a Vigorous Swedish industrial policy' to counteract emigration. Swedish industry was inefficient and suffered from a low work intensity, it was argued. Complaints about the low level of efficiency of Swedish industry were the main theme. This discourse contradicted the fast economic development. The tensions in the wake of the Norwegian break-away produced their own logic where the implicit argument was for more modernisation and faster change.

The emigration issue was the main theme on the political agenda in Sweden before World War I. If productive capacity and work intensity could be raised, emigration could be stopped. Sweden needed a devoted labour force. Historian and economist Eli Heckscher argued in 1911 that the workers did not understand that the bigger the industries, the better their own conditions. The *whole* people, not only the workers, must make the utmost effort.¹⁵ The Conservative political scientist and politician Pontus Fahlbeck argued that increased industrial production was the only way to increase the means of subsistence for the Swedish population. Sweden had to struggle against her lack of capital, guerilla war with the trade unions, and a growing opinion in liberal and radical circles against capital concentration and major enterprises. These liberals and radicals did not want to admit that the only solution to the Swedish problem was concentration of capital and bigger industry.¹⁶

When dealing with the place of industry in a reformed Swedish society the relationship between state and industry was crucial. The state should, to a larger extent than in the past, facilitate industrial activities, listen more carefully to the opinions of industry, and provide more places in the government and the bureaucracy for specialists and people with industrial, economic and technical backgrounds. New channels should be opened between state and industry. The state should not act as a competitor on the industrial market, but instead promote private industry. Relations between employers and employees should be settled through legislation. Re-emigration should be encouraged and unfair competition prevented. The dominant problem formulation presented it as a matter of defending industrial and business interests in order to produce stability, rationalisation and continued expansion of the existing political economy.

The discursive and conceptual reflection and shaping of this development pattern can be seen in the political debate after 1905. The new emerging problem, as the ruling classes experienced it, was the drain of labour to North America. The problem was no longer the working people as a potential threat to order because of their poverty, but how to get respectable 'workers', '*arbetare*'. The discourse in Sweden after 1905 focused on the

emigration issue. This discourse set the framework for how problems and problem resolutions in social organisation were formulated.

In the discursive field of the public debate, economic and social developments were perceived and experienced in terms of threats and opportunities. Rudolf Kjellén, influential participant in the public debate on the problems of modernisation, opposed class struggle socialism as a point of departure for the political discourse. He argued from his conservative point of departure for national socialism where the country was seen as a whole involving all the people in political work and giving them responsibility. The country was supposed to be a home for the whole people. The integrative idea of the '*folkhemmet*', in which society was organised as a family, with the home as a metaphor, subordinated the class struggle to the national welfare. When Kjellén talked about the concept of *folkhemmet*, *folk* had a different connotation from *Volk* in Germany (Chapter 2). When the Social Democrats somewhat later took over the *folkhemmet* metaphor and made it their symbol, after a discursive struggle about its content, they argued that the happiness of the lower classes, of which the working class was just one part, was based on their efforts to contribute to the *folkhemmet*. *Folk* and *folkhem* as expressions of traditional values were mobilised as linguistic instruments for modernisation. The discourse on emigration invoked traditional values in the peasant country of Sweden in order to solve the main problem of how to modernise Sweden.

When the threat of the poor en masse was transformed into a threat of a labour shortage due to emigration, the problem of integration of the lower classes became quite different in Sweden than in Bismarck's Germany. Although the debate on social insurance had started already in 1884, when Bismarck established his social insurance system, there was deadlock for the next twenty years. After 1905 the social insurance issue gained momentum. The establishment of a general retirement age pension in 1913, in the prevailing reform conservative mood had features in common with Bismarck's approach, but one decisive difference was that the legislation in Sweden was never thought of as class legislation solely to keep the working class quiet. The debate concerned a development of a *general folk* pension, for instance, covering all citizens. This universalistic approach must be seen in the framework of the debate on emigration. The final agreement in 1913 after an almost thirty-year period of muddling through meant a concentration of Social Democratic, Social Liberal and Social Conservative approaches on to one common focus. The invocation of the *folk* concept in this Swedish scenario was much less holistic than in Germany. The concept had in the Swedish case an ambiguous bearing in both a more collectivistic 'German' and a more individualistic 'British' direction. As opposed to in Germany, protestant romanticism in early nineteenthcentury Sweden was already more pragmatically and individually, less speculatively and holistically, oriented.¹⁷

This concentration demonstrates how close to one another the three ideologies came in their Swedish application, owing to the specific way in which the problems of society were defined. The nearness and the absence of social polarisation, paradoxically enough, were exactly what had produced a drawn-out democratisation process. There had been a constant Social Democratic-Social Liberal popular pressure for change since the 1890s. The Conservative flexibility in responding to the pressures meant no more concessions than absolutely necessary. Only after 1905 did the democratisation process accelerate. Universal male suffrage was not introduced until 1907 and female suffrage was decided upon in 1919, parliamentarism in 1917. The party system was modernised during the decade after 1905. Sweden got a modern pro-industrial conservative party and a progressive social liberal party. The Social Democrats were the third political force, which during the two decades after the suffrage reform in 1907 emerged as the leading political force. And last but not least, the trade unions were recognised by the employers in 1906 (below).

Even if one important goal in the modernisation and emigration discourse was to stop the Socialist movement with its dangerous ideas of an alternative form of social organisation, the core of the language of modernisation was what some decades later emerged in a Social Democratic linguistic cloak, with *folk* and *folkhem* as key concepts, much more than class. Here a vigorous element of continuity in the Swedish process of modernisation can be discerned. Efforts were made to establish a Swedish form of a liberal corporate social order.¹⁸ Although radical liberal intellectuals opposed this strategy of conservative and liberal industrialists, politicians and bureaucrats, the conservative/moderate/liberal strategy constituted a potential sounding board for Social Democratic modernisation. The discourse at the beginning of the twentieth century set an intellectual framework which attracted both conservative and liberal modernisers in business, politics and industry, and labour leaders, despite the fact that their perspectives were otherwise quite contradictory.

The conservative Sweden of post-1905, in turn, had its roots in a society where the Lutheran state church had penetrated local communities for centuries, and early developed public responsibility for literacy, education, health, poor relief and culture of the whole population. This clerical penetration occurred at the local level in a symbiosis with independent peasants. The parochial arena for local decision making in these issues, the *sockenstämmor*, became a kind of rural annex to Habermas' *bürgerliche Öffentlichkeit*. Centralisation and decentralisation characterised this pattern of social organisation.¹⁹

The same combination of centralisation and decentralisation emerged in the rural based iron industry, where central regulation was combined with local patriarchal foundry (*bruk*) organisation. The line of continuity from this rural patriarchal *brukskultur* (foundry culture) to the *folkhemmet*

metaphor is obvious. There was much less continuity from the iron industry in economic and industrial terms. In cultural and industrial relations respects the continuity is obvious. Another important factor for the Swedish modernisation pattern was that the nobility played a declining role after 1718 and, as a matter of fact, coalitions between the king and the Estate of Peasants against the nobility in the seventeenth century not only highlighted the decline of the nobility but also resulted in at least some popular confidence in the state. This king-peasant coalition and the Lutheran state church made the Swedish people well-disposed toward a strong state and corporative interest representation, and toward the establishment of centralised infrastructural power in combination with a strong local administration. As in Germany, it is possible to see Social Democracy in Sweden as a kind of secularised Lutheranism. However, owing to the old king-peasant coalition the mix between Social Democracy and the state developed completely differently.²⁰ Instead of the Social Democrats against the Throne-Altar coalition, as in Germany, the Swedish Social Democrats in the interwar period definitely transformed the old state church into a modern *folk* church under the Social Democratic government based on liberal theology, thereby appropriating the concept of *folkkyrka*, people's church, developed by a conservative reform tendency within the state church during the 1910s.²¹

In this long historical perspective on the state, the government and the *folk*, emigration was an important element for Swedish development. In Sweden, no dual-labour market model like that in Germany developed, precisely because of this emigration. Instead of a rural reserve army, exerting a downward pressure on wages and serving as a labour market regulator and driving force of the iron wage law, in Sweden there was an upward pressure on wages.²² The upward wage pressure was certainly a problem for the export industries. On the other hand, it provoked increased purchasing power, increased consumer demand, and the development of alternative market strategies, targeted at the domestic market. The outcome was homogenisation of the standard of living and far smaller differences between the modern and the traditional sectors than in many other countries. An early basis developed for the later mass consumption in the framework of Fordist and Keynesian strategies through increased purchasing power. Here, too, an element of continuity is discernible. The share of private consumption was higher in Sweden than, for instance, in the UK, Germany and Japan during the period before 1920. Except during World War I, the share remained above 80 per cent of GNP. Concomitantly, the share of exports was lower than in those countries during the same period.

Sweden shared this development pattern of fast economic growth and capital accumulation with Germany, for instance. The emigration that absorbed social and political pressure from population growth, proletarianisation, and urbanisation, and the emphasis on domestic consumption and on the demand side rather than the supply side of the

economy were specifically Swedish features which provided favourable prerequisites for meeting popular demands. The role of the emigration issue after 1905 at the symbolic level for the development of a social reform discourse is difficult to exaggerate. The general agricultural nature of the labour force and the debate about a labour drain to North America encouraged much more capital intensive production strategies than in a country like the UK where industrialisation was so early. Of course, emigration played a role not only at the discursive level but also in a *realhistorische* sense. The capital intensive strategies in combination with the emigration to North America, which absorbed the rural proletariat, resulted in a slow transfer of labour from the agricultural to the manufacturing sector. This outcome, in turn, provided favourable preconditions for the emerging open cartel strategy of the trade unions (see below).

Historically, processes of capital accumulation and economic integration have often meant political and social disintegration. In Sweden, capital concentration and economic integration proved to be compatible with political and social integration. The emerging bourgeoisie and the entrepreneurs, the farmers, and the workers established a discursive field, where, indeed, they in crucial respects came very close to each other in the national process of problem resolution.

THE OPEN CARTEL STRATEGY OF THE UNIONS AND THE FLEXIBLE RESPONSE OF THE EMPLOYERS

The primary target of the Swedish trade unions when they developed their organisations in the 1880s and the 1890s was to improve workers' conditions on the labour market, while power over the work process was neglected. Collective agreements became the instrument of this strategy in the 1890s. This was the purport of the unions' open cartels with the task of restricting price competition and other sales conditions on the labour market.²³ The historian's *ex post facto* observation of how a specific pattern of action proved to be successful and was gradually legitimised as a strategy should not be mistaken for the workers' and their leaders' *ex ante facto* manner of identifying problems and orienting action. Far from being a question of theoretical rationality, based on precise knowledge of the operation of the labour market and the calculated elaboration of the 'right' strategy on the basis of that knowledge, this open cartel strategy was the long-term outcome of an extended process of trial and error, where patterns of action were chiselled out at local levels and subsequently emerged as a national pattern. Working-class networks for social contacts and mutual protection and solidarity were developed early. In their aggregated forms these cultural networks, where meaning was produced, provided an important framework for the realisation of opportunities on the labour

market. These opportunities of the workers were highly dependent on how the employers perceived the labour market.²⁴

When workers began to unionise and to demand the right to conclude collective agreements, employers were faced with a choice of strategy. Basically, two different strategy options can be discerned: crush the unions and integrate the workers individually in a patriarchal industrial relations order, or integrate the workers collectively by letting the unions represent as many workers as possible, and negotiate with the unions to produce predictability and stability. The December Compromise in 1906 between the LO and SAF meant the final breakthrough of this latter option after two major lock-outs in the engineering industry in 1903 and 1905.²⁵ The December Compromise meant that the employers' prerogative to organise the work process was accepted by the unions in exchange for the recognition of basic trade union rights. Mutual recognition at the central level curbed the fragmentation of trade unionism and promoted the early emergence of hierarchical and centralised structures in the organisation of the labour market at the same time as the unions' presence at the workplace guaranteed by the December Compromise promoted decentralisation. The emerging order can be described as a combination of centralisation and decentralisation very compatible with the more general pattern of social organisation discussed above.²⁶

Between 1895 and 1910 the unions' open cartel strategy won and was institutionalised into the collective agreement system. The turn of the century was a period of fast growth of union strength. Between 1902 and 1907 union membership increased by 260 per cent. The employers realised the advantages of controlled conflict and of collective bargainings as opposed to uncontrolled conflict and no agreements. It was a matter of establishing a balance of power with the aim of preventing conflict from exceeding an acceptable level. The employers and their top federation, SAF, established in 1902, gave priority to calculability and predictability in their relations with the trade unions. The unions' top federation, the LO, established in 1898, accepted the prerogative of the employers to decide the work process and concentrated on the unionisation of as many workers as possible and on wages in the framework of the open cartel strategy. In 1903 bipartite arrangements were established at the local level of the labour market in the case of labour exchange.²⁷

The *perception* of a tight labour market and of a national crisis (after 1905) during this crucial phase of industrialisation in Sweden set the preconditions for union strategy. The crisis experienced among the ruling classes gave specific strength to the unions. From their power basis they gave priority to the improvement of conditions on the labour market. The implicit idea was that if the unions succeeded, their control over the work process would indirectly increase as well, without necessarily being targeted as a primary goal in itself. Clause 23 in the charter of the Swedish Employers'

Association (SAF) determined the exclusive rights of the employers to 'direct and distribute the work' in the enterprises. Although the clause was a thorn in the side of the union leaders until it was repealed through government legislation in 1976, it was never an energy-absorbing primary point of attack. This is an important difference in comparison with the German pattern, where the attempts to develop institutions for conflict regulation and to 'modernise' industrial relations occurred concomitantly with the launching by the employers' organisations of an ideological struggle against the workers. In Sweden the employers' organisations were much less fighting organisations than the CDI and RDI, which, of course, is not to argue that Swedish workers experienced their situation as idyllic, or that there were major differences between the languages of the Swedish and the German employers. The argument here is that in a comparative perspective their perceived situation and opportunities for action were different. The significance of the organisation of capitalist interest was different. Among Swedish as well as German employers the twin policies of crushing the unions and integrating them existed side by side, but there was a decisive difference as to the relative strength of the two tendencies.

Organised capital in Sweden was more an instrument of professional problem resolution than an instrument for ideological struggle. The Swedish employers realised that the trade unions had rapidly grown very strong in the 1890s and the 1900s, and they drew conclusions from this insight that were only temporarily upset after the severe union defeat in the general strike of 1909. The united actions of the workers in one and the same movement in which, as early as the 1890s, more than one-fourth of the total workforce was unionised, left no scope, for instance, for yellow unions. The employers realised this early on as well. In their early efforts to fight the trade unions they had encouraged the establishment of non-socialist yellow rival unions, but as these turned out to be a failure, the employers switched their support to organisations for strike-breakers. The main purpose of employers' associations was to serve as a collective insurance against strikes.²⁸

The emergence of a new collective bargaining order was not a matter of course resulting from the structural preconditions. The emerging order was gradually tried out in a process where different local cultures, with varying power relationships and strategy options and preferences, were gradually although not completely absorbed by an emerging national order. In this process the engineering industry was a key sector for the whole labour market.²⁹

Politically, the industrialists conspicuously belonged to the liberal camp in contrast to conservative anti-capitalists and anti-modernists. During the decade prior to World War I, the Conservative party leader and industrialist Arvid Lindman, as Prime Minister, carried through a new and more dynamic conservative industrial policy. However, at the same time, the Liberals under

Karl Staaff became more radical, especially on the defence question, which made many major employers shift their political support from the Liberals to the Conservatives. During the war Swedish industrialists, The Federation of Swedish Industries and the banking interests around the Wallenberg family opposed what they considered to be the Conservative relapse into anti-capitalist government and co-operated with the left, i.e. the Liberals and the Social Democrats. Using this approach, they wished to promote industrial interests and make the best of a development towards democracy which would have a leftist signature and was becoming regarded as inevitable.³⁰ They argued for a new type of co-operation between state and industry and for the reorganisation of the state bureaucracy. The possible, but not necessary, consequences of the new ideals were corporatism and technocracy. Democracy was seen as a question of efficiency, social politics meant organisation and increased productivity, and labour market settlements should be 'non-political'. Co-operation implied integration.³¹ In this approach the leading Swedish industrialists came close to the ideas which Paul Silverberg in the mid-1920s expressed among German employers (see Chapter 2). The difference was that Silverberg in Germany was opposed by interests that were much stronger.

The emerging bargaining order did not necessarily mean peaceful industrial relations. As a matter of fact Sweden was the most strike-prone country in western Europe in the early twentieth century. The degree of friction and the strength or weakness of unions are not absolute concepts but are related to the strength and politics of the employers. The more the strength of the unions' open cartel increased, the more the employers realised the advantages of the negotiation instrument. Negotiations meant recognition and legitimisation of the unions. At the same time as the unions gained legitimacy they became more limited in their aims. They became more closely identified with the lower ambition of businesslike wage negotiations than with earlier more general socialist endeavours. It was no longer deemed necessary to define in political terms the narrower economic interest. A development towards 'empirical opportunism' was initiated. Old experiences were not quenched but were transferred into new connections which, in turn, gave new experiences and new interpretations. Reformism was the political expression of these new experiences. Swedish labour relations development during the thirty-year period after 1906 was slowly shunted onto an integrative track, where institutions for conflict resolution and compromise finally emerged. This was a much more gradual process than the sudden top-level agreement in November 1918 in Germany between employers and unions on the verge of revolution. In Germany the employers found themselves more or less exposed to blackmail which made them view the subsequent agreement accordingly. This Swedish-German difference between gradual process and sudden top-level agreement was the same as in the social insurance sector.

Although the principal perspective implied that consensus was considered possible and desirable, the emerging order did not exclude righting and conflict. The strategy of the employers was initially a consequence of the workers' militancy and combative behaviour. The manoeuvring space of the union leaders was affected by steps taken by the employers and vice versa. The feeling of what the employers would call 'a common interest' which arose as time went on did not have its origin in common ideas of, for instance, a general philanthropical kind, but was rather something established when the employers realised the advantage of the controlled conflict and of collective bargaining and agreements instead of uncontrolled conflict with no agreements. It was a matter of establishing a balance of power with the aim of preventing conflict from exceeding an acceptable level. Although the concept of 'common interests' was launched, the dualistic perspective remained as strong as ever in the interpretive frameworks of the unions. The balance of power meant a recognition of compromise as a principle from dualistic points of departure. The more resources the employers and the unions had, the more they had to risk in a conflict, and the more interested they became in the institutionalisation of compromise.³² Therefore, union strength was a crucial factor when the attempts were intensified to de-escalate the conflict level in the 1920s.

It would be a mistake to look for the precise point of time when this order of industrial relations broke through, because there is no such point in time, but rather a long transitional period of three or four decades lasting from the turn of the century to the late 1930s, beginning in individual enterprises and ending as a national order. This long transition was a period of trial and error with numerous advances and setbacks, not least at the local level, before a national identification category, on the union side still class-based, and a national interpretive framework had been chiselled out and hierarchical and centralised organisations had grown strong enough to maintain the order at a national level. At the political level this process meant a transition from a Conservative *folkhem* concept to the Social Democratic *folkhem* in the framework of an identity redefinition from class to *folk*. This process was *per se* very similar to the corresponding process in Germany in the sense that the *components* were the same. The 'final' *mix* in the 1930s was completely different, however.

THE STATE AND THE POLITICAL EMBEDDEDNESS OF INDUSTRIAL RELATIONS

Rapid union growth during the 1890s, efficient union leadership and the organisation of the employers brought about specific prerequisites for conflict regulation. The outcome of the lock-outs in 1903 and 1905 in the engineering industry was certainly not only the December Compromise of 1906, implying mutual recognition and agreement on collective bargaining,

but also the establishment of a government conciliation board which gained legitimacy and decreased direct Social Democratic involvement in the regulation of conflicts on the labour market.³³ However, the state generally stayed very much in the background when the pattern of conflict regulation emerged. The specific form of the institutionalisation of labour market relations in Sweden must be referred to the management styles of professional managers and to the strength of the workers' organisations.³⁴ Once the employers had recognised the strength of the unions and contributed to the development of a system for conflict regulation, they became very legalistic. Through negotiations, formalised agreements and firm adherence to the letter of the agreements *vis-à-vis* both the unions and their own members, they developed the order. The early policies of SAF were formulated by law school graduates. Between 1907 and 1976 SAF never had a managing director with experience from industry, they were all professionals in law. The long-term consequence of this approach was that the state could take a rather neutral stance early on. There was a 'complete lack of proneness to ideological proclamations' in the approach of the employers.³⁵ This was a clear difference from the German CDI and RDI. This, in turn, had consequences for the view of the Social Democratic Party on the state. The party was never caught in the same squeeze between class and state as the Social Democrats in Germany. This creation of rules on a bilateral basis on the labour market supplemented the old rule-governed (in a Weberian sense) state and became a crucial institutional factor. Trust was built up in this institutional framework in a process where implementation of rules and trust mutually reinforced one another.

Most of the responsibility for dispute settlement was left to the unions and the employers' organisations. However, in the 1920s the government's interest in institutionalised settlement increased, which had to do with the fact that the Swedish labour market was still very strike-prone in comparison with other nations. Parallel to the institutionalisation of the collective bargaining system, an increased government interest in abating the level of conflict gradually emerged as an instrument for improved productivity.

Social Democratic, Liberal and Conservative governments all demonstrated their interest in peace on the labour market. In 1921, the Social Democratic government appointed a committee on this issue. It was, however, shelved after just one year. In 1924, the committee was re-established by the Conservative government. In 1926, a Social Democratic government appointed a new tripartite committee of inquiry. In 1928, a Liberal government carried through a law on the Labour Court and collective agreements, implying the imposition of industrial peace when there was a standing agreement.³⁶ The political problem involved in these developments concerned the legal aspects, i.e. how and by whom a standing collective agreement would be interpreted. In the 1910s the Conservatives had made three attempts to carry through collective agreement legislation

which took this problem into account. The bills contained several stipulations which were negative for the trade unions. The Social Democrats—supported by the Liberals—voted down the bills. However, in the 1910s there was already a faction in the Social Democratic Party which wanted legislation, although their positive attitude was blocked in principle by the Conservative approach of hostility to the unions. In the 1920s the Social Democratic legislation supporters took the offensive. By 1925, the Social Democrats formed their third government and the question of legislation had, by then, taken on quite new significance. The Labour Court Act of 1928 strengthened the collective agreement system and the principles of the open cartel that had been applied since the 1890s: ‘cartel’ agreements on the conditions for the sale of labour and industrial peace as long as there was a standing agreement. All this brought with it calculability.³⁷

The Swedish development contained elements including homogenisation of the working class, class consciousness, and a polarised perception of society, unionisation of the workers and organisation of capital, and of the employers, attributable to the growing strength of the unions. As in Germany the transition to organised capital brought strong organisations of both labour and capital. However, the case of Sweden demonstrates that organised capital did not necessarily bring polarisation to the same extent as in Germany. In the Weimar Republic the fragile institutions for conciliation and arbitration broke down with the Ruhreisen conflict in 1928. In the same year the Swedish government established the tripartite institution for industrial peace on the Swedish labour market. The cultural and institutional embeddedness of industrial relations was different in Sweden. The polarised perception of society was supplemented and depolarised by a competing perception in which the working class was considered part of the *småfolket*, ‘the little people’, which, in turn, was the core of the whole *folket*. While the working class certainly was homogenised, bridging networks were simultaneously developed to other social groups. Although there were signs of a similar institutionalisation of the conflict in Germany as in Sweden, the German labour market culture *was* more polarised *and* fragmented. The organisational key concepts of *folkhemmet*—both in its Conservative and its Social Democratic variant—and the *Herr-im-Hause* (master-of-the-house metaphor) respectively represented decisive differences.

One important aspect of these differences is the greater opportunities for a small country like Sweden with a much more homogeneous culture to establish a truly national institutional framework as compared with the larger interindustrial and regional differences in employer strategies in Germany. The role of the governments in the two countries, a Social Democratic coalition government in Germany and a Liberal one in Sweden, with regard to the issue of industrial peace in 1928 is a case in point.

The mutual recognition of the open cartel strategy in the December Compromise of 1906, after the lock-outs in the engineering industry in 1903

and 1905 gave little scope for a German style class struggle conceptualisation of society. The development of union strategies and of industrial relations towards 'empirical opportunism' and the 'rationalisation' of the conflict on the labour market were highly compatible with the parliamentary strategy of the Social Democrats, which gave priority to the search for class alliances and political compromises.

The perception of the labour market situation, in the framework of the national crisis after 1905 symbolised by mass emigration to North America, made the problem of the integration of the working class quite different in Sweden from that in Germany. In this respect there was no real opportunity for the master-of-the-house strategy of crushing the unions to gain a corresponding position of strength among Swedish employers. There are obvious similarities with Japan at the same 'time, where a major problem of the employers was labour scarcity, not owing to emigration but to high mobility (Chapter 5). The similarities between the Japanese family metaphor and the Swedish *folkhemmet* reflect this shared problem. Furthermore, the growing shared sphere of interest between industry and government in Sweden after 1906 was not only, or not even mainly, based on the requirements of the development of new international markets, but on what was comprehended as the requirements of the domestic labour market.

THE CONCEPT OF RATIONALISATION: FROM STRUGGLE TO COMPROMISE

The logic implicit in the open cartel strategy was union interest in high productivity in order to increase the economic basis from which to claim the 'legitimate' (what constitutes 'legitimate' is always disputable) share. From a union point of view, effective production was essential to promote rising wages and shorter working hours. There are several studies which demonstrate how an interest in increased productivity through the rationalisation of production developed in Swedish industry and how this interest influenced industrial relations.³⁸

Grounds for this shared interest in rationalisation—although with a disputed content—emerged in the public debate after 1905 on how to achieve industrial expansion and prevent the labour force from emigrating to North America.³⁹ The transatlantic migration of labour produced an interest in rationalisation to cope with the labour shortage experienced. Somewhat later, this rationalisation interest acquired an American connection of a new kind: Taylorist ideas were imported to Sweden as to other industrialising societies. In 1914, Taylor was sufficiently well known in Sweden for the mechanical and engineering industries to appeal directly to American experts for help with factory reorganisation. The influence of the Taylorist movement itself should not be overestimated, but theories closely associated

with its main proposals were vitally important for modern conceptions of management.⁴⁰

Another factor promoting an interest in rationalisation was the reduction in working hours between 1891 and 1920 from sixty-two to forty-eight hours per week in the engineering industry, i.e. a reduction of 22.5 per cent. The workers required wage compensation for this income reduction. The response of the Engineering Employers' Association was to require increased efficiency of labour. The reduction in working hours was to be exploited to achieve maximum work intensity. The Association elaborated a programme for 'efficient working hours'.⁴¹

During the twenty-year period before 1920 both the employers and the unions in the engineering industry argued that they favoured rational production and rationalisation, although they twisted and turned and struggled over the precise content of the concept. In 1911 the managing director of SAF accused the workers of resisting rationalisation. The chairman of LO refuted the accusation. The central problem was that Swedish industry was working with out-of-date methods. The workers did not oppose piece-work wages in principle, for instance, although they were very critical of rationalisation in the form that Taylor suggested.⁴² *Metallarbetaren*, the newsletter of the national Swedish Metal Workers' Union (*Metall*), in 1914 argued that Taylorism would transform the workers to automatic machines or appendages of machines. Taylorism was also said to bring with it a preposterous growth of the sector including supervisors and foremen. The costs of scientific management would assume such proportions that they would negate the benefits of rationalisation. *Industria*, the newsletter of the employers, agreed in principle about the problem of over-organisation. However, it turned the union argument upside down. Overemployment was more of a problem on the shop floor than in the offices. The only solution to this real problem was said to be that the workers recognise the need for increased work intensity.⁴³

The decision, in 1919, to introduce the eight-hour day, and the economic depression in the early 1920s (25–30 per cent unemployment in the engineering industry in the summer of 1920) contributed to both a broader and deeper view of rationalisation among the workers. In reaction to the employers' claims for reduced wages when working hours were decreased, claims which were repeated during the depression in the early 1920s when nothing could prevent the employers from carrying through nominal wage cuts, the metalworkers' unions argued that the reduction of working hours could be compensated for and reduction of wages avoided by increased work intensity and by the use of more rational equipment. When exposed to the depression, the metalworkers thus used what had previously been the employers' argument. During the economic crisis, when the employers started to cut wages, the message of the unions was that rationalisation measures should first be tried, to decrease production costs.⁴⁴ In 1921, the

LO suggested the establishment of a tripartite board for the promotion of structural rationalisation in Swedish industry. The tackling of the eight-hour day question brought quite different results than in Germany, where the unions and the employers clashed on the issue a few years after its implementation.

There was a reorientation of the unions' framework of interpretation from an emphasis on rationalisation connotations of impoverishment and exploitation to an interest in the possibilities as to the distribution of increased production. There was also a change from a concentration on impact on the work organisation towards a concentration on economic yield which, in turn, could provide the basis for an improved standard of living, reforms and wage developments. Instead of being a zero-sum contest in which the gain of one party necessarily meant a loss for the other, a perspective gradually emerged in the metalworkers' unions that increased production efficiency would mean a bigger pie for all, to be shared between capital and labour. The unions moved from a Marxist exploitation and impoverishment perspective towards a reformist view of production increases.⁴⁵ The LO Congress of 1926 was important in this development. However, the congress not only revealed a new orientation but also demonstrated that the question was still highly controversial among the rank and file.

At a tripartite industrial peace conference in the autumn of 1928, initiated by the government in the prevailing mood of mondism in those days, the metalworkers' representative argued that conflict was a fact when rationalisation brought redundancy and/or a downward pressure on the piece-work rates. The metalworkers were not opposed to rationalisation *per se*, only to these two effects.⁴⁶ At the conference, a new concept was suggested as a basis for a compromise: 'rational rationalisation'. While the objections of the workers were recognised, there was an agreement that in the long run rationalisation produced new jobs. It was agreed that it was 'important to spread information about what rationalisation really was and about its advantages'.⁴⁷

With this agreement rationalisation was not given a definition, but the content could still vary depending on perspective. The tautological 'rational rationalisation' was proposed as an attempt to build a bridge between conflicting meanings. In the report of the tripartite Industrial Peace Delegation in 1929 it was stated that 'rationalisation was a mutual interest' for employers and workers alike. The scientific organisation of work and the simplification of production methods were said to be especially important. The means of achieving this were 'work planning and time and motion study'. Rationalisation increased production at lower costs. While there might be some short-term redundancy, rationalisation released capital for expansion and the establishment of new enterprises which, in turn, created new employment. Rationalisation was necessary for competition on the

international markets and 'increased the possibilities of maintaining or raising wages'. Rationalisation measures were to be taken in the light of 'social considerations' in order to mitigate the difficulties of the workers during the period of transition from one job to another.

The emergence of a converging view on the concept of rationalisation in the late 1920s meant that work study engineers advanced to the front line, as the combat soldiers of the emerging Swedish model. Their work generated rationalisation profits that the representatives of capital and labour could arrange to distribute at the negotiating table. The 1920s produced institutions on the Swedish labour market for the creation of long-term industrial peace. In Germany the fragile institutions established for this purpose in 1918 were seriously eroded or even collapsed before the end of the 1920s.

THE COMPROMISES OF THE 1930s

The economic depression in the early 1930s brought rapidly increasing unemployment. In the union movement rationalisation became one of the main targets of rank and file criticism. Rationalisation increased production capacity, while making workers redundant. Already during the talks on industrial peace in the late 1920s the unions had declared that there was a direct connection between rationalisation and unemployment. A sense of responsibility for the victims of rationalisation was a prerequisite for union participation in the talks. At the LO Congress in 1931 caustic criticism was expressed against the co-operative approach of the unions. The congress forced LO to temporarily leave the tripartite Industrial Peace Committee. The central co-operation came to nothing.⁴⁸

Again, the problem of industrial peace became a major issue on the political agenda. No government could remain unconcerned about this development. The unemployment effects of the severe crisis, the rationalisation criticism, the collapse of the compromise formula on the labour market, and the threat that Sweden would again become one of the most strike-prone countries in the industrialised world, formed a chain reaction which provoked the Social Democratic minority government to intervene after it had secured a parliamentary basis through a red-green agreement with the farmers, the 'Cattle Trading Agreement' (*kohandeln*) in 1933. The Social Democratic government intervened with the introduction of unemployment insurance instead of the old relief work policy, akin to poor relief. With this step, the government paid due attention to the requirements of the unions.

The crisis resolution was not based on a well thought-out strategy, but was only a political response to immediate social and economic pressures. The government simply did what it felt politically obliged to do, and in order to be able to do anything at all it had to do some genuine cattle

trading with the farmers: unemployment benefits at the level of market wages were exchanged for increased prices for agricultural products. The arguments for the red-green compromise in Parliament came from unexpected quarters. The approval of the Liberal government in 1931 of claims made by crisis-hit farmers for legal support for the establishment of a milk producers' cartel was smartly transformed to a Social Democratic argument for a price cartel of the suppliers of labour, i.e. the unions' open cartel strategy got full political backing.⁴⁹ The unions were authorised to manage the administration of the unemployment insurance when it started in 1935. This union function became important for the high Swedish unionisation rate and for the accelerating emergence of corporatist interest mediating strategies.

Unemployment, which was 15 per cent in 1933, was still as high as 9 per cent in 1939. The effects of the cattle trading were not, in that respect, particularly dramatic. Its political importance was of another kind. The Social Democratic government intervention in the labour market meant a new government approach to the old dispute about unemployment benefits at market wages. To the unions the new approach meant the prospect of an *entente cordiale* between a Social Democratic state and themselves. The government took responsibility for redundancies due to rationalisation. New prerequisites for the resumption of the labour market compromise were thus established. At the psychological level the employees began to *believe* that the economic depression could really be overcome by political steps. This growing belief produced commitment and support for Social Democratic crisis therapy.

In January 1936, Prime Minister Per-Albin Hansson and Minister of Social Welfare Gustav Möller proposed tripartite negotiations under much more direct government leadership than in the tripartite talks initiated by the Conservative government in 1928, where the role of government had been more passive. The LO at first welcomed the new government initiative, while the SAF was reluctant. The SAF proposed bilateral talks between themselves and the LO. They feared dictates from the Social Democratic government. One reason for this anxiety was the government's commission on unemployment which submitted its final report in 1935. The conclusions of this expert committee of economists were founded on neo-classical wage theory, and recommended a wage policy of restraint to the unions, to mitigate unemployment. The LO criticised the report for making the wage policy the main determinant of unemployment. The LO argued that rationalisation was the main cause of unemployment and raised the question of government control of rationalisation. However, the LO was also experiencing a potential political threat. The parliamentary situation was unstable and the long-term fate of the minority government was highly uncertain. A future Conservative-Liberal government might intervene with legislation to protect the third party's right in industrial conflict and restrict

the right to strike. The Conservatives had taken the offensive on this question and demanded legislation.

In this uncertain parliamentary situation, where both parties experienced threats from legislation, the LO agreed to the SAF proposal about bilateral talks. The Social Democratic government received the decision of the LO with resentment but could not do much about it.⁵⁰ Under the threat of legislation, the LO and SAF negotiated for two years before signing the Saltsjöbaden Agreement in 1938. A new agreement in 1942 on rationalisation and industrial welfare confirmed the stability of the bipartite agreement.

The agreement at Saltsjöbaden was to become one of the most important elements of the Swedish model. The established pattern of bilateral rule-creation in the labour market was reinforced. The issue of industrial peace could finally be removed from the political agenda, and remain so for the next three decades.⁵¹ Saltsjöbaden was a response to changed supply and demand relations on the labour market in the wake of the Great Depression. It was a trade-off arrangement where the unions sold industrial peace and bought collective wage agreements, i.e. the recognition of the strategy of limited competition on the supply side implicit in the open cartel strategy. The guarantee of industrial peace by the unions was emphasised in the 1940s when balloting on collective bargaining outcomes was abolished and strikes involving more than a few per cent of the members of a union federation had to be approved by the LO. This meant a fundamental shift of the right to strike from the shop floor to the higher echelons of the unions.

One important precondition of the centralisation of industrial relations in 1938 was that the state took responsibility for unemployment through the insurance of 1935 under union administration. This construction was a clear break with existing labour market theories about state neutrality in this respect. But for the rest industrial relations remained basically bilateral as they had been since 1906. The political intervention for industrial peace in the 1920s and early 1930s was not of the kind that changed the bilateral character of the organisation of the labour market.

Given the LO-SAF basic agreement in Saltsjöbaden in 1938 on collective bargaining and industrial peace and the Social Democrats' permanent control of government power from 1936 to 1976, the focus of the model became economic policy. This, as opposed to the bilateral rule-creation and wage formation, necessarily had to involve the government. In the tripartite institutional framework which developed, a distribution of labour was established implying that the labour market and wage bargaining became the concern of organised capital and labour, increasingly hierarchically organised under the top federations of SAF and LO. The Social Democrats set the framework of the enterprises in a capitalist economy where productivity and profits increased the political distributive power. While it is

a well-founded argument that labour organised capital, the two branches of the labour movement stamped the model in a way that also took the interests of the employers into consideration. The formula which was gradually chiselled out included the promotion of a high productivity capitalist economy, generating high profits. Although there was also contention between the unions and the employers as to the distribution of profits, there was still the protective cloak of a Social Democratic government which had an overall distributive responsibility and used taxes and budget transfers as important instruments of implementation. In practice, the model contained tensions between what was perceived as class interests and broader popular interests on which parliamentary power could be built, although these tensions were much smaller and did not provoke at all the same loss of legitimacy as when the Social Democrats in the Weimar Republic represented state interests. One sign of these smaller tensions in Sweden was the fact that the Communist party never acquired more than 5 per cent of the votes cast in the parliamentary elections, except in 1944 (10 per cent).

This development was the opposite of the German response to basically the same problem on almost all points. In the one case a process of problem resolution forming a virtuous circle began, with a first point of culmination in 1938; in the other case a vicious circle began shortly after 1918 and hit bottom in 1933. One important difference between the two countries was the power position of the Social Democrats and the unions, which resulted in different employer approaches. Social Democratic strength in Sweden meant organisational power and power in the problem formulation which made them go beyond the prevailing prescriptions of orthodox economic theory in their response to the Great Depression.

One distinctive feature of the Swedish development was the compromise on the definition of the concept of rationalisation. The compromise was not made through direct government participation or through threat of legislation. It was based on a formula which brought core interests of both the employers and the unions to converge with a broader societal interest in industrial peace and productive industry. The underlying power relationships of the triangular pattern gave the Swedish network its specific character. The organisation of Sweden by the end of the 1930s has been labelled participatory capitalism, a pattern for organisation of societies which in the 1950s emerged in other countries as well.⁵² In retrospect, the Swedish development illustrates the pre-1929 ideas of Rudolf Hilferding, envisaging gradually increasing influence for the labour movement by political means, within the system of organised capitalism. Hilferding did not regard the state as the instrument of a ruling class but as a reconciler of many interests.

One important factor in the Social Democratic strategy was the party's reformulation of itself from a class party to a *folk* party. At the end of the 1920s, a decisive debate on the concepts of *folk* and class was under way in

the Social Democratic Party. In 1929 the party leader, Per-Albin Hansson summed it up:

Behind the words are realities. It is by no means unimportant whether we consider the party a representative of class interests or a bearer of the interests of the whole *folk*.⁵³

From its very start the party had been a *folk* party, Hansson continued, in order to legitimise the reformulation historically. When the first party congress, in 1889, made a statement on the suffrage question, the argument had been that the *folk* must be the master of the house. Kautsky's argument in Germany in the same year, that it would be misleading to regard the concepts of 'people' and 'proletariat' as synonymous, had provoked protests from influential intellectuals in the Swedish party. Although the Swedish Social Democratic Party was still very much a party of the industrial working class in terms of membership composition at the turn of the century, it changed in this respect during its first two decades. In 1907 the party leader, Hjalmar Branting, argued that the party was a '*folk* party in the best sense of the word'.

In Hansson's perspective in 1929, the class struggle was the 'common struggle of all exploited classes'. The working class did not carry on the struggle alone, although it was the leading force in rallying support. Hansson heeded the warning issued by Branting at the party congress in 1924 that the Social Democrats themselves, through lack of wisdom, were jeopardising their growth in breadth and depth. If Branting's warning is interpreted in its positive form, it can be seen as an appeal always to regard the tasks and obligations of the Social Democratic Party as being those of a *folk* party.⁵⁴ During the two previous decades the Social Democrats had been known (and had acted) as a *folk* party, in Hansson's estimation. At least since the 1910s their election manifestos had been addressed to 'the working *folk* of Sweden' or just 'the *folk* of Sweden'. The earlier class emphasis in the policies of the party had given way to a 'folkish' emphasis.⁵⁵

Hansson's vision of a home for the people, *folkhemmet*, was not new. The Farmers' Party MP Alfred Petersson in Påboda talked about the *folkhemmet* as early as 1902 and Rudolf Kjellén, the conservative political scientist, brought it up again, as mentioned above, a few years later in a debate on how to prevent emigration to North America. The attraction of the concept was strong by 1930. One expression of this attraction was the fact that the two Liberal parties, when they merged in 1934, chose *folkpartiet* as their new name. This did not help them much in their fight for votes, however. By 1930, the Social Democrats had clearly appropriated the concept and its interpretation. In fact, the term *folk* was incorporated into the vocabulary of the Swedish Social Democrats from its very beginning.

This conceptual development of *folk* has to be seen as related to broader changes in the organisation of society. The question should not be restricted

to whether the Social Democrats went through an ideological change from Kautskian Marxism to a leftist-liberal welfare ideology. The significant dimension of the development during the 1930s is a fundamental structural change in the distribution of power and influence in Swedish society, towards well-organised, popular interests, with the Swedish labour movement as the core of the change. This marks the transition from organised to participatory capitalism.⁵⁶

The foundation of this deep process of societal change was the growth of an institutional corporatist triangle of *production* (Saltsjöbaden in 1938 and the open cartel strategy), *politics* (economic distribution through the Social Democrats), and a *reorganised state*, which, particularly concerning the labour market organisation, was controlled by the Social Democrats.⁵⁷ This was a democratic alternative to fascist corporatist models. The dynamo of this construction soon became the active, interventionist Social Democratic state. The 1930s meant an important step in the 'socialisation' of the Swedish state. From that point on until the 1980s 'state' and 'society' became synonymous concepts in the public discourse. The formula made it possible to associate expansion of the capitalist system with a fair-share social reform policy much more than with social turbulence. The central dimension of the emerging Social Democratic policy was not primarily Keynesian economics but a pronounced will and ability to institutionalise a number of fundamental compromises on conflicting interests of labour and capital. The element of continuity is obvious in one important respect during this transition: between the belief in scientific methods of rationalisation of production (Taylorism), and in scientific methods to organise society and economy (social engineering, Keynesianism).⁵⁸

The crisis policy of the 1930s not only became the practical theory which saved the party from breaking down under either the Scylla of illusory and impotent Kautskian determinism or the Charybdis of being nothing but the political instrument of short-sighted trade unionism. Instead of stubbornly remaining pure-hearted but powerless socialists, the Social Democrats took over the role of powerful physicians of capitalism and chief defenders of the Swedish nation state. From being opponents they gradually came to see themselves as the great defenders of Swedish society. When the fundamental antagonism in society in the 1930s shifted from capitalism versus socialism towards dictatorship versus democracy, Sweden managed to remain on the democratic track.⁵⁹

The experience of World War II reinforced and institutionalised the compromises of the 1930s. The Swedish labour movement accepted the overall responsibility of wartime management and eventually got the credit for this by and large successful undertaking. At the institutional level the huge wartime administration was designed as an apparatus with competence and responsibility that did not lead to any substantial increase in its power and

influence, rather the contrary. At the political level the enormous resources mobilised because of the war opened up an entirely new perspective for the Social Democrats. The war demonstrated that the rate of taxation, public spending, public consumption, and compulsory accumulation of capital went far beyond the wildest dreams of the prewar Social Democrats. This was an insight they would never forget. Much more than being a break, World War II in Sweden meant a transition to fulfilment of the visions implicit in the *folkhemmet* metaphor and a transgression of the limits set by the historical context of the 1930s. From that point on, every political alternative had to be formulated within the *folkhemmet* framework.

THE ACTIVE LABOUR MARKET POLICY

The compromise on the concept of rationalisation in the late 1920s, confirmed in 1938 after the temporary interruption in the early 1930s, gave a certain precedential right of interpretation to the employers concerning the precise measures the concept provoked, with time studies as important instruments for change. However, the unions fully supported the massive introduction of the MTM (Method for Time Measurement) system after World War II and participated in employer-directed MTM committees, which were established to carry through MTM training for plant managers and union leaders alike all over the country.

The ‘wage policy with solidarity’ brought the privilege of interpretation and the initiative to the unions. ‘Wage policy with solidarity’ became an important driving force for the continued rationalisation of industry. The policy meant pressure on low productivity enterprises. Threats of redundancy were met by means of general measures to stimulate mobility (moving allowances, retraining courses, labour exchange offices) combined with selective employment incentives for stagnating regions, industries and enterprises (state orders, state enterprises or state subsidies for production and jobs).

The LO began discussing their wage policy with solidarity as a union response to the government’s policy of restraint in 1949 when there was a 30 per cent devaluation of the Swedish *krona* and a simultaneous wage freeze which, along with the Korean Boom in 1951, led to a wage explosion by means of local wage agreements, especially in the engineering industry. There was an increasing and visible tension between the strategy of the Social Democratic government of stimulating investment and simultaneously keeping inflation down, and the employees’ demands for higher wages when they saw prices and profits soar. The LO economists were looking for a stabilisation model. By means of the ‘wage policy with solidarity’ the model also became an instrument for rationalisation. The union ‘wage policy with solidarity’ meant that equal wages would be paid for equal work. The implication was that less profitable enterprises which

could not pay the stipulated wages would have to close down. The wage level in the profitable enterprises and industries was used as the gauge in central wage negotiations. Union wage policy was a powerful instrument for structural change and for the transfer of labour from low to high productivity industries. The unions even pushed for layoffs and contraction in less competitive industries such as textiles, and encouraged an interregional and inter-industrial transfer of labour, especially to the engineering industry. The problem, according to union economists, was not how to avoid redundancy in non-profitable or low productivity industries, but how to create new jobs in more profitable industries for the workers who were made redundant. A textile workers' union leader summed up the prevalent idea in those days:

We are quite aware that many of our enterprises won't manage to go on. There will be a continuous process of shrinkage. But I prefer 30,000 members to 60,000 if those 30,000 who leave us get better paid jobs in other industries.⁶⁰

The LO had an interest in centralisation as a means of implementing a 'wage policy with solidarity', combining membership demands with 'social responsibility and economic stability'. The union movement would contribute to economic stability by promoting a 'rationale', i.e. a wage structure reflecting solidarity that would avoid inflationary wage competition between different groups. However, despite the increased central powers of the LO after 1938, centrifugal forces within the union movement were too strong to permit the LO to take the initiative on centralised bargaining. Centralisation was restricted to the area of industrial peace.⁶¹

Paradoxically, it was the employers' own lack of internal cohesion that led them to play this role: centralisation was aimed at overcoming the lack of discipline and absence of co-ordination between the individual associations in the Swedish Employers' Confederation, SAF, as well as between individual employers. Especially in years of expansion the SAF had an interest in avoiding wage explosions as a result of 'scissoring', in which indulgent employers' associations concluded collective agreements at different points in time.⁶² The SAF imposed centralised wage bargaining in 1954–1956. As a consequence of this centralised bargaining, government regulation of wages was never on the agenda in the following decades; the wage policy with solidarity functioned as an extra-governmental form of incomes policy. However, the 'active labour market policy' managed by the Labour Market Board, *Arbetsmarknadsstyrelsen*, AMS, created in 1948, played an increasingly important supplementary role. The encouragement of geographical and occupational mobility allowed expanding industries to take on workers from declining regions and industries. The wage policy with solidarity accelerated the structural transformation by forcing up wages in

low-paid industries such as textiles, while the automobile industry and other export industries benefited from relatively low wage increases. The combination of active labour market policy and economic expansion made possible 'full employment', another prominent goal of the Swedish labour movement. Full employment and collective bargaining with solidarity legitimised the LO policy in the eyes of union members.⁶³ These were the bonanza years of the Swedish model.

This description *ex post facto* of how the model emerged sounds like a masterpiece of social engineering and rational planning of politics and economy. However, this retrospective view was not the perspective *ex ante facto* of the actors. There was no such thing as a great strategy with an inherent logic of its own, but only short-term strategies of different actors to respond to specific problems which were only brought together in retrospect to form what looked like the realisation of an idea that had already been there from the start. The preconditions drove the different strategies in a certain direction which was only discernible in retrospect.⁶⁴ In 1957, when the Social Democrats at last accepted the model, they also consented to a union claim to strengthen the Labour Market Board. Considerable resources were allocated for labour market training centres. Initially, the LO strategy was not at all a strategy for dealing with unemployment, but a means for the flexible transfer of labour in order to promote high productivity, and to increase the wages of the lowest paid workers. The Labour Market Board and its retraining centres became the pivots of this new strategy.

In this context, the government and the Labour Market Board were crucial. With retraining programmes, labour was transferred from stagnating to prosperous industries, where problems of overheating were reduced. Bipartite bargaining about wages was supplemented with government responsibility for retraining courses and housing programmes. The government took care of redundant workers so that they could be transferred, after retraining, from shrinking to expanding industries. One general prerequisite was the high status of the unions, achieved not least through their production philosophy. Another prerequisite was the Social Democratic government's distribution of welfare and their political framework for freedom of action for capitalist enterprises.

The tripartite bargaining model of structural change was based on a growing economy, where minor structural problems could be absorbed into general growth. The Rehn-Meidner model stressed the close links between stabilisation policy, wage formation and labour market policy. Labour market policy was institutionalised as a necessary complement to general fiscal and monetary policy necessary if the goals of full employment and price stability were both to be realised.

In Sweden, the active labour market policy, by virtue of which everyone had a job or was being trained for one, became the pivot of the Social Democratic reform strategy and the core of the *folkhemmet*

metaphor, which appealed to the Swedish population. The point of departure whence the strategy emerged was the mass unemployment in the 1930s. In Social Democratic language the myth emerged of an active labour market policy as having been born in response to the crisis of the 1930s. References back to the 1930s and the Social Democratic salvation from unemployment were repeated in all election campaigns. Social Democratic politics were given historical legitimation. What was sold in the political market as a conscious major project launched in response to the crisis of the 1930s, was actually a gradually emerging process of muddling through, where the goals as they were perceived in the situations of decision making had a much more limited scope than they appeared to have in retrospect. However, the heuristic framework of perpetual growth and full employment as the outcome of long-term strategies with the 1930s as the decisive watershed made sense to the Swedish population.

In a kind of dialectic over time with history the 1930s emerged in the 1950s as much more discontinuous than they really were, as much more formative than transformative. Nothing demonstrates the mythological character of this creation of a watershed better than the labour market conflict statistics. (The modest decrease of the unemployment figures has already been mentioned.) One of the key elements of the model which was alleged to have been born in the 1930s was peaceful industrial relations. The Swedish figures compared to the European average for working days lost per 1,000 employees according to Kaelble's estimation are shown below.⁶⁵ The table shows that it was only after World War II that Sweden emerged as a model for peaceful labour-market relations; and after 1955 that the Swedish development was identifiable as a trend distinct from the European pattern.

The Social Democratic hegemony established on the basis of the concepts of *folk*, 'wage policy with solidarity' and 'active labour market policy' was complex and problematic, not simple and monolithic.⁶⁶ Hegemony did not mean that only one voice was heard. Social Democratic politics and language were all the time challenged by the Liberals and

<i>Years</i>	<i>Sweden</i>	<i>Europe</i>		<i>Sweden</i>	<i>Europe</i>
1901-1905	550	205	1951-1955	89	132
1906-1910	1,335	329	1956-1960	7	141
1911-1915	170	336	1961-1965	4	169
1916-1920	1,096	487	1966-1970	36	211
1921-1925	1,154	620	1971-1975	75	335
1926-1930	597	163	1976-1980	232	409
1931-1935	741	156	1981-1985	39	222
1936-1940	189	111	1986-1988	114	117
1946-1950	24	267			

Conservatives. Capitalist aspirations were made explicit and resistance against a planned economy was organised. The economy had to be kept as free from state intervention as possible in order to keep democracy alive.⁶⁷ The election campaign in 1948 on this theme was extremely hard and evenly fought. The Conservatives in the 1950s made serious attempts to reappropriate the concept of *folk* by means of the term of *ägardemokrati*, owners' democracy, where Sweden should become a people of little capital owners and entrepreneurs.⁶⁸ Only the supplementary pension issue in 1957–1958 gave the labour movement a pivot where they could appropriate a hegemonic position in the social discourse. This issue dealt with capital redistribution and attraction of the middle classes and white collar employees to the Social Democrats (see below). The gradual establishment of this power position required historical legitimation. In this context the 1930s served a purpose. At the same time it is clear that considerable changes occurred in the organisation of society at an institutional level under the surface of the political debate. With the solution to the unemployment question at the beginning of the 1930s and the Saltsjöbaden Agreement in 1938 a new institutional order emerged and was reinforced through centralised wage bargaining at the mid-1950s. However, the fruit ripened only at the end of the 1950s when the Social Democratic government at last accepted the model of the LO economists. Then social politics and labour market politics mutually reinforced one another in a fully functioning model which looked for historical legitimacy by arguing that it had been born in the 1930s.

The emergence of a Social Democratic hegemony had nothing to do with a static concept of unitary progress with preconceived strategies. It is debatable to what extent wages really were equalised under the motto of wage policy with solidarity. The union members *believed* they were, and that was the important thing. Employees in the high productivity industries were compensated through wage drift for what they had given up in the name of solidarity in the centralised bargaining. What was equalised at the central level was, at least to a certain extent, restored at the local level. Nevertheless, at the metalworkers' congresses complaints were expressed that they had to give up wage increases. When the Social Democratic Party and the LO managed to bridge these contradictions and establish their hegemony, this must be attributed to the exploitation of the favourable 'background conditions' as they have been presented above.⁶⁹ The Social Democratic and LO mutual understanding provided a vision of politics as a kind of therapeutic exercise. Their mission was the slow, careful eradication of disease and the establishment of a regimen of good health in society. It was always done with the patient's consent, but also with the recognition that some unpleasant medicine and restrictions, such as high taxes, had to be accepted because they were good for the people. This approach permeated Swedish life.⁷⁰

The 1960s saw the culmination of the belief in tripartite economic management and social engineering based on the compromise on rationalisation. One prerequisite for the unions' success in influencing policy had been their high status, achieved through their production and rationalisation philosophy and through the general political and cultural environment in which the labour movement had achieved substantial power. Other essential prerequisites were the Social Democratic government's distribution of welfare and its establishment of a political framework conducive to the freedom of action for capitalist enterprises. The effect was *labour organised capitalism* with a close association between macro-economic policy, wage formation and labour market strategy. The latter was viewed as a necessary complement to general fiscal and monetary policy if the goals of full employment and price stability were both to be maintained.

THE STRAINS IN THE MODEL AND THE DISSOLUTION

The model as it developed in the 1950s had one long-term weakness. A 'wage policy with solidarity' required wage restraint from employees in better-off enterprises, in order to maintain the principle of equal wage for equal work. This restraint meant increased profits for the employers in these enterprises. The 'excess profits' were of no use to the employees in enterprises with lower wage levels but only to the shareholders. Of course, under such conditions, the employees in the most profitable enterprises would not accept permanent wage restraint. These enterprises were concentrated in the engineering industry. Therefore this problem was experienced particularly strongly by the metalworkers' union. In 1973 Rudolf Meidner was assigned to carry out a union inquiry into this problem which potentially threatened to expose the union movement to severe tensions. His point of departure was that the expansive power of profitable enterprises had to be maintained. The Meidner Report, submitted in 1976 recommended that some of the profits be redistributed to the employees: not individually, which would have been a veiled wage increase in the profitable enterprises incompatible with the 'wage policy with solidarity', but collectively into central 'wage-earner funds'.

This proposal provoked massive employer protest. The proposal was received by employers as a conscious union attempt to change the rules of the game in the labour market. The funds were described in terms of mass nationalisation of the Swedish economy and the end of private ownership. The proposal was a catalyst in a discursive transformation, where the Social Democrats and the unions lost their priority of problem formulation, established in the 1950s after beginning in the 1930s, to a more neo-liberal rhetoric. The employers formed a committee which came to be called the 4th of October Committee, the date of a spectacular demonstration in

Stockholm in which tens of thousands of employers rallied to fight the proposal. They experienced growing support among public opinion, and the Social Democrats were squeezed between radical claims from the left in the unions and the party for a decisive change of power, and a growing opposition or at least hesitation towards such claims.⁷¹

The Social Democratic leadership was never particularly interested in the unions' wage-earner funds proposal. They felt the proposal as particularly embarrassing when it was used as an element of grass-root militancy and as an argument for a socialist society. The government never had any interest in changing the model whereby labour representatives organised a capitalist society. The main interest of the Social Democratic government was in integrating the protest emerging in the wake of the general radicalisation of social discourse after 1968. However, the government did not feel that it could simply ignore the fund proposal of the unions, just as it had not ignored the protests against unemployment in the early 1930s. A Government Commission was appointed before the Social Democrats had to resign from government in 1976. The commission worked under various centre-right governments and delivered a report in 1981. In 1983, the Social Democratic government, which had come back to power after the elections in September 1982, forced through Parliament a very diluted wage-earner fund bill. One of the first decisions of the new centre-right government in 1991 was to dissolve these funds.

The debate on the wage-earner funds produced a kind of discursive polarisation never seen since the debate on the supplementary pension in the 1950s and the unemployment debate in the 1930s. While these two earlier discursive struggles were pivotal for the establishment of a Social Democratic/trade unionist problem formulation primacy and discursive hegemony, the debate about the wage-earner funds was decisive when the party resigned from power in the 1970s. As a matter of fact the wage-earner funds proposal was probably the most decisive symbolic factor when the priority of problem formulation in the social discourse during the 1980s shifted from the Social Democratic to the neo-liberal camp. When the Social Democrats came back after the elections in 1982 they had adjusted their language and politics under the pressure of the neo-liberal mood.

Both the pension and the wage-earner fund debates dealt with financial contributions by the employers, capital accumulation, capital transfers from the private to the public sector, and a basic shift of power in society. In the 1950s, this debate was skilfully exploited for the realisation of Social Democratic politics. In the 1980s the Social Democrats lost the corresponding discursive battle. The society of the 1980s was no longer the society of the 1950s.

However, before this discursive turn there had been a short turn in the opposite direction during the 1970s, which had supported the adherents of

the funds. The general radicalisation of the social debate in the wake of the events in 1968 exposed the Social Democratic solidarity and productivity model to strains. One prerequisite for the Social Democratic postwar policy was economic growth, implying full employment, increasing real wages and accumulation of capital. The success of the Social Democrats was continually confirmed in an almost self-fulfilling way. The 1960s brought this development to a head in the wake of economic growth. Structural rationalisations, stimulating the mobility of the production factors, meant rapid technological and economic progress. The reverse of this development, increasingly apparent by the late 1960s, was enterprise closures, layoffs and transfers. People were increasingly forced to move from environments where they felt at home. The labour process changed, especially in the engineering industry where the new piece-work systems were often called into question. A wave of unofficial strikes in the engineering industry followed a long strike in the iron ore mines in Lappland in 1969–1970. Demands were made for co-determination and job protection. The dramatic political and ideological radicalisation in the late 1960s and the pressure from the grass roots should certainly be seen in its international context, while its domestic origins were obvious.

The compromise on the rationalisation concept had reached a limit. As in the early 1930s, the grievances of the rank and file over the consequences of rationalisation on wages and employment forced a union retreat. The proposal on the funds, which originally was a response to a technical problem within the framework of the wage policy with solidarity, was increasingly seen in the more general framework of social power. The proposal functioned both as an instrument for political and union leaders to integrate and canalise the protests, and as the ferment of the protests. Both leaders and militant rank and file used the wage-earner funds as a tool in their attempt to gain the initiative. The opposition of interests within the Social Democratic party and the union movement occurred under the vociferous protests of the employers and the non-socialist political parties. The Social Democratic government had to manoeuvre between two sources of protest. The diluted Wage-Earner Funds Act of the Social Democratic government in 1983 demonstrates that the leaders managed to integrate the protests from the left, which was a Pyrrhic victory, however, since they lost the discursive battle to the right.

The radicalisation in the late 1960s activated union and political leaders in other respects, too. The union movement, not least the Swedish Metalworkers' Union, was pushing for change. Where far-reaching agreements were impossible, legislation was used by the Social Democratic government as a tool, for the first time on such a large scale since 1936: the Act on Employee Representation on Boards of Directors in 1973, on Job Security in 1974 and on Co-determination in 1976 are just a few

examples. This development of Social Democratic policy meant something qualitatively new, since distribution policy had previously been central. The long-term impact was the undermining of the established balance in the tripartite institutional framework. The neutrality of the state had been fundamental in the labour relations order ever since the December Compromise in 1906 with the exception of the interventions for industrial peace in the 1920s and in the wake of mass redundancy in the 1930s. This foundation and the mutual trust it had produced on the labour market was now eroded.

One important and intentional consequence that had unintended long-term implications was the dislocation of power within the union movement downwards, towards the shop-floor level. The hierarchical structure was undermined. This displacement of power within the union movement was underpinned by steps taken by the employers. Their perception of increasing shop-floor militancy made them pay more attention to the enterprise level of industrial relations and correspondingly less to the established centralised bargaining culture. This change of focus was underpinned when the funds were proposed in 1976. An ideological/discursive employers' counter-movement began, and it had implications even at the shop-floor level.

New employer strategies based on identity construction around the concept of 'colleague' instead of worker increasingly emerged as an alternative to the conveyor belt and piece-work strategy for productivity gains. At the company level, the development was mirrored in phrases like 'colleague' (*medarbetare*, as opposed to worker or employee), 'teamwork', 'job design', 'meaningful work', 'employees' profit-sharing', 'responsibility' and so on. The development of this new 'colleagual strategy' was certainly a phenomenon found all over the world, which had to do with new production technology, where production of services, computers and robots increasingly replace manual labour at the conveyor belts. Although this development seemed to be part of a general trend, obviously similar to the development of industrial relations in Japan, in the Swedish case it had a very specific domestic origin as well. The union problem involved in this employer approach is that old loyalties within the union movement are supplemented and challenged by cross-loyalties and new feelings of identity with the company. Nationwide loyalty as a prerequisite of a 'wage policy with solidarity' broke down into local management-workforce loyalties. The unions are transformed into what, by extension, could possibly be developed into an element of the company's personnel function. There is an obvious management interest today in effacing the union division between blue and white collar employees, because that division is disappearing in the work process. The management interest is in *one* collectively bargained agreement per company. This strategy has had a tremendous impact on the SAF which has lost hierarchical strength and has

been transformed from a powerful bargaining organisation to a weak policy organisation. This development, in turn, has affected and will continue to affect the union organisation strongly.

All the new labour market laws were rooted in a period of economic growth. The increased union influence at the shop-floor level, and its efforts to integrate the protests was intended to be exerted in sharing an ever-larger pie, and to master many of the problems the very pace of growth had accentuated. The fact that the laws would be applied in a situation of economic stagnation and major restructuring only emphasised the difficulties to which the Swedish model was exposed.

Political responses to the collapse of key industries, like the shipbuilding and steel industries around 1975, were attempts to bridge the breakdown and avoid layoffs by means of massive subsidies. The shift in labour market policy from concentration on mobility to concentration on job security occurred under the intellectual hegemony of the *folkhemmet* metaphor. In these circumstances, emphasis shifted to saving jobs in industries in competitive difficulties rather than channelling labour into the rapidly expanding sectors. This produced powerful pressure for massive subsidies to steady the rapid decline of some sectors. There was a great increase in the resources for labour market policy during those years. The impact of this resource mobilisation worked in the same decentralising direction as the labour market legislation. In the struggle for jobs, workforces of competing firms fought and were played off against each other. Sometimes local employee-management coalitions emerged in the fight for survival against corresponding coalitions in other enterprises. Rivalry increased within the union movement and the hierarchical ties were exposed to severe strain. At a more general level, subsidies to declining industries resulted in increasing opposition in the early 1980s, when economic stagnation produced increased social rivalry. The fact that it was the various Conservative-Centre governments after 1976 that delivered these support packages did not prevent them in public opinion from being increasingly associated with general inertia and being seen as representatives of oldfashioned Social Democratic politics.⁷² The subsidy packages in combination with the Wage-Earner Fund proposal contributed to the neo-liberal discursive breakthrough.

The loss of jobs in the manufacturing sector, the development of new management strategies, and this deep transformation and dissolution of class identities must be referred to fundamental changes in enterprise organisation and management strategies, and can be seen as a major aspect of the transformation from a society where industrial production is the dominant contributor to employment towards a knowledge society with an increased emphasis on R&D, service production, administration, communications technology and transnational enterprise organisation. Sweden's application for membership to the EC, announced by the Social Democratic government

in October 1990 can be seen as a recognition and insight that the preconditions of corporatist tripartite governability of the economy in a national framework had changed dramatically. The basis of the government's decision was a massive and accelerating capital flow out of Sweden in the late 1980s.⁷³

The dissolution of the Swedish model not only had to do with the wage-earner fund, intensified labour market legislation, struggle for job protection and new management strategies, however. The public sector increased its share of the GDP in Sweden from 30 per cent in 1960 to 67 per cent in 1983. Of this share, 60 per cent (i.e. 40 per cent of the GDP) was absorbed by public consumption and investment while the rest was accounted for by transfers. The growth of the public sector brought high women's participation in the labour market (80 per cent). This expansion was achieved by political decisions to increase the social, childcare and educational services in the 1960s. This, in turn, must be related to the parliamentary situation. The Social Democrats realised at an early point that they had to build class alliances in order to gain and maintain parliamentary power. From the 1930s to the 1950s there was such an alliance with the farmers but by the late 1950s agricultural decline meant that the base of this alliance was eroded. In this situation the Social Democrats turned to the growing middle class of white collar employees for support. The furious political struggle over compulsory supplementary pensions in 1957–1958 should be seen in this context. This reform was the springboard for a new alliance between the Social Democrats and the middle classes.

The middle classes were attracted by qualitative changes in the Social Democrats' perception of the welfare state. The 'minimalist' approach, by which the poor were guaranteed a safety net of social security was replaced by a 'maximalist' strategy. The state would guarantee income security rather than basic security if an individual's regular income was not forthcoming for some reason. Rather than being shaped around the requirements of the working class, the 'new' welfare state was designed to meet the standards of the middle classes: a higher standard of service to which the working class could gain access. The long-term effect was the gradual transformation of class-based identities into other categories.

The reforms meant an explosive growth of social expenditure and taxes in the 1960s and 1970s and also a radical increase in women's participation in the labour market. Overall, developments from 1960 onward increased employment from 3.3 million to 4.3 million by the mid-1980s. This growth was especially dramatic in the 1970s as more women entered the labour market. Restructuring and decline in manufacturing industry caused a loss of 10,000–15,000 jobs a year but this was more than compensated for by the expansion in the public sector. Thus the public sector came to take over the labour-absorbing role of the high productivity manufacturing enterprises in the active labour market policy model of the LO economists. Women were

absorbed in the rapidly growing social service sector. This labour market mobilisation of the female reserve army occurred under the motto of 'emancipation'. Only later on the insight emerged that the mobilisation meant accumulation of cheap (female) labour in the public sector. Although the low levels of pay eased the escalating costs somewhat in the short run, it posed serious long-term problems (see below).

The social welfare reforms generated their own internal dynamics and the growth of public sector employment should be regarded as coincidental with, rather than as a response to, the rapid decline in key industries such as steel and shipbuilding. The politics of industrial transformation had its own special logic driven by the emergence of mass lay-offs across broad industrial sectors which stretched the active labour market policy to its limit. There was no strategy of exchanging jobs in the manufacturing industry for jobs in the public service sector. The decline in industry was mainly managed by a rapid increase in the number of early retirements, which covered much of what looked like a full-employment society. This meant that still another cog in the wheel of the model left the track. If the figures for early retirement are added to the figures for unemployment and retraining programmes, the Swedish figures in the 1980s come close to European standards of 10 percent or more. This development not only brought long-term financial problems for the state budget but also considerable productivity losses as compared with the bonanza years of the model with labour transfers to high productivity industries and enterprises. Decreasing income taxes, due to increasing unemployment and early retirement, resulting in increasing burdens on the social insurance systems, constituted an explosive mix.

Generally, the 1970s and 1980s saw the disappearance of the prerequisites which underpinned the success of the wage policy of the 1960s. The expansive forces in industry abated and productivity decelerated. Investment was weak, and increasingly enterprises were exposed to cost crises as international competition hardened. In these circumstances, the labour force was increasingly attracted to the protected public sector rather than the technological vanguard of manufacturing industry. Workers' propensity to switch jobs also declined, a change in attitude which also explained the growing pressure for job protection legislation. This aspect of Social Democratic labour market policy was qualitatively different from the previous emphasis on distribution and the organisation of capital within a general regulatory framework. The job security legislation reduced the incentive to workers to leave stagnating enterprises. Thus a central problem in the framework of the fast expansion of the public sector became how to combine the 'wage policy with solidarity' (requiring a transfer of the labour force) with policies designed to ameliorate the worst effects of rapid industrial decline by concentrating on employment protection.

The core of the Social Democratic economic policy in the 1980s—the ‘policy of the third way’—was persuading the unions to keep wage raises non-inflationary, while allowing a massive expansion to take place in the economy. As a means to achieving this policy, capital movements were liberalised; The effect was quick fortune building and high profits. The deregulation of financial markets was followed by a stock market boom. Another consequence of the ‘policy of the third way’ was that the proportion of GDP attributable to public spending decreased from 68 per cent in 1982 to 61 per cent in 1989. Public and private consumption would be withheld in order to promote industrial investments. After the elections in 1982 and the Social Democratic comeback (they had been out of power since 1976), one of the first steps of the government was a 16 per cent devaluation of the Swedish *krona*. In a way this had some similarities with the situation after the devaluation in 1949: profits increased between 1981 and 1983 from 22 per cent to 34 per cent of added value. The new policy of promotion of private industry was forced through by the upper echelons of the Social Democratic leadership. Decisions at both the party congress in 1981 and at the LO congress in the same year went in a more demand-oriented direction.⁷⁴

Whereas in the 1950s the union model provided a formula which combined the government’s interest in stabilisation, the unions’ interest in wage increases and solidarity, and the employers’ interest in production and productivity increases, the Social Democratic government policies in the 1980s gave much less weight to the unions’ interests in wage increases and solidarity. The long-term unintentional effect of the Social Democratic political strategy beginning in the 1960s, had been that—for reasons of parliamentary power—the public sector rather than the industrial vanguard became the motor of the economy, and the increased emphasis on job protection cut off one of the key links of the active labour market policy, mobility of labour. In the 1980s there was also an increasing awareness among public sector employees that public sector expansion brought the accumulation of inexpensive (female) labour in new services in this sector.⁷⁵ Awareness of this accumulation was fuelled by a series of substantial devaluations of the Swedish *krona* from 1976 to 1982 in order to promote the interests of the export industry, with the effect that profits and wages soared.

The pattern of wage relationships increasingly lost its legitimacy. It was opposed by key groups of skilled or professional employees in industry. However, above all, there was severe opposition in the form of claims for more equal wages made by the numerous well-educated but poorly-paid employees in the public sector. Rifts developed within the collective bargaining framework as the LO lost its centralising influence and as rivalry between unions in the private and the public sector grew, as each group demanded to be paid more than average wages. Thus the wage

struggle changed character from being between labour and capital to being over wage differentials. Tension in the union movement increased. The public sector unions required wage increases of 10 per cent or more in order to keep pace with developments in the export industries. The labour market conflict increased in the second half of the 1980s. The gender-related conflict between public and private sector unions meant that instead of being compatible with the class concept, gender increasingly became a competing identity category. This struggle was intensified owing to the labour shortage produced by the expansive export industry and public sector. The white-collar and public sector unions became effectively involved in what had been the centralised bipartite LO-SAF bargaining structure of the 1950s and 1960s. The unwillingness of employees in the public sector to accept the model's key preconditions, the maintenance of industrial peace, constituted a serious challenge. This refusal has contributed to the dissolution of the model.

The gender dimension in the tension between public and private sector employees can be seen as a female revolt against established structures in the union movement. The long-term impact was paralysis of the entire LO structure. Nothing demonstrates this paralysis better than the LO approach to the question of Swedish membership in the EU in 1994. In the intensive debate before the referendum in November members of the public sector unions feared that Swedish membership would mean budget cuts in order to make the Swedish economy compatible with the requirements of the EU. A reduction of the budget deficit would, in turn, mean decreased employment in the public sector. Therefore, these employees were mainly against Swedish membership. The unions representing employees in the manufacturing export industries argued that Swedish membership was necessary for competitive reasons. The consequence of these opposing views was that the LO refrained from taking a clear position in one of the most important questions in Swedish politics since 1945. The institutional framework of this development has been the emergence of the new decentralised bargaining structure on the labour market, downwards towards sectoral and local levels. In the process of dissolution, the management strategy of building identities and loyalties around the company and the concept of *medarbetare* has been crucial.

Sweden and Germany compared

In many respects, industrial relations in Germany and Sweden contained the same elements and the same strategic approaches in the labour markets. The difference between the two models emerged in the structuring of the elements into wholes. There were reactionary and progressive employers in both countries, but taken as a whole the reactionary ones that aimed at crushing the unions had a stronger position in Germany and the

progressive ones that tended to integrate the unions dominated in Sweden. Compared with Germany Swedish industrial relations were less polarised. There was far less scope for acceptance of the master-of-the-house metaphor among employers.

While in Germany the emerging pattern of industrial relations can be described as a case where capital organised labour, the Swedish case was one where labour organised capital. The *Stoßrichtung* of the social process was different in the two countries. The German organisation of the labour market was much more of an integration of the protest potential from above, whereas in Sweden the unions and the labour movement acquired increasing strength in an integrative movement from below. The conservatives made concessions which kept this movement going, but before 1905 only as far as was absolutely necessary. Therefore, modernisation of Sweden was a slowly penetrating process. After the Norwegian break-away from the union with Sweden the interest in reform among the ruling classes increased rapidly, however.

The Swedish organisation of the labour market was by no means the implementation of a big plan or theory but, as in Germany, a process of permanent problem resolution and muddling through, where the pattern was only visible in retrospect. It took considerable time before this pattern emerged. The economic transformation of Sweden was as rapid as the establishment of a model of industrial relations was slow. In the 1920s, for instance, Sweden was still a very strike-prone country. As compared to Germany, this lengthy process in Sweden proved retrospectively to be a vigorous one, however. There was not the kind of fragility that characterised the German agreement on industrial peace in 1918. This fact proved more important than the fact that the corresponding agreement in Sweden occurred 20 years later. In the 1950s, the Swedish organisation of the labour market was very close to an ideal type of neo-corporatist social organisation. In tripartite central-level talks trade-offs were negotiated which were fulfilled by loyal members in the lower tiers of the employers' organisations and the unions. Being definitely integrated in Western democratic culture after World War II and with the *Wirtschaftswunder* as an economic basis for growth and expansion, Germany in the 1960s came as close to the neo-corporatist ideal type as Sweden.

Exposed to the technological, economic and ideological forces discussed above, the Swedish neo-corporatist model was basically dissolved in the 1980s. In many respects the organisation of the German labour market was exposed to the same kinds of strains. However, the degree of dissolution of the neo-corporatist model of governance was by the mid-1990s probably greater in Sweden than in Germany.

UNITED KINGDOM

THE TRANSFORMATION OF SOCIETY IN THE 1890s

The British development trajectory has been regarded as the standard route of industrialisation, and the status of 'normal' is often given to the British development because industrialisation began there first. However, a different conclusion of this early development is that exactly because Britain was the first industrial nation, it could not provide a usable model for other countries to reproduce. The preconditions of the organisation of society and of capital and labour were quite different in Britain than elsewhere.¹ The discourse there about the situation economically, technologically and organisationally by 1890 was, in many respects, different from the discourse in Germany or Sweden.

Being early meant a much more labour-intensive production order in Britain based on craft skill and, to a lesser extent, on capital investment than was the case in latecomers to industrialisation like Germany, Sweden and Japan. This employer approach structured the demand for labour and the labour force differently.

The relationships between banking and industry were also different. In Germany, for instance, bank and financial shareholdings usually have an average of about 25 per cent of the total holdings in industry; in Britain, 1–2 per cent is more common and holdings of 25 per cent are unknown. The growth of industrial capitalism over a protracted period allowed capital formation to be derived from sources internal to industry, and to occur at a much lower level than in Germany, Japan and Sweden. The gradual and incomplete emergence of a truly industrial organisation of production was an obstacle to the emergence of an interest in a fusion between banking and industry to the same extent as in Germany and Sweden, and allowed these patterns of separation to solidify. In the British Empire the banks were oriented towards commercial capital rather than industrial production, as was the case in Germany and Sweden. The Bank of England always defined its role as exclusively concerned with finance, which had no real effects on industry.²

There was an increasing establishment of monopolies and employer associations, although not at all as massively as in the German case of organised capitalism. The British associations were not as homogeneous as their German counterparts: they were fragmented and competitive rather than centralised and co-ordinated.

In many respects, Britain shared the experiences of dynamic change and crisis with other industrialising societies at the time. An important expression of the transformation in British society was the rise of a politically self-conscious working class, the new labour movement, in the 1890s, temporarily giving the concept of class a new content. Between 70 and 80 per cent of the active population were manual wage earners. Although they did not upset the bourgeois hegemony, it became increasingly clear that they constituted the main problem for the bourgeoisie.

The 1880s were a time of major profitability crisis in world capitalism. The crisis produced turmoil, with rioting among the unemployed and strikes among unskilled workers. Critical sections of the middle and working classes began to challenge the assumptions of *laissez-faire* liberalism. In different ways, they began to call for the regulation of the economy. The content of the 'crisis' was experienced as a major restructuring of capitalism, where capital accumulation was resumed on an extended scale, yet in a very different form than earlier. The perception of the real nature of the crisis in Britain was of declining profitability, which was both disguised and offset by a massive export of capital from British finance houses. Capital investment was expanding rapidly, but not in Britain. The massive profits reaped by the finance houses increased the distance between financial and industrial capital.³

By the 1890s social developments had eroded the individual basis of the liberal vision considerably. The beginnings of amalgamations and cartelisations, and the emergence of large-scale national trade unionism prefigured the advent of managed markets beneath the rhetoric of *laissez-faire*. Though there existed in Britain a long tradition of market sharing and price fixing, there was a growth in the late nineteenth century in collusive practices and in the number and stability of cartel organisations owing to new competitive pressures and a squeeze on profits, although the widely different types of business all tended to be much less heavily capitalised than German cartels.⁴ The simultaneous growth of conurbations presaged the development of a popular culture of mass entertainment. Politics became more collectivised. A widened franchise provoked attempts to build mass local parties. The transmutation of liberal capitalism into a more collectivist variant brought the closing of avenues for social mobility. Artisans, often hard-pressed by technical change, had a diminishing hope of going it alone. The growth of large units of production presented a forbidding barrier. The bureaucratisation and the growing army of white collar workers, who regarded themselves as socially superior to the most skilled of craftsmen,

increased the separation and the distinctiveness of the industrial worker, at a time when, for some of them, prevailing norms and standards were coming under pressure.⁵

Developments were similar in Germany and Sweden. The general framework of the problems experienced was shared. However, the responses were different in Germany as compared with Sweden. The response in Britain represented a third alternative. The emergence of a more collectivist variant of liberalism did not bring the same identity patterns as in Germany and Sweden. The workers' identity formation circled around workers of the same company, the same craft, or the same region rather than the whole industry. Within the German and Swedish ideologies the *Volk/folk* became the organising concept, playing the same basic role as does the individual citizen in the liberal scheme. The emphasis is on the collective unit in Germany and Sweden, and for this reason *Volk/folk* is often translated as the 'nation', rather than the 'people'. However, the holistic impulse was much more intrinsic in *Volk* than in *folk*. Swedish organisation of society came in crucial respects rather close to the pluralism of the atomistic, liberal frameworks of interpretation of Britain (and the US).⁶

The class concept in Britain contained the perception of a working class identifying itself as less homogeneous than in Germany and Sweden. These different identification patterns must be referred to different industrialisation processes which resulted in different perceptions. There is a relationship between structure and division of labour and the politics of workers, and the important thing is how these relationships resulted in different cultural and political contexts in different countries. The phase of organised capitalism in Britain contained less technological change of the kind which stimulated social change. There were fewer large scale economies from long series, and less investment. Standardised labour processes were not introduced to the same extent. The focus of the industrial relations system was on the local and trade levels. Class struggle did increase in Britain in the 1890s, although there was less polarisation than in Germany—the British working class was too fragmented to develop the same degree of polarisation. Organisation of labour, industrial production and the labour markets did not have a national focus to the same extent as in Germany or Sweden.

As in the organised capitalism of Germany and Sweden, a new state concept quickly developed, after having won ground in Disraeli's England: the state should not only guarantee the freedom of the capitalist but also become his partner.⁷ State interests were expected to support industry in times of exposure to increasing foreign competition. However, the new state concept in Britain had less to do with technological change and concentration of capital than in Germany. It was, rather, a defence against foreign competition, which certainly provoked increased co-operation and organisation of capital, although not to as great an extent as in Germany.

However, the degree of state involvement in industrial restructuring was much smaller than in Germany and Sweden. Moreover, in comparison with Germany and Sweden, British industrialists were exceptionally divided about the friendliness of the state, even at times of difficulty.

There were still many remnants of the competitive approach in classical industrial capitalism. An example from the shipbuilding industry is worth citing:

The Clyde fought with the Tyne, the Thames, and the Mersey, and on the Clyde every master had contested with every other for the work to be done... This free competition of master against master has been the secret of this country's advance as a manufacturing nation... A single master dreads his workmen less than his fellow-master, and his profits are more reduced by their competition than by any amount of strikes and shortening of hours.⁸

It is clear that industrial relations in British shipbuilding hardly indicate the development of organised capitalism in the German sense. Not only did employees retain very high levels of skill and workplace autonomy, it also appears that the employers made no sustained attempts to increase their effective control of production, and that they may even have had an implicit commitment to the independence of skilled labour. There was a change towards a more collectivist organisation of industrial society and the labour market, although not at all as distinct as in Germany and Sweden, where competition was replaced by an ever-tightening organisation of interests, whether as a result of monopolies emerging out of markets, or of bureaucracies emerging from the search for efficiency.⁹

LABOUR-INTENSIVE MODE OF PRODUCTION

The standard interpretation of the rise of a politically conscious British working class is heavily influenced by the early works of Hobsbawm. He emphasises the material situation of the skilled workers who were subject, in the wake of intensified foreign competition, to growing pressure. Income development and dilution of craft skills were the main elements of Hobsbawm's explanatory approach. In the 1970s there was increasing scholarly concentration on the second of these elements: technological change and dilution of craft skills.¹⁰

In the 1980s the standard interpretation of the development in the 1880s and 1890s was considerably revised in the important works of Lorenz, Melling, Reid, Tolliday, Zeitlin and others.¹¹ When the problem of productivity was experienced and tackled in British industry at the end of the nineteenth century, the response aimed at achieving changes within the existing production system: extension of the working day through overtime, development of wage systems linked to production results, increased

employment of apprentices and skilled workers at the lower end of the wage scale. These steps could be taken without extensive organisational conversion and sharp confrontation with the trade unions. British employers were seldom prepared to pay high salaries for supervision in a system of scientific management. They maintained a labour-intensive organisation of production. Melling and others have demonstrated that British employers borrowed the wage model from the Taylorist system while the control and supervision of the work process remained based on traditional modes of industrial relations.¹² The employment of poorly-paid skilled workers developed gradually and resulted in inter-union demarcation conflicts rather than direct employer-union confrontations. Not even on the few occasions when the employers dared to undertake a systematic confrontation with the unions and introduced new equipment did this lead to a unilateral replacement of skilled workers with unskilled or semi-skilled workers. The machinery introduced before World War I was not transfer equipment and was not run from a central source of power, and thus considerable elements of the traditional production technology still remained.

In a case study of the shipbuilding industry, Lorenz has demonstrated that British shipbuilders traditionally preferred a far more labour-intensive strategy than the shipbuilders in the rest of Europe, exploiting the skills of its work-force and avoiding the problems of high overhead costs during the frequent cyclical downswings in industry. Only the changing market for ships and the perfection of the new welding techniques in the 1930s favoured large-scale, capital-intensive shipyards of the type that dominated on the Continent, and then the British strategy became impossible to pursue. Only the transformation from a coal to an oil economy, and the subsequent shift from liners and tramps to tankers with their simpler, more standardised design, had an obvious impact.¹³

Indeed, British employers encouraged the labour-intensive strategy. It was frequently managers who posed the strongest opposition to dilution of skills, because each firm wanted to retain as much skilled labour as possible. According to Reid, in British shipbuilding during World War I employers 'stubbornly maintained conservative attitudes and had little faith in proposals to rationalise labour-intensive methods of production'.¹⁴ The employers were satisfied with the existing division of power within which they controlled the workers effectively on subcontracts and did not conceive a Fordist style factory. In this respect the difference between the strategic perception and the problem resolution of the British employers and of the employers in Germany and Sweden is obvious. The difference in the order of industrial relations was obvious, too. Inter-union demarcation disputes were an exclusively British phenomenon.

Zeitlin has demonstrated how an emergent national order of collective bargaining and dispute regulation, set in motion after a major labour market

conflict between the Engineering Employers' Federation, EEF, and the Amalgamated Society of Engineers, ASE, in 1897–1898 proved to be a major source of internal tensions within the Federation, just as it was within the unions. The thirty-week long lock-out was the climax of increasing tension between the membership of the ASE and the employers. The cause of the dispute was an attempt by the ASE to achieve the eight-hour working day in London workshops. However, the crucial issue was that of technical change, and the extent to which managements should be allowed to determine the rate and extent of such change.¹⁵

According to Melling, the concern of the new employer federations of the 1890s was to protect the prerogatives of business against workers and the state. Demands for enhanced citizenship appeared to many employers as the slide towards workplace unrest and state socialism. The central business organisations were assembled to resist the erosion of capitalist control and the rights of property. This defensive strategy gave local firms the capacity to defeat organised labour without providing the leadership with the political resources needed to deal with the central state. The organisation of the labour market remained fragmented. Political life continued to be defined by the two main parties, dominated by traditional dynasties and professional politicians. As the new Liberals pushed the state towards radical policies to deal with labour market disorders and social problems, the provincial business community watched the political settlement of the mid-nineteenth century being unpicked. The question of the legal status of collective bargaining was raised and unsatisfactorily resolved before the Trade Disputes Act of 1906.¹⁶

The employers contracted out important aspects of the management of labour to their trade associations and to market relationships in this period. Capital organised in Britain, too. There is more than one way to organise, however. The pattern of organisation was different in comparison with Germany and Sweden. The centralisation was less pronounced as was the intervention of the parliamentary system and the state apparatus. The impression of a more fragmented order in Britain remained.

Although employers continued to pursue a much more labour-intensive approach and organised their interests in a less centralised way than in later industrialising countries, the experience of the skilled workers was that the world of the engineers was changing. However, based on craft traditions and skills acquired over a much more extended process of industrialisation, the perception of change by British workers was different than among the fast growing working classes in the later industrialising countries. The 1890s saw the introduction of a wide range of new machines with specialised functions. The coming of new machinery undermined the necessity for the all-round craftsmen; specific tasks could be carried through by operatives who had served no apprenticeship and had no wide experience of the engineering industry, but who would learn a narrow range of techniques, and were

willing to work for below established craft rates. Craft workers had developed stronger organisations, but by the 1890s both their unions' strength and their own status were threatened by technical innovations. Some younger craftsmen pressed for aggressive industrial action and tensions developed within the union movement. Skilled workers could be portrayed as status-conscious defenders of traditional privileges, bearing some responsibility for working-class divisions. The underlying logic of their defence was protection against redundancy, which aimed at an alternative to the rigours of the market.¹⁷

All this meant a massive challenge to the old order within the ASE. Inevitably, some reactions involved a reaffirmation of traditional practices. There was tight control of apprenticeships, regulation of overtime, and opposition to piecework. Attempts were undertaken to establish the principle that ASE members must move along to work with the new machines, being paid at established craft rates for operating the new technology. This was nothing but an expression of the conservative dialectic involved in workers' practice, a classical demonstration of traditional craft responses to innovation. The split image and the complexity of the development is emphasised by the actions of younger activists, frequently socialists, and linked with New Unionist doctrines within some sections of the ASE. The young activists attempted to interest the ASE, which they found 'very respectable and deadly dull', in independent political action.¹⁸

Although the workers experienced and responded to threats of redundancy in the wake of the gradual introduction of new technology, the innovations never upset the main impression of a labour-intensive employer approach. How, then, should we understand the extensive maintenance of labour-intensive production and the extreme cautiousness in introducing scientific management and capital-intensive large-scale production? The industrialisation process in Britain, much earlier and penetrating much more gradually than in Germany and Sweden, meant that craft skills long remained the core of the industrial order. An important early union goal was to safeguard skills against dilution and competition from unskilled, cheaper labour. The training standard was used, as much as the wage claims, as a pivot for a market enclosure in union strategy.

In order to establish the order of apprenticeship as a safeguard for employment of skilled workers and as a social legitimisation system, workers had to be well organised. Swedish workers, too, developed powerful organisations based on market enclosure. However, their concentration on the establishment of a price cartel for the supply of labour was a different kind of market enclosure, and their confrontation with the employers was therefore channelled in different directions as compared with Britain. There the unions established a 'skill cartel' rather than a price cartel. The organisational framework of the protection of skill was the craft unions, or

the *trade* unions, in the literal sense of the word, whereas the organisational expression of the price cartels in Sweden was unions by industry.¹⁹

The early institutionalisation of the apprentice system and the development of strong protective craft unions were mutually reinforcing factors in a process of interaction. This union structure was one of the parameters considered by the employers when, gradually and only partially, they introduced new technology. They were often as keen as the unions to maintain traditional skills.

According to this British scenario, skilled workers must not be seen only as traditional artisans or journeymen. They were wage labourers, subject to the demands of capital, and increasingly dependent on equipment provided by their employers. Their informal means of influence, i.e. their skills, were less and less sufficient to give them the power to regulate their working conditions. This was not a matter of a change from being artisans to proletarians, however. The introduction of modern factory production methods should be understood as the rise of a broad spectrum of overlapping and intersecting skills and abilities. Within this spread, important changes as to degrees and types of qualification could occur without the immediate rise of feelings of proletarianisation and greater homogeneity among the workers.²⁰

By the end of the nineteenth century, concepts like artisan and craftsman had lost their meaning of independent artisan or master craftsman. That vocabulary was used in an earlier organisation of society, including terms such as apprentice, journeyman, trade, craft, etc. Developments during the quarter of a century before World War I welded a very heterogeneous collection of manual skills into what was perceived as a more homogeneous class, although differences between skilled, semi-skilled and unskilled workers were still great. This vocabulary was transferred to the new organisation form of wage labour and survived, through the labour movement, as concepts for expressing new organisational principles: trade union, craft union, etc. Between the bourgeoisie and the identity construction around the class concept a lower middle-class zone developed, the core of which was the growing mass of white collar employees, the clerks. The mental and cultural demarcation line between manual and non-manual workers grew socially firmer, although not necessarily politically.

In order to increase union strength semi-skilled workers and unskilled assistants were permitted to join the unions. In addition to the 'diluted' trade unions, general unions were formed for semi-skilled and unskilled workers and, ultimately, also for women. This transformation should not be mistaken for a change to industrial unions. The craft or trade basis remained. The perception of a sharp demarcation towards bourgeois society probably meant more for the identification process of the workers than this restructuring of the unions. They were separated from bourgeois society not

as much through economic inequality as through opportunity and expectations of living and life styles.

The union structure and the industrial relations system, which was so advantageous when British industry began to penetrate the world market, produced their own logic, which makes it wrong to try to discern the unions as the only causative factor. The employers demonstrated less interest in expensive and uncertain investment in capital-intensive technology than employers in countries where the industrialisation process began later. Not only was such investment expensive and implied heavy overhead burdens in periods of low demand, but it also risked provoking union resistance and demarcation conflicts. Therefore, nothing like the partly shared view on the concept of 'rationalisation' in Sweden emerged in Britain. The concept underwent a different development in the British discourse (see below).

Consequently, when pressure from foreign competition became noticeable in the 1880s, the response of British employers was not necessarily to encourage cartel strategies and mutual co-operation to reorganise ownership structures and production methods. When new machines and new technology were introduced they did not necessarily constitute a threat to skilled workers. Because of the strong union organisation and the interest of the employers in maintaining skills, the new technology seldom resulted in the immediate dequalification of the workers.²¹

THE PERCEPTIONS OF THE CLASS CONCEPT AND THE POLITICAL CULTURE

The political culture in new industrial boroughs at the end of the nineteenth century was often a repetition in certain respects of that of county or medieval borough seats. Some employers in the engineering and shipbuilding industries mobilised the votes of their workers as effectively as any rural squire. Working-class voters who resided near and worked in a factory owned by an active Liberal or Conservative reflected overwhelmingly his allegiance. Such employer influence was characteristic of medium-sized towns where the range of employment was limited to one or two trades, and where the owners still resided near their workers. Where there was a more varied economy and no dominant employers, a more rapid evolution of political opinion occurred. In the inner London area, the vast majority of enterprises were small. In the craft workshops of the West End, the retention of regular employment in small firms often depended on retaining the patronage of the employer or the foreman. To step out of line was to invite dismissal. Independent working-class politics were unlikely to result. In the new outlying areas, where the larger factories were mostly situated and enterprises tended to be more impersonal, the opportunities of trade unionists or socialists were better.

But everywhere in the London region and in many other industrialised regions sheer poverty and constant anxiety about employment were the overriding concerns of unskilled and semi-skilled workers. Except for home rule, or Catholic education in the case of the Irish, larger political issues were abstract and remote. However, the voter-employer relationship was never merely a passive, non-political one on the workers' part. Any owner had to be known as a good employer or face a battery of criticism during a local election campaign.²²

At the turn of the century, this kind of political allegiance was declining. The distinctive British feature in comparison with Germany and Sweden was that the political pressures of the unions were mainly exerted in the framework of the existing party system. There was a wide spectrum among working-class political allegiances and British working-class politics went down a particular labourist, non-socialist channel. Thus, the (socialist) Labour Party was a late comer in British politics. Not the pattern of employment in small scale firms *per se* but the capacity of the existing party system to respond to working-class claims prevented the emergence of independent labour politics. This was different from Germany and Sweden. Still in the 1890s, there was not a very large organised base for a working-class party. The working-class party tended to be Gladstonian Liberal. For the craft unions, the emphasis was on establishing a regular bargaining procedure with employers, attaining a position of independence and self-respect. A Victorian worker often shared the same range of political views as his employer, identifying common enemies. The skilled worker often hoped to raise himself in the same way by thrift, sobriety and industry as a small entrepreneur. Although close master-and-man relations could not prevail in really large-scale factory production, workers' traditional allegiances plainly survived the transition to impersonal and unionised industry for many years.²³ Cross identities and loyalties among the workers made them form no more than a 'bundle of classes'. There was never a working class with any readily perceptible cohesion or consciousness. Previous emphases on mechanisation and the erosion of the position of skilled workers have been exaggerated. In the workplace and in the labour market there remained a wide diversity and a significant degree of sectionalism. In the area of cultural life, recent accounts have stressed both the persistence of older forms of recreation and association and the variety of personal preferences, rather than the emergence of an increasingly homogeneous working-class culture with unambiguous political consequences. Insofar as political behaviour was influenced by economic and social conditions, this was in the form of strong continuities in nineteenth-century popular radicalism into the late nineteenth and early twentieth centuries.²⁴ There were certainly feelings of belonging to a vaguely imagined working class in opposition to capitalism and capitalists but strong cross identities eroded and diluted this experienced community.

The uneven development of British capitalism, the sheer diversity of work experiences, and the irregularity and multiplicity of individual occupations combined to make work an inappropriate primary vehicle for the transmission of class identities. In this respect the local working-class cultures reminded historians very much of the local working-class communities in Germany.

However, the fragmentation of the organised interests of both labour and capital was a distinctive British feature in comparison with Germany and Sweden. The difference in terms of interpretive frameworks and industrial relations developed accordingly. Fragmentation did not mean polarisation, segmentation and lack of communicative and integrative capacity as in Germany, however. The transforming British order was pluralistic. It was based on political alliances with groups outside the working classes and a kind of Liberal-Labour coalition which developed the communicative capacity in society. The existing party system, including the Conservatives, for instance, managed to express and canalise the interests of the workers in a much more successful way in Britain than in Germany.

The political expression of this development was not socialism in a Marxist sense. The growth of trade unionism and reformism on the one hand and the new working-class culture on the other were not contradictory, but instead interrelated, phenomena. Each signified a major shift in the predominant forms of working-class activity. Once the defeat of Chartism had finally been accepted, working people ceased to believe that they could shape society in their own image. Capitalism had become an immovable horizon. The labour movement in Britain never provided the same normative alternative to the established order as in Germany. The main impetus of working-class activity was concentrated on trade unions, coops, and friendly societies, indicating a *de facto* recognition of the existing social order as the inevitable framework of action. A culture of consolation emerged.²⁵

Labour leaders before World War I had no concrete conception of politics or the state. The state was not at all the target of trade union politics to the same extent as in Germany. Consequently, the role of the state in industrial relations before 1906 was much smaller in Britain. When the state finally stepped in, it was for specific reasons (see below). The emphasis had shifted to welfare. Socialism meant the abolition of poverty.

The Social Democratic Federation, founded in 1883, represented the nearest approach to a Marxist socialist party. By the late 1890s the SDF had only a few thousand members and was crippled by its inability to win more than a derisory vote at parliamentary elections. The Federation was reduced to contentious fragmentation rather than having the ability to convert the working class. A far more realistic and pragmatic approach was adopted by the Independent Labour Party, founded in 1893. Although it was socialist, the ILP espoused a shrewd mixture of radical Liberal causes and typical trade union demands. Its leaders, especially Keir Hardie, spoke in terms of a

socialism of a moralistic, humanitarian, revivalist kind. The ILP *was* important to the construction of a viable class politics in areas such as West Scotland.²⁶ However, despite some progress at the local level the ILP had difficulties breaking into national politics.

A number of legal decisions in the 1890s, which infringed on the right to picket, pointed to the need for unions to be represented in Parliament on a scale similar to employers' representation. This growing insight finally led to a more massive reorientation among the unions concerning political affiliation.²⁷ In 1899, the Trades Union Congress (TUC) decided to establish a new and independent political organisation. As a result, 129 delegates met in February 1900 to set up the Labour Representation Committee (LRC) which became the Labour Party six years later. The founding of the Labour Party did not take place because of revolutions abroad or political upheaval at home, but rather was a response to the employers' offensive of the 1890s. The Labour Party was the generalisation of the structural role of trade unions into the form of a political party. It was not responsible directly to its constituency, but indirectly via the trade unions upon which its real power was based.

The LRC was a loose federal organisation with Ramsay MacDonald as its unpaid secretary. The unions continued to hold on to their money and declined any ideological innovation. The Liberal Party competed successfully with Labour over political influence in the unions, at least up to World War I. This was possible because of the emergence, since the 1880s, of a New Liberalism arguing that freedom was devoid of meaning to the victims of uncontrolled free enterprise and urging collective action for mutual advantage. Between the 1880s and World War I this New Liberalism gradually came to occupy the mainstream of Liberal politics. However, both old and new liberalism could reach working-class voters. Regional differences in political support were reflections of local occupational and political differences and traditions.²⁸ To Herbert Gladstone, son of William Ewart Gladstone, who became Liberal Chief Whip in 1899, nothing of significance divided Liberals like himself from mainstream working-class politicians. The emergence of organised labour was thus perceived essentially as a natural expression of radical Liberalism.

The political and intellectual rationale for the New Liberalism was the political alliance of the working classes and large parts of the middle classes. The Liberal Party was an efficacious vehicle for the working classes because it harnessed to their cause large sections of the middle classes who would have been frightened into reaction by a party based solely on labour.²⁹

The Lib-Lab agreement on election co-operation in 1903 should be considered in this perspective. Keir Hardie and Ramsay MacDonald were the two most prominent Labour leaders. Both of them personified a history of radical Liberalism and a practical grasp of electoral

collaboration combined with persistent advocacy of independent political action by working men. The mainspring of their action lay in the social condition of working people, but the form this action took was moulded by the ideas and institutions prevalent in the 1880s, especially the chapel, the trade union and the municipal council. Out of twenty-nine Labour and twenty-four Lib-Lab MPs elected in 1906, only two confessed any knowledge of Marx.

Keir Hardie, while not at all unaware of Marxism, made no serious study of it; he found the concept of the historic struggle of the working class and the prospective degeneration of capitalism attractive, but he had no patience with the idea of a revolutionary overthrow of capitalism or of the growing immiseration of the workers. For him, the object of political action in the British context was to take advantage of the available means for improving the lot of working people by taking on board allies outside the labour movement.

Before World War I, the Labour Party never accepted state ownership as a general principle. Any description of Labour as socialist must be modified by the fact that its 'socialism' had a very specific basis in economics. MacDonald, Snowden and other influential Labour movement politicians had a strong evolutionary view of economic progress in which competition was destructive and wasteful, derived from the earlier pattern of family owned firms, it would lead to the development of a cartelised, trustified capitalism, and would end inevitably in state ownership of industry. But nationalisation was a strong demand among certain occupational groups long before 1914.³⁰ Before World War I, 'socialism' meant essentially fraternity and humanitarianism which owed its inspiration to Christianity as much as to politics. This was the historical context in which MacDonald, who was a more systematic thinker than Hardie, gave Labour a more coherent language of socialism. When he spoke of socialism it was not as a policy but as a vision that would evolve gradually, not spring from the ruins of the existing order after a violent revolution. The virtue of presenting socialism in such a linguistic cloak lay in giving Labour its own objective which, because it was vaguely worded, did not frighten those who had to be won over. To radicals it conveyed a reassuring sense of continuity and parliamentarianism and to Labour a comforting belief in ultimate, inevitable triumph. Not ideology so much as struggle by politically conscious working men to achieve reform through direct representation in Parliament was central to the emergence of Labour. This *was* indeed a different scenario than was played out in the Germany of Kautsky and the Second International.³¹

Michael Savage in his study of working-class politics in Preston has demonstrated that the outcome of the local political contest between the early Labour Party and the Conservatives was not pre-ordained by the character of the local social structure since both parties were fighting to

make use of the same local capacities. In the end the Conservatives lost because of national developments in the political arena as well as of local factors. The long-term inability of the Liberals and the Conservatives to absorb working-class economic politics was important for the early growth of the Labour Party. Before 1900 both the Liberal and the Conservative parties were primarily geared to working-class mutualist struggles. The Liberal party in particular represented the 'respectable' workers organised through mutualist societies and co-ops. The Liberal party never became a party stressing working-class economic demands but continually struck other popular chords. The Labour Party moved into a political space which the other parties failed to fill.³² This development reminds one of the Swedish case where a Lib-Lab co-operation ultimately meant the Social Democrats came out as the stronger.

This perspective fits well with the thesis of Biagini and Reid of the continuity of popular radicalism. This continuity casts new light on the process by which the Labour Party developed as a reasonably coherent organisation. Old liberals and new socialists of a moderate hue, all deeply rooted in radical Nonconformist traditions, were able to communicate with each other and to establish a common commitment to a programme of reform because they already shared a set of common intellectual reference points, and even their more militant critics of the ILP were still speaking the language of radicalism.³³ This language was characterised by continuity but the organisation shifted. The similarity to Sweden and the differences with Germany are obvious. The decisive point was the communicative capacity.

Although the organisational and institutional prerequisites were different, this British development is very reminiscent of the Swedish development in the framework of the popular movements. There, too, a progressive social liberalism tied together the working class and the lower sections of the middle classes. However, the emphasis was more on the holistic *folk* unit in the Swedish framework than in the British case of pluralistic liberalism, where the fragmentation and the mutual demarcation between the groups was much greater. The later and more compressed process of industrialisation in Sweden produced the concept of a more coherent working class. Very early, the language of the Swedish Social Democratic leadership revealed an interest in broadening the base of the party from 'class' to '*folk*'. Very early the strength of the unions in the Swedish labour movement focused on ideas of pragmatic reform rather than revolutionary upheaval of the social order. Such pragmatism was also the basis of the British labour movement. However, as distinguished from Britain, there was more socialist political/ideological theoretical coherence, in a Marxist interpretive framework, in the Swedish labour movement even after the search for partners in Parliament. The search for alliance had promoted the broadening of the vocabulary which expressed the self-perception of the

workers, the shift from class towards *folk*. This greater coherence constituted the Social Democratic base of political reform alliance and compromise, as well as placing more massive and co-ordinated pressure on the employers.

In Britain, the smaller degree of political/ideological theoretical coherence in the liberal pluralistic framework of the labour movement emphasised—and was at the same time expression of—the endemic sectionalism of the trade union world. Regional differences were expressed frequently in contrasting political affiliations. The emergence of the ILP and its later involvement in the wider Labour Party can be seen as an aspect of regional particularism. Regional political divergences slowly gave way to a more national political argument based around class differences; trade union sectionalism diminished as small local unions gave way to larger national organisations. Yet local distinctiveness still mattered a great deal in pre-World War I Britain.³⁴ In some regions there was a conservative rather than liberal political influence in the trade unions, for instance.

The content of the class concept in the political discourse varied. This does not necessarily mean that the language was only a reflection of technology. The workers' interpretation and articulation of class and class interests also had an obvious impact on the employers' strategies and their strategies, again, on the work process. By the turn of the century, Britain was perceived as a class society, although not of the German kind. The working class probably perceived its situation as being as entrenched as that in Germany, i.e. probably more entrenched than it was perceived as being in Sweden where there emerged a counter-hegemonic cultural/political coalition formation within the popular movements. However, a class struggle metaphor like the one in Germany never developed in Britain. Nor did the employers construct a corresponding master-of-the-house metaphor.

The fact that the labour movement was much less of a threat to the public order than in Germany, for instance, contributed to the relatively smaller role of the state in the organisation of the labour market. This organisation was, to a much larger extent than in Germany, a bipartite rather than tripartite issue. Another factor working in the same direction was the earlier and less dynamic industrialisation process, which meant that there were not claims for state intervention to promote exports or protect industries producing for the domestic market to the same extent as in the later-industrialising countries.

The socialist/Marxist political expressions of class identification were largely absent in Britain, except for a short period at the end of World War I. The working class perceived itself as being more stratified than did the working classes in Germany and Sweden, mentally structuring their experience and expectations of life in a different way, resulting in different ties of solidarity and different patterns of identity. Comparison with Japan in

this respect is difficult because of the weakness of the Japanese labour movement, but Japan probably was closer to Britain than to Germany and Sweden, at least as long as the *oyakata* system existed (Chapter 5).

Unemployment affected almost all skilled workers. The incomes of the less-skilled were frequently higher than the labour aristocracy model has assumed. There was probably a broad band of the moderately well-off rather than a narrow 'upper stratum' of the very prosperous. Even the most highly-skilled workers were rarely immune from employer pressure, nor were they a group totally distinct from the 'unskilled' workers. They merely formed the top ranks in a complex hierarchy of knowledge and aptitude which was continually being redefined when employers tried to raise productivity and the unions defended occupational practices.³⁵

There was hardly less class identification in Britain than in Germany. Jones argues that one of the peculiarities of England has been the pervasiveness of the use of diverse forms of class vocabulary. Unlike Germany, languages of class in England never faced serious rivalry from a pre-existing language of estate. The vocabulary of class did not accompany, but long preceded, the arrival of Social Democratic parties and was never exclusively identified with them. In England the concept of 'class' has acted as a congested point of intersection between many competing, overlapping, or differing forms of discourse right across the political spectrum. 'Class' did not immediately allude to the Marxist picture or embody an immanent proletarian logic.³⁶ Consequently, class solidarity in Britain was more fragmented, expressing local, regional or trade loyalties rather than inter-industrial and nationwide loyalties. Politics were economically rather than ideologically oriented, and the basis of the enclosure or skill cartel strategy of the unions was a fragmented concept of class. The gate-keeping of access to training and apprenticeship, which contained a considerable element of demarcation conflict with other unions, indirectly exposed the employer to pressure as well.

The metaphor of labour aristocracy was used in the contemporary debate, but it is also a metaphor expanded on *ex post facto* in the theoretical and scholarly discourse to explain the reformist development of the British labour movement. As an expression of a theory about an upper elite leading a whole working class astray, the metaphor does not make much sense. The metaphor makes much more sense as an expression of an actual stratification of the working class, without the political connotation the term has now acquired, and assuming gradual stratification rather than stratification through which a small stratum has been separated off and isolated itself. It is in this latter sense that it was used by contemporary labour leaders such as Thomas Wright to describe not an incorporated minority but a tendency towards unthought-out class antagonism and sectional antagonism between groups of workers. Although, in the abstract, they belonged to one class dependent for its income on manual

wage labour, in practice working men were divided into separate and antagonistic groups by occupations and life-styles.³⁷ The fact that the labour aristocracy metaphor was developed to describe the British working class, and has not received much attention in Germany, for instance, indicates that the perception of such divisions was more widespread in Britain than on the Continent.

Although developments in the 1890s brought a certain homogenisation of the British working class, mirrored in the rise of the 'new labour movement', the comprehension of the British working class of itself was less ideologically (i.e. Marxist socialist) oriented and more oriented towards a stratified working class than the corresponding comprehension in Germany and Sweden. A working-class identity certainly emerged through demarcation toward the middle classes, a demarcation which emphasised a universal class identity. However, practices and trade union politics were also to a larger extent than in Germany and Sweden based on differences experienced in relation to other parts of the working class. The threat of redundancy was a powerful factor. The craft unions did not cause this stratified and divided pattern, but were a reflection of it, and may have reinforced it. The work organisation and the perception of opportunities on the labour market did not pave the way for the development of a nationwide and inter-trade union open price cartel strategy, in the framework of progressive social politics and class alliance as, for instance, in Sweden. However, a situation corresponding to the politically/ideologically very polarised situation in Germany did not occur in Britain, due to the fact that the gradual emergence of a pragmatic trade-unionistic strategy, politically conceptualised in a specific social liberal linguistic cloak, produced depolarisation and class alliance, although of a different kind than in Sweden.

Industrial relations and the organisation of the labour market in Britain at the turn of the twentieth century, in comparison with Germany and Sweden, can be described as more fragmented and less polarised, with less pressure on the employers to change, less innovative, and with less state intervention.

LIBERAL LABOURISM AND REFORMISM

The necessities of World War I dictated that the distance traditionally maintained between the state and industrial relations finally be abandoned. The war accentuated trends already in progress. The creation of a separate Labour Department in the Board of Trade in 1911, headed by George Asquith, signalled the professionalisation of state conciliation in industrial relations.³⁸ The devising of welfare programmes between 1906 and 1914 was an important step towards the welfare state. The reformist Liberal administration elected in 1906 with mass working-class support, and

supported in Parliament by the Labour Party, laid the foundation of the welfare state. This tendency was strengthened by the state intervention necessitated by the strain of World War I.³⁹

Explanations stressing administrative reform and the growth of expertise leading to a model of bureaucratic dynamics, in which the initiative in welfare reform is seized by civil servants and associated experts becomes comprehensible in an international comparison, because administrative reform and the growth of expertise were a common denominator at this time for all four countries discussed here.⁴⁰ However, Eley rightly criticises these scholarly approaches for concentrating too closely on relatively confined circles of policy-makers rather than combining this political explanation with some attention to the larger social and economic context.⁴¹ In his opinion, it is not enough to consider this context as a general development phase where, at a certain stage of industrialisation, social reform became one of the means of investing in human capital, and welfare legislation became profitable from the point of view of productivity. Eley is more interested in trying to understand the emergence of reformist projects within specific social settings and in relation to specific political cycles, different for different countries. In Britain, the campaign for 'national efficiency' after the Boer War has particularly been emphasised. This campaign is reminiscent of the campaign in Japan after the Sino-Japanese War a few years earlier, and the crisis therapy after the loss of Norway in Sweden before World War I. The pre-World War I welfare legislation should also be evaluated in light of the transformation of interpretive frameworks. The workers changed their views on their ability to reproduce their former standard of living with new patterns of employment, changes in the labour process, wage levels, working conditions and the position of their own country on the world market owing to the role of the export industry.⁴²

Eley refers to Stedman Jones's investigation of Victorian London and the problem of casual labour. There the new liberal problem complex of reform is related to a crisis in London's social and industrial development after 1875, with declining industries, the breakdown of skilled crafts into a mass of semi-skilled processes, the prevalence of cottage industries, the decline of a work-centred culture, the growth of commuting, and a specific combination of continued small-scale production and chronic unemployment of the unskilled. The social effects of these changes produced a concatenation of middle-class anxieties in which new reformist ideas could flourish. Linked to the employers' counter-offensive against the new unionism in the 1890s, and along with a new awareness of Britain's long-term difficulties in the world economy, the anxieties proved a powerful recipe for ideological renewal. The public shocks of the Boer War condensed the tendencies into a more coherent programme of national efficiency.⁴³

The British welfare reforms of 1906–1914 are best explained by a particular configuration of circumstances and events. Although welfare

programmes were developed in all four countries discussed here, they were outcomes of different circumstances which should not be explained by applying a universal paradigm of 'normal' or 'standard' development. In Britain Eley discerns two decisive factors: an attempt to renovate the Liberal Party's popular credentials in the face of growing pressure from an organised labour movement and the widespread opinion about the declining relative efficiency of the British economy. Interestingly, the programme was not introduced until after the establishment of a national political organisation in the labour movement.

Although there was a liberal reform potential which should not be underestimated in Imperial Germany on the eve of 1914, German politics never produced anything remotely resembling the British Lib-Lab nexus. The early rise of a strong, class-conscious Social Democratic Party imposed definite limits on how far German liberals were prepared to advance in their reformist experiments. Their communicative nexus was rather oriented towards the Conservatives than the Social Democrats. The German case was more of an attempt at a liberal reform strategy 'from above'. The German problem definition was rather how to integrate potential protests by reform than how to gain electoral mass support, i.e. here the continuity was not represented by popular radicalism but the Bismarckian tradition of integration *von oben*. This difference was crucial for the different communicative capacities in Britain (and Sweden) on the one side, and Germany on the other.

Second, the potential strength of German industry in the world market removed the pressing motivation of national efficiency, particularly as the German state had already pioneered Bismarck's welfare legislation. In Germany, the employers in heavy industry developed their own policies of company welfare. This company system was interpreted within the intellectual framework of the master-of-the-house metaphor, however.

The different circumstances in the four countries must be referred to different interpretive frameworks and political cultures. Unlike Germany and Sweden, a Marxist vocabulary never really took root in the British working classes' interpretation of their situation. Their sense of injustice and their claims for social change were expressed in the framework of a more liberal pluralistic world view than in Germany and Sweden, where more collectivist socialist intellectual structures prevailed. Although it is debatable *how* strong liberalism in Germany really was, it seems clear that in comparison with Sweden and Britain it was weaker, but much more important is that it was more demarcated in relation to the labour movement. In Sweden, social or left liberalism was gravitating towards Social Democracy, i.e. the opposite pattern from that in Britain, where Labour gravitated towards liberalism. These differences can be related to different cultural codes and patterns of organisation of society, for

instance the emergence of the concepts of *Volk/folk* in Germany and Sweden, which never had any counterpart in Britain.⁴⁴

The emergence of a spectacular working-class radicalism during World War I does not contradict this interpretation. On the contrary, class identities of a new kind emerged in the wake of interwar policies and housing segregation. To the extent that radicalism was specifically connected to industrial relations, radicalism was a complex matter.

During World War I Clydeside, with its shipbuilding and heavy engineering industries, was strategically crucially placed. Events there were the main determinants of government policy on labour militancy. Worker militancy on the Clyde by the end of the war was a far more complex issue than the mere dilution of craft skills. Full employment and cost-plus contracts touched off a desperate scramble for skilled workers, of which there was an acute shortage. Established forms of employer solidarity came close to collapsing. Industrial employers had little influence on government labour policies. The central concern of government planners lay in obtaining the munitions and manpower required for military victory without much regard for commercial considerations. Booming demand for workers and the political influence of the Labour Party gave immense bargaining power to the trade unions.⁴⁵

The major preoccupation of government policy until about 1922 was to defuse and stabilise a delicate and unstable industrial and political situation by isolating 'extremism'. In this undertaking, the ambiguous relationship between the movement of insurgency and the trade union leadership, where in some cases workshop committees were destroyed with the acquiescence of union officials, made things easier for the government. Government policy played on divisions in the radical movement as to how and to what ends to use 'direct action'. The moderate leaders were strengthened by government policy.⁴⁶ While beginning in 1919 the shop stewards' movement on the Clyde drifted away from guild socialism towards Communism and the political wilderness, mainstream labourism was asserting its predominance. Official trade unionism was remobilised, direct action and unofficial organisation were discredited, and Labour politics were revitalised under the firm control of Arthur Henderson, Ramsay MacDonald and Sidney Webb.⁴⁷

The new constitution of the Labour Party in 1918 was not a reflex reaction to a resurgent, oppressive capitalism but a reaction to the model of Bolshevism, with its indigenous militancy and radicalism. The element of continuity to the foundation of the party at the turn of the century, and even further back to radical politics in a liberal framework was considerable. The insertion of a clause into the constitution promising common ownership of the means of production was, at least on the part of Webb, intended to be an appeal to middle-class professionals, whom Webb believed to be committed, after the experiences of the war economy, to the

efficiency of state socialism.⁴⁸ However, nationalisation was also a long established goal of certain parts of the organised labour movement and was part of an evolutionary, irresistible trend in economic development, which is not to say that Webb did not believe that the middle classes would rally to Clause 4.⁴⁹

THE FAILURE OF A COMPROMISE ON THE CONCEPT OF RATIONALISATION

Rationalisation entered the English language during the interwar period, from the German concept of *Rationalisierung* used to describe the restructuring of heavy industry in the Rhine Provinces in the mid-1920s (see chapter 2). Its rapid dissemination registered a desire to break with prewar practices and a general dissatisfaction with an existing state of affairs identified with atomistic competition and small-scale family-owned-and-run enterprises.⁵⁰ The concept of rationalisation was used to refer to a broadly conceived process of change in the 'activities' and 'capabilities' involved in producing and distributing particular commodities through the introduction of new techniques or the radical improvement of existing ones. It was experienced as a process which, on the one hand, engendered conflict and resistance and, on the other hand, required co-operation between various interests. Rationalisation should not simply be identified with a 'managerial revolution'. It involved a complex and interdependent set of changes in the activities of an enterprise as well as between enterprises, in an industry and among industries.⁵¹

There was a pronounced squeeze on profits in both Britain and Sweden in the early 1920s. In Sweden a cost reducing restructuring process was seen as vital. Pressure to eke out profits from wages, interest rates and an overvalued currency continued through the 1920s and seems to have been greater in Sweden than in Britain. Comparative figures for gross investment suggest that Swedish industrial investment recovered far more strongly than British investment after 1923.⁵² Concentration increased slightly in Swedish industry in the 1920s, essentially at the expense of medium-sized enterprises. The growth of small firms in this period anticipated the rise of subcontracting systems which were to be of particular significance in the engineering sector in the 1930s.⁵³ By contrast, Britain's structure, while exhibiting increased financial amalgamation and concentration, if anything shifted towards medium-sized firms despite the fact that they were generally less efficient, less willing to accept more centralised authority and more able to resist the change associated with rationalisation.⁵⁴ The characteristic feature of Swedish industrial development in the 1920s was the dominant position of a high-wage/high-productivity capital goods sector based on high rates of investment in new machinery and setting a framework for the active labour market policy.

The argument here is not that there was no progress in British industry. In engineering, mining and automobiles there were significant advances, and in this respect there are more similarities between Sweden and Britain than is sometimes assumed. However, even if in Britain many older sectors and newer industries performed rather well in terms of productivity gains there was often no coherent programme of rationalisation. Although the growth sectors of the British economy, such as consumer durables, were more concentrated than the previous generation of enterprise, rationalisation meant that firms concentrated ownership, but not at all to the same extent, production. In Britain the policy of 'sitting out' or muddling through difficult times took over. This was the traditional response to economic crisis, while a systematic strategy of rationalisation was absent. The interwar period produced a very uneven pattern of modernisation in Britain.

The movement towards rationalisation was an ambivalent one in Britain. On the one hand, rationalisation attracted the support of influential business and political leaders, on the other hand there was strong resistance from the wider business community and state officials. This ambivalence was in part a condition, in part an effect, of the uneven and segmented economic structures that emerged in Britain during the interwar years. An appropriate industrial policy was squeezed between technocratic and market definitions of and solutions to economic problems. British employers represented fragmented interests and could provide neither solidarity nor central authority. The union movement, with weak central authority, essentially turned to a strategy of local and consequently uneven responsibility over wage determination and workplace agreement.

Throughout the interwar years, there was total agreement in the engineering, shipbuilding and steel industries as to the necessity for 'rationalisation'. Leading industrialists, bankers, government officials and politicians argued regularly that the success and competitive efficiency of the iron and steel industry, for instance, could best be secured by 'rationalisation'.⁵⁵ As is often the case when a new concept is launched, before its content has been precisely defined through the appropriation of its meaning by some party or/and compromised on, the term was often used imprecisely, but it generally implied reorganising industry through amalgamations, which would eliminate excess capacity, concentrate production, and realise economies of scale and best-practice methods.⁵⁶ Unlike in Sweden, the unions were never seriously involved in the emerging discourse on rationalisation.

The Mond-Turner talks (see p. 134) was the place where the unions were more systematically involved in the discussion on rationalisation. Higher unemployment was in the view of the unions the consequence of rationalisation, so employers favouring rationalisation tried to get union support, and the unions tried to get government to promise employment-creating policies to mop up the labour market consequences of

rationalisation. The British political discourse on rationalisation in the later 1920s and the concern about resulting unemployment probably explains one of the big paradoxes of interwar British politics: unemployment was a huge problem throughout the interwar period, but it became a political issue only in 1929, which was the year in which unemployment was at its lowest level between 1922 and 1939. Rationalisation aimed to reduce unit costs. The other way of doing the same thing was to reduce wages. The 1926 general strike illustrated the potential social and economic costs if every industry tried to follow the lead of coal and reduce costs by confrontation. The implication is that the importance of rationalisation in Britain in the 1920s was political rather than economic.

While 'rationalisation' invariably headed the agenda in discussions on the reform of industry, in practice little was achieved, Steven Tolliday argues that this failure must be referred to historically developed institutional strains. The institutional structures of enterprises, banks and the state were rooted in their nineteenth-century histories, which produced inertia. Each had evolved erratically in response to certain historical problems and requirements.⁵⁷ Steel, for instance, was not in the grip of final decline in the interwar years. It was needed by both rising and declining industries. The structure of the steel industry was highly fragmented. Only a very weak trend towards concentration could be seen. Competition was always restrained by the industry's division into several loose oligopolies along product lines, with a high degree of regional specialisation. Within the regions, customer linkages based on product specialisation and ownership were of great importance. The static industry-wide structure was mirrored at enterprise level. Many firms had best-practice units, but few were low-cost producers as a whole. The firms' patterns of ownership, control and decision-making structures played a determining role in their varying responses to the constraints and opportunities that faced them. Power relations within the firms interacted with the technical and market environments to close certain options and promote others, with a variety of consequences for the 'rationalisation' of the steel industry.⁵⁸

Proposals for rationalisation by merger loomed large in the steel industry on the north-east coast from the early 1920s until the mid-1930s. Gerontocracies ruled the the firms, making mergers difficult. In contrast to the multi-firm fragmentation on the north-east coast, a near-monopoly emerged in the Scottish heavy steelmaking region by 1939. However, this growth of near-monopoly did not result from a pursuit of scale. The amalgamation process was too slow to allow for production change at the opportune time. As a matter of fact, the amalgamation occurred after the idea of a radical solution to structural problems had been abandoned. In the 1920s, the Scottish steel industry was fragmented, small-scale, lacking in integration between iron and steelmaking, based on out-dated facilities, and heavily dependent on scrap as a raw material. Historically, the Scottish

steelmakers were oriented towards shipbuilding customers. This dependence was reinforced in the boom after World War I, when all the major steel manufacturers were taken over by their shipbuilding customers in a scramble to secure supplies. The crucial problem in the rationalisation of the Scottish steel industry was the creation of a fully integrated new steelworks on a new site, either through co-operative action or amalgamation by the major steelmakers. During the 1920s, a variety of alternatives were considered, but nothing was realised. In the mid-1930s James Lithgow, a powerful shipbuilder, forced through a series of mergers on the basis of his own direct initiatives and personal coups. But rationalisation of production did not follow. There was no consideration of how the unification of ownership would lead to a reorganisation of production.⁵⁹

Options for rationalisation were limited by the historical structures of firms and institutions of management and by the fragmented industrial structure. Diffuse entrepreneurship and power rivalries played a key role in preventing rationalisation. Tolliday refers this outcome to Britain's early start, and the long span and relatively slow pace of its industrial and commercial development, which produced political, financial and managerial institutions that were as resistant to change as the structure of production itself.⁶⁰ The historically given relatively lower degree of capital intensity was a British distinctive mark which was underpinned in the interwar period.

State involvement in industry in Britain was at the low end of the international spectrum before World War I, but became more extensive in the interwar years. Ideologically and organisationally, the government was unprepared for the power and responsibility over the steel industry which the introduction of tariff protection foisted upon the government after 1932. The strategy of reorganisation favoured by the government was one of rationalisation through regional or product amalgamations. The civil servants never wanted real control over the industry. Rationalisation, in their conceptualisation, rejected central planning and was a matter of reorganisation from within the industry. One aim was to build up an effective central organisation for the steel industry through which the government could eventually hope to bring its influence to bear on the overall policy of the industry. The steelmakers' traditions of individualistic and sectoral action was described as 'one of the last examples of the baronial system in British industry, but without an overlord to hold it together'. The British Iron and Steel Federation, a body established by the government in the 1930s to promote restructuring, became the guarantor of long-term organisational inertia geared to defending the interests of its existing membership rather than promoting change.⁶¹

Although the need for rationalisation was widely accepted as a general goal, specific proposals were always bogged down in a welter of conflicting interests. The banks and the government could not do much to change this.

The concept of rationalisation, as it emerged in Britain, focused narrowly on the issue of industrial efficiency and competitive advantage. The social costs of the envisaged rationalisation would have been high. Even within a narrow economic framework, the success of rationalisation with such a content would be highly contingent on the unfolding of the subsequent problems. For instance, instead of problems of industrial fragmentation, there would have been problems of monopoly control.⁶²

Steps were taken by both organised labour and organised capital in order to come to terms with the problem of fragmentation, which increasingly was experienced as a problem. Between 1918 and 1927, the Trades Union Congress was reorganised to provide a more efficient central co-ordinating body for the trade union movement. In 1916, a number of businessmen formed the Federation of British Industry, to promote their interests in general economic, financial and commercial matters. In 1919, employers' associations set up the National Confederation of Employers' Organizations. From 1927 to 1929, there were a number of factors favourable to industrial co-operation.⁶³ On the broader industrial relations front the 1920s were marked by the General Strike in 1926 which represented a dashing of the hopes of the reconstructionists at the end of the war of a new era in industrial relations. But by the end of the decade the defeat of the General Strike and the failure of the economy to revive had led to the movements towards bipartisan approaches to industrial modernisation. Many important employers were thinking in terms of using industrial co-operation to increase efficiency and to facilitate reorganisation of British industry. After the General Strike in 1926 there was a shift away from the left among trade union leaders. After the conflict, there was also a general psychological reaction in favour of industrial peace. Whatever the dramatic and heroic aspects of the General Strike, in the emerging context of economic problems its importance was rather limited. Though lost by the TUC and miners, it meant wage cuts as a solution to economic problems were little applied, even in the slump after 1929. Once it had been absorbed by the trade unions and employers it paved the way to the Mond-Turner talks. Reconstructionist hopes for a new era in industrial relations were most obviously represented by the Whitley Reports, the results of a reconstruction commute enquiry into how to secure a permanent improvement in labour relations. Its answer focused on the expansion of collective bargaining and underpinning of the Joint Industrial Councils where industrywide issues could be discussed. They also proposed a system of works councils, and the expansion of voluntary arbitration.⁶⁴ Reconstructionists hoped that the new climate and institutions in the labour market would have a significant effect on productivity.

Against this background, Baldwin's Minister of Labour, Sir Arthur Steel-Maitland brought leading industrialists and trade unionists together. His main objective was to promote greater productivity. This was an example of

state intervention in the area of industrial relations, which occurred much less frequently in Britain than in Germany and Sweden, although World War I changed this a little. Lord Weir was one of the progressive individuals in NCEO who participated in the talks. He said that economic progress depended on greater effort and continuous change in techniques and industrial organisation, which required flexibility in industrial relations. The unions tended to be rigid, according to Weir, and to delay the introduction of new techniques and reorganisation. Employers and employees alike had to 'recognize their responsibilities and take joint action on Britain's industrial and economic problems'. Bevin, Pugh and Hicks from the TUC met Weir. The Trade Disputes Bill in 1927 aroused vigorous trade union and Labour opposition and disturbed the talks for a while. However, many trade union leaders understood the need for rationalisation, and the talks were resumed. The union leaders thought that the TUG would have to contact these big businessmen who were engaged in rationalisation. If a fair bargain could be struck with these business reformers, then the unions might begin to achieve some of their industrial aims.⁶⁵ This was a union approach reminiscent of that of the higher echelons of the Swedish LO.

One of the leading progressive industrialists was Conservative MP Sir Alfred Mond. He pressed vigorously for rationalisation and became a prophet for reorganised private enterprise, declaring that the future lay with the large-scale firm. In January 1928 the first meeting between the employers and the unions was held. It was decided that the chair should alternate between Mond and TUG leader Turner, hence the popular name, the Mond-Turner Talks. The resolution most debated was on rationalisation. Amalgamation and general reorganisation were to be encouraged if they brought greater efficiency and higher real wages. This rationalisation was best achieved by co-operation between trade associations and industrial organisations, scientific experts and workers. Here the employers requested union assistance, while the unions claimed a voice in high industrial policy making.⁶⁶

The very success of the Mond-Turner Talks in framing a joint report aroused general public and press enthusiasm. However, it soon became obvious that a majority within the NCEO and the Federation of British Industry would oppose the report's recommendations. The use of Conciliation Boards was strongly rejected. Most employers wanted only the framework which had evolved within their own industries to deal with industrial disputes. They deplored the possibility of a new higher court of appeal being established. The commitment to rationalisation also displeased some. The wool manufacturers, for instance, were sceptical of the value of mass-produced standardised goods. Others wanted decisions about amalgamations to be left entirely to the directors of individual firms, and disliked interference, from whatever quarter it came—from employers' associations or trade unions. In the early 1930s, a series of talks were held in

which the FBI and the TUC took the initiative while the NCEO played a passive, or even obstructive role. The TUC sought in vain to discuss two matters with the NCEO: rationalisation and unemployment. The NCEO argued that the subject was one which could best be dealt with at industry or plant level. It pointed out the difficulty of distinguishing between unemployment caused by rationalisation and unemployment caused by other factors. Some employers argued that any discussion of labour displacement due to rationalisation would constitute an invasion of the management prerogative. By the end of 1933, the series of talks begun after the General Strike in 1926 to improve industrial relations at national level was at an end.⁶⁷

This development was different from that of Germany and Sweden. The atmosphere of the talks was certainly reminiscent of the Swedish spirit of Saltsjöbaden in the late 1930s, and was also in opposition to the German pattern. However, the progressive employers were not at all as strong in Britain as in Sweden, while the centrifugal conservative forces were stronger. In Sweden the central level agreement was the product of a lengthy integrative process from below which gave the unions a much more solid base. There, the rationalisation drive early involved the unions in a struggle lasting several decades after 1910, over the content of the concept. Hierarchical organisations representing labour and capital supplied quite a different framework for the conceptual struggle. The involvement of two hierarchical organisations, which perceived their interests as being basically conflictual, in an undertaking to chisel out a basis for compromise, began a process where the logic was different than in the British case of pluralistically scattered competitive employer and employee interests.⁶⁸

The prerequisites for a union-management struggle over the concept of rationalisation were quite different in Sweden, for instance. It is difficult to see how such a conceptual struggle in Britain could have gone very far beyond marginal shifts in the balance between skilled and unskilled work, regardless of how effective or ineffective labour resistance might be. Future opportunities were perceived by both labour and capital within a different organisational framework in Britain. The British case demonstrates both the impact of unionism and labour relations on rationalisation and performance, and the political impact of labour organisation and the implication for mobilisation under the class concept. These two factors are related but distinctive.

Particularly, although not exclusively, in steel and shipbuilding institutional and organisational constraints prevented major movements towards American-style mass production techniques. The British motor vehicle industry preferred to manufacture virtually the entire motor vehicle, while US producers, in contrast, had almost all begun as assemblers. The greater experience of British workers on metal-working machines made

them more versatile and better suited for manufacturing operations in which they did a large number of diverse tasks. Another contributing factor was that British firms found it easier to raise capital than did US firms. British firms employed many more workers for a given output than did the US assemblers. British management was forced to co-ordinate production units, which were much more complex than US assembly shops. Management's resolution of these problems led to a degree of labour independence on the shop-floor, although not as pronounced in the automobile as in the shipbuilding industry. Managers found it relatively easy to introduce new machine methods, but when they tried to use these new machines to speed up the pace of work and reduce wages, by employing less-skilled workers, they met with resistance.⁶⁹

In the US the core of Ford's achievement was a series of technical solutions to the problems of dramatically increasing output and productivity, in the absence of an adequate supply of skilled labour. It has been argued that it would have been both possible and rational for British manufacturers to imitate Ford's methods, and that their failure to do so was largely the result of resistance from organised labour. Ford's method could only have been introduced in Britain through considerable adaptation, which was impeded, not by labour's resistance, but by the employers' strategical choice and the peculiarities of the British product market and the taste of the consumers.

It was the British firms of Morris and Austin that devised effective product and labour strategies for responding to the growing and shifting market. Unlike Ford, they attached a much higher priority to quality and improvements in their models. They avoided excessive capital intensity in order to maintain flexibility. While engines and chassis were standardised, Morris continually made body-styling changes which required the continuing use of labour-intensive methods. The emergence of mass production from craft production was gradual and was tailored to suit many different market circumstances.⁷⁰

The strength and organisation of the unions in the automobile factories had peaked at the end of World War I, but was very short-lived. Many small firms, concentrating on quality cars and luxury production went bankrupt, and this eliminated many strongholds of craft unionism. The Workers' Union was virtually annihilated by unemployment. The Amalgamated Engineering Union (AEU), a merger of the Amalgamated Society of Engineers (ASE) with several other craft societies in 1920, was also badly hit by the recession. They attempted to retreat behind their defences as a group of skilled trades, insisting on recruiting only those who were paid the district rate. Their defeat in a lock-out in 1922 was a major contribution to their decline. The National Union of Vehicle Builders (NUVB) continued to shun semi-skilled workers and to concentrate on increasingly ineffective forms of craft control. The rise of mass production

and large numbers of semi-skilled workers posed enormous problems of adaptation for the unions.⁷¹

Not only the failure of mass unionisation in the automotive industry, but the failure to find a compromise capable of progress on the concept of 'rationalisation' in Britain in the interwar years, must be referred to the absence of significant preconditions in the social and political/cultural environment. The political context of the 1930s, with an entrenched National Government and a weakened Labour Party was a major obstacle. The problem of rationalisation was certainly recognised. However, the solution was identified in quite other directions than in the late-industrialising nations, where organised capitalism supplied a different organisational framework for the struggle for rationalisation.

RESPONSE TO THE UNEMPLOYMENT OF THE 1930s

Significant segments of the employers and of government were in favour of developing a progressive response to industrial and political instability after World War I that would have continued the wartime co-operation between unions, employers and the government. The viability of this conciliatory tendency was fragile, however, owing to the opposition from those who wanted a return to 'normalcy' whereby social and economic policy would be guided by orthodox monetary considerations. Throughout 1919 and 1920, the necessity to appease labour forced the subordination of monetary issues to the priority of domestic peace. By early 1921 the onset of the slump and the labour movement's refusal to back the miners with a general strike portended the taming of labour. From this point on the calls for 'economy' in social expenditure increased. The general strike of 1926 marked the final stage in the marginalisation of industrial and political militancy. The miners represented the last important stronghold of the militant radicalism of the war and postwar years.⁷² Also in engineering and shipbuilding, the structures of militancy were deeply entrenched, but the unions had little real power.⁷³

Although there were calls for 'economy' in social expenditure, there was a general trend towards a modern conception of the state. This trend had already started before 1914. Liberals saw the state as a humanitarian agency of social welfare and a redistributor of surpluses for the benefit of society, but drew the line at protectionism and confiscation. The Labour Party shared these attitudes; it espoused state ownership of one or two special industries, but shrank from a state that threatened freedom of labour or freedom of trade. Socialists ranged all the way from Fabian confidence in a benevolent state to Guild Socialist and syndicalist suspicion. Conservatives accepted state control in the civil and military spheres when 'urgent national interests' required. In economic affairs they retained intact their belief in minimal government intervention.⁷⁴ 'Urgent national interests' meant among

other things that they tried to combine economic orthodoxy with protectionism. However, protectionism was unpopular with the electorate, which meant that the conservatives had to hide their commitment behind watered down promises of safeguarding. Theoretically tariff reform and rationalisation could have been good bed fellows, but in practice the conservatives failed to become the party of rationalisation.⁷⁵

Until World War I the relationship between the Labour Party and socialists had been one of mutual suspicion. While trade unionists often resented socialists as middle classers who were merely milking them of their funds, socialists despaired of the absence of ideological coherence and the 'opportunism' of the Labour leaders. Although World War I did not destroy these objections on either side, the Workers' National Committee provided an institutional means for more constructive participation by socialists in working-class activities.⁷⁶ The Labour Party constitution of 1918 marked a major shift to a coherent left-wing position. However, with this new constitution the party still could not be compared with the German and Swedish Social Democratic parties.

The transition of the Labour Party to major party status in the 1920s was not determined by a Liberal collapse caused by the emphasis on Liberal ideologies. The collapse must be referred to the fact that Labour now enjoyed a stronger claim as champion of liberal traditions than did the Liberal Party itself after Labour's break with Lloyd George in 1917. The transition to Labour was less an intellectual or programmatic out-flanking of one party than the inheritance of the broad ground of pre-1914 Progressivism by the Labour Party.⁷⁷

By the summer of 1921 unemployment had leapt to two million, or 18 per cent of the insured work-force. In a period of sharply rising unemployment the Liberal stance of impartiality between the two sides of industry appeared evasive and insincere. Unemployment severed the Liberal Party from its traditional working-class base. In this process the significance of the Labour government of 1924 can hardly be overestimated. This government 'made the Liberals redundant at a stroke for the working classes'. While the parliamentary Labour Party disliked the General Strike of 1926 almost as much as the Liberal Party it did not make the mistake of saying so.⁷⁸

While, under MacDonald in the 1920s, Labour had generally been regarded as moderate and respectable, in the 1930s it gave a much more disoriented impression than the Social Democrats in Sweden, for instance. Obviously Labour suffered from the shocks of defeat in 1926 and 1931 and a subsequent poverty of strategic thinking. The Labour policy was contradictory. The experiments in the USSR and Italy cast a rather longer spell over leading Labour politicians such as Dalton than did anything said by Keynes. At the same time the party devoted considerable energy to dissociating itself from Marxism and purging communists from its ranks.

The concept of 'planning' which emerged in Labour circles in the 1930s hardly reflected the evolution of a coherent Labour economic policy. The political debate in the 1930s was increasingly and misleadingly cast in terms of 'capitalism' versus 'socialism'. The real alternatives were between the more orthodox capitalist solutions of restoring British trade and balancing the budget, and the ideas of reformist, radical capitalists.⁷⁹ The radical linguistic cloak of the expressions of bitterness caused by MacDonald's choice of the orthodox alternative could not conceal this fact.

The British response to the unemployment in the wake of the economic depression represented a third alternative between German and Swedish Social Democracy. Prime Minister MacDonald gave priority to orthodox economic policy to the effect that he split the Labour Party. The pressure from the unions that the government intervene with expenditures over the state budget was as firm as in Sweden, although the unions were much more fragmented and therefore did not exert the corresponding influence in the political decision-making centre. In Sweden the Social Democratic leadership in the government responded with much greater flexibility than the MacDonald government in Britain. In Germany influential Social Democrats favoured an orthodox budget policy like MacDonald's in Britain. Since the union pressure was felt less and there existed a strong Communist Party in Germany, the German Social Democratic Party did not split, however.

A crucial difference between British Labour and the Swedish Social Democrats, the precise impact of which is hard to estimate, however, is that Labour was in power when the slump hit the world economy, while the Social Democrats came to power from an opposition position as a response to the chaos. Of course, it was much easier from the opposition position to present a vigorous alternative, and then carry it through in government, than for the Labour government which had to endure doubling of unemployment in less than twenty-four months. This is not to deny that the Swedish Social Democrats were more coherent in their economic policies than the Labour government, which they really were, although they based their policies as little on Keynes as Labour did. The greater coherency in the Social Democratic approach was easier to achieve in a situation where their legitimate task was to present alternatives to the government, and not to experience the political horrors of being caught in power between multiple interest groups all pushing in different directions.⁸⁰

The majority faction of the British Labour Party went the Swedish way. Pushed by the union leaders, Labour shifted towards budget deficits as the most satisfactory way of managing or 'planning' the economy, which, as little as in Sweden, is to say that the policy was conceptualised in Keynesian terms. In rejecting retrenchment and further deflation, the TUC was convinced that alternatives did exist. Sidney Pollard has emphasised the role of the TUC in the reorientation of Labour politics after the party split in 1931. When the party proved bankrupt, 'the TUC put forward the only ideas

to come from the labour movement'. For all its weaknesses, the report on unemployment to the TUC Conference in 1931 was well-argued and, according to Pollard, immeasurably superior in its economic understanding to anything that emanated from the government, which, however, does not say much in respect of the government's lack of economic strategy. The trade unions gave backbone to the Labour Party by developing their own ideas rather than taking them ready made from the outside. As far as the TUC leadership in 1931 is concerned, the crisis turned out to have converted its majority to Keynes rather than to Marx.⁸¹ This generous assessment of the TUC seems somewhat exaggerated in comparison with the trade union confederations in Germany and Sweden, however. Alan Booth and Melvyn Park have demonstrated that the TUC, through the International Federation of Trade Unions, had access to the elaborated German ADGB plans to fight unemployment, which influenced IFTU, but preferred to remain aloof from the development of the IFTU programme.⁸²

The Great Depression opened a process of debate and struggle within the labour movement, and between labour, state and employers. The final outcome—not realised until World War II—of the complementary and contradictory attitudes, tendencies and values that composed the cultural, political and industrial experience of the interwar years, can be epitomised in the linkage of mass consumption to mass production as the cornerstone of participatory capitalism. The potential of this linkage was hardly realised in the 1930s, however, in British Labour even less than in Swedish Social Democracy.

The long-term foundation of the British model for participatory capitalism, when it emerged after World War II, was different to that in Sweden, for instance. The fact that there had been no agreement or compromise on the concept of rationalisation in Britain implied weaker prerequisites for mass production of consumer goods and for mass consumption. In the British version, participatory capitalism meant economic management and Keynesian political manipulation of the economy without a long-term, durable sounding board in the industrial organisation. It is not the case that British unions never demanded involvement in the running of business and economic affairs. For a few years in the late 1920s and early 1930s, labour participation was one of the most important subjects debated. In 1932 a majority of unions voted in favour of labour's collaboration. But neither in the interwar period, nor under the Labour governments of the postwar period, was any measure of participation in industry introduced.⁸³ As a matter of fact, the TUC never took on board the demands expressed on the shop-floor or by many unions.

This attitude did not change after 1945, but was, if anything, reinforced and came to include the nationalised industries. The topic of industrial relations was removed from economic policy making after the war. It was then exclusively handled by the Ministry of Labour, which steadily lost

political and economic importance—the contrast to Sweden in this respect is striking—and tackled each problem in a very narrow industrial relations sense, being preoccupied about strikes and welfare only. Under the Conservatives industrial relations were uncoupled completely from economic policy.⁸⁴ In Sweden the wage policy of solidarity and the active labour market policy was the instrument which not only linked economic policy to industrial relations but also made this link the motor of the whole organisation of society.

CONTINUED FRAGMENTATION

After World War II, in a very different political cycle following the mass mobilisation for the war, Labour politicians went further than MacDonald in trying to divest Labour of its class image. Anthony Crosland argued that the changes in the standard of living and in the very composition of the working class was forcing Labour to face a new electoral reality. He was supported in this opinion by the trade unions. Where MacDonald saw Labour as both a class and national party, the ‘revisionists’ in the Labour leadership wanted Labour to be merely a national party. Their task was not so much the reform of capitalism, which was considered to be of subordinate importance, but the administration of welfare. To distribute the goods of society in a just manner was the clearly stated aim of the Labour government, led by Clement Attlee, which took over in 1945. The welfare policy was successful. Especially as to social insurance and health services the government carried through popular reforms of great importance for most people. Full employment was another fairly successful reform policy.⁸⁵

Labour in Britain like the Social Democrats in Sweden were initiators and driving forces for the social programmes, but they were not alone. Conservatives did not disrupt the development to welfare policy in Britain. Conservatives in Germany did not block a welfare policy there. It was probably more important for welfare policy that there was a stable majority government than that it was tied to a specific political origin. Torstendahl has emphasised that this is something that tends to be overlooked by researchers who concentrate their investigations on the Social Democratic contributions to politics.⁸⁶

Neither should the element of programme or coherent strategy be exaggerated. As was discussed in Chapter 3 about Sweden, it was more of a process of gradual approach where the outcome *ex post facto* should not be mistaken for the ambition and future prospects when the various steps were taken. The Attlee government was hardly characterised by institutional innovation. Welfare emerged as a kind of tentative response to experiences of government intervention during the war and to a revitalised belief in democracy which, in turn, produced an increased attention to the votes cast on the political market, rather than as a fully-fledged strategy from the

outset. Later on this process was theoretically legitimised and underpinned by Keynes's ideas of mass consumption and mass production as mutually strengthening one another.

During the war a considerable controlling machinery had been set up in Britain. In the years 1945–1947 the Labour government meant to formulate an overall plan for the economy, and Herbert Morrison presided over the planning. He was not particularly successful. Private industry was generally outside the control of the government. No Ministry of Social Security, as Beveridge had envisioned, was created. This failure did not mean that the question of planning was dead, however. The British economy created continuing anxiety and the question of how by means of planning to come to terms with the 'decline' was a standing item on the political agenda. The study group of the Labour Party on the control of industry produced a Plan for Progress in 1955. This plan was approved by the TUC Economic Committee. As in the case of welfare schemes the potential basis of support for planning was broader than this, however. Harold MacMillan, for whom planning had already been a tempting possibility in the 1930s, became convinced that the government had to do something for the economy in the direction of planning. With the Wilson Labour government (1964–1970) Labour was ready for new planning initiatives and launched a new ministry for long-term economic planning. However, the National Plan which was launched in 1965 was dead ten months later and in 1969 the Department of Economic Affairs was closed down by Wilson himself. The Ministry of Technology was established in 1964 to improve the prospects and scope for British industry, whose position was threatened by international competition. The ministry and the establishment of the Industrial Reorganisation Corporation in 1966, with responsibility for industrial restructuring, were expressions of the fact that Labour leaders had given up earlier fears that mergers and rationalisation would create unemployment. There was in the mid-1960s a belief that large units would be more productive and at the same time create better conditions for employment. The British experience of planning has been epitomised by Torstendahl:

Economic planning administrations were repeatedly created, reorganised or abolished and new organisations constantly replaced the older ones independently of the ideological colour of the government. In the period 1945–1970 all governments seem to have striven to get a grip on the economy.⁸⁷

The administration of welfare required a prosperous economy which, in turn, required governance and planning but at the same time a rejection of the talk of class in favour of the role of partnership in a managed economy.⁸⁸ Keynes's theories gradually emerged as a framework of interpretation and political legitimisation. The spectacular nationalisation of some key industries after the

war should not immediately be seen in the context of the rise of a managed economy, however. Much more serious fights were fought about nationalisation than about welfare and planning. When the Attlee government launched the nationalisation plans the private sector was challenged into a resistance that finally forced the government out of office. However, in the Labour Party and the trade unions the issue of nationalisation produced commitment and community more than anything else.

There was an element of class politics among the miners and railwaymen after the war, which the Labour leaders were confronted with. The miners and the railwaymen forced the issue of nationalisation after wartime control but the principle of national ownership was not integrated into any strategic thinking about the planning of economic progress. The Labour leaders were exposed to political grass-roots pressure to which they had to respond without having a well-thought-out theoretical scheme. Control, rather than simply management was, as we have seen, an issue which was brought on the political agenda, and the purpose of control became, in the emerging nationalisation language, to benefit the working class. Nationalisation was also considered to make the running of the economy easier. When control became more or less synonymous with nationalisation the broad political understanding of the need for control disappeared rapidly. A complicated mixture of goals emerged in Labour language under attempts both to bridge the emerging differences with the Tories and industry and at the same time produce commitment in the labour movement. There were goals of increasing efficiency, reducing conflict and holding the labour movement together. Organised labour was as fragmented as earlier, but nationalisation was still, at this immediate postwar time, one of the few policy goals upon which the many fragments agreed:

With all the multifarious groupings, ideologies and politics grouped under its banner, perhaps *only* the commitment to nationalization has served to unite British socialism—albeit often only at the level of doctrine. For example it is far from clear that Gaitskell's speech to the 1959 Labour Party Conference implied any substantive change in Labour Party *policy*, but by questioning the centrality of nationalization to socialist politics he struck at the heart of what many members saw as the *raison d'être* of the party.⁸⁹

Historically Labour's electoral viability has depended on a social alliance between the labour movement and the professional middle class, in a broad sense. About one-third of the working class has voted Conservative or not voted at all throughout the twentieth century, i.e. Labour has had to attract sections of the population not identified with the labour movement in order to be able to form majority governments. Despite occasional successes, unlike the Swedish Social Democrats the Labour Party has not managed to

achieve a stable long-term alliance between the organised working class and the professional lower-middle class. Despite the existence of the mainly middle-class ILP, in the interwar years Labour had not been able to attract significant electoral support outside the strongholds of industrial trade unionism. Certainly Labour ousted the Liberals as the major opposition party. However, it did so more by driving former Liberals towards the Conservatives than by attracting them into its own ranks.⁹⁰

World War II gave Labour a unique opportunity to generate a new alliance, reminiscent of the pre-1914 one, between the organised working-class and professional middle-class progressivism. The war radicalised the thinking of the middle classes and reinforced their sense of the working class as the object of compassion and reform. Beveridge and other reformers were convinced that there had to be a revolution in the economic structure of society, but that this revolution could not possibly build on the trade unions but had to be guided by people with professional training and knowledge. The unions would not accept this sort of dictate after their World War I experience. On their behalf, Bevin protected the formal structure of free collective bargaining throughout World War II. However, the assumption of social reform for the welfare of the working class remained strong. In this respect, there are both similarities to, and differences from, Sweden. For reasons of parliamentary power, the Swedish Social Democratic leadership approached the middle classes by means of welfare schemes on nursery classes, sickness insurance and supplementary pensions in the 1950s. They developed this strategy with the full support of the unions. The unions even exerted pressure on the party. The language of the labour movement concentrated increasingly on wage-earners rather than workers. This development was only the continuation of the broadening of the class concept towards *folk* in the 1930s. The high degree of unionisation among white collar employees in Sweden, by international comparison underpinned the transformation in Sweden.⁹¹ There was, with the exception of the nationalisation issue, an unmistakable artificiality of social engineering from above in the approach of Labour after World War II with the long-term effect of severe strains within the labour movement. The question of nationalisation, too, was gradually moved in this direction through its embedding of views of control and planning as instruments of a managed economy. There was much less of this artificiality in Sweden and more pressure for reform from the trade unions. This pressure was skilfully absorbed and channelled by the Social Democratic leadership.

The British pattern differed from the pattern that emerged in Sweden in decisive ways. The motor of the century of integrative 'movement from below' in Sweden, in the framework of the popular movements, of which the labour movement was *one* part, after World War II became the wage policy with solidarity, and the compromise between capital and labour on the concept of rationalisation. Developments in Sweden had the hierarchical and

centralised structure of industrial relations as their point of departure, and they also reinforced these structures. In Britain, long years of a buoyant labour market led to a gradual erosion in the authority of the trade union leadership as the voice of the working class. Plant bargaining tended to displace national agreements and unofficial strikes became increasingly numerous, often challenging both traditional managerial prerogatives and the authority of trade union officials.⁹² In Britain, nothing similar to the tripartite corporatist bargaining structure of Sweden or the Keynesian concerted action strategy of Germany from the mid-1960s emerged.

One motive of establishing advisory committees for bargaining is to capture the support of organised interests by involving them in the policy-making process. This may be a motive not only for government but also for the organised interests themselves. The Labour governments in the 1960s and 1970s have been characterised as disappointments from this perspective. The industrial policy did not come through as intended. Instead the government was lead into disputes with the TUC and specific federations on income policy.⁹³ Frequent tensions within the TUC-Labour Party complex, particularly between local and central authorities were different compared to Sweden and Germany and undermined possibilities of establishing a corporatist order. To the tension between local and central levels contributed historically the capacity of radicals such as syndicalists and communists to colonise local autonomy struggles at strategic moments of conflict. Therefore, localism had both a conservative dimension and a radical capacity which is true especially of 1910–1920 and 1939–1948.⁹⁴

Trade union leaders accepted the decentralisation of trade union power as a means of adapting the structure of unionism to the changing labour market and to the smaller and smaller connection between local wage militancy and national working-class politics. In the 1980s Mrs Thatcher had two targets in her reaction against the state-administered welfare policy: the public bureaucracy and the trade unions. The trade unions have become severely damaged, but in the continuous negotiations with organised interests—not only the unions but their counterparts in industry as well—it is obvious that the government has also damaged its own tripartite bargaining instrument of governance considerably.⁹⁵

The logic of the language developed in the Swedish labour movement meant up to the 1970s much stronger resistance to decentralising developments. (In the 1980s the decentralising trend became visible in Sweden, too.) As in Britain, the proletarian connotations of trade unionism from the interwar period and earlier receded in Sweden. However, the intellectual process where the public representation of the unions shifted from that of a potential class threat to that of a powerful sectional set of vested interests started much earlier, in the 1930s, in Sweden. Moreover, after the late 1930s in Sweden, the perception of a sectional set of vested

interests on the labour market involved both the unions and the employers' organisation in the same *Denkfigur*.

As compared with the German post-World War II development, there is one major difference in Britain as to industrial relations and labour politics. It overshadows some of the obvious but superficial similarities like the concentration on the workshop level in industrial relations in Germany through the works council system and the avoidance of union affiliation with political parties after World War II. Despite this split, the ties between the unions and the SPD remained close and there was little similarity in Germany and Sweden to the British uncoupling of Labour politics from union workshop politics. The hierarchical union organisation in Germany counter-balanced the local gravitation provoked by the works council system, resulting in very fruitful pressure on the political centre.

The German-British difference is reflected in the language when the German *Betriebsrat* is translated into English. The British concept of 'works council' sees them as instruments of 'joint consultation' (council=consultation). This is in sharp contrast to the German view of *Betriebsräte* as organs of 'co-determination'. The term 'works council' in English reflects enterprise-based collective bargaining, perhaps comparable to joint councils in a British multi-union setting. German unions bargain industry-wide and not at company level. For them it is vital that company-level industrial relations remain defined as something other than collective bargaining, i.e., as co-determination.⁹⁶

This difference must be understood in its historical context. Historically, in Germany the perception of class and the class performance has been much more holistic, with the national political decision-making centre as a target. The class struggle metaphor was the figurative expression of this tradition before 1933 and the social market economy model after 1959, where the SPD particularly emphasised the social aspects of the market model. The British trade unions have had their fighting goals much more immediately at the workshop level. Class performance has been much more fragmented and divided. Consequently, no class struggle metaphor of the German kind developed.

There is a corresponding capital side to the British fragmented structure of the organisation of labour and the uncoupling of politics from the unions. There was never the same fusion between finance and industrial capital in Britain as in Germany (and Sweden). Organised capital in Britain was less hierarchically organised than in Germany and Sweden. Industrial employers oriented their energies towards the local workshop level, as did the unions, thereby strengthening the local level approach in union strategies. Finance capital historically has had much more institutional power in the political system than industrial capital, which is probably an important explanation of the strength of monetarist doctrine and Thatcherism in Britain. The

economic policies of the 1930s also fit into such a framework of interpretation.⁹⁷

The historical connection also becomes visible in the uncertainty of postwar British governments in their responses to requests to play an increasing role in industrial affairs. The rise of Keynesianism led to widespread acceptance of interventionist fiscal and monetary policies. But with respect to industrial policy, successive British governments have fluctuated between support for greater public planning and a traditional standpoint of *laissez-faire*. In accordance with the neo-classical paradigm, there has been widespread support for the opinion that if only the government pursued the right fiscal and monetary policy, the operation of the free market would suffice to ensure economic prosperity.

Britain's relative economic decline persisted through cyclical ups and downs, which demonstrates that its roots are deeper than imperfect macro-economic management.⁹⁸ It has been argued that conservative management and government approaches have prevented change, and that the cause of the decline is to be found in this fact. However, the picture is contradictory. After all, a great deal has changed in British economic and industrial organisation in recent decades. In certain respects, the neo-liberal approach initiated by Margaret Thatcher was revolutionary. In recent years, a number of culturally/institutionally oriented explanations have been offered, indicating that the decline has deep and complex sources within the British social fabric.⁹⁹

One example from the decline of shipbuilding after World War II illustrates the operation of such institutional factors. The union structure (organisation by craft instead of industry), industrial structure (labour-intensive rather than capital-intensive), and the threat of unemployment aggravated by extreme cyclical fluctuations, have been the driving forces behind the numerous demarcation disputes in the 1950s and 1960s. Pride in their craft and, above all, anxiety over prospects for employment in an industry with unusually large fluctuations in the demand for labour forced the many craft unions to defend their hard-won concessions and privileges by insisting that particular tasks be done by particular kinds of workers. When new techniques were to be introduced, it was often a matter of dispute as to which union the new workers would join, and long-lasting disagreement between unions could prevent the introduction of new technology. The many demarcation conflicts gave British unionism a distinctive feature and its reputation, for example, of being the most strike-prone shipbuilding industry in the world.

In analyses of the impact of these conflicts, cause has often been confused with effect. The disputes were often said to be the cause of the poor performance of the British shipbuilding industry. Although they probably did intensify the decline of the industry, essentially they were an effect, and symptomatic of the process of decline itself. Demarcation disputes gradually

petered out from the mid-1970s onwards, not because the concern over loss of jobs ceased to be felt but because nationalisation of the shipbuilding industry in 1977 and subsequent specialisation within the nationalised group created a new situation in which new patterns of reaction developed. The changing labour market in the shipbuilding regions also contributed. Competition for skilled labour with the rise of new industries in the 1960s had encouraged the establishment of personnel policies involving employment guarantees which were taken up by the newly nationalised industry. Then, from around 1980, the increasing tendency towards privatisation under the auspices of the Thatcher government further reinforced the basis of yard-to-yard co-operation between management and employees of one yard against the corresponding constellation of another, fighting together for the survival of their work-site, in eliminating demarcation, despite the increasing numbers of redundancies.¹⁰⁰ The decline of demarcation disputes did not, however, keep the shipbuilding industry from declining. Therefore, they can hardly be seen as the cause of the poor performance.

Elbaum and Lazonick's conclusion is that Britain was impeded from making a successful transition to organised capitalism ('corporate organisation' in their terminology) and mass production in the twentieth century by an inflexible nineteenth-century cultural/institutional legacy of atomistic economic organisation. One element impeding the adoption of methods of mass production was conditions of market demand. This observation fits well with Tolliday's conclusion concerning the automobile industry referred to above. Amidst sluggish domestic growth and free international trade, British firms found it difficult to secure the necessary market outlets to allow for mass production. But they also faced critical supply-side constraints with respect to industrial organisation, managerial and technical personnel, long-term finance and labour organisation.¹⁰¹ Breaking this chain would have required the development of new interpretive frameworks to identify problems in the organisation of society. The debate about rationalisation was a case in point. Some interventions by the government in the 1960s and 1970s to restructure the industrial relations system had the character of social engineering.¹⁰² The language developed for social mobilisation by the Wilson government, for instance, was not sufficient to break the chain, however. This is not to say that the rate of growth of manufacturing productivity was greater in the 1980s than that achieved from 1964 to 1973. The post-Thatcher performance should not be exaggerated in this respect and the achievements of the Labour government in the 1960s not denigrated. Strike rates outside mining remained relatively low, and failures to reach agreements normally led to mediation and conciliation, for instance.

Balance of payments problems in the summer of 1965 led to Labour's deflationary policies which undermined any possibility of planned

growth and modernisation of the industry. The trade unions, deprived of this growth, had little opportunity to enforce incomes policy. A wave of unofficial strikes in 1968–1969 occurred a bit earlier than in Sweden, but instead of being the start of intensified legislation in the labour relations area, the wave in Britain ended any chance of development in a corporatist direction.¹⁰³ Certainly, a document published in February 1973 by the TUC and the Labour Party's left-dominated National Executive Committee was intended to be a step forwards a 'social contract' of the TUC with the Labour government that came to power in 1974. The document proposed an extension of nationalisation, union participation in economic planning at all levels, and industrial democracy, with worker representatives on the boards of the firms. However, the corporatism that the social contract envisaged was a different corporatism which stirred the imagination of a Labour Party bound in advance by the unions. The plan for a corporatist order was never realised.¹⁰⁴ The unions in the 1970s were being asked to play a political role which was beyond their capacities. They could not deliver on centrally struck deals, and so exposed themselves to tensions which were then exploited by the succeeding Conservative government. The Labour government of 1974–1979, in turn, vested too much influence in an ill-prepared union movement by making wage restraint so central to its strategy.¹⁰⁵ The Social Contract strategy of the Labour leadership and the radical industrial policy of the Labour Left were united by their desire to give unions a major role in policy making. In the event that attempt at corporatism ultimately failed. In the industrial sector it was never seriously tried outside the sector working parties, and in macro-economic policy it broke down as the TUC was unable to deliver on a wage policy which overreached itself in 1978/1979.¹⁰⁶

Labour's Programme of 1973 embodied most of the corporatist ideas. The programme was contemporary with the Swedish Social Democratic legislative approach to integrate and canalise increasing militancy. The first idea was the creation of a state holding company, designated the National Enterprise Board, with a major and continuing equity stake in large manufacturing companies. The second would be a system of planning agreements whereby large companies would exchange information and strategies with government in return for public money. Third would be a new Industry Act which would give the government wide-ranging power to intervene in public sector industrial relations. The major political flashpoints in this policy menu were the NEB's role in taking over a significant number of major profitable manufacturing companies and the idea of compulsory planning agreements. In the event the Labour leadership, who had been sceptical on crucial points of the programme, was able to water the proposals down to exclude these two elements, after a long battle which focused on the role of Tony Benn, who became Industry Minister in 1974,

but was switched to Energy Minister after the EEC referendum in the summer of 1975.¹⁰⁷

At the local level of industrial relations in the 1970s a system of union participation on company boards of directors was proposed by the Bullock Committee in 1976. The proposal was seen by the Committee both as an element of a long process of democratisation and as creating a new legitimacy for management.¹⁰⁸ The parallel to the debate on co-determination in Sweden and Germany at this time and the emergence of the *Mitarbeiter/medarbetare* strategy is obvious. As opposed to Germany and Sweden, however, the British proposals never came close to realisation for two major political reasons. Whilst gaining TUC support the Bullock proposals were anathema to many trade unionists, who believed any such responsibility for company management to be incompatible with the adversarial, free collective bargaining order. This opposition was to be found on both the left and right of the union movement. Even more important the government, eager to conciliate the private sector, was resistant to any such proposals so vehemently disliked by the employers.¹⁰⁹

It is obvious that the more fragmented British organisation of society and at the same time more adversarial industrial relations structure, which was an element of the fragmentation, meant a lower propensity for corporatist arrangements in Britain than in Germany and Sweden at this time. Corporatism in Germany and Sweden can be seen as the culmination of Keynesian political economic engineering. The degree of engineering in this respect was never so obvious in Britain where the problem rather than being the distribution of an increasing pie was defined in terms of a British economic decline.

In the 1960s corporatism in Britain was formulated as a response to shop-floor militancy. It was undermined by governments unable to redeem their obligations because of import penetration and by trade unions unable to deliver their side of the bargain because of unofficial industrial action. The difference to both Sweden and Germany is obvious in this respect. Corporatism in the 1970s, on the other hand, was formulated as a response to the activity of the newly mobilised public-sector unions. The 1960s and 1970s saw the creation of massive numbers of public-sector employees who created their own specific and powerful interest organisations. At the same time, the rise of the 'export imperative' led governments to launch attacks on this public sector in conjunction with their equally well-organised colleagues in the declining industrial branches.¹¹⁰ In Britain from the 1970s, as in Sweden of the 1980s, the tension between unions in the private export industry and in the public sector grew. Increasing political ambitions in the welfare area, which must be seen in the framework of the competition over votes on the political market, and the preconditions set by international markets were difficult to reconcile in one political model. The emerging tension between political goals and economic preconditions in Britain and

Sweden meant the first signs of severe disturbance of the Keynesian approach and the early stages of the conflict of national public finance and transnational economic imperatives.

Another similarity between Britain and Sweden was the bargaining on a plant or company level characterised by identification with the firm rather than the wider labour movement through separation of safe internal labour markets of such firms, bonus schemes and wage drift. Here the British model was always much closer to such an order—the fragmentation of industrial relations—and the change in Sweden was much more dramatic—and traumatic. One of the most striking of the 1980 Workplace Survey findings in Britain was the existence of two different industrial relations orders. A massive public sector engaged in national or regional bargaining existed side by side with a sector of smaller companies engaging in multiemployer bargaining. In addition, there was a large enterprise export-oriented sector engaged in plant- or company-level bargaining.¹¹¹

The monetarist policies of the Thatcher government invoking a free market ideology attacked the power of the unions and sought economic revival through the severity of market discipline.¹¹² In the attack on union power, the policy has been successful. Margaret Thatcher's government exploited the weak position of the union movement in public opinion after the strike in the coal mines in 1984–1985 and carried through legislation which considerably reduced the scope of action of the unions. In terms of economic and industrial restructuring, the market ideology brought change. However, seen in the light of the strong and independent position of finance capital in the history of British capitalism and of the long interwar debate on rationalisation, Prime Minister Thatcher's approach had a great deal of continuity. Rationalisation, from the perspective of the Thatcher government, was seen in mainly the same interpretive framework as in the interwar period, with a similar identification of the problem.

A conspicuous distinctive British feature is the fact that there has been no long-lasting metaphor for the organisation of the labour market and industrial relations such as the Japanese family, the Swedish *folkhemmet* or the German social market, expressing a kind of intellectual hegemony. Nor have there been any really polarised metaphors like the German class struggle or master-of-the-house metaphor. This difference indicates different perceptions of society and the organisation of society. Britain has been and has been perceived as being as much a class society as Germany, but the nature and perception of the class struggle have been quite different. Fragmentation in a stratified class society on both sides of the front line has produced its own logic. In the framework of this logic, institutions of industrial relations, technology and economy have developed and given Britain its distinctive features.

Since the 1890s, the role of the government has been less interventionist than in the other three countries in this study. Organised capitalism has

been much weaker and did not provoke at all as much social and political polarisation as in Germany. The main interest of the government has less been in industrial relations and industrial policies and more in economic policies, which indicates the more influential and independent role of finance capital.

The gravitation of industrial relations towards the workshop level is similar to developments in Japan, although their characters are quite different. Historically, in both Germany and Sweden, industrial relations have had a more central focus at the national level, although this pattern broke down in the 1980s, especially in Sweden. The pattern of social and industrial relations that developed and survived in Britain combined a paternalist representation of class relations with a measure of worker autonomy from capitalist authority at the workplace, because of the emphasis on labour-intensive technology. The tradition of labour action and organisation concentrated on the workplace has been intrinsic to the history of British capitalism. The emergence of a British model for bringing labour into effective action in production has been heavily influenced by this tradition.

The solution to the economic crisis in the 1880s was not sought in Britain in organised capitalism as much as in Germany and Sweden. This tended to reinforce the traditional economic and social structures in society. Interest mediation and the connection of politics with economics at a central national level, as in the German and Swedish cases of organised capitalism, did not emerge, although there was a partial acknowledgement of labour as an organised presence in industrial and political bargaining. Labour attained a collective status which produced tensions over the question of whether the correct strategy would be policy at the local or national level. The requirement to integrate labour into a directed national policy during World War I brought these matters to a head. The tensions in mediation of interests between the national and local levels brought tensions between political radicalism and industrial militancy in the labour movement. A few years after World War I, political radicalism was discredited and tamed. The ties between labour's actions at the workshop level and national politics were cut. This break prompted the economic restructuring of the 1930s unhampered by major political and industrial changes.

The mobilisation during World War II increased labour's industrial and political power enormously, as it had during World War I. However, the ties between trade union performance at the local level and national politics were not cut, as they had been after World War I. On the contrary, the formula connected the labourism of the Labour Party with the tradition of shop-floor labour action. The party concentrated on the distribution of welfare, while the trade unions concentrated on gains in industry. Even the Conservatives accepted the implications of this formula. The convergence between the Conservatives and Labour was epitomised under the name of Butskellism

after the names of Conservative Chancellor R.A. Butler and Labour Chancellor Hugh Gaitskell. For a decade or so a concept emerged, reminiscent of the intellectual hegemony of the *soziale Marktwirtschaft* model in Germany or the *folkhemmet* metaphor in Sweden, probably closer to the Swedish variant, as developed by Labour. However, Butskellism exhibited too much economic manipulation from above under government auspices, and too little involvement of organised interests to be a step towards Germany and Sweden's corporatist models.

JAPAN

TRADITION, MODERNITY AND CAPITALISM

The era of intensified modernisation in Japan from about 1890 had many similarities with Germany. Around 1890, the Meiji restoration placed increased emphasis on heavy industry. Minister of Finance Matsukata's reorganisation of the economy and the development of new financial institutions in the 1880s meant a new basis for industry. Government interest in expansion of industries such as shipbuilding, iron and steel, and mechanical engineering gave industry new scope for action.

At the same time, the geopolitical position of Japan came more into focus in the public discourse. Korea was increasingly comprehended as an area where foreign interests collided, including those of Japan, Russia and China. Increasingly, the boundary of Japanese security interests was defined as being outside the Japanese islands. There was an obvious connection between these two developments where, both with regard to origins and goals, domestic policies and foreign policies were mutually supportive and fortifying in a way that makes it difficult and not particularly fruitful to try to distinguish one of them as the 'prime mover'. There was an increasing preoccupation with security questions combined with a devotion to the Emperor's person and realm and a vision of a predatory outside world. To take control of Formosa, Korea, Manchuria, and, later on, Inner Mongolia, China and south-east Asia seemed necessary to promote Japan's national interests and security.

Fukuzawa Yukichi was one of the most influential producers of meaning. He did not serve in the government, but he had enormous influence as an educator, journalist and moulder of public opinion. He is a puzzling figure in his combination of British liberalism and Japanese nationalism, but in some ways he is still characteristic of his times. Max Weber in Germany and Joseph Chamberlain in Britain were other intellectuals who combined liberalism and imperialism in one perceptual framework. They perceived domestic policies in their international contexts, and vice versa.

Japan's declaration of war on China in 1894 checked all partisan political activity in Japan. The concepts of liberalism and imperialism fitted well into the framework of interpretation which was established and which contained both domestic and foreign political elements merged into a single mix. They constituted the cultural foundation for a continuous process of restoration. The key concepts were *kōdō*, the imperial way, and *isshin*, restoration; Meiji *isshin* in the 1890s and Showa *isshin* following in the 1930s.

Verbally resorting to 'traditional' values during this ongoing cultural process of national identity construction under 'we'-'they' demarcation did not mean returning to conditions that had prevailed earlier. Traditional values were mobilising elements of the Japanese modernisation as in Germany, Britain and Sweden. The label 'restoration' made it plain that what was called for in the 1890s, as well as later in the 1930s, was future-oriented action as decisive as those actions which had 'saved' the country in 1868. However, this shared forward-looking use of the concept of 'restoration' cannot conceal the decisive difference between the 1890s and the 1930s. The modernising industrialist heroes of the 1890s had become the villains of the 1930s.¹ In the time span between the erection of the two restoration visions, the discourse had changed from capitalist to anticapitalist (which was only marginally due to the intellectual impact of socialism) and militarist, although the formative social forces in the army and elsewhere, despite the anti-capitalist vision in practice, were still willing to co-operate with capitalists and bureaucrats in the existing structure, provided priority was given to their own notions about the pursuit of national strength.

The anti-capitalist discourse in the 1930s was a nationalistic pot-pourri in which many different interests, including capitalist ones, could be expressed and find intellectual stimulus. There was no charismatic individual leader in Japan. Tōjō, who came closest, was no Hitler or Mussolini. His position rested solidly on the backing of the army and on his own acceptance as its representative in government circles, not on mass popular support. What happened in Japan was that the army eventually found a formula, couched in terms of a national mission overseas, that could reintegrate the discordant elements in society in a manner unknown since the Meiji leadership's pursuit of 'wealth and strength' (*fukoku kyōhei*) after 1868. This attracted enough backing from conservative interests in the Court, the bureaucracy, the Diet and the business world to cause almost everyone else to fall into line.² The emergence of a Japanese consensus myth did not provoke the same degree of mass mobilisation and social polarisation as in Germany.

The push for industrial change, and the ability to overcome or circumvent the frictions produced by this change, cannot be understood without reference to the role of foreign policy in the interpretive framework. Foreign policy determined the scope of action for the labour movement and the shape of the industrial relations order. The role of foreign policy as a factor of

integration was even more pronounced than in the German case. The geographical and security policy demarcation of the Japanese islands was a key element in Japanese identity construction. Here is an obvious element of continuity up to the discussion of Japanese uniqueness in the 1970s.

GOVERNMENT AND INDUSTRY BEFORE WORLD WAR I

The development of heavy industry and the rise of the labour movement were not least the result of Japan's involvement in wars—the Sino-Japanese War of 1894–1895 and the Russo-Japanese War of 1904–1905. As in most economies, war led to booms, accentuated by massive government spending in munitions and shipbuilding. Along with booms and rapid industrialisation came (when the conformity produced by the external threats of the war had released its hold) labour market unrest, attempts to organise labour, and attempts by business and government leaders to check and reintegrate the labour force.

The second step in Japanese industrialisation, with the rapid growth of heavy industry, began in the 1890s. The proportion of the labour force employed in heavy industry was still small, however. The number of employees in the mining and manufacturing industries grew from 2.3 million to 4.6 million between 1890 and 1910, i.e. from 11 to 18 per cent of the active labour force. Mechanised industries first appeared on a widespread basis in the late 1880s. The total number of 'factory' employees increased from 178,000 to 801,000 which means that the overwhelming majority of those employed in manufacturing industries worked in small family enterprises of a craft nature, and often with close ties to agriculture. 'Factory' employment in the metal and machinery industries grew from 5,000 to 60,000 and in private heavy industry and military arsenals and naval yards from 7,000 to 71,000 between 1890 and 1910, which means that the proportion of the labour force employed there was still small. During the same period 'factory' employment in the textile industry grew from 110,000 to 470,000 (and more than half of these workers were women).³ By the mid-1890s textiles was by far the biggest industry. In 1896 the eight largest manufacturing companies were spinning or weaving enterprises. Forty of the fifty largest companies were in the textile trade. Heavy industry had no representative on the top fifty list.⁴

During the early years of industrialisation private capital resources were scarce. Rather than waiting for a gradual accumulation of capital at the private level, the government decided on a policy of public, institutional accumulation. This was carried out via the large scale issue of public bonds and the establishment of a national banking system. Capitalism in Japan began with the establishment of a superstructure based on national credit and bank credit.⁵ Those industries dominated by

merchant houses with close ties to the government, notably mining, shipbuilding, foreign trade and the supply of goods and services to the government, received financial aid from the government as well as preferential treatment in the privatisation of publicly established mines and factories, and developed into *zaibatsu*. They had privileged positions and immense financial holdings which made them essentially self-sufficient.⁶

Under the guidance of Minister of Finance Matsukata Masayoshi, the government factories were privatised in the 1880s. Those engaged in the manufacture of munitions were exempted, but the rest, it was announced, would be sold to the highest bidder, a decision that was to have important repercussions. This privatisation was not attributable to a sudden change of heart about the role of private enterprise in industry, nor was it, as has sometimes been alleged, part of a conspiracy to transfer valuable plants at bargain prices to the friends of the oligarchy among the businessmen, though this was often the effect. Rather, it was a budget financial measure. The shortage of capital was also a factor in provoking the state initiative. The prices offered were, accordingly, low. Most of the enterprises were operating at a loss, which is why they were sold. The sale of government industries marked the beginning of a new phase in economic policy, one in which subsidies and contracts awarded to private firms replaced state ownership and operation. With such encouragement heavy industry slowly began to grow. It was not until Japan had a far more highly developed domestic market that profits from industrial pioneering were substantial. But when this finally happened, it contributed considerably to the dominant position which a few great firms were able to win and retain in the Japanese economy.⁷

The joint stock company system was extensively applied to a number of new companies, and gave rise to a new type of specialist corporation manager. The *zaibatsu* family businesses, such as Mitsui and Mitsubishi, diversified increasingly into various kinds of new industries. There were close ties between business and the government.⁸ Exactly what size and direction the currents of influence took in this networks of personal relationships is very difficult to determine. There was constant interaction and exchange of opinions, and proposals were followed by decisions and action. A rough description of the transactions in the networks is as follows: the government, by means of contracts, provided an important part of the market; direct or indirect production subsidies were also in operation; technological and industrial development was the contribution of the industry. When they drafted their factory legislation between 1882 and 1911, the bureaucrats often consulted the business associations, but never the labour groups. A substantial number of the employers looked to the state to regulate the problem of high labour mobility.⁹

THE MOBILE WORKERS AND THE WEAK UNIONS

Foreign technicians in the 1860s and 1870s trained a mobile pool of workers which gradually spread throughout the country. The Nagasaki and Osaka Iron Works, the Yokosuka Naval Yard and Ishikawajima were the most important training sites. Many of the iron workers were trained at the munitions factories.¹⁰ There was also an indigenous tradition of craft skills in woodwork and metalwork to build on. The native artisans were retrained to build engines or Western-style ships, but Western industry before the 1890s was not so advanced as to make Japanese indigenous experience irrelevant. The majority of workers in the large factories (as explained above there were only a few) were of this origin.¹¹

Gordon emphasises the definite lack of discipline and diligence observed among Japanese workers of this era. This is particularly interesting because standard explanations of the 'successful modernisation' of the Japanese economy, point directly to the diligent labourer as a factor. Another characteristic pointed out by Gordon is the high mobility of labour in Japan. In the indigenous artisan tradition, movement of journeymen from master to master was accepted practice. Mobility was the norm.¹² At the Mitsubishi Nagasaki yard before 1900, for instance, most of the workers at the iron-works came from artisan backgrounds. Journeyman artisans moved freely between the shipyard and local workshops engaged in traditional manufacturing. They moved freely in entering or leaving the shipyard, applying for work at small metal workshops in Nagasaki or trying to set up on their own. By the turn of the century similar conditions had developed in Tokyo and Osaka. A labour market culture emerged in heavy industry with frequent job changes, movement from small workshops to large factory and back, disregard for ineffective craft restrictions and demarcation, and the desire for independence.

Some firms offered long-term contracts to a few, select skilled men, and groups of owners formed 'anti-poaching' associations whose members agreed not to raid one another for talent. The Yokosuka Naval Yard created a hierarchical pay scale, partly to encourage workers to stay. However, these policies were ineffective. Incentives to stay failed in part because most workers did not move from job to job merely in search of higher wages. Mobility was a central part of the accepted working career.

One management response was to surrender direct control over workers to the *oyakata*, the senior workers of the late nineteenth century whose position was between the mobile worker and the technical supervisor or manager frustrated at the mobility of the worker. Some *oyakata* owned small machine shops or shipyards. They had worked their way up in the framework of the journeyman tradition. Others were independent labour bosses who contracted out the services of their underlings to large companies. Some were labour bosses providing men exclusively to one

particular large factory. *Oyakata* of all types were important. They exercised some control over wage payment to the workers, either through distribution of contract fees or by setting the rates at which the companies were to pay. They served to some extent as employers, either hiring and training their own apprentices and workers or making employment decisions on behalf of the company. They all occupied positions of relative independence between the company and the workers.¹³ The decentralised structure they represented was a response to the problem produced by high mobility.

It goes without saying that union organisers had difficulties in promoting a labour movement under such conditions. There was no group of masters or journeymen in industry who regulated entry into the trade or set wages through negotiations, probably because of the established tradition of high mobility. The journeyman culture was too small a basis for the rapid industrialisation process. The workers in Japanese heavy industry and the textile industry were recruited from among the lower stratum of urban society or from the farmers and trained from scratch for unskilled or semiskilled operations with advanced Western techniques.

As the economy boomed, unlicensed artisans serving the rural market increased in number. As urban craftsmen did not transform or expand their organisations to include these workers, they lost control over entry to the craft. Unlike Britain, where there was a much more gradual development extending over a much longer period of time, the old urban guilds in Japan were not able to cope with the new development and develop skill cartels. Apprentice workers tended to move to the better jobs before completing a full course of training. Moreover, the training period varied from enterprise to enterprise. Training could not be regarded as a recognised yardstick for measuring the skill acquired by the worker. The system failed to become established as an authentic wage standard for skilled labour. The compressed nature of industrialisation in Japan over a short period of time with a labour shortage meant that there were not the same incentives for the workers to unionise and use the training standard as a pivot for a market enclosure as in Britain. In order to establish a system like the British system of apprenticeship as a safeguard for employment of skilled workers and as a social legitimisation system, workers would have had to be well organised. In Britain the early institutionalisation of the apprentice system and the development of strong protective craft unions were mutually reinforcing factors in a process of interaction. In Japan this interactive movement never began. There did exist an indigenous artisan culture, but it was far too individualistic to serve as a pivot for collective action in the framework of a skill cartel. The journeyman fostered in that culture had mobility—possibly towards a small workshop of his own—as a lodestar. Otherwise there was very little in the way of a skilled labour culture.

If the journeymen in indigenous trades had been interested in and had managed to create regional or national networks linking the urban guilds together and uniting both urban and rural workers and reasserting a measure of control over the conditions of their trade and access to it, then their influence on industrial work would probably have taken a form similar to that in Britain. Instead, a very different culture of high mobility and openness rather than restriction and protectionism developed. Furthermore, when the industrial breakthrough came the specific structure of the Japanese industry (textile predominance with an extremely high proportion of young female workers who, as a rule, left after marriage) made it difficult to establish organisations extending beyond the enterprise and craft barriers like those in Germany and Sweden. Therefore, nothing similar to the high degree of unionisation and the establishment of price cartels on the supply of labour as in Sweden occurred in Japan. Apart from the textile industry there was hardly any breakthrough for the union movement until World War I. By then the conditions for unionisation and development of workers' price cartel strategies were quite different than in Europe, not least owing to the steps taken by employers to cope with the problems of labour shortages and high mobility.¹⁴

Despite its difficulties, the Meiji union movement had a short 'peak' between 1897 and 1900 when a few social reformers managed to unionise skilled workers in Tokyo, Yokohama and points north. The most prominent leader of the movement, Takano Fusutaro, was strongly influenced by the American Federation of Labour and was in personal contact with its president Samuel Gompers.¹⁵ Labour-management co-operation was the guiding principle. These unions had a great deal in common not only with American unions but also with the British craft unions, especially in their ideology; they aimed at improvement of working conditions and social status through the improvement of their own skills and morale. However, they failed to create a lasting union. The high mobility of the workers meant fluctuating membership rolls, uneven payment of dues and ineffective mutual aid. Another obstacle was the government. At first it adopted a wait-and-see policy, but when the movement began to develop the government began to suppress it. This suppression reached its climax in 1900 when the Public Peace Police Law, prohibiting labour disputes, was enacted.¹⁶

Despite its institutional failure, by the turn of the century the workers revealed patterns of organisational behaviour and class identity. Class awareness was demonstrated in many labour disputes and strikes after the Sino-Japanese War. One reaction to this was the firm approach of the government. Prior to the war, spontaneous work stoppages were a familiar practice. The practice of *dōmei-hik* (concerted work stoppage) had spread throughout Japanese factories since the early years of Meiji. However, it was only after the war, during the recession of 1897 and 1898, that strikes became a more or less established institution in industrial relations.

The war brought constant increases in the price of rice, and hardship for the industrial workers. The wages of the workers lagged far behind the prices of commodities and the profits of the armaments industry. The workers yielded to these increased burdens because of the intellectual conformity and the social cement produced by the external pressure of the war against China.¹⁷ Tensions grown out of restraint during the war produced worker militancy. In 1897 and 1898 the strike record peaked.¹⁸ This pattern recurred after the Russo-Japanese War nine years later. The labour movement had declined after the suppression by the government and the management at the turn of the century. (Government and management repression were not exclusively a Japanese phenomenon at this time, of course. The fact that they were more efficient there than in Germany, for instance, may be explained by the much smaller proportion of industrial workers and the specific structure of the labour force.) Although there was a decline of radicalism after 1900, there was a new outburst in 1906 and 1907, particularly in heavy industry. The wave of strikes started at the Ishikawajima shipyard at the Sumida river in Tokyo. Later it spread to government-run arsenals and to other shipyards and mines under the control of *zaibatsu*. The strikes involved almost all military factories and large civilian shipbuilding enterprises which were the nucleus of heavy industry at that time.¹⁹ While bread-and-butter issues seem to have precipitated most of these strikes, hostility to the assertion of direct control over production often fuelled them. At Ishikawajima, for instance, skilled permanent workers and lower-level foremen opposed upper-level foremen and staff over changes in customary work routines.²⁰

The immediate effect of the Public Peace Police legislation in 1900 and its implementation was the decline of organised trade unions. But the suppression could not prevent spontaneous outbursts of worker militancy like those in 1906–1907. The ultimate effect of repression was to drive the movement underground and to transform it into radicalism.²¹ As no normal trade union activity was possible, the workers resorted to tactics of direct action, which involved violence. Labour disputes were apt to take the form of riots, with the wrecking or burning of company property. From 1899 to 1906, the number of participants in disputes diminished, but there was an increase in vandalism. The peak of violence was reached in 1909 when the number of cases of dispute, the total number of participants, and the number of people involved in each case were the highest ever recorded.²²

As the roadblock to the union movement loomed larger with the stiffening attitude of the government, union leaders concluded that there was an inevitable limit to the movement if it remained trade unionistic, with economic rather than political goals. When the union movement was destroyed as an organisation by the decree of 1900 there was a transfer of energy to the socialist political movement. The Social Democratic Party was established in 1901. Although it was banned on the same day it was reported

to government authorities, it continued to be active, surviving persistent oppression, and organising public meetings. As the threat of the Russo-Japanese War mounted, the movement put its primary emphasis on anti-war campaigns. However, by then it was no longer a workers' movement; it was a socialist movement of intellectuals. Its supporters had shifted from workers to students, journalists, clergymen, farmers and craftsmen. Around 1910 the socialist movement had been reduced to a campaign by a small number of intellectuals. The socialist movement was separated from the workers' movement. Organised labour had virtually disappeared.²³ The trade union movement had collapsed, and the socialists were left with no alternative but to confirm their commitment to education and propaganda.

Although the union movement failed, workers remained resistant to the efforts of company management to intervene in the workplace. This challenge to union organisers was also a challenge to management. The managers had difficulty controlling men opposed to factory discipline who believed advancement in skill or pay required frequent job-switching.²⁴ The following decades witnessed a struggle between managers intent upon drawing workers more tightly under company control and workers trying to raise their social status, either by individual mobility to the small entrepreneur ranks or through building a labour movement on the basis of workshop or factory organisation.²⁵

MANAGEMENT AND GOVERNMENT STRATEGIES

The *oyakata* subcontracting order had been introduced as a response to the problem of high mobility.²⁶ Like most problem resolutions new problems were built into the very resolution. The *oyakata* learnt how to exploit their key position which, in turn, produced new responses from the owners and the managers. Early in the twentieth century, in some cases even earlier, they resolved to create a more systematic, direct mode of supervision. Some introduced a scale of day wages and ranks which meant that the company and not the *oyakata* evaluated workers and set the pay. Some tried to bypass the *oyakata* and sign selected men for long-term contracts or for a certain job on an individual basis. Some companies offered semi-annual bonuses to workers with good records. Fines and other sanctions were imposed for tardiness, gambling, or smoking on the job, which meant that responsibility for discipline was taken away from the *oyakata*.²⁷ All employer attempts at integration were not immediately successful.²⁸

The labour policy of a typical large, wealthy company of the era had three basic goals: greater control over the work process, more efficient labour and cultivation of foremen who identified their careers with the fate of the company. The attendance bonus, severance pay, injury compensation and condolence allowances rose with worker tenure—evidence of a wish to slow down turnover among regular workers as well. In 1903 and 1908 the

Mitsubishi Nagasaki Yard adopted efficiency-based wage systems in many workshops and drew foremen into a closer relationship with the company by means of semi-annual bonuses and a savings plan. In 1908 Mitsubishi stopped contracting jobs out to the *oyakata*. Measures to assist the unranked worker also took form. In 1897 the shipyard implemented Worker Protection Regulations covering medical costs of work-related injuries, and set allowances for missed days, crippling or fatal injuries and retirement pay. In 1909, Mitsubishi revised and extended these programmes.²⁹

The increasing number of labour market disputes after the Russo-Japanese War constituted a serious threat to management's authority. At this time the big enterprises began to expand welfare institutions for their employees, not only to try to limit the increasing conflicts, but also because investment in the establishment and maintenance of training facilities had mounted, and the employers found it necessary to take effective steps in order not to lose their trained workers.³⁰

Not only employers demonstrated an interest in labour regulation. Reform bureaucrats, insisting that Japan would not escape the problems earlier faced by the industrialising nations of the West, promoted factory regulations as an effective means of preventing disputes before they occurred. There was by no means consensus within the government over the economic benefits of protective labour policy. The 'hawks' argued that Japan had to accumulate capital rapidly, unimpeded by the costs of protecting labour. If left alone, competition would 'naturally' bring about harmony between labour and capital. In opposition stood the reform bureaucrats, who infused the state with the ethical mission of protecting the from the ravages of industrialisation in the interests of social order and national greatness. Gotō Shimpei stands out as one of the most visionary and politically ambitious upper civil servants of the time. He sponsored several innovative social policies over three decades, and came to his post as an outspoken admirer of Bismarck.³¹

In 1900 the government established a Factory Survey Office. An advisory board of physicians and health officials chaired by the army's surgeon-general warned the government of the detrimental effects of factory work on the nation's military strength. Higher standards in public health were a matter of concern for the national defence. The public health issue proved decisive in uniting the government behind a tougher factory bill. Armed with new medical evidence, the reform bureaucrats overcame opposition within the government and among the employers, and the Factory Law was enacted in 1911 (implemented in 1916) after years of endless discussion.³²

Government intervention with legislation should not only be seen in the context of public health and national defence, however. Worker radicalism and labour conflicts, too, provoked a change in management and government strategies. The Factory Law was enacted in the same year as

eleven anarchists were executed on 'framed' charges. The Factory Law was the more sophisticated complement of the Public Peace Police Law, and part of the government's attempts to cope with the labour and working-class problems.

It would be a mistake to regard the Factory Law as a triumph of the state's social needs over industrial interests. For a long time there were both adherents and opponents of factory legislation in both the government and the business community. Protective labour legislation succeeded only when a majority of influential state officials and employers agreed that some degree of labour protection would improve, or at least not impair, productivity.³³

THE FAMILY METAPHOR

Progressive entrepreneurs wrapped their interest in legislation in a strong patriarchal metaphor which reflected Buddhism and/or Confucianism, in dealing with the problems created by industrialisation. In this way what was experienced as diverging interests were gradually brought to converge, and constitute a basis for the vision of consensual political action. The family metaphor which was developed expressed the interests of business and the imperial order very well. The metaphor was clothed in a conceptual cloak of traditional 'familialism', where the family was used as an allegory for the enterprise. During the process of production of meaning which followed the development of the welfare programmes, a mythical tradition was gradually established where the ethics of Confucius and the adoration of the emperor were added to the family metaphor. The welfare institutions were regarded as a benefit analogous to the benefit given by the feudal ruler or the head of the household to his subjects or children. Given the existing power relationships (the culture of labour market mobility was a power resource of the workers) and the structure of the working class, the metaphor oriented action toward compromise with a substantial part of the workers, consciously or unconsciously exploiting the division of the workers to the effect that this division was consolidated. Only the permanent workers belonged to the family. Marginalised workers outside the family were hired and fired, and used as cyclical regulators. The investment in personnel policy did not produce fixed overhead costs for anyone but the family members when production had to decrease because of declining demand.

The most important aspects of the Japanese family and kinship symbol are the strong emphasis since the medieval period on the basic nuclear and *ie* unit and the simultaneous weakness of broader kinship units. One crucial importance is that the *ie*, the basic family unit, has been conceived not as a kinship unit based on ties of descent, but as a corporate group that holds property, land and cultural capital, e.g. reputation, in perpetuity. The *ie* are corporate groups which serve both primary religious functions and provide

social welfare. Throughout most of Japanese history rights were vested in the family. The basic characteristic of the family and kinship settings has limited the self-closure of particularistic family and kin groups, and made them open to permeation by outside or central forces. But at the same time society and its centre or centres are defined in kinship symbols and legitimised in internal terms of their own existence. Hence the family and kinship units have been open to permeation by almost any power which was ultimately legitimated by the 'familistic social order, ultimately symbolised by the figure or trope of the Emperor, or of the collectivity. Shmuel Eisenstadt has underlined the implication of the crucial role of the family metaphor: a manifestation of an openness, defined in terms of loyalty to any occupant of the centre, and looseness of the relations between power, wealth and status within any given setting or context, above all the relatively flexible way in which the relations between authority, power and wealth have been structured. The combination of the high degree of openness of the basic family nuclei—their orientation to outside forces and permeability by them—with the fact that such wider forces are themselves constructed and legitimated in terms of wider family and kinship symbolism characterises the Japanese scene and is closely related to the tendency to channel the very intensive changes that have taken place in different arenas, such as labour relations, for instance, in the direction of contexts defined in sacral, primordial or cultural terms, often in a family structure.³⁴

The very weakness of organised labour contributed to the development of the myth of Japan as a society without conflict, in sharp contrast to the West. Not a high degree of internal fragmentation and polarisation with low communicative capacity, as in Germany, but the prominence of Japan's Western modernisation sources of inspiration and world market competitors provoked the emergence of the myth of consensus. The author of the Factory Law said in 1917:

What makes us proudest is that we have no labour problems on the order of the Western nations. This condition results from the true tranquillity and peace of our society... Conflict currently plagues the societies of the West to a degree unimaginable to us.³⁵

A few years later the Home Minister made a similar statement:

Japan has been blessed with the time-honoured relations between master and retainer, or what could be called paternalistic [*onjteki*] employment relations. If we ably utilise these beautiful customs, there will be no need to ape the ways of the West.³⁶

The family metaphor was supplemented by welfare provided by the employers. Sumida has demonstrated the fast growth of welfare institutions

for employees after the Russo-Japanese War.³⁷ The company welfare facilities became the means of keeping workers in service. Those workers who served longer received special treatment. Allowances were paid to old-timers. The factory law guaranteed a minimum standard, which increased the scope for specific design of the welfare programmes of the large companies. Specific groups of employees benefited from the company programmes while others were excluded or only accrued minor advantages. The welfare programmes were also restricted to big enterprises which could afford to spend money for this purpose. One important long-term overall effect of the welfare strategy was a considerable division of workers within the enterprises and between different enterprises which produced specific patterns of identity and, in turn, had repercussions on the conditions for union organisation. In this respect a different pattern than in Germany, Sweden and Britain emerged early on in Japan. The Japanese paradox was that the mythological construction of consensus under the family metaphor went hand in hand with the factual division of the labour force.

Several enterprises introduced formal vocational training programmes and even general education schemes as an instrument to be used against the frustrating problem of mobility. Changes in industrial techniques required new methods for technical training of workers. After the Russo-Japanese War the establishment of training facilities increased. Improvement of the technical training system began. Big enterprises made every effort to improve their training systems. It became commonplace for big business corporations to provide training facilities for their own employees. In those days each enterprise had its own specific line of techniques. This was because the machinery industry was not fully developed, but developed just enough to promote the establishment of company-specific training programmes. Each enterprise imported its own advanced foreign techniques, depending on its technical contacts with a specific foreign company. Consequently, each company had a different set-up of workshops and a different mode of workshop operations. For instance, the naval dockyards had such job classifications as riveters, stop-gappers, steel-and-wood workers, iron workers, drillers and platers, whereas the Mitsubishi Nagasaki Yard classified its workers into platers, anglesmiths, cokers, furnace platers, drillers and riveters. As the skills required in one enterprise thus differed from those needed to fill a corresponding position in another, the migration of workers from one enterprise to another was obstructed.³⁸ The training system which developed after 1905 brought division between workforces as did the workers' integration in the company by means of the welfare programmes.³⁹ This division was underlined by the fact that the old training system, based solely on experience, was widely retained among small enterprises, which made no marked progress in production techniques.

The most distinctive innovation gradually introduced into labour relations was the regular seniority wage increase, which, by the end of World

War II, was nearly universal in Japanese heavy industry. The regular raise was an attempt to solve the day-to-day problems of slowing turnover and eliciting consistent, diligent service from formerly mobile workers. Gordon suggests that the government bureaucracy served as a source of inspiration in this undertaking:

The scarcity of skilled industrial workers in a society undergoing a sort of forced, relatively late industrialisation led many Japanese managers early on to view the high rates of turnover as a major cost. In taking steps to reduce it, they apparently looked for clues to the more prestigious government bureaucratic organizations (or possibly their own white-collar divisions) where hierarchies of rank and pay were already in place.⁴⁰

By the turn of the century, companies increasingly imposed their own wage structures. The indirect control structure was beginning to crumble. By 1905 independent *oyakata* were seldom found. Not only the power position they had appropriated made them vulnerable (because their power provoked counter measures). Trained on the job as they were, they were often unable to keep up with the introduction of more sophisticated technology from abroad which began in the 1890s. There were a number of reasons for the *oyakata* replacement with foremen integrated into a company control structure.⁴¹

The most pressing concern among management was to get labourers of good quality to stay at the company in order to improve productivity. The task of well trained and qualified employees was to make better products at less expense, using the machines at high efficiency. The diversification of machinery prompted the division of operations and of job classification and required intensified training schemes. However, the mechanisation of the production process in heavy industry was not as complete as in the spinning industry, as the scope and process of operations in each job could not be completely defined and did not come under management control to the same extent. Workers' training and improvement of skills for transfer from the easy jobs to the more difficult ones, i.e. their order of promotion on the status ladder, was governed by a custom that developed spontaneously among the workers themselves once the employers' strategy of integrating key groups of workers had begun to take effect.⁴²

Although mechanisation did not go as far as in the spinning industry, the management strategy in heavy industry meant a concentration on capital-intensive production. This was the same choice as was made in Germany and Sweden at this time or somewhat earlier, as distinguished from Britain where the well-established craft tradition promoted a concentration on labour-intensive production with great independence for skilled workers. In Germany, Sweden and Japan management preferred more machines and

specialisation, implying more control over labour. They did not rely on the skill of the workers to the same extent as in Britain.⁴³

THE SECOND OUTBURST OF WORKERS' RADICALISM AND THE EMPLOYERS' DOUBLE PROBLEM

Partly new patterns of industrial relations emerged in the wake of World War I.⁴⁴ The pattern after the wars of 1896 and 1905 recurred in 1917, but even more strongly. The war stimulated unprecedented industrial expansion in Japan, but the boom of 1917 to 1921 also brought about labour shortages and soaring inflation. In addition, the Russian Revolution, the victory of the democratic allies and the creation of the International Labour Organisation generated a favourable climate for labour.

Employee turnover intensified dramatically during the war. The labour shortage and the desire of owners to avoid costly strikes often made union activity, provoked by inflation, successful. Gordon discerns two sets of 'labour problems' in the perceptions of the employers: an old labour force problem still unsolved despite the policies of direct control, periodic pay raises, paternalism and company education; and a new, menacing working-class problem. The two 'problems' reached their peak in 1921 (politically in 1922 with the establishment of the Communist Party).⁴⁵ This was the second outburst of workers' radicalism.

The number of organised labour unions increased rapidly after the war at the same time as disputes mounted dramatically. There had been a new start in 1912 after the disaster at the turn of the century, when Suzuki Bunji founded his Friendly Society as a mutual aid society with no pretensions of being a trade union federation. Within this new framework labour unions blossomed in 1919. At the same time a radicalisation of the Friendly Society was initiated by members in the industrialised Kansei area. It was reorganised into a federation of trade unions, and its name was changed to Sōdōmei. It had 30,000 members in 1919. By 1922 the organised workers were estimated at 120,000–130,000. (Not all of them were in Sōdōmei.) However, the development was ambiguous. Although the increase was dramatic, the affiliation among two million employees in manufacturing and mining enterprises was still small and the union movement remained unstable. The base of the federation was industrial enterprise unions. They corresponded to the gradual establishment of the dual economy with an exclusive labour market for big business providing relatively better terms for big company workers than for small enterprise workers.

As the number of labour unions increased, many attempts were made to create a unified labour front throughout the nation at the same time as management tried to contain the radical wave and promote enterprise unions. The attempts of the workers resulted in the formation of Sōdōmei, which arranged a May Day demonstration in 1920. It was the first rally of

this kind ever held in Japan. The government intervened, which was a new defeat in labour's campaign to obtain the right to organise. The outcome was dissenting opinions in the union movement as to what strategy to adopt. The anarcho-syndicalist tendency reached a peak in 1921–1923. Although this postwar syndicalism was not essentially different from the principles of direct action pursued after the Russo-Japanese War, it was more influential in the early 1920s. Some anarcho-syndicalists actually led strikes against management, and battles against police interference. The conflict between the anarcho-syndicalists and the other major tendency of Bolshevism came to a head in 1922 when the dynamism of the anarchosyndicalist movement had begun to peter out. It had been a grave blunder for the anarchists to adopt offensive tactics during a period of recession when the workers were at a disadvantage.

Government oppression exacerbated the internal conflict instead of producing unity and a firm front and the fate of the workers' second attempt to organise in Japan was finally sealed. By 1930 practically all strong, independent unions from major shipyards, machine factories and steel mills were banished. In this respect the employers had overcome the second major challenge of workers. Certainly, the union movement as a whole continued to expand in the 1930s, reaching its prewar numerical peak in 1936, but most union and dispute action shifted to smaller factories. Moreover, the total number of workers grew even faster, so that the unionised proportion of the workforce peaked in 1931 at only 7.9 per cent. In the 1930s the unions were very weak at the major enterprises in heavy industry which spearheaded the expansion of the Japanese economy.

Parallel to this development a different kind of union was promoted by the government and the employers in the 1920s. Membership in the ILO and the impact of the reform bureaucracy made the government shift to official recognition of the unions in 1924. The new legitimacy did a great deal to stimulate a reformist union movement. During 1924 alone, union membership nearly doubled, to 228,000. The rapid increase partly reflected the efforts of government officials to forestall a victory by socialist unions in the election of the ILO delegates. Authorities intervened to organise unions in public transport and in the army and navy arsenals.⁴⁶

Sōdōmei's 'realists' accelerated their drive to isolate communists within the federation. The rejected unions formed a new organisation, Hygikai. From 1925 to 1928 Hygikai and Sōdōmei battled for the hearts and the minds of Japanese workers. In late 1925, the Social Bureau of the Home Ministry pointedly contrasted the small membership of Hygikai (23,000) with the 'Social Democratic' unions led by Sōdōmei (70,000) and the co-operative 'socially reformist' unions (120,000). In 1928 the Tanaka cabinet dissolved Hygikai. Sōdōmei and its moderate allies operated with far more realistic understanding of which activities officials would tolerate and which would bring down the wrath of the imperial state. This also gave advantage

to Sōdōmei with the employers. Fear of the Hygikai persuaded several companies to conclude collective agreements with Sōdōmei beginning in 1924. The Home Ministry played a particularly direct role in the formation of socialist parties after the passage of the universal Male Suffrage Act in 1925. Here, too, the alliance with Sōdōmei was pivotal. The Social Bureau favoured the creation of a British or German style labour party.⁴⁷

However, the government's alliance and the employers' agreements with Sōdōmei were only temporary, and were also part of highly nuanced strategies. The government's careful and systematic observation of the labour organisations resulted in a change in tactics from a somewhat neutral position with regard to strikes to an aggressive policy for crushing the leftists. The employers intended to curb solidarity among workers. They did not like to have their employees associating with employees in other enterprises. The big business companies began, in 1919, to adopt a fraternity system or a factory committee system reminiscent of the Whitley Committee in Britain. They limited the functions of the committees to consultative organs for mutual understanding between management and labour, and rejected any proposal that they be used for collective bargaining.⁴⁸

The substance and rhetoric of paternalism changed in the face of the working-class challenge. This was necessary for the family metaphor to survive. By the end of World War I, most heavy industries had implemented a fairly substantial number of benefits in addition to wages. This more substantive paternalism was a direct, self-conscious response to the rise of the labour movement. Many major enterprises decided to establish special personnel departments which played an important role in the elaboration of welfare programmes.⁴⁹

Garon has provided a sensitive interpretation of the interaction of the ideas of the reformist government bureaucracy and the ultra-rightist patriotic labour movement which particularly in the 1930s supplemented and supported the steps taken by the employers.⁵⁰ Socialist union leaders confronted a great challenge from this patriotic labour movement which was divided into two categories—the national socialists and the Japanists. The national socialists vocally supported the use of military means to protect Japan's economic interests in Manchuria and China, while looking to European fascism for models of a totalitarian state. Most had been socialists before breaking with the proletarian parties after the attack on Manchuria in 1931 in Japanese political language called 'the Manchurian Incident'. The national-socialist unions, however, failed to overcome sectarian divisions and the stigma of their European inspiration. By 1934, most had either faded away or adopted the less radical rhetoric of the Japanists, which represented a far more potent threat to the trade unionism of Sōdōmei, for they denied the existence of conflicting interests between labour and capital. They came close to a truly fascist movement in the sense of a vehemently anti-socialist, mass-

based front. The founding-father of the Japanist union movement Kamino Shinichi was a skilled workman and foreman at the Ishikawajima Shipyard who during a company-sponsored trip to Europe in 1920 had become convinced that all Japanese must co-operate against Western exploitation. To break the hold of the strike-prone leftist union at his own shipyard he joined forces with management to instil loyalty and patriotism in the workers. He gradually drew similar unions at other shipyards into the pioneer patriotic party he had formed, which in the early 1930s developed into a mass movement.

Exposed to this challenge Sōdōmei adopted a strategy of tactical nationalism. Their leaders appropriated the language of the patriotic right, asserting that the needs of national unity demanded that the state place unions on an equal level with capitalists. Although Sōdōmei publicly opposed 'fascism', it found the doctrine of national socialism useful in practice. Spokesmen blessed the nation's mission in Manchuria much as many German socialists had earlier supported 'social imperialism' and endorsed Japan's economic control of Manchuria. In the struggle for racial survival, they stressed, Japanese labour favoured greater national self-sufficiency at a time when Western workers demanded tariffs against Japanese goods.⁵¹ When the Hirota Kōki cabinet (1936–1937) introduced 'fascism from above' and effectively prohibited the socialist movement's celebration of May Day 1936, Sōdōmei's top officials vigorously defended Hirota before their protesting comrades. The Hirota cabinet was far from 'reactionary', they argued; on the contrary, its commitment to 'national defence in the broad sense' had finally elevated the issues of national health and sanitation.

The labour movement's turn to the state largely explains why governmental policy toward organised labour did not change dramatically between 1932 and 1936, despite increasing authoritarianism. As they had throughout the 1920s, Home Ministry officials welcomed each new step toward 'sound trade unionism' and 'industrial co-operation'. By 1934, representatives of the Social Bureau of the Ministry regularly attended the annual conventions of Sōdōmei and the home minister and the bureau director sent warm words of greeting.⁵² By then the Home Ministry officials had gained unprecedented autonomy for the state and themselves *vis-à-vis* private interests—parties, capitalists and labour unions. After a decade of accepting a subordinate role under party cabinets, the ambitious civil servants asserted that, as classless 'officials of the Emperor', they alone possessed the traditional neutrality and talent necessary to alleviate pressing social and economic problems.⁵³

This Japanese construction of a myth of consensus was different from the German case in the sense that the Japanese development was much more gradual and did not take its point of departure in perceptions of a strongly polarised society like Germany. However, in perceptions of a

foreign threat which required national mobilisation and unification the parallel is obvious.

The rise and the subsequent fast decline of the union movement at the national level and its channelling in a direction where it supported the imperial bureaucracy occurred in the framework of an emerging powerful heavy industry. World War I had been a new period of ever more rapid development of heavy industry in Japan. Japanese industry and the network structure of the state came close to the ideal type of organised capitalism. The difference as compared with Germany, which in the 1890s had developed an organisation of society similar to this ideal type, was the weakness of organised labour but for the short period around 1920. This was the period when heavy industry became established as the core industry of the whole Japanese economy, although the textiles industry continued to be the biggest employer.⁵⁴

The *zaibatsu*, the big family concerns which had grown mainly by means of commercial capital formation, developed as industrial concerns with concentration on the heavy machinery industry. Each *zaibatsu* began to take the form of a business with a variety of enterprises under the parent holding company. The *zaibatsu* emphasised control of the market and concentration of production. The growth of the *zaibatsu* was accompanied by a concentration of the Japanese economy toward big business. The share of small enterprises declined and the share of big business increased. The *zaibatsu* did not operate through the stock market and did not try to amass capital positively from the general public. This was a distinctive Japanese feature.

Investment in heavy industry was promoted by the stoppage of the import of steel and iron during World War I and by the development of the electric power industry. Although the final outcome was increased *zaibatsu* strength, it was mainly non-*zaibatsu* entrepreneurs who stood at the head of this second wave of heavy industrialisation. Some of them later developed into the 'new *zaibatsu*' entrepreneurs. During the long, severe economic depression after World War I many of the companies established during the war went bankrupt. As a result of the failures and difficulties of the small local banks, the *zaibatsu* banks fortified their monetary control over the national economy, thereby underpinning the concentration tendencies. With such consolidated monetary power the old *zaibatsu*, such as Mitsui and Mitsubishi, led the continued development of heavy industry, especially during the course of the militarisation of the Japanese economy after the intervention in Manchuria in 1931.⁵⁵

Huge plants engaged in the production of iron and steel, cement, chemicals, heavy engineering equipment, ships and similar goods. (Some parts of the textiles industry were also represented.) In this group both the factories and the companies that owned them were growing larger. As regards production philosophy, scientific management following American

concepts of how to organise production had been introduced in the 1910s and spread rapidly, particularly during the war. The spread of Tayloristic and scientific management ideas continued in heavy engineering in the 1920s and 1930s. The outstanding example of such large-scale undertakings were the old *zaibatsu*, which had once been closely linked with the Meiji government, and had owed a great deal in their early days to government subsidies and contracts. In return they had supported the government financially and invested in the new industrial undertakings which the government, particularly the army and navy, during World War I and in the 1930s, sought to promote. This tradition of close links put big business in a position to profit greatly from developments in the interwar years. They extended their operations into banking, heavy engineering, shipping and commerce, creating a network of interlocking financial, industrial and commercial holdings that, because of their multiple interests, could survive the crises from which the economy intermittently suffered. In doing so they absorbed many older and smaller rivals. They also acquired enormous wealth, controlled as a rule through family holding companies and administered by very able managerial groups whose members often married into the founding family. Close connections with leaders of government, the Diet, the bureaucracy, the military and the imperial court made their positions well-nigh impregnable. *Zaibatsu* often had their own channels of influence not only to the government but also to the political parties and the Diet. They maintained close ties with the state bureaucracy, especially the Ministries of Finance and Agriculture and Commerce.

The largest new *zaibatsu*, Nihon Sangyo (Japan Industry), shortened to Nissan, originated as a mining industry. Motor vehicles later became one of its main products. By the mid-1930s the Nissan group controlled more than eighty companies. In the early 1930s when most of the world was in the throes of the Great Depression, the Japanese economy was booming, after an initial disaster with a severe fall in employment and in production in heavy industry. Profits from the machine and shipbuilding industries plunged between 1929 and 1931. Devaluation of the yen in 1931 promoted exports. Support for the boom came mainly from the old *zaibatsu* (Mitsui, Mitsubishi, Sumitomo, Yasuda). Japanese exports received hostile receptions from other nations reeling under the depression. This stimulated economic protectionism and nationalism in Japan. The 'we'-'they' demarcation increased the feelings of community and the identification with a consensual myth epitomised in the family metaphor.

However, there was also widespread resentment of the power of the *zaibatsu* in Japan. Such feelings of resentment were expressed by groups within the military. For instance, the military gave control of industrial enterprises in Japan's colony of Manchukuo (Manchuria) to one of the new *zaibatsu*, Nissan. G.C.Allen argued in an analysis as early as 1940 that the reason Nissan, rather than one of the old *zaibatsu*, was chosen as the agency

for the industrial development of Manchukuo was purely political. The army in Manchukuo was bitterly opposed to the old family businesses and objected to their profiting from the exploitation of the new state. But the military also realised that Manchukuo could not be fully developed without the capital which only large companies could provide, and that the capital would not be forthcoming under the old system of rigid state control. So the army was willing to compromise to the extent of admitting a capital group ostensibly from outside the great families. Moreover, the capital of the Nissan holding company had been amassed through subscriptions from many thousands of shareholders, and in this respect the group seemed to have a very different financial foundation from that of the other large capital groups. The army was thus persuaded that the profits from Nissan would be widely distributed and not confined to a few families. This alleged contrast between Nissan and the other capital groups was, however, exaggerated. Among the shareholders in Nissan were many members of the old family *zaibatsu*. Furthermore, there were close connections between leading individuals in Nissan and Mitsubishi.⁵⁶

The interesting point is that there were not only different kinds of capital groups, but there was also a division between different parts of the imperial administration. The state was not one and indivisible, as little at this time as it had been during the debate on the Factory Law. The army and the civil administration were two different things, which is important to keep in mind when state support for industry during the 1930s is brought up for discussion.

The forces opposing each other in the government administration were located in the Home Ministry, especially its Social Bureau, and in the Ministry of Agriculture and Commerce respectively. The creation of the Social Bureau in 1920, to deal with unemployment, poor relief, veterans' assistance and children's welfare was one of the most important structural changes in the Home Ministry since its separation from the Ministry of Agriculture and Commerce in 1881. The vested bureaucratic interest in labour and social policies increased considerably.

The implication of this development was that the dual economy, i.e. the emergence side by side of two very different types of organisation, took form: the small workshop, quite often a family business, on the one hand, and the large factory on the other, which in the old *zaibatsu* form also were typical family enterprises but of a very different kind than the small workshops. In the light engineering trades and in many industries catering for the domestic rather than the export market, the spread of technical education and the availability of cheap electric power had made it possible for many individual entrepreneurs, despite a relative lack of capital, to engage in the manufacture of goods which were often intended for supply to the large-scale factories. A network of subcontracting developed. By 1930 workshops of this kind, each with less than five employees, numbered over a

million. They employed 2.5 million people and were responsible for some 30 per cent of Japan's manufactured products.

The system of industrial organisation of subcontracting firms at several hierarchical levels in a widespread network of small enterprises and a dual economy made the paternalistic family metaphor fit very well as a metaphor for the principles of industrial relations and for a hierarchical status and power relationship: in the state with the Emperor, in the enterprise system with the large companies, and finally in the individual enterprise with the employer as the father. However, the maintenance of the family metaphor and paternalistic authority was not unproblematic. The tension between differentiation and identification increased within the interpretive order of the family metaphor in the wake of fast economic development and increasing concentration on heavy industry.

On the one hand, a class of workers employed in big business, who shared in the profits from the oligopolistic business, was formed while, on the other hand the mass of the workers constituted the bottom of the pyramid of the labour market structure as workers in medium and small enterprises. Whereas a certain pattern of labour-management relationships developed in big business, there was no such order among the small and medium enterprises, where an underemployed poorly-paid workforce accumulated. The wage differences were aggravated after World War I. If the index for the average wage level in small enterprises with 5–9 employees in the metal industry was 100, the index for enterprises with more than 1,000 employees was 146.2 in 1914 and 243.4 in 1932. In the machinery industry the index for the big companies was 152.2 in 1914 and 226.2 in 1932. As regards wages for young workers, there were, as a rule, no major differences with respect to the size of the enterprise. The wage differences depended on the fact that senior workers in small companies had much lower wages than in the big companies.⁵⁷ The wage differences between big and small companies is an illustration of the stratified structure of the labour market, with obvious consequences for union politics.

The recessions in the 1920s slowed down labour turnover, and this looked like a successful employers' resolution of not only the working-class problem but also the labour-force problem. Of course, some tensions remained between employers concerned with efficiency and control and workers concerned with status and hierarchy, but the situation was very different from the early 1920s. More men than before hoped to remain with their first employer, and one reason for the remaining tensions was that their demands for job security were not met to the extent labour wished. Long-term employment prospects remained uncertain.

By the end of World War I the employers in heavy industry offered promotion prospects, wage rises, bonuses, and welfare schemes such as retirement pay, in order to contain the workers' offensive. All offers favoured senior workers and encouraged long-term employment, irrespective of

whether prospects of long-term employment could be redeemed in practice or not. Insofar as the employers' offers lasted into the 1920s when the labour market declined, the long-term impact was the increased importance of seniority and status within the companies. New labour-force hierarchies were established. The approach of the employers was flexible. Their suppleness matched the strength or weakness of labour. At first, wage policies were developed as a response to problems of high turnover, but gradually the policies came to address problems of efficiency, as the high turnover problem decreased. Managers concentrated more and more on the productivity dimension and devised a variety of sophisticated incentive and output-pay schemes, often implemented on the basis of the American scientific management theory. In the face of a surplus of skilled labour they often retreated from expensive seniority benefits while introducing new incentive-pay schemes.⁵⁸

However, the quick recovery of the Japanese economy after 1931, and in particular of heavy industry, gave workers a kind of economic power despite the fact that their unions at the large companies in heavy industry had been destroyed. By 1934 scattered labour shortages were reported and by 1937 there was an acute scarcity of manpower. For managements the problem was once again how to keep labour and how to find new workers.⁵⁹

Employer attention to this power of the workers and the counter-strategies of the employers produced by workers' power, stabilised industrial relations. Although employers once again looked to seniority benefits, this was not their only answer to the new challenge. The application of scientific management had given them new experience with regard to how to increase productivity, i.e. how to increase the output per employee. The proportion of unskilled temporary workers increased dramatically between 1934 and 1937, especially in heavy industry. Such temporary workers did not benefit by the welfare and seniority programmes. They could easily be discharged, and they were also more poorly paid than the regular workers even if they were assigned to the same kind of job.⁶⁰ One contributing factor in this strategy of concentration on temporary workers instead of integrating skilled workers as had earlier been the choice, must have been the weakness of the unions.

The emergence at this time of another aspect of the Japanese labour relations pattern is also apparent. The concentration on hiring of temporary workers implied underpinning of the prevailing division of the labour force between large and small companies as to pay and access to welfare. Now the division was extended and more systematically brought inside the large companies. Here the roots of the postwar stratified economy can be discerned, with a segmented labour market with marginalisation of sizeable groups of employees lacking fixed employment.

Weak unions and the strategy of hiring and firing temporary workers were mutually reinforcing. Company unions under management influence

where only regular employees were allowed as members were easier to establish when the workforce was divided between regular and temporary employees. This was the application of the old rule of *divide et impere*. The implication of the mass hiring of temporary workers was that the division between workers produced by the differences between big enterprises and small firms with regard to welfare programmes were further strengthened in terms of a division between regular and temporary workers in the big enterprises.

The labour movement was never capable of developing an alternative to the militarist tendency which, in the 1930s, created an even stronger ideology for the social cement, which became increasingly hegemonic. The gradual support given by the political branch of the labour movement to the militarist and nationalist policies was highly reminiscent of the response of the German labour movement in 1914. As in Germany, the majority opinion within the Social Democratic Party was in fundamental agreement on the actions of Japan in Manchuria in 1931. The heightened patriotism resulting from the victories of the Japanese armies in Manchuria formed the background against which Social Democratic decision makers had to act.

The logic of the emergence of the stratified labour market was the marginalisation of the temporary workers in the big companies and the workers in the small subcontracting companies on the one side and the simultaneous creation of a privileged core of employees with regular employment and prospects of upward mobility on a company internal labour market on the other. The division on this labour market was between regular and temporary employment rather than between blue collar and white collar employees. This development was the response both to the employer strategy against high personnel turnover and to the requirements of the compressed industrialisation process with an experienced threat of a shortage of skilled labour. The employers' promotion of company unions, where only the core workers were unionised, cemented the emerging labour market structure even more. Within the interpretive framework of the family metaphor a specific cultural pattern arose, based on specific identity patterns of the workers. This interpretive framework gradually produced labour-market and industrial relations institutions with their own particular inertia.

The emerging identity pattern of Japanese workers meant that the concept of rationalisation did not point to homogenisation of the workers through deprivation of skills. The functioning of the stratified and internal labour markets meant that there was no pointer to unemployment either, as there was in Germany, for instance. The emerging labour market culture and its institutions, supported by the state bureaucracy, produced their own dynamics, which did not promote

the emergence of participatory capitalism and did not constitute an obstacle to militarism.

In Sweden, the trade unions in a penetrating process from below during some thirty to forty years finally managed, together with the Social Democratic Party, to establish a model where labour organised capital. In Japan all attempts to unionise and to develop a lasting protest movement failed. The protests were repeatedly absorbed and canalised by the employers in a process, where the 'final' outcome was that capital organised labour. In this capital organisation of labour the Japanese employers were much more successful than the German employers. This had to do with the fact that Japanese society was much less politically polarised. The Japanese consensus myth was based much more on a national mobilisation against foreign Western countries for market position, than on ideas of overcoming domestic polarisation.

THE REVOLUTIONARY UPSURGE AND THE THIRD CONTAINMENT OF LABOUR

In October 1945, two months after the armistice, General MacArthur publicly informed the Japanese government that he would expect them to undertake certain reforms, including encouraging unionisation of labour. In December, prodded by the Supreme Command for the Allied Powers (SCAP), the Diet passed the Trade Union Law, partially modelled on the US Wagner Act of 1935. It guaranteed the right to organise, to bargain collectively, and to strike, and provided correctives for anti-union discrimination.

Encouraged by SCAP, the Japanese labour movement grew phenomenally. At its prewar peak, union membership was less than half a million. By December 1946 there were 17,000 registered unions with a total membership of almost four and a half million, i.e. approximately half of all non-agricultural wage earners in Japan. While some unions were controlled by employers, and many rank-and-file members did not exactly know what a union was, this was still a remarkable show of strength and expression of popular vitality. The rapid growth was not due to a concerted organising drive. Most of the unions sprang up spontaneously at the local level. Within a few months movements for consolidation appeared: initially of local units into national industrial unions, then of industrial unions into national labour federations. The local spontaneous actions had a great deal in common with earlier postwar outbursts of worker radicalism, although the movement was far more massive now. Also, the consolidation at the national level rested on much firmer ground than it had at the beginning of the 1920s, for instance, thanks to the support of SCAP.

The great success of SCAP in creating the conditions for unionisation was soon perceived as a problem by some occupation officials. While they had

wanted unions, their image was of American ones, and a rash of strikes and demonstrations in early 1946, with the explicit ultimate goal of overthrowing the government, was viewed with fear by some. Ambivalence within SCAP became evident. The anti-union sentiments of occupation officials were seized upon by conservative members of the Japanese elite. The impact of a public statement by General Mac Arthur on 20 May 1946, with the effect of warning a large demonstration force, which had rallied in Tokyo to demand the resignation of the government not to be violent, cannot be overestimated.⁶¹

However, in the summer of 1946 labour was still gaining strength, and individual unions were organising into larger groups. In August inaugural conventions were held for both Sōdōmei, politically tied to the Socialist Party, and Sambetsu with links to the Communist Party. The two federations were divided on policies and strategy, with Sambetsu taking the more militant position. A series of labour actions occurred in the autumn of 1946. The ambivalence in SCAP increased. Mac Arthur's calling off of a planned general strike in February 1947 was something of a watershed in relations between SCAP and the labour movement.

Moore observes three phases of industrial relations between 1945 and 1950 in a triangular drama where, by the end of the period, the Japanese government had taken over much of the influence of SCAP in the triad of state-industry-labour, after having been nothing but a docile tool for the first postwar years.⁶² Also, labour gradually lost power to industry, which had to do with the changing attitude of SCAP. Moore calls the first phase 'Workers' control and the revolutionary upsurge'. By the spring of 1946, large numbers of workers and ordinary citizens were challenging the government's authority by means of factory takeovers and popular seizures of food-distribution depots. Hundreds of thousands took to the streets to express their opposition to the old order. Stimulated by the workers' example, in midwinter farmers and city dwellers demanded control over the production and distribution of food. In March these related struggles began to coalesce. The combined class movement brought down the Shidehara government in April and blocked the formation of another conservative administration for an entire month. Only the intervention of MacArthur with his speech on 20 May changed the situation.

His condemnation of 'mass violence' marked the start of the second phase: industrial unionism. MacArthur's intervention threw left-wing leaders into confusion. There was a turning away from general answers toward making the best accommodation possible within the existing order. The strategy of production control was abandoned. A more orthodox 'trade unionistic' industrial union movement, which focused on the right to organise and to bargain collectively about wages and working conditions, became the main instrument for the conflict with big business. It was no

longer a question of a capitalist or a socialist reconstruction, but of what kind of capitalist restoration there would be.

The next line of defence, concentrating on rights of unionisation and collective bargaining, brought the interpretive framework much closer to the interwar industrial relations and the family metaphor. A cultural ground was laid—and developed in the wake of the emerging Cold War and, later on, the Korean War—where substantial elements of the interwar industrial relations order could be reshaped and transformed to a new historical situation.

The period from early 1947, when the general strike was called off, to 1950 encompassed the breaking of the industrial unions and the establishment in an integrative movement from above of enterprise unions, represented the third phase. Although this was a recurrence of older patterns of industrial relations in Japan, as established in the interwar period, it was never a question of a total return; a bridge to older structures was simply established. In 1950 the contexts were quite different, especially the international and ideological ones. The continuity which the bridge established has recently been described by a student:

Japan was like a jar full of various liquids. The Occupation first dumped some of the contents from the jar (notably the military and prewar party leaders) and shook the remainder violently, mixing normally incompatible elements. The Occupation shook the jar but added little if anything; all the elements in the jar had existed in prewar Japan. The high entropy created by the Occupation reforms could not last. It was clear that things would settle down, patterns would form, many of them familiar from the past. Ideologically incompatible elements, like oil and water, would separate. The more competent would rise to the top and the less competent would sink to the bottom.⁶³

The US did not so much create new political forces as shift the balance a little between existing groups. The tensions of the pre-surrender past quickly resurfaced to affect relations among the bureaucracy, the parties, the business community, and organised labour.⁶⁴

In the framework of the emerging Cold War the US government was keen to reorganise the Japanese economy and make it strong enough to stand on its own feet. In the Dodge Plan, which was launched in 1949, the lessons of the Great Depression and the experiences of the New Deal were forgotten. The plan proposed a restoration by way of cuts in government spending and a balanced budget. By June 1950 the full impact of the Dodge 'recovery' was apparent to all. Production at barely one-third of the 1931 level, investment at half the 1949 level, and a nearly exhausted capital market all revealed what was, in fact, a critical depression. Redundancy increased seriously. During a one-year period beginning in

June 1949, Japanese unions declined in number by more than 5,500 and in membership by 880,000.⁶⁵

The outbreak of the Korean War in 1950 suddenly interrupted the Dodge restoration and reversed the process of economic stagnation. Paralleling the German experience, the Cold War provided important economic stimuli and activated the Japanese economic 'miracle'. Quite obviously, labour had been squeezed tight by the Dodge Plan. The Korean War certainly made the plan worthless, which meant less financial pressure on labour, although its political articulation was effectively contained. The economic boom in the wake of the war functioned as a lubricant for the integration of the workers from above, by way of company unions. This integration was facilitated by the ideological cement produced by the war and the economic boom. In the 'Red Purge' of 1950 at least 11,000 labour leftists were sacked. Not only communists but other activists in the unions were also dismissed and this usually involved widespread disregard of basic civil and human rights. The Sambetsu dominated Zenroren unions were dissolved. Nikkeiren, the Federation of Employers' Associations, tried to convert these trends into a full union-busting movement supported by conservative parts of the government administration. Although SCAP's Labour Division applied the brakes, nothing could conceal the fact that by 1950 Japanese employers, with government support, were able to launch their first post-war offensive. SCAP had directed the purge of rightist nationalists until 1949, and now the pendulum had begun to swing.

The Red Purge of the Yoshida cabinet was reminiscent of the Tanaka cabinet's blow against Hygikai and the far left in 1928. Continuities abounded as Ohashi Takeo, an influential wartime social bureaucrat, directed the anti-communist crusade in his new capacity as Yoshida's attorney general. The government's policies proved crucial to the destruction of Sambetsu at the factory level. Bolstered by the purge, managers vigorously supported the formation of more co-operative, anti-communist, alternative, enterprise unions.⁶⁶

The Dodge Plan and the Red Purge threw the labour movement into confusion and retreat. The left-wing labour federations were not able either to overcome their internal disunity or to fend off the damaging changes in labour law and the mass firings of union members that followed. The attack was supported by the establishment of new employer organisations. Although SCAP had initially prevented businessmen from establishing a nationwide association, the Americans removed the shackles in 1948. Then Nikkeiren, the Japan Federation of Employers' Associations, was founded to strengthen the position of management in response to labour problems. It immediately co-ordinated an enterprise-level campaign to renegotiate early postwar collective agreements, limit the scope of union activities, and reassert management authority. It strengthened management's response to such things as wage claims (especially later when the annual 'spring

offensive' became the usual instrument for such claims) and had considerable success in reinstating productivity agreements and wage rise levels. Keidanren, the Federation of Economic Organisations, was founded in 1946 but its role and membership expanded in 1952. Affiliation is classified by industry, and membership comprises economic organisations, enterprises and individuals. It co-ordinates opinion in the business world and communicates it to both the government and the Diet; it has thus come to exercise a strong influence over the policy of the Liberal Democratic government.

The industrial union federations certainly reorganised. However, this could not conceal the shift of focus to the company level, although Sōhyō, formed in 1950 by the leftist elements of Sōdōmei and by some elements of Sambetsu, which disintegrated after the Red Purge, did play a certain role. It was, for instance, favourably received by the progressive elements in SCAP's Labour Division. It started an extensive political campaign and led its member unions in the annual wage rise struggles. In 1952 the loss of working days due to labour disputes peaked at 15 million days, as compared with 7 million days in 1948, which was the second highest figure ever. The labour disputes about planned personnel cuts in some 'stagnant' industries during the recession in 1953–1954 after the Korean War were particularly severe, i.e. a familiar pattern returned.

This was particularly the case in the automobile industry. An automotive industry union had been established in 1947 comprising 108 affiliated enterprise unions and working for industry-wide collective bargaining. In 1952 it swung left to Sōhyō. The employers smashed it after a hard struggle: at Toyota and Isuzu finally in 1953, and at Nissan in 1954 after a 100-day strike in 1953. The representatives of the unions were fired and company unions loyal to the employer were established.

The postwar outburst of militancy in 1953 could not change the power relationships—just as earlier postwar outbursts had been unable to. On the contrary, the outcome was a perfect illustration of the impotence of the labour movement. The labour disputes on the redundancy issues bogged down in endless struggles which, with a few exceptions, resulted in union defeats. The Sōhyō leadership came increasingly under membership attack from the right, accused of 'political bias'. Right-wing members left Sōhyō in 1954. (Ten years later they joined the remaining Sōdōmei group to form the Domei.) The 'final' solution to management's problem with left-wing unions was to isolate them. When the left-wing union Zenzosen called for a strike in 1964 at Mitsubishi to protest the effects of a merger, management told them: 'It doesn't matter. Please, go ahead. We'll even pay you your wages although you don't work. But not the bonus!' After that response people rushed very fast to join the company union.⁶⁷

The union movement suffered from disputes concerning leadership and strategy choice, reflecting the political manoeuvring behind the scenes

between the Socialist and the Communist Parties. The Japanese case after World War II demonstrates that concepts like 'class' and 'class consciousness' cannot be a general category, but are emerging identities dependent on the historical situation. It is only a potential, the realisation of which depends on the specific historic, economic, political and ideological context.

The question of whether the workers' division or the combined strength of the government and the employers was most decisive for the final shape of the industrial relations order is meaningless to pose, because it was the mutual strength and the power relationships between labour and the government/the employers that were important when the revolutionary language immediately after the war passed away and gradually was replaced by a cultural pattern inspired by the old order. The final shape meant that the degree of unionisation abated from 55 per cent in 1949 into the low 30 per cent range by the mid-1950s. Undergirding labour's national weakness was the fact of persistent enterprise unionism. In the mid-1970s, enterprise unions comprised almost 95 per cent of Japan's unions (83 per cent of all union members). The heritage of prewar cultural structure was important, but enterprise unionism was also stimulated by several factors prevailing immediately after the war. The conditions of extreme poverty did not constitute a good point of departure in the long run, for stopping production through strikes, for instance.⁶⁸

Except for the shipbuilding industry, the postwar pattern of industrial relations was already established when the Japanese economy, by the mid-1950s, underwent a new dramatic structural transformation, this time referred to as the 'miracle'. In 1955, 38 per cent of Japan's labour force were in the agriculture, forestry and fishing sectors. Less than 20 years later the corresponding figure was 13 per cent. In 1955, 23 per cent of Japanese GDP originated in agriculture. Twenty years later the figure was 6.5 per cent.

JOB SECURITY AND COMPANY UNIONS

During the expansion of heavy industry in the 1930s many new hands were taken on as temporary workers. Such an employer strategy had obvious advantages. The temporary workers did not benefit from the expensive welfare programmes and they could easily be laid off in the event of economic recession. Their wages were lower than those of permanent employees. In establishing the two categories of permanent and temporary employees a stratified company labour market was established. Division of workers was one factor in obstructing class formation.

Thus, there were several arguments for continuing such a strategy into the 1950s when heavy industry expanded again. However, there were also new reasons for an order with a decreasing share of temporary workers. Technical innovations made adjustment to labour demand by means of

temporary workers difficult, because they had to be trained before they could be used. The desire to train employees and keep them because of the investment in training predominated, especially as the fifteen to twenty years after 1955 were, despite minor recessions, a long era of expansion for heavy industry when there was little talk of layoffs. The whole cultural climate was radically changed. The democratic constitution, the encouragement given to free labour movement, a free press, a legalised Socialist opposition (which has not really been so weak—in the parliamentary elections since 1953 they have had 30–35 per cent of the vote), and particularly the discrediting of traditional values and practices associated with the wartime disaster, prevented a return to business as usual.⁶⁹

Therefore, the temporary employment policy was developed into an order in which, although temporary employment remained, the door to regular employment opened for most temporary workers in the large enterprises once they had been working there for some time. In 1960 the rate of promotion was 100 per cent in enterprises with more than 5,000 employees, 74 per cent in enterprises with 1,000–5,000 employees, 58 per cent in enterprises with 100–999 employees, and 13 per cent in enterprises with less than 100 employees. The service period before promotion ranged from one to three years.⁷⁰ The industrial relations which developed built on the creation of career patterns based on promotion ladders. The absence of protective craft unions and the emergence of large companies which could offer broad training provided the flexibility and the internal labour markets necessary for such a policy. The difference between small and large companies is conspicuous. Although differences among the large companies were levelled out through the new approach, differences between large and small companies in the stratified economy remained.

This development fits very well with the generally observed emergence in the 1970s of internal labour markets and segmentation in Western industrialised countries. Of course, the Japanese development, like that of all other countries, has had its specific distinctive markers, owing to the specific national context in which it has been formed. But this does not mean we can take refuge in simplified arguments based on an imagined ‘unique Japanese order’ of seniority and life-long employment, or that the development in Western industrial countries can be labelled ‘japanisation’.

Kamata’s Toyota study, which created such a stir, can also be seen in this perspective. According to Kamata, Toyota’s success has come from the intensification of labour. The assembly line was speeded up without the exuberant company songs, worker participation in production decisions, or management concern for workers’ health which are often thought to typify Japanese industry.⁷¹ Although his book is clearly biased, and based on his own short experience as a seasonal assembly line worker at Toyota for six months, it none the less describes one important aspect of power relations in Japanese enterprises.

Cole has convincingly emphasised the bias in describing the industrial relations order which developed in Japan after World War II in terms of traditionalism and uniqueness. Suggestions of differences and similarities between the West and Japan are not based on systematic comparisons.⁷² They pretend to be comparative, but contain many unstated assumptions about the state of affairs in the nation(s) being compared with Japan. Practices believed to exist in the US, for instance, are labelled as modern while practices in Japan are conceptualised as traditional or non-modern. The process of change operates toward the idealised Western pattern. Such a framework of interpretation ignores the significant role of seniority in wage determination in Western countries. Labelling wage determination by seniority in Japan as traditional is difficult to justify. As has been argued above in this chapter, seniority reward is not a traditional or non-modern 'leftover', inconsistent with economic rationality. On the contrary, it developed as a response to a specific management problem in a specific historical situation, enabling employers (and employees) who had invested in training to collect the return on their investments. Quite another thing is that traditional values, like those mediated in the Japanese family and the Swedish *folkhemmet* metaphors, have been mobilised to legitimatise modernity and the tension produced in modernisation processes.

Aoki has emphasised that the concept of the internal labour market in the Japanese order should be understood in terms of ranking hierarchies tied to the individual. In Western countries promotion is referred to specific jobs and tasks. In Japan promotion is associated primarily with the ranks of the employees as such, not with jobs or industrial output.⁷³ The distinctive Japanese marker is less the seniority priority *per se* than its restriction to specific segments of the employees. The division between large and small companies and between regular and temporary employees has been mentioned. This marginalisation of large groups of employees seems to be more frequent and systematic than in Europe, although there also the labour market has become increasingly segmented over the last two decades. This has been especially obvious in the face of the lasting unemployment for 10–15 per cent of the labour force. In Japan, this marginalisation is not so much a problem of open unemployment as of division and marginalisation built into the order. The industrial development of a dual economy based on *zaibatsu* and the existence of small enterprises was never challenged by a strong national union movement enforcing equal treatment of workers. On the contrary, the struggle had the enterprise as its basis. The integration of workers took place, and the compromise between labour and capital was made, at the enterprise level with divisions between workers at different kinds of enterprise as one important consequence.

Chalmers emphasises the importance of workers in medium and small enterprises or workers who work on a non-regular basis, such as the self-employed seasonal

workers, part-timers, and temporary and day workers. Japanese industrial relations are not only a matter of the employees in the big companies. Her approach assumes that industrial relations are concerned with power relationships and that there is an unequal distribution of power and access to power in Japan's industrial society (as in other industrial societies). Chalmers asserts that, to a remarkable extent, research concerned with the Japanese industrial society ignores the peripheral work-force. There is a connection between power relations in Japan's predominantly regulated and organised sector and power relations in its unregulated and non-unionised sector. Personnel costs in the former, for a core of the labour force, are paid for by marginalisation in the peripheral sector where labour, especially labour in the subcontracting companies, is used as a cyclical regulator. In the subcontracting industry, it is a buyer's market where patron companies buy services and commodities from companies which, in turn, engage other companies in a pyramid formation that commonly extends to a fourth tier with declining economic power.⁷⁴ It goes without saying that this kind of industrial organisation does not necessarily promote interpretive frameworks and language development as assumed in standard theories about class formation and class 'consciousness'.

Yamamoto has studied the linguistic emergence of concepts reflecting division and separation on the company labour market of the big companies and found a much more complex pattern than in the Japanese ideal type of industrial relations. Basically, he finds three kinds of employment: *honk*), permanent employees, *shagaik*), permanent employees in subcontracting companies with less job security and *rinjik*), temporary workers. The distinctive marker of the shipbuilding industry, for instance, was a mix between *honk*) and *shagaik*) and of the automotive industry between *honk*) and *rinjik*). However, for most of the permanent employees *shushinkoy*), life-long employment, is a myth which was easy to maintain in the 1950s and 1960s when there was a labour shortage. In reality only some 10–15 per cent of the workforce who belong to the company's 'training school graduate club' benefit from it, however. The union leaders are often recruited from this 'labour aristocracy'. As a rule they enter the company as high school graduates (in the 1960s they also entered as middle school graduates). They often make white collar careers in the company. (As a rule blue and white collar employees are unionised in the same enterprise union.) The image of life-long employment has been important for the credibility and the legitimacy of the whole industrial relations order. During the expansive years in the 1950s and 1960s all *honk*) believed they were benefiting from it. In reality the status of *honk*) and their degree of protection varies, Yamamoto argues, like the rings of an onion where a small minority constitutes the core. Not only the idea of life-long employment but also the automatic wage increases based on seniority functions in the same mythic way.⁷⁵

Cole has studied the ideological framework of the industrial relations system. The study was published in 1971, i.e. just before the basic industries began to contract, and redundancies to rise. One of his points of departure is that a core of labour believed in the existence of permanent employment. Under such conditions, what motivates the worker to work hard when he knows he will not be fired? The answer is that workers who anticipate permanent employment want to make a good future for themselves in the company, and are consequently motivated to work hard. Because much of the worker's social life revolves around the company, he naturally wants to make the best of his work situation and be accepted and respected by management and fellow workers alike. This view of permanent employment heightens promotional aspirations within the company and increases the incentive to work hard.⁷⁶

Ever since the introduction of welfare schemes in the early twentieth century, new organisational forms and practices in the industry were legitimised and individual performance was motivated by traditional values in the family metaphor stressing internal harmony, loyalty and paternalism. The metaphor was never really solidly challenged for a long enough time and by a sufficient number of workers for a counter-cultural tradition to be established. The cultural framework was quite rational in the sense that it was consistent with 'generally' accepted social values. The term 'generally' does not, of course, include the marginalised workers in the dual economy.

However, in Japan since the 1960s there has been a marked change in social values. Not least the restructuring in the 1970s with redundancies and a state of contraction in many basic industries, has forced the employers to motivate workers with more universal values that stress ability, performance and democracy. This creates tensions, but the trade issue, for instance, in which Japan has been accused of dumping various commodities on the world markets at least since the early 1960s, has to some extent provided new value cement, with managers playing the role of defenders of the national interest and workers seeing themselves as part of a team combating the foreign threat.

The resilient metaphoric web of tradition has, despite tensions during the restructuring period, by no means gone slack. It has been a matter of a gradual change and adjustment consistent with 'Japan's historical legacy'. It goes without saying that full employment has been crucial to the maintenance of such a *Denkfigur*. The marginalisation of large groups of workers, the segmentation of the labour market, and the existence of the dual economy has not only been quite consistent with the myth of consensus developed by the family metaphor but has probably also strengthened it by giving permanent employees the feeling of belonging to a select group. The failure of the Japanese labour movement to establish

unions beyond the company level, as in Europe, with broader visions of solidarity, must be understood in this cultural context.

THE RESTRUCTURING OF THE 1970s

The 1970s brought decline to several basic industries such as shipbuilding. The process of contraction in Japan, as in Western Europe, involved governments, industry, and labour in bargaining on how to achieve mitigation of the effects of international market forces. More general patterns are conspicuous in the spectacular collapse of the shipbuilding industry.

In Japan the state has a long experience of intervention in shipbuilding, as mentioned earlier in this chapter. Most government subsidies went to the seven big companies, most of them old *zaibatsu*, which constituted the major group of shipbuilders.⁷⁷ A tremendous production capacity was built up for the construction of bigger and bigger ships. The fall was as spectacular as the rise. After 1974 thirty-seven medium and small size shipbuilders went into bankruptcy (twenty-two in 1977). In 1978 the eighth largest shipbuilder, Sasebo, was almost ruined. Political pressure on the government as well as on local and regional authorities increased. In July and August 1975, thus at a very early stage of the collapse, nineteen prefectures and thirty-six city authorities established a common lobby organisation in order to persuade the government to intervene with support measures.⁷⁸ Several big shipbuilders announced voluntary redundancy and early retirement for their permanent employees. In 1979 thousands were retired in the second largest company, Ishikawajima-Harima. It was even worse among the smaller companies and among the subcontractors. The effect was that the employers were no longer capable of maintaining one of (if not *the*) pillars of strength of the whole industrial relations order: *shushinkoyō*, the guarantee of life-long employment for the permanent employees. From the mid-1970s industrial policies in the shipbuilding sector took on quite new significance.

A consequence of the industrial relations and union structure in Japan was bipartite, instead of tripartite top level 'crisis' talks. The formulation of industrial policies at the national level has long been an affair between the government and the industry, owing to the lack of influential unions at that level. Although unions only participated peripherally in the national level talks, consideration did have to be given to labour in these talks. There were massive protest movements in the shipbuilding regions, which could not be ignored. Also, the perception of life-long employment was a backbone in the whole industrial relations order and therefore important to defend for the maintenance of legitimacy of the regime. The 'crisis' talks must be seen in this framework.⁷⁹ The 'guidelines' for contraction elaborated by the Ministry of Transport were supported by measures taken by the Ministry of Labour. The employment cut was too big for the companies themselves to cope with.

The government intervened in order to try to guarantee the welfare system, with its focus at the company level. In June 1977 an ordinance to promote re-employment of redundant shipbuilding employees was issued. Later, other government schemes for early retirement, retraining and job creation in new production fields in depressed areas were implemented.

However, by the end of the 1970s the steps taken by industry and government proved to have been insufficient. In 1978 Zosenjukioren, the federation of unions of shipbuilding companies, with a membership at that time of 230,000, decided to create a 'fraternity rescue fund' financed by affiliated enterprise unions to provide loans to cover unpaid or delayed wages due to bankruptcies.⁸⁰ In Western Europe this would hardly have been a union undertaking. More interesting than this difference between Western Europe and Japan, however, is the fact that this was the first time since the early postwar years that union strategies in Japan went beyond the framework of the enterprise. The integration of the unions at company level constituted a stabilising factor during the contraction process, as long as the redundancy burdens did not have to be shared by the permanent workers and union members in the large companies. Union legitimacy was more problematical when the redundancy schemes began to affect the permanent workers in the large companies.

The government's intervention with funds and subsidies and with redundancy packages must be seen in this context. The companies and company unions have not been able to maintain the system of industrial relations on their own. The government has had to provide support to mitigate the effects. Industry and government have co-operated, supported by the unions, to save the industrial relations system. The massive government intervention in declining industries was something new in the history of Japanese industrialisation.

Government support, however, has not saved all workers under threat from being laid off. Political stabilisation during the restructuring process has been achieved by means of marginalisation of important groups of employees on the labour market, and by means of 'individualisation' of the threats of unemployment to certain segments of the labour force, i.e. the employees in small subcontracting companies with low unionisation figures, thereby withdrawing the basis for collective action. This same factor seems to have been in operation both in Japan and Western Europe during the restructuring process. The only difference seems to be that this was a new phenomenon in the history of the European labour movement, whereas the structure has long been historically given in Japan. Increasingly in Western Europe, constellations of management and local unions at the company level in the 1970s and 1980s were fighting other similar constellations of other companies in a struggle for survival on a declining market, the effect of which is decreased overall solidarity.

It is important to emphasise that this European development cannot be called an imitation of a Japanese system of industrial relations. It has, rather, been a matter of a response from employers and employees alike to specific problems. This European development has followed its own trajectory.

One important stimulus toward intervention by the Ministries of Transport (shipbuilding), of International Trade and Industry, and of Labour has been the desire to rescue the enterprise-based industrial relations system. The aim of all employment programmes has been to guarantee the jobs of the permanent workers or to guarantee them early retirement or retraining. The marginalised temporary worker has not been covered by the schemes or by union membership. Industry, government and the unions have co-operated to save the industrial relations system. However, there was growing hesitation among the unions as to the future possibilities of the enterprise-based system. After 1975 Zosenjukioren and some other unions, exposed to international market forces and heavy restructuring, began to realise that the scale of this problem was beyond the enterprise union level. The creation of the 'fraternity rescue fund' in 1978 was but one expression of this new insight. Another expression was the establishment of the high-level organisation, Rengo, for the unions in the private sector in the autumn of 1987 after more than 10 years of talks. The ambition of Rengo was to change the industrial relations system by moving its focus to the national level by pulling down enterprise barriers and unifying the employees, although still only those with permanent employment.⁸¹

Thus, the trajectories of the European and Japanese industrial relations in this respect seem to intersect rather than converge. At the same time as European industrial relations are being eroded by division between local workforces, marginalisation and fragmentation, the Japanese unions are trying to overcome the limits of the company unions and establish institutions for an approach with more general solidarity. These are some vaguely discernible tendencies.

It has been argued that the production process since the 1970s has been converging in a more narrow sense owing to a Western imitation of Japanese management styles. The goal has been a fictive Japanese pattern based on the family metaphor. Quasi-feudal employer-employee relationships, and the Japanese workers' company identification and strong feelings about work have constituted the core of this fiction. Especially in large enterprises it is argued that structures of loyalty reminiscent of feudal societies predominate.⁸² A special case of this cultural approach has been the attitude to human relations, in which it is argued that the success of the Japanese organisation of the work process depends on superior management of human resources. Basically it is presented as being a question of a specifically Japanese, less Taylorist management strategy as compared with Western styles.⁸³ However, overwhelming empirical evidence demonstrates that the

work process in Japanese industry is not and has not been all that specific. Taylorist ideas and scientific management were introduced early in the 1910s, rapidly and massively. They have long had a major impact on Japanese industrial production. The work process in the Japanese automotive industry, for example, has not been less repetitive and standardised than in Western Europe. As to the human relations approach this has a long tradition in Western Europe, too.⁸⁴

By 1970 it was obvious to many managers, both in Japan and in Western Europe, that there were physical limits to the possibilities of increasing productivity by means of increasing the pace of the assembly line and the machines and, so to speak, squeezing more out of every individual worker. Piece-work systems were growing increasingly troublesome. Productivity had to be enhanced by other means, such as workers' increased flexibility in rotating between different jobs, responsibility and decision-making being decentralised to smaller groups or work teams. Key words in this development were autonomous groups, job design, human relations, and *Mitarbeiter/medarbetare* (German/Swedish), i.e. colleague, co-worker (as opposed to just employee or worker). Motivation was meant to increase through enhanced identification with the company. Another aspect of this approach was the reduction of financial costs through accelerated stock flowing. Parts were to be delivered just in time to be put together without long and expensive storage. (This specific part of the general approach, the *kanban* system, was genuinely Japanese, developed by Nissan.) Not only the desire to increase productivity provoked this new approach. Difficulties in recruiting labour for dirty, noisy, hectic and monotonous jobs in bad working environments had, in the 1960s, become a severe problem which called for a response.

Basically, this new orientation occurred all over the industrialised world. The Japanese may have been somewhat earlier and more consistent in responding to these new problems, because the historically given cultural, organisational, and institutional preconditions and the Japanese role as the dynamic centre of the world economy, taken together, were favourable in provoking a response to new problems and challenges. One important factor was the historically given union integration at company level.

All this was by no means an irresistible idea that spread over the world from Japan by its own inherent force, although improved communications have facilitated transfers of problem resolutions geographically. Translation of literature was also important. Study delegations from European enterprises experiencing the above-mentioned problems went to Japan to study the 'Japanese miracle'. They picked up ideas they then tried to adopt at home in their own national environments, exactly as Japanese managers had been encouraged and stimulated by American strategies of scientific management in the 1910s. The different national underlying conditions also meant, despite the similarity of the problems, important differences as to

resolutions. In Japanese, Swedish and German car factories, for instance, management could, much more easily than in Britain, move labour between different jobs, but they had far greater difficulties than in Britain in laying off workers. The focus of the problem and of the resolutions is different in different national environments, owing to different power relationships and political traditions.

Also, in every national environment at certain times, there are different ideas and tendencies, often contradictory and conflicting. This fact remains concealed if a researcher selects one tendency in one environment and argues that this is the factor, and then takes the opposite tendency in another environment and argues in the corresponding way. This is the way comparisons between Japanese and Western management strategies have often worked.⁸⁵ Although the Japanese work process is differently organised, it cannot be understood as a historical alternative to Fordism.⁸⁶ 'Toyotism' is nothing but the application of the principles of Fordism with unrestricted management prerogatives and the work organised according to the assembly line principle, repetitive and with calculated time standards.

The distinctive Japanese marker is nationally bargained wages (where strong employer-bargaining solidarity is conspicuous) with little scope for local wage drift or individual wage incentives. The wage system has a smaller range between the highest and lowest wages than in Germany and Britain, both of which are less egalitarian. The seniority system (and life-long employment), whether mythical or real, are the most important incentives. The unions have not been able to submit the internal labour market—with its promotion to higher qualification levels and with a wage career of its own—to autonomous regulation. Supplemented with the image of life-long employment, such a regulation gap leads to a perspective where the employee is dependent on the benevolence of management for his career. The outcome is strong competitive relations between employees, and 'individualisation' of the employee through *Leistungsbereitschaft* (achievement proneness), and employee compliance and readiness to be at the company's disposal.

This competitive pressure has wrongly been paraphrased as 'group orientation'.⁸⁷ Individual *Leistungsdruck* (achievement pressure) and competition are channelled and mediated through the work group, the 'peer group', under circumvention of collective interest representation. This is the decisive point and the key for Japanese managements in organising the work process. This is not the opposite of scientific management but rather a development of it, under exploitation of the historically developed institutions for integration of labour and unions at the company level. As a matter of fact this is one resolution of the classical problem of scientific management: using the experience of the workers for rationalisation gains. This has little to do with participation in the usual sense of the word, but it sheds new light on the dedicated participation of the Japanese worker in

quality circles and similar phenomena. The concept of participation is in this context not a cultural derivation in the sense of a specific Japanese life style but in the meaning-producing sense of the emergence of a consistent interpretive framework in a specific historical context.

It seems as if industrial relations in Japan, as they developed historically, fitted better than the corresponding European institutional framework with its focus at the national level, when the challenges of technological and economic restructuring in the early 1970s required new strategies. In this historical process the government intervened at crucial points in time to keep the union movement down, but otherwise the order was shaped at the micro-level. When its legitimacy was threatened during the contraction process in several industries in the 1970s and 1980s the government intervened to defend the order, but this intervention did not prevent change and restructuring. The main reason for the intervention was mitigation of the effects while maintaining legitimacy.

According to Aoki, the Japanese company does not reflect the interests of the stockholders as closely as in Western countries. The Japanese company can be seen as a coalition of the body of stockholders and the body of employees, integrated and mediated by management, which acts to strike a balance between the interests of both sides. Japanese management acts as an arbitrator between the body of stockholders and the body of employees, rather than as an agent of the former. However, the conclusion of Aoki that 'the interests of labour are duly reflected in the Japanese political economy', must be modified and related to the discursive power of capital in the Japanese political economy and the marginalisation of numerous workers in the stratified labour markets. This is not the same as capitalist omnipotence. Japanese business and government bureaucracy are neither a monolithic, rational social engineer nor a passive black-box processor of pluralist interests. They both constitute a multitude of entities which formulate and implement policy by drafting and enforcing laws, providing informal administration guidance, allocating cash flow resources, and so on in a way which is not only a bureaucratic delineation of public interests but is closely intertwined with its acting as a representative of specific interests.⁸⁸ This is the implication of the argument that capital organised labour in Japan.

CONCLUSIONS

One of the important points of departure of this study was the assumption that there are *different* development trajectories which can all be regarded within one and the same heuristic framework. The organisation of labour markets has been analysed within the framework of more general modernisation processes. The very comparison of the four patterns of labour market organisation undertaken in this book, and the discernment of differences as well as similarities has constituted the point of departure for theoretical reflection.

Power over production of meaning has been seen as a structuring aspect of the modernisation processes and a key to understanding the trajectories. Modernity means crisis and responses to problems. Politics is a permanent process of problem solution where every resolution is pregnant with new problems. How problems are identified, resolutions suggested and strategies formed is very much a matter of discursive power. Different perceptions of problems resulted in the emergence of different strategies in the labour markets. Different strategies, in turn, resulted in different organisational patterns.

Modern societies are highly interrelated. Economic cycles and technological innovation are rapidly dispersed across national borders. Therefore, the framework of problem identification is often similar all over the industrialised world at any specific point in time. The solutions vary because of different cultural and institutional settings and different power relationships.

The comparison of the labour market organisation in four countries in this book demonstrates that all development trajectories are *Sonderwege*, which should not be explained and understood in terms of deviation from an imagined standard. Instead, each pattern of development should be understood on its own terms and in relation to other patterns. The fact that industrialisation began in Britain produced a specific manner of identifying problems and, in turn, an organisation of society based on given power relationships in discursive contests. The main problem for late-industrialising nations like Germany was how to catch up Britain. Later on

the problem has been experienced as how to catch up America and, even later, Japan. As compared with Britain at the turn of the twentieth century, faster development of capital intensive production and state intervention was one solution in Germany which, in turn, gave rise to different power relationships, and different modes of social and industrial organisation. There are obvious links from the craft culture to liberal labourism in Britain.

Three periods of particular problem accumulation in the labour markets (and in the organisation of society in general) have been identified: the 1890s, the 1930s and the 1970s-1980s. Economic processes, technological processes, social processes, political processes and ideological/cultural processes are in perpetual interaction in a complex pattern shifting between phases of slow and fast development. Phases when problems pile up can be described as times of increased tensions and changes of the velocity of the dynamics in and between the processes. The accumulation of problems leads to looking for new interpretive frameworks and launching of new concepts and metaphors, or redefining old ones to identify the problems and propose solutions in the perpetual discursive struggle for power.

These three periods of particularly rapid transformation and severe experience of crisis did not change everything at once. The time lag between different subprocesses of modernisation, especially the production of interpretive frameworks, provoked tensions. Keynes, for instance, had already provided in the 1930s theoretical arguments for the linkage between mass consumption and mass production. However, his theories did not deter the Swedish Social Democrats when they did what they felt they had to do exposed as they were to pressures from grass-roots-backed unions which protested against unemployment. The Social Democratic government realised that it somehow had to build a parliamentary majority coalition and drew in the farmers on the formula 'higher unemployment payment—higher agricultural prices'. World War II gave the Social Democratic leaders new insights into the scope for political planning of the economy. These experiences of political muddling through of the 1930s and World War II provided the basis of Social Democratic politics in the 1950s. Only by 1960 was Keynes massively introduced to legitimise the politics theoretically and provide a consistent interpretive framework. This was some thirty years after Keynesian politics had started without reference to Keynes. Very shortly after Keynes had become an intellectual tool to explain politics his theories were eroded by political over-exploitation when governments responded to pressures from the political market in their competition for votes.¹ Correspondingly, the linkage between mass consumption and mass production was not realised *a priori* by means of business strategies of a kind of unilateral and voluntary high wages employer philosophy, but established *a posteriori* to legitimise the outcome of drawn-out processes of wage negotiations where specific patterns gradually emerged reflecting specific power relationships.

Tensions in Keynesian interpretive frameworks became obvious in the 1970s, though they were built up already in the 1960s. Therefore, my reference to periods of deep transformation and experience of crisis does not mean an emphasis on discontinuities in historical processes. The drawn-out time lag, not seldom over decades, between political responses to tensions produced by technological and economic processes, and the emergence of theories and interpretive frameworks which legitimise the politics constitutes an important element of continuity bridging discontinuities. History is transformation rather than formation. History is continuity *and* discontinuity not a sequential series of crises on a trajectory towards ever higher stages. The periods of crisis are only later discerned as the watersheds they, in important respects, have been. Only in retrospect are they through meaning-building processes understood in a coherent way, as opposed to the chaos they once were experienced as. The 1930s as the great watershed was invented in the 1950s, for instance. World War I was a culmination of tensions which emerged openly in the 1890s. The depression of the 1930s was accumulated in the 1920s and the depression of the early 1990s in the 1980s and 1970s. The discourses on the concept of rationalisation is still another example of continuity bridging different breaks since the early twentieth century. It is important to regard the three periods of deep transformation in this perspective of considerable historical continuity backwards and forwards.

Taking the continuity into consideration, the processes of transition, in particular in the 1890s, 1930s and 1970s-1980s, in the four countries could be seen as four series of contingent points where Weber's pointsmen, *Weichensteller* in his railway metaphor, are working. Outcomes at a given point in time constrain possible outcomes at later points in time, i.e. *how* and *when* things happen within a sequence affects later developments.² However, this constraint should not be mistaken for necessity.

This study demonstrates that the question of how problems are defined and by whom, and what solutions are proposed and by whom are very much questions of how and by whom meaning is produced by means of language (concepts, metaphors, interpretive frameworks) and symbols. The outcomes of such cultural processes are never derivatives of socio-economic structures, nor are they predetermined. The outcomes are not causative, but emerge on the basis of power relationships in the discursive struggle for power. The three key phases experienced as crises in this study are seen as *points of contingency* where the development, as a response to the accumulation of problems, may take one direction or the other. Exactly what trajectory is opened at these meaning-producing cross-roads is discerned only in retrospect. The precise direction is important in terms of continued development, because once the trajectory is out on the new track, institutions with their own inertia are developed.

The role of tradition in relation to modernisation processes has been particularly discussed in the scholarly debate in reference to Japan. Much less attention has been paid to the factor of tradition in the processes of European modernisation. Tradition as an explanatory factor of the Japanese development trajectory has been used in a way, where it has had strong connotations of vague and ambiguous concepts such as 'national character', the 'ethics of Confucius', etc. Despite this Japanese reference, with its emphasis on continuity, in scholarly debate, 'traditional' has, as a rule, been seen as a dichotomic opposition to 'modern'. Tradition has been an obstacle to modernisation. Concepts like *Volk/folk*, family, and the paternalistic master-of-the-house invoke traditional values as opposed to concepts like rationality, which stand for modernity.

The role of metaphors like the *folkhemmet* metaphor in Sweden, the master-of-the-house metaphor in Germany and the family metaphor in Japan indicate another role of tradition in modernisation processes, however, one legitimising change. All three metaphors have their roots in traditional societies, but were developed to interpret and/or legitimise authority patterns and power structures in rapidly changing societies. They emerged as employers' conservative intellectual constructs in order to integrate and canalise protest. Conservative in the sense that they tried to preserve existing power relationships by means of traditional values. The metaphors as well as the employers were progressive in the sense that they promoted technological and industrial change. The metaphors were not constructed to prevent the ongoing changes but to legitimise them. Tradition in this metaphorical form was no obstacle to modernity. Rather, traditions underpinned change by providing it with interpretive frameworks.

At the same time, the metaphors reflected specific power relationships. The German master-of-the-house metaphor provoked the workers' perception of the class struggle and vice versa, in a process of mutual reinforcement in a polarised society. The *folkhemmet* metaphor reflected the strong position of organised labour, attributable to emigration to North America and the interest of the ruling classes in persuading labour to remain in Sweden. The family metaphor reflected a national mobilisation for modernity and the appropriation of strong positions on the world market in conflict with what was described as hostile foreign countries.

Rationality as a key concept of modernity was supplemented by the 'anti-modern' concepts of *folk*, family and master-of-the-house, and put together in consistent intellectual constructs. In complex patterns, these intellectual constructs also incorporated 'postmodern' future-oriented visions of the social organisation of the machine age based on science and technology. This mixture of traditional and postmodern elements was the response to the crisis experienced in the 1890s. Tradition and post-modernity constituted modernity in all four societies studied, although in different combinations, as variations of one theme.

The fact that traditional values legitimised modernisation does not mean that the successful metaphors were invented in a very manipulative way. In political debates and discursive contests a multiplicity of concepts and metaphors were launched and tried out in processes of muddling through, where at last some metaphor emerged as more convincing than others. Often such successful metaphors were responses to protests against modernisation. The emergent discursive hegemony in the wake of convincing metaphors does not derive from speaking with one voice. Heclø and Madsen have convincingly argued that hegemony need not consist of unanimous or even majority support; it consists of the fact that almost everyone, knowingly or unknowingly, dances to the tune of the leading player. Hegemony can grow out of divisiveness rather than monolithic power.³ This view is also highly compatible with what Gluck has argued in her study of modernisation in Japan discussed in Chapter 1.

The interesting distinctive British mark in this picture is the absence of specific mobilising metaphors and the much more pragmatic approach of muddling through, although the mixture of traditional and modern values was the same. This distinctive British mark has possibly to do with the more fragmented pattern of labour market organisation, and the lack of a pronouncedly national arena of industrial relations of the same kind as in the order of organised capitalism in Germany and Sweden. Fragmentation was not only a matter of interest articulation at the district, enterprise and craft levels, rather than a national interest organisation. The class identity was experienced in less homogeneous terms than in Germany and Sweden. Craft was an important aspect of a class identity which was not politically tied to a socialistic labour party as in Germany and Sweden. The craft demarcation underpinned division between skilled and unskilled workers. In brief, there was not the same unified class performance as in Germany and Sweden. The emergence of the new unionism around 1890 did not make any lasting change in this respect. The important implication of this British deviation was that the working class did not constitute the same threat to the ruling classes as in Germany. (In Sweden and Japan there were other reasons for a less experienced threat in this respect than in Germany.) Modernisation of the labour markets was slower in Britain, because Britain did not experience the latecomer problem of having to catch up. Modernisation and responses to modernisation were more pragmatic in Britain. The action orientation of each of the metaphors in Germany, Sweden and Japan varied from pragmatic compromise to the construction of myths of consensus and community with a bias against foreign countries.

In Germany, the consensus myth emerged out of the polarised and at the same time fragmented social discourse in its national socialistic variant. The concept of *Volk* and the German national socialistic version of the Swedish *folkhemmet* bridged the polarisation created by the master-of-the-house and the class struggle metaphors and produced community and mythical

consensus. The master-of-the-house and the class struggle perceptions were both incapable of deconstructing the barriers they built. The Ruhr industrialists as well as the left in the trade union movement were so to speak prisoners of their own rhetoric. Polarisation and fragmentation in pre-World War II Germany meant a deficit of communicative capacity.

After World War II, the German *Volk* concept and the Japanese family metaphor had broken down, and the search for new mobilising visions began. For a short period, socialist models were in focus in both Germany and Japan—in Germany in both Christian Democratic and Social Democratic versions. The Cold War and the American interest in mobilising both Japan and Germany as bulwarks against the Soviet Union rapidly eroded the mobilising capacity of these socialist models. The fast reconstruction after the war and the Cold War underpinned the mobilising effect of neo-classical market economic theories, although with a clear social content, where, to a considerable extent, old power structures could be restored in the labour markets. In Sweden, World War II had strengthened the mobilising capacity of the *folkhemmet* metaphor. The labour market order established in the 1930s was further strengthened in the 1950s owing to economic growth and the increasing size of the pie available to distribute.

In all four societies during the 1960s, mass consumption went hand in hand with mass production, where society was experienced as governable. Social sciences and economic laws described how the society of full employment and economic growth worked. Keynesian theories described how it could be maintained. Modernity legitimised itself by means of its own success during this short culmination period of the industrial society and through demarcation to the Great Depression in the 1930s. Social sciences and economic theory confirmed the success. The future was predictable. There was no need either for traditional or postmodern legitimising elements. Within this shared framework, there was a considerable variation as to the precise mode of organisation in the four labour markets studied.

This short period of stability was not least thanks to the legitimisation of stability by social science soon experienced as normality. Therefore, and because of the demarcation to the 1930s, stability is also in retrospective view believed to have lasted for much longer than it actually did. However, it was already exposed to strains at the end of the 1960s. During the 1970s and the 1980s a mixture of green traditional Utopias and postmodern visions of the possibilities in the future society of information and knowledge based on computers and robots emerged. As in the 1890s, modernity exposed to ever stronger tensions was again legitimised by both past and future horizons.⁴ Employer responses to the green Utopias of protest movements emerged. As in the 1890s traditional values were skilfully exploited in employer strategies and responses to the general radicalisation of the social discourse at the end of the 1960s. The return to small-scale and neo-patriarchal ideals in the *Mitarbeiter* versions, and the emphasis on environment and working

conditions went hand in hand with beliefs in the opportunities of the computerised society of knowledge and information. This time tradition and postmodernity were not mobilised to cope with the problems of the industrial society but with the transition from the industrial society, in analogy with the transition from the agricultural society a century earlier.

The general pattern can be described as one in which both traditional backward-looking and postmodern future-oriented Utopias are generated and mobilised to legitimise modernity in transitional periods. In such periods of extreme problem accumulation, experienced as crisis, where old interpretive frameworks are eroded or break down, new social cement of widely different origin emerges. In short exceptional periods of stability, experienced as normality, between such phases of crisis, modernity in itself provided legitimacy.

In this general pattern the four case studies demonstrate that modernity can be imposed both top down, where hierarchy is used to intermediate social stability, and bottom up, where the integration of social protest and mass movement is the medium through which stability is achieved. Protests provoke attempts to integrate and canalise the protests. Tensions between differentiation and equality, between freedom and solidarity produce dynamics and constitute a key element of modernisation processes.

The element of continuity is considerable in such processes. New action orientation in the problem resolving processes does not mean that everything is new. There was considerable continuity between the Sweden of 1900 and of the 1930s. In Germany, Keynesian strategies were not fully introduced until after 1965, i.e. just a few years before they became problematic in the wake of the exit of the Fordist society. Before then, there was much more continuity with the Weimar Republic and its tough employer approach to unions than *Stunde null* mood. In Britain, the fragmented organisation of labour and capital interests remained a decisive element of continuity. In Japan, the way in which traditional family values have been invoked in order to integrate labour protests has been a recurring theme throughout the twentieth century.

Moreover, the experience of extreme problem accumulation and crisis is not restricted to the three phases of the 1890s, the 1930s and the 1970s–1980s. In Germany, the interwar phase of experienced crisis started much earlier than in the 1930s. The period of crisis started almost immediately after the signing of the Legien-Stinnes Agreement in 1918, the German Saltsjöbaden Agreement, because the most influential employers only considered it as a temporary armistice in a revolutionary situation, not as a lasting peace and a basis for future long-term industrial relations. In Japan the crisis experienced in the labour markets was rather in the early 1920s than the 1930s which were much more a culmination of the trend intrinsic in the problem resolution of the 1920s.

CONCLUSIONS

Britain was the most distant of the four countries from the ideal type of organised capitalism. The survival of a more individualised and fragmented form of capitalism in Britain in the 1890s should not be seen as the continuation of an outmoded aristocratic ethos. Rather, it is related to what has been described as the continued hegemony of the 'protestant ethic' of possessive individualism, best suited to the early stages of capitalist and industrial development, which served well in an age of small entrepreneurs and labour intensive production based on craft skill. This hegemony developed its own norms, institutions and policies of industrial relations. The concentration in the organisation of society was much more on the company, the region, the trade, the craft, the profession, etc., than on larger collective aggregates such as business associations and trade union federations at the national transsectoral level. This meant a more fragmented and differently divided organisation of society, with specific patterns of identity construction. The political affiliation of the working classes before World War I was not as tied to a specific labour party as in Germany and Sweden. The class identity did not gravitate to socialism to the same extent as in Germany and Sweden. Class identity in Britain was more complex because it coexisted to a greater extent with identities based on the company, the region, the craft, the trade, etc. Because Britain was industrialised much earlier than the three other countries and was an empire at the height of its power, its modernisation problems of the 1890s were not experienced and defined in terms of how to catch up to the model: Britain *was* the model.

In the nations which were relative latecomers to industrialisation, the state took on a much more interventionist role in the 1890s, bringing labour and capital into the public sphere. The concept of individualism in the British context should not only be understood in terms of self-interested utility maximisation. The moral appeal was not to rational egotism *per se* but to a far more elevated ideal associated with such Victorian values as thrift, sobriety, self-restraint, self-improvement and self-reliance.⁵ While these working-class values in Britain were related to craft identities, they were in Germany and Sweden related to solidarity within the framework of a broader class identity.

This underlying moral tone of the British political culture had obvious parallels in Germany and Sweden. However, in Britain it formed the basis of the political attraction of the workers to liberalism and even conservatism, implying the very late development of a political labour party. It also helps to explain the victory of social liberalism over Chamberlain's social imperialism at the turn of the century. This social liberalism and the intellectual attraction it exerted meant that emulating the German model of the development state never became a serious alternative.

In the debate on the reasons for Britain's economic decline in the 1960s, references have been made to the aristocratic influence on capitalism. It is

argued that the aristocratic *rentier* capitalism maintained cultural dominance, and reshaped the industrial bourgeoisie. The aristocratic influence led to a lack of professionalism among British employers. Germany has been the implicit or explicit norm or standard in this British debate, with the development of a class of professional industrialists as opposed to the British *rentier* aristocrats. (In a corresponding way Britain has been seen as the norm in the German *Sonderweg* debate, where the tragic German development trajectory has been attributed to the lack of liberalism and a bourgeois revolution.)

In Germany, the more intensified industrialisation process and the mass migration of labour made the 'social question' a much more immediately-experienced threat to the social order. The Fabian Society in Britain did not play the same role as the German *Verein für Sozialpolitik*. Bismarck and his bureaucracy produced labour legislation and political persecution to pacify and integrate the workers. The threat implicit in the social question and the challenge in the form of speeded-up industrialisation produced intensified organisation on the capital side. Another contributing factor to this intensified organisation was that the state brought capital and labour into the public sphere to accelerate industrialisation. Mining, steel and heavy engineering were key industries in the intensified industrialisation, and the workers there constituted the core of a strong labour movement with leaders with access to a theoretical framework with canonised ideas which could be used to orient action. A much more homogeneous and craft-overlapping class identity was constructed than in Britain. Taken together with the master-of-the-house approach of the employers in the influential CDI, the outcome was a much more polarised society.

However, it was a polarised society which was driven to many poles. Under the umbrella of general polarisation there were reactionary and progressive employers, and the trade unions were split in Communist, Social Democratic and Christian Democratic tendencies. The progressive elements on both sides—by progressive I mean those who looked for compromise opportunities—were too weak to break through polarisation, however. Wilhelmian Germany had innumerable societies but it had no society, as Laqueur put it, and in Weimar there was a remarkable degree of polycentrism.⁶ At first, this seems the description of a perfectly functioning liberal pluralist society. However, the problem and the specific German feature was the lack of communicative capacity among the many poles. This lack provoked the fatal cries for community and consensus. The national question became the pivot in the political and ideological search for community and concord. The space for liberalism in the British and Swedish social liberal sense was much smaller in Germany. Moreover, too much of the liberal energy was invested in the national question and the nation-building process to allow a strong and intellectually dominant social

liberalism like that in Britain and Sweden to develop. (In the old nation states Britain and Sweden the national question did not constitute the same problem.⁷) State-guided modernisation and nation-building went hand in hand, and attracted liberal attention, at the same time as they blocked the road to social liberalism. The German social liberalism in the form Friedrich Naumann gave it after all represented more of an attempt to integrate the protests *van oben* through social engineering than it was part of a popular protest movement *von unten* as in Britain and Sweden. There were thus far fewer intellectual bridges between the bourgeois culture and the working-class culture. The launching of the master-of-the-house metaphor by organised capital in the German *Schwerindustrie* and the fast development of a class struggle perspective on the labour side obstructed intellectual bridge building and underpinned the lack of communicative capacity.

However, the building up of strong organisations in a conflict-filled society does not necessarily open further conflict and polarisation. The stronger the organisations and the more resources invested in them, the more there is at risk in a possible conflict. A fear of jeopardising the accumulated resources can also promote a tendency to compromise, and the consequent institutionalisation of labour market compromise. This is an alternative to the crush-the-unions approach, which became the Swedish trajectory. The framework of a national crisis experienced after the dissolution of the union with Norway in 1905 and emigration to North America symbolising the crisis were important for the emergence of this strategy. The mobilisation of national resources as a response to the crisis went in a different, more integrative direction in Sweden. In Germany, both tendencies were obvious. The question of which would 'ultimately' prove to be strongest was by no means predetermined. Nothing demonstrates this openness in preference to predetermination better than the compromise negotiated between Hugo Stinnes and Carl Legien as to the central agreement on the very eve of revolution in 1918. However, massive cultural/ideological obstacles to encapsulation of conflict and to social communication in the 1890s switched a heavy burden onto the track of organised capitalism. The contradictory tendencies of repression and compromise finally found their temporary synthesis in the Nazi *Arbeitsfront*. This German synthesis was achieved through the Nazis' contradictory but successful merger of the visions as a class-overlapping national *Volk* party and a revolutionary socialistic workers' party. Ideologically hardened *Feindbilder* and extremely flawed perceptions of the old elite were decisive in this response to the crisis in the 1930s. The millenarian fantasy of standing on the threshold of a new epoch in German history was a dominant and fatal idea.

Important features in Japan were reminiscent of the German industrialisation and labour market organisation, especially the role of the state. However, the way in which business was organised in groups and,

later, in subcontracting networks rather than in trade associations and confederations meant that concentration was more on the enterprise than on the *Verband*. A distinctive Japanese mark was the weak labour movement which must, among other things, be attributed to the structure of Japanese industry and its labour force at the start of intensified modernisation in the 1890s. Textiles dominated far more, and heavy engineering was less developed than in other industrialising countries around 1900. The weak interest organisation of labour remained a distinctive Japanese mark. Integration occurred at the company level and the employers skilfully developed techniques for doing away with protest. The three attempts—around 1900, in the early 1920s after World War I, and after World War II—to construct a nationwide and industry-overlapping class identity failed after a few years.

After the Sino-Japanese War (1894–1895) and the Russo-Japanese War (1904–1905) class awareness was demonstrated in many labour disputes in Japan. As is usually the case in a country at war, the wages of the workers lagged far behind the prices of commodities and the profits of the armaments industry. The workers yielded to these increased burdens, owing to intellectual conformity and the social cement produced by the war. The workers' response after the wars, too, resembled the more general pattern. Tensions built up during the war years produced worker militancy afterwards. But after World War II this militancy was based on the encouragement of the American victors, who also prevented continued militancy when the Cold War emerged.

The emerging Japanese model meant that capital organised labour, as opposed to the emerging Swedish model where labour organised capital. The emerging Swedish pattern after 1930 was the outcome of a process of integration from below, where the labour movement was an element of the popular protest movements, *folkrörelsema*. In the Japanese case, the integration occurred from above. Absorption and integration of protest means concessions, irrespective of whether the direction of the process is from below or from above. In this respect, the differences were, superficially regarded, not that great, because integration is seldom a matter of dictates or unilateral imposition.

However, in other respects the differences were obvious. In the Swedish model as an example of how labour organised capital, capital did not surrender to labour. The goal of *organising* capital meant, in fact, that labour accepted capitalism as an economic order. The Social Democratic goal in the 1930s was to soften capitalism's hardness, not to kill it. The emerging strategy produced some tension within the labour movement, especially between the unions and the Social Democratic Party. The power to organise capital did not mean omnipotence. The problem was to *develop interests* which could attract *both* labour *and* capital so that a compromise would bring advantages to both parties which exceeded the

disadvantages of each not getting everything it wanted. The emergence of the model was based on a growing insight that the labour market and industrial relations could be organised in a way that was not a zero-sum contest but rather one of an increasing size of pie to be shared by all. Chapter 3 describes how the compromise was achieved on the basis of the employers' concept of rationalisation and, after World War II, on the unions' concept of a wage policy with solidarity, because both parties realised the potential mutual benefits involved in the concepts. However, this took place only after protracted discursive struggles of how to formulate the problems, using the concepts as intellectual tools, and of what solutions the use of the concepts implied.

When the workers in Japan revealed patterns of organisational formation, and trans-enterprise and transectoral class identities were constructed, one reaction was a firm approach to the workers' organisations by the government. Management and government repression were certainly not unique to Japan at this time. However, the fact that they were more effective there may be explained by the much smaller proportion of industrial workers and the specific structure of the labour force (textiles/female), which gave them quite a different discursive power than their counterparts in Germany or Sweden, for instance.

The pattern from after the wars against China and Russia recurred in 1917, but even more strongly. The World War stimulated unprecedented industrial expansion in Japan, especially in heavy engineering, but the boom of 1917 to 1921 also brought about labour shortages and soaring inflation. The Russian Revolution, the victory of the democratic allies, and the creation of the International Labour Organisation generated a favourable climate for labour.

The employers not only experienced a challenge in the form of a working-class problem, but also a labour problem of high personnel turnover rooted in a particular Japanese craft culture in which individualism and frequent job shifts were typical features. The response to both of these problems, which emerged in the 1920s, was a reform strategy where the family metaphor and the image of life-long employment became important intellectual tools. The organisational principle was built on division of the workforce and integration of a core of workers at the company level. This integration and the workers' dedication to the company was promoted by the establishment of ranking hierarchies. The interaction of the ideas of the reformist bureaucracy and of the increasingly patriotic trade unions in the 1930s was an alternative to the German way of construction of a myth of consensus.

Business was as little a homogeneous entity in Japan as elsewhere. The reform strategy was the outcome of the long-term emergence of greater confidence in the ideas launched by the more progressive sectors in business supported by similarly progressive parts of the imperial bureaucracy. In this

way, a specific pattern emerged in which capital organised labour on behalf of labour after having first smashed the attempts of labour to establish an independent organisation. Because of this weaker labour movement, a model emerged which differed in important respects from the German model of organised capitalism where labour managed to create strong, independent organisations. The master-of-the-house metaphor was an intellectual tool intended for an environment with different power relationships than the family metaphor.

In the 1920s in Japan, the way was paved for an industrial relations culture of lasting duration. Gordon has demonstrated that the remaking of Japanese industrial relations after World War II was a process of interaction between traditional discourses and the new patterns of power conflict in the wake of the defeat and American occupation. However, with the emerging Cold War, the traditional discourse increasingly set the agenda. This outcome was neither attributable to Confucianism nor any specific Japanese national character of harmony and general consensus orientation, but rather to specific power relationships and their linguistic representations, such as the myth of life-long employment.

In Japan the family metaphor was meant to be used to ward off threats produced by the workers, and it had demonstrated its capacity in this respect in the early 1920s. The metaphor was simply transformed in a militaristic direction in the 1930s, where the focus changed from the employer to the emperor.

In Germany the labour movement was split on the question of conflict or compromise with the employers. Far greater tensions accumulated in the German labour movement than in Britain and Sweden, not least because of the dominant position of the uncompromising and repressive *Schwerindustrie* in the employer camp.

In Sweden, too, a model for the organisation of society emerged with significant features reminiscent of the German type of organised capitalism but where the deviation from this type is more decisive. While the images of threats among employers in industrialising countries during the decades before 1914 were similar to one another in many respects, in one important respect the threats experienced in bourgeois Sweden were very specific. The mass emigration to North America produced sentiments of a national crisis among the ruling classes. In Germany views on emigration were contradictory. Emigration was seen both as a safety valve and as a blood-letting process. In Sweden, however, the emigration issue had become very serious by the turn of the twentieth century. It was considered much greater in Sweden, where it dominated the political agenda during the decade before World War I, when a government commission was appointed to investigate the problem. The emigration issue became the symbolic representation of, and the catalyst for, intensified Swedish modernisation and intellectual reorientation after the Norwegian exit from the union in 1905. In Germany

the emigration debate occurred much earlier, considerably before the acceleration of the industrialisation process in the 1890s.⁸

In the Swedish intellectual environment after 1905, the *folkhemmet* metaphor was launched by social conservative thinkers. In this 'home for the people', everyone was to feel at home. In the beginning, the Swedish Social Democrats did not feel completely comfortable in this conservative 'home for the people' although the concept as such attracted some of their most influential leaders. The conservative variant was called the 'fortified poor-house'.

The threat as perceived, of a long-term labour shortage, meant favourable preconditions for the emergence of strong labour organisations and unions. On the labour market the predominant trend during the intensified modernisation in the wake of 1905 was that of compromise and encapsulation of the conflict. The December Compromise of 1906 confirmed the break-through of this tendency. The labour market compromise was institutionalised.

The emerging pattern of the organisation of the labour market produced an early interest in the Social Democratic movement in a reformist strategy to acquire parliamentary power. This strategy promoted a Social Democratic search for coalition partners for a decision on universal suffrage. In the general framework of popular *folk* (as distinguished from populist) protest movements in the late nineteenth century, a Social Democratic-social liberal political co-operation for reform emerged. In this framework, the metaphor of the home for the people with a Social Democratic content gradually emerged as a possibility. Guided by *Småfolk* ideals, the Lib-Lab reform coalition finally appropriated the interpretive priority of the *folkhemmet*.

As opposed to the Lib-Lab co-operation in Britain, the national level of organisation was much more consistent in Sweden, with obvious similarities to organised capital in Germany, and the penetrating force came much more from the Social Democrats. They continually maintained an autonomous position inside the popular movements. From this position they were a coalition partner for other elements of the popular movement, i.e. the templars and the free churches. In Britain there was much more of a merger between Social Democratic, social liberal and methodist ideals, and the Labour Party stood out as an independent force only after World War I.

This Swedish movement from below was based on broad interest coalitions aimed at changing and re-establishing the decomposing ideological frameworks of interpretation. A basis of coincidental interests, where conflicting interests were temporarily set aside, helped the movement maintain momentum. In this way a broad coalition had much better prospects than class-based action. The Swedish pattern includes coalitions and compromises which 'diluted' the interests of the individual parties and

which produced cross-interests and spheres of overlapping interest. Popular urban and rural interests (employers, owners of small enterprises or holdings) coalesced to change the class society. A new front line then arose between the well-to-do ruling classes, and unpropertied classes or with small companies or holdings. There was no polarisation between the labour movement and 'the rest of society'. The fact that the division was, instead, *within* bourgeois society presumably caused social depolarisation. However, it was important that the framework of the popular movements did not prevent the labour movement from developing organisational independence within the coalition. The capacity for social communication was much higher in Sweden (and Britain) than in Germany.

There are several similarities between the German path toward National Socialism and the Japanese road toward fascism. Rapid, compressed processes of industrialisation in which heavy industry was especially promoted by modernisation strategies under government guidance or at least support and supervision is one. The armed forces and the armaments industry were strengthened, becoming power centres which could be mobilised to mitigate the impact of the Great Depression in their own specific ways. This was a militaristic mitigation with catastrophic consequences. One important prerequisite for these developments was weak workers' unions.

However, the workers' trade unions also stood for the big difference between the two development trajectories. In Germany the movement was potentially very strong but in reality it was weak, because of internal strife. In Japan it was structurally weak because of the structure of industry. The militarist and absolutist victory in Germany required much more strength behind the popular mobilisation because there was a potentially strong labour movement with a well established heuristic framework. The Nazi exploitation of the *Volk* metaphor (below) required far more charismatic leadership than in Japan where the family metaphor and the traditional imperial rule continued to be in operation without requiring transformation.

The 1920s were conflictual in most industrial societies. Sweden, for instance, was one of the most strike-prone countries of all. The question of social peace became a main theme in most countries. The more polarised the society was, the greater were the dreams of concord. There were basically two ways to social peace, two responses to one and the same problem. One was the processes of kneading and muddling in which conflict and polarisation were slowly transformed to compromises, and institutions for conciliation emerged. This democratic liberal solution required concessions by all parties but the concessions were based on insights of a potentially larger pie to share. The populist nazist/fascist road contained much more of Utopian ideas of concord and community transgressing existing industrial relations.

The German response to the Great Depression was not democratic but militaristic Keynesianism (without specific reference to Keynes in any of the

cases). Rearmament and infrastructure construction were much more important than the consumer goods industry and increased private demand in the crisis strategy of the Nazis. Unemployment decreased but there was no distributive welfare policy necessitated by a strong labour movement. The decrease of the class struggle in Germany occurred in a very different framework than in the ideal type of participatory capitalism.

The labour market organisation before World War II can for Britain be described as fragmented with a high degree of communication capacity in a pluralistic order, where before World War I the political translation of the workers' class identity had not necessarily been in a Social Democratic direction. The German industrial relations were both polarised and fragmented with low communicative capacity. The Swedish organisation was hierarchical with high communicative capacity along the vertical axes, as in Germany, but as opposed to Germany there was also high communicative capacity *between* different vertical axes of various organised interests.

The British trade union organisation in the form of skill cartels promoted demarcation between different crafts and general fragmentation, whereas the Swedish trade union organisation based on price cartels promoted unitarian performance and hierarchical organisation. This was a crucial difference between the two developments. The most important similarity was the continuity in popular radicalism. The Swedish expression of this continuity was strong links between popular movements and the Social Democrats. The British expression was the links between the popular elements in Gladstonian Liberalism and radical liberal elements in the early Labour Party.

This continuity rather underlines the individualistic orientation in the organisation of society in both Sweden and Britain. Individualistic is quite different from the dogmatic individualism which was propagated by the New Right in the 1980s. Individual liberty had a meaning within the collective identity provided by local self-governing units.⁹ Individualistic means an emphasis on the individual self-realisation based on collective performance. This individual orientation is based on deep value patterns within the framework of a puritanistic and moralistic protestant ethic. The revivalist movement was strong in both Britain and Scandinavia. Puritanism and moralism were not linked to fanaticism but to pragmatism in a search for compromise when conflict emerged. The Scandinavian early nineteenth century reflects this mentality. It has been described in terms of protestant romanticism as opposed to the German holistic and dialectic *Sturm und Drang* variety.¹⁰ In polarised and fragmented Germany the collectivist organisation under the *Volk* concept meant the restoration of holistic visions from above.

The analysis of the Japanese industrial relations order comes to conclusions close to those of Eisenstadt. The Japanese Socialist and Labour

CONCLUSIONS

movements have been characterised by an oscillation between strong sectarian predilections and splits with relatively little appeal to broader sectors of population, including many sectors of the workers, *and* a very pronounced non-ideological stance combined with highly accommodative policies. The intensive struggles which have developed in connection with many of the changes in centres, organisations and roles have not been connected with strong ideological contentions, as was the case in Europe. Industrial relations have been embedded and easily incorporated in the continuously redefined and reconstructed social settings with their flexible and shifting boundaries. The low level of ideologisation in the structure of centres, organisations and activities has been closely connected with weak tendencies to the structuring of sharp boundaries between the various contexts of social interaction. There has been a marked dissociation between far-reaching institutional change and their ideological reconstruction. There has been a weak emphasis on any principled ideological discontinuity between historical periods. There has been a high degree of continuity at the symbolic level, such as the family metaphor and the emphasis on community. This continuity has allowed for extensive changes in a familiar symbolic context, thus softening the sense of rupture and avoiding the need to address change ideologically, Eisenstadt argues in a way quite compatible with the findings of this study.¹¹

This rough draft about symbols and individualistic and collectivistic organisation of society is very tentative and rather an attempt to target an area for future research. The roles of symbols and symbolic representation, of tradition in modernisation, and of elements of construction and less flexible deeper value patterns when identities emerge is by no means sufficiently investigated. Research in this area would shed more light on the various ways of clashing between 'nation' and 'class' in industrialising societies, for instance.

The general impression of the symbolic environment and of the problems formulated in the discursive struggles are important for the rise of intellectual hegemonies. The German master-of-the-house metaphor, Swedish *folkhemmet* metaphor and the Japanese family metaphor are three examples.

Hegemony is not a top-down model of conspiratorial social control. The emphasis on the constant formation and reformation of alliances points toward more dynamic approaches. Culture is less a product than a process in which different kinds of meanings are produced and reproduced and semiotic codes are constructed. The discursive struggles are multiple affairs, not only a dualist class conflict. Language can both reinforce power relations and contain a multiplicity of conflicting meanings, i.e. it is contingent.¹²

The matter to be explained, with regard to Japan and other nations, is not the actual existence of traditional values and hegemony but how they were

established historically and why they have continued to be influential during the process of industrialisation.

The question of coercion versus consent is closely related to marginalisation and/or redundancy of socially weak groups on a segmented labour market, and is also related to core sections of the working class and to the way in which they are integrated in enterprises and society. Paternalistic industrial relations have spread during different phases of the process of industrialisation, not only in Japan.

Thus the role of norms/values and of their linguistic expression and intermediation can only be understood if these norms/values are seen as related to the further questions of hegemony and power relationships: for whom? against whom? with whom? in whose interests? etc.

Successful and attractive metaphors and concepts in themselves constitute more or less complete interest-representing and action-oriented frameworks of interpretation. The crucial question for their role in the social discourse is what degree of social consent or conflict they express and promote. To what extent do they bridge class interests? To what extent do they underpin class conflict and social polarisation?

Concepts and metaphors provide social actors with elaborated interest-expressing intellectual tools. By definition concepts (cf. Koselleck) contain an element of conflict. Norms, on the other hand, are deduced from common values which constitute the social cement necessary for any society that is to be held together by other means than outright violence and physical repression. Concepts and metaphors are the building blocks of interpretive frameworks.

Probably the best example in modern times of a formula where conflicting interests have been brought together and have produced commitment is the Keynesian welfare model. It supplied a middle way between communism, fascism and national socialism, giving advantages to both employers and employees by means of manipulative expansive distributive policies. The element of coercion was much smaller than the element of commitment. But note that Keynes' model did not cause change in itself, but gave legitimacy to policy and provided it with a framework of interpretation. The legitimacy was an *ex post facto* phenomenon. In the wake of it rose a political tradition which constituted the basis of the establishment of institutions for economic management and, for example, the regulation of conflicts on the labour market.

The core of the Keynesian welfare state was a new consensus idea supplementing scientific management and replacing fascism. The Social Democrats broke with liberal democrats in obtaining political power for working-class parties, in substituting political bargaining for market-determined wage and employment settlements, in securing labour market peace and discipline through a social compact rather than trade union weakness, replacing conventional deflationary liberal policy with

stimulating economic and social policies. The peak confederations of the trade unions had a kind of semi-sovereign status. This was the democratic version of corporatism as it emerged in the 1960s.

My comparative perspective in this book has paid much attention to the question of alternatives in historical processes, where the *a priori* perspective of the actors studied should not be mistaken for the *a, posteriori* historical reconstruction: how were concepts like freedom and solidarity, market and plan combined in different solutions to the organisation of the labour market?; how was compromise achieved between market, competition and economic performance, *Leistung*, on the one hand, and state, regulation and distribution on the other hand?; how was this compromise challenged and renegotiated?; to what degree did economic integration mean social disintegration?; how were the trends towards democratisation and emancipation, which during long periods have been mutually exclusive, canalised in different settings of the industrial capitalist order?

These questions have much to do with the question of power. Power is a relational and contextual concept which cannot be perceived of in absolute terms. Power is not static but dynamic, not possessed or appropriated but exercised. Power is a potential which can be disposed of relationally. Power can be understood as a multiple and mobile field of force relations in a permanent process where the force relations are transformed, underpinned or challenged through constant struggle and confrontation.¹³

Four patterns of response have been discerned to the labour market crisis in the 1930s and the protests it provoked. In the most polarised societies, a consensus myth emerged which penetrated and destroyed the parliamentary system, such as in the German case. In Japan, the degree of polarisation was smaller because of the weakness of labour (polarisation presupposes two or more strong units, with weak mutual social communicative capacity, and should not be mistaken for marginalisation or submission). Consensus was achieved for national mobilisation against external threats. The Swedish path meant a compromise on the basis of the *folkhemmet* metaphor. In Britain the fragmented organisation of labour and capital resulted in a different response than in Sweden. A distinctive British mark was the role of finance capital which resulted in orthodox budget policies and less flexibility in this respect than in Sweden, where organised labour was not only stronger but banking and industrial production capital had developed much more in collaboration, and the interests of industry in bridging the depression had better prospects of being considered.

In Germany, too, the preconditions of a flexible response to the Great Depression were different than in Sweden. Given the rigid structures of organised capital and the state bureaucracy in Germany, and given the experiences of the hyperinflation, the linkage between rationalisation

and unemployment was insufficiently strong to cut through state responsibility for unemployment via the state budget. The rigid influence of orthodox economic theory was even stronger than in Britain—a fact which must be referred to the experience of hyperinflation in Germany. Devaluation of the mark was ruled out as an alternative response to unemployment in postwar Germany.

The differences between the four development trajectories are very well reflected in the different approaches to the concept of rationalisation. In Sweden and Japan labour and capital found compromise formulae on the content of the concept. In Germany this was impossible, because, among other things, of the fact that the workers and their unions identified the concept too much with redundancy. (These fears existed among the Swedish unions, too, but the fears could be overcome by strong counteractive forces working in favour of compromise and modernisation, while in Germany the fears strengthened the pre-existing polarisation.) In Britain the concept of rationalisation was a more unilateral employer prerogative as a concept for financial operations such as mergers which were only indirectly experienced as a concern of organised labour. This difference reflects the greater degree of separation between financial and industrial capital in Britain.

As compared to Germany the distinctive British mark is that the linkage between rationalisation and unemployment was much weaker because of the British employer strategy of concentration on labour intensive production. In a comparative perspective, British industry strategies dealt more with financial rationalisation through mergers and capital concentration than with human economic ideas of worker and work process rationalisation (see Chapter 4). 'Rationalisation' in Britain had a different connotation than in Germany. The concept in Britain referred less to job cutbacks and more to mergers and concentration of capital.

In Sweden, the unions in the 1920s and early 1930s argued that there was a rationalisation-redundancy linkage, but they managed to break up this linkage by pressure on the political parties, especially the Social Democrats (Chapter 3). With no experience of hyperinflation, it was easier to introduce a job procurement plan in the framework of expansive economic policies. Unemployment could be removed from the front line through state intervention, and the search for a compromise on the content of the concept of rationalisation between the unions and the employers could continue, the employers being much more flexible than in Germany and acting in a network where organised capital and organised labour were much more tied to each other, the unions being strongly Social Democratic without being seriously challenged by the Communists as in Germany. There was still another important difference. The question of socialism was removed from the political agenda after having been brought up there by the Social Democrats in 1920. After the election defeat in 1928 the Swedish Social

Democrats definitely oriented themselves in the direction of a people's rather than a class party.

The similarities between Sweden and Japan—as to the compromise on the concept of rationalisation, as to the *folkhemmet* and the family metaphors, as to the emerging patterns for the organisation of the labour market and society at large—does not mean that everything is the same. There are also decisive differences. In Japan where capital organised labour, an instrument for this organisation was the division of the workers through segmentation and marginalisation and through ranking hierarchies for the core of the workers. The optimum level of organisation for this model as it first emerged in the 1920s was the company. The basis of this mode of organisation was a strong capital side (organisationally and culturally as producers of meaning). In Sweden the trend was towards an order where labour organised capital, which required both strong trade unions and a strong political labour movement (organisationally and culturally as producers of meaning). To achieve the required strength for this organisation of capital, construction of class identities and solidarity ties was required going beyond the company level and preventing segmentation and marginalisation. The focus of organisation that this model required was at the national level which is much easier to achieve in a small and culturally and ethnically homogeneous country like Sweden, than in bigger, less homogeneous countries. Immediate links between national and local levels could be maintained and there were short distances between the top and the bottom of the emerging hierarchies of the industrial society. These circumstances, of course, have been favourable preconditions for the Swedish model.

In a study of unemployment in the 1930s, Ekkart Zimmermann demonstrates that the four countries analysed in this study were the most successful in coping with the redundancy problem which arose in the wake of the Great Depression.¹⁴ This common result was, however, brought about by different political approaches in different political cultures with different preconditions and definitions of what was politically possible. The point Zimmermann makes is that the same crisis provoked different political reactions.

Early currency devaluations were important in Japan, Britain and Sweden. In Britain and Sweden this took place because the currency had been strong in the 1920s, and little fear was associated with devaluing at the earliest possible moment. This response was never seriously considered in Germany, where the memory of the hyperinflation ten years earlier produced intellectual obstacles to currency manipulation and where the memory of the capitulation in Versailles produced misgivings as to whether the victors would approve of such a step. Three of the four countries experienced marked increases of central government spending. In Sweden the amount spent in 1929 was multiplied 3.3 times by 1939, in Japan 3.1 times by 1939, and in Germany 2.3 times by 1938. The British figure was close to 1.5 times

by 1938. (All other countries out of a sample of fifteen industrialised countries fell well behind these growth rates.) Central government expenditures in Japan and Germany were determined by preparations for war, whereas in Sweden welfare measures consumed a large share of central government spending. In Sweden the government was more inclined to increase state expenditure than the British government which was more inclined to follow the policy of a balanced budget. However, the more orthodox British policy did not pose an obstacle to economic recovery. Different combinations of monetary and fiscal policies, private and public investment, and stabilisation of the market, were the tools used in coping with unemployment.

In Sweden the Social Democrats and in Britain the Conservatives, using different economic approaches, managed to enlarge the political basis for national compromises in response to the Depression. This forging of new coalitions either defended democracy, as in Sweden or Britain, or led to its collapse. Why, in some cases, various economic and political groups came together amidst the Depression, formed new coalitions, decided on a national (economic) agenda, and thus let liberal democracies survive, while in other countries such processes did not occur but instead liberal democracy broke down, obviously cannot be explained by reference to economic political responses but must be understood in the framework of different political cultures with different kinds of producers of meaning. Nothing demonstrates better than the different responses to the world crisis, that production of meaning and problem resolution are arbitrary processes highly dependent on cultural factors and discursive power.

In Sweden the *folkhemmet* metaphor and the Saltsjöbaden Agreement between organised labour and organised capital in 1938 supplied the political leaders with tools for popular politics and for an emerging mass consumption society. The social democratic transformation of the initially conservative *folkhemmet* metaphor was strengthened during World War II when the government's interventionist political practice provoked by the war served much better than any theory to make the Social Democratic leadership realise the potential that state intervention offered for political guidance.

The responses to the economic crisis thus went in rather different directions. The responses were not causative in the sense that developments in the economy determined the political reaction. The responses were emerging ones, and highly contingent in the sense of uncertain as to outcomes, which, however, does not mean that they were completely fortuitous. The shunting of the four economies and political cultures onto their different development trajectories during the transition to organised capitalism in the 1890s, and the subsequent mobilisation of national resources for World War I, produced institutional and cultural inertia which

set boundaries for the scope of action in the 1930s. In Germany, the Versailles peace conditions and the hyperinflation in the wake of the war and the war indemnity were important, too. The way in which different interests came together and were interlaced, or were broken up and moved apart reflected deeper national environments. Interests were not predetermined by economic and social structures *per se* but were produced expressed and intermediated in the discursive struggles for power over problem definition and over the solutions to the problems. These discursive struggles occurred in a specific cultural framework which set limits for the action but within which different combinations of interest coalitions or conflicts were possible. The sets of cultural frameworks mediated interests and oriented actions differently. The world economic crisis thus produced different responses to what was basically the same main problem, although this main problem could vary as to its specific shaping when it was broken down into detailed problems in the national environments.

The analysis presented in this book has demonstrated how the production of meaning produced interests which formed the basis of action and strategies. Interests, actions and strategies are never formulated in a world where all the preconditions are known. One's own interests and intentions are formed, among other things, by perceptions, not knowledge, of the intentions of other social actors. Social actors construct and act strategies without knowing the precise intentions of others. Therefore, action has many meanings and is ambiguous not only when considered from outside but also for the actors themselves. Intentional action is not the same as realised action. The 'real' meaning of an action often becomes clear for the actors themselves long afterwards, when their own actions have been interlaced with those of other actors. The perception of one's own action changes as the context changes. A typical example of this kind of 'partial rationality' is the response to the Depression in Sweden. The crisis provoked political pressures which, in turn, provoked political action. The framework of the political culture made this action go in a certain direction. The culture and institutional setting directed the search for solutions towards certain areas. The precise form of the action, however, was a matter of where different intentional actions under political pressure in these areas happened to find the compromise. Only later on, once the compromise proved to be successful, were these intentional actions 'post-rationalised' and given 'the wisdom of hindsight' in a Keynesian theoretical framework of mass consumption and mass production and participatory capitalism.

The state has been as little homogeneous as organised capital and organised labour during the modernisation processes. State bureaucracies and government administrations have neither been monolithic, 'rational' social engines nor passive black-box processes of pluralist interests, but have

formed a multitude of entities which have formulated and implemented policy by drafting and enforcing laws, allocating financial resources, and providing guidance. The state is not only a bureaucratic delineation of vaguely defined 'public interests' but is closely intertwined with its role as a representative of specific interests, providing its constituents with access to policy making and responses to political pressures. The specific interests the state represents cannot be simply referred to coarse categories like capital or labour but are emergent ones, dependent on the historical context and its power relationships.

According to older theories two kinds of interests are especially conspicuous in industrial capitalist societies: the interests of industry/the employers and the interests of labour. These two interests were derived from socio-economic structures. However, interests are not predetermined in their expressions. They are discursively/culturally constructed in complex ways. They are inconsistent and contradictory within groups of capitalists and employees and between them. For instance, in each group there are voices which in contradictory and inconsistent patterns both invoke freedom from state involvement and at the same time claim state support and protection. The actual influence of each interest depends on its intellectual capacity for conviction in the specific historical situation. In the processes where compromises are being tried out between opposing interests, within and between groups of capitalists and employees, the political leaders and the state apparatus, i.e. 'the state', have been involved. State elites have experienced two main concerns in these processes: the international order (market position and military security) and domestic peace. The degree of concentration on international and domestic issues varied. Generally, capital was more favourably treated when international issues dominated and labour when the focus was on domestic peace. In the long run both these kinds of organised interests had to be given due consideration.

In the processes which, in the long run, resulted in increased workers' influence and social welfare, it is arguable that neither bourgeois capital owners and their retainers nor industrial workers and their organisations played the leading role.¹⁵ While the threat from the subordinate classes was present it had an effect on the concessions made mainly through the perceptions and interpretations of certain representatives of the dominant social interests: central political figures (e.g. Disraeli, Gladstone, Lloyd George, Bismarck), civil servants and the intellectual elite (Fabian Society, *Verein für Sozialpolitik*). Increased international competition as well as economic crises after 1873 undermined liberal beliefs in economic self-regulation through the market. Social policy became part of business policy. Good preconditions for business became an aspect of state concern. The Japanese reform bureaucracy fits well into this interpretation. So does Sweden where in the 1890s a new, more interventionist view on the role of

the state emerged in the wake of the big controversy between free traders and protectionists.¹⁶ However, as Dietrich Rueschemeyer has demonstrated, business and labour organisations often took rather reserved and ambivalent positions on the social reform issues. Innovations in social policy were mainly made by the 'third parties' just mentioned, when labour and capital are considered as the main parties to the underlying conflicts. Among the concerns of these third parties, who often saw themselves as standing above the labour-capital conflict, were a concern for the integration of their societies and a concern for national efficiency in international economic competition.¹⁷

Therefore, although the state, organised capital and organised labour constitute a tripartite pattern, their interaction cannot be described in terms of a simple triangle. The entities are much better understood in terms of networks which tie the parties together in patterns, varying as to strength and precise form, over time and between nations and political cultures. There may be sharp lines of demarcation but there may also be gradual and overlapping transitions between the three parties in the networks and their fractions, sub-organisations and institutions. The networks are used for cultural/ideological, political and economic transactions with varying intensities and loads.¹⁸

Social bargaining and power relationships vary from bipartite to tripartite and multipartite interrelations depending on the issue at stake and on what kind of interest expression and mediation the resolution of the particular problem requires and provokes. For my purposes the roles of the 'state' and the organised interests of the employers and the employees are highly relevant, but just because tripartite relationships develop among them, this does not mean that their interactions should be described using a simple triangular model. The language and the images developed in the discourse between state leaders and representatives of organised interests both determine and reflect the degree of internal cohesion of the three units and the coherence of their mutual relationships. Fragmentation, polarisation and cohesion are all possible within and among the three units.

It is obvious from my analysis that, as I use the term, 'the state' cannot exist if it is conceived of as something that can be defined in terms of its logical intention. I consider the state to be a network structure with no permanent content. The state is constantly being recreated, in new forms, by the groups and structures active in society. Network structures of states and interest groups change with the circumstances.¹⁹

The network structure is built up of institutions such as king and court, government, government offices, parliament, legal order, etc. These public centres of power are loosely and gradually connected to organisations for the mediation of interests produced in the private sphere and to local and regional institutions for the public execution of power. It is difficult and

makes little sense to draw a theoretical line between state and society. State and society are certainly not identical, but neither are they mutually exclusive. Rather the state is one form of society and *Vergesellschaftung*, in the sense used by Weber, one conceivable organising principle for the establishment of a society.²⁰ The state must be seen in its societal context. Society must be 'brought back in again' in the analysis of the state.

Through the sharing of social characteristics and the presence of social ties, relationships are established between social actors. These relationships form networks.²¹ Relationships rather than actors are the basic social units. Networks of coercion sometimes cluster into states: relatively centralised, differentiated and autonomous organisations 'controlling the principal concentrated means of coercion in delimited spaces'. Networks of exchange sometimes cluster into modes of production.

Both these kinds of networks are of interest in this study. They can be seen as instruments of analysis for discerning, describing and bridging the ever-changing and fluid boundary between state and society and between hierarchy and market in order to avoid a fruitless conceptual dichotomy. The network is an instrument for bringing society back.

The network metaphor is a way of mediating micro- and macro-levels, state and society, hierarchy and market. Networks form a picture of relationships transcending such categories. The relationships that form the network have to be specified for every historical context. The network metaphor forms the point of departure for specific questions which, in turn, can be a basis for theoretical discussion. The actors—individuals or, as a rule during the last century, collective associations of individuals—form the state. They do so in interaction, where the individual actors have limited resources for making their own desires and images formative for the structure that is the state. Individuals and organisations pursuing many goals set up many networks of social interaction. The boundaries and capacities of these networks do not coincide. Some networks have greater capacity for organising social co-operation than others. The greatest are the networks of ideological, economic, military and political power. They are the four sources of social power in the perspective of Michael Mann. Each of them implies distinctive forms of socio-spatial organisation. They are overlapping and intersecting networks of social interaction. They constitute societies and are social organisations, institutional means of attaining human goals.²² Thus collective action has become accepted in society. However, collective action in itself tends to develop new structures, as individuals soon become bound by the rules of these collectives. Individual action intended to influence one structure contributes to the formation of the next.²³

The network relations are different in different countries: monarchy, government, parliament, government administration, regional and local government, banks, industry, employers' interest organisations and trade

unions have different relative weights and different interrelations in different states and societies and for different historical circumstances.

The historical circumstances include the market, the collective interest organisations, the formation of class identities and the intellectual structure of society. These very structures have been highly influential in determining the actual constellations of relations constituting the networks. In some historical situations, organised interests are closely tied to the government and its central administration, so closely indeed that it is difficult to discern the line of demarcation where the state network shifts toward the networks of private interests. In other situations the relationships are far more independent and formal, and opposition is even conceivable. Hence, the boundary between 'the state' and civil society is a fragile, fluid and changing one.

An increasing tension between 'class' and 'gender' as categories of identity construction and interest representation is one of the most important characteristics of the ongoing transformation from an industrial society towards a knowledge and information society. For most of the centenary period studied in this book *the gender dimension* of the organisation of labour markets was almost totally a male-dominated one. The symbolic representations of the industrial society were male-dominated. The construction of interpretive frameworks for industrial society mainly included patriarchal symbols, such as the master-of-the-house metaphor in Germany, the *folkhemmet* metaphor in Sweden and the family metaphor in Japan. *Macho* industries like steel and shipbuilding were the phallic symbols of the industrial society. Much more than 'softer' consumer industries like textiles, with a higher proportion of female labour, these macho industries became the object of government protection in the 1970s, for instance, when there was a general rush for subsidies to ailing industries. The politics of deindustrialisation in textiles were much quieter than in shipbuilding and steel.

As to employment, in the industrial society no more than 40–50 per cent of the labour force ever worked in manufacturing and industry in the broadest sense of the terms. Out of the 40–50 per cent an increasing proportion worked in management and white-collar functions. The other 50–60 per cent worked in service production and, decreasingly, in agriculture. Nevertheless, the symbolic representation of the industrial society was assembly lines and chimneys. The products of the factories were novel and both more fascinating and more frightening than what was produced in other sections of the economy. A kind of manufacturing fetishism with sexual undertones (steel and shipbuilding, for instance) was one of the most obvious expressions of this obsession with manufacturing industry.

The discursive power over problem definitions and over organisation of society and of labour markets shaped *labour relations*. The formulation and articulation of interests and the symbolic representation in *labour relations*

depicted their own specific images of the *labour markets*. These images should not be mistaken for some kind of 'objective' reflection or a linear connection between *labour relations* and *labour markets*. They were precisely *images*, interpretive frameworks, where value patterns, discursive power and regulative order defined what was equal and what was unequal.

The fact that many inequalities remained unarticulated does not, of course, mean that they did not exist. Gender-related inequalities were structurally unarticulated in the labour relations of industrial societies. The difference between *labour relations* and *labour markets* must be kept clear in this respect. The problems addressed in this book deal with labour relations. As a matter of fact, the absence of gender-specific questions in labour relations is the best evidence of the significance of the concept of 'discursive power'.²⁴ Discursive power does not only mean power over what is on the agenda but also over what is left out.

The 'normal' worker was seen as male with obligations above all to his employer, and he committed himself to a fixed work pattern. The 'normal' woman played the reproductive role, working unpaid in the home. In the normative order of the industrial society, the reproducing and caring services have not counted as 'work', and were regarded as the 'natural' functions for women. The domestic area was part of the private sphere and it was intimate and not of public concern. These traditional values impeded the insight that reproduction, caring and domestic labour in the home are real work, regardless of emotional commitment. The reproductive role of woman and her unpaid work as childminder and the one who lived for dependents, handicapped her in career terms. When and if she participated as a wage earner on the labour market, the price of this 'equality' was a double burden.²⁵

Louise Tilly and Joan Scott in their pioneering work on women, work and family presented the idea of a U-turn pattern of female productive activity as wage labour.²⁶ Women's productive activity was relatively high in the pre-industrial society, became lower in industrialising economies, and increased again with the development of the modern tertiary sector. The definite transformation in terms of employment and labour markets from an agricultural to an industrial society a century or so ago meant that the family economy was modified from a productive unit to a wage unit. This U-turn was less obvious in Sweden than in countries like Germany and Britain due to the fact that Sweden as a poor agricultural and less urbanised nation, long after the industrialisation process had begun, had a long tradition of a high female labour market participation, which continued during industrialisation, because the large number of emigrants to North America provoked a tight labour market, which, in turn, provoked a demand for female labour.²⁷

This transformation from an agricultural to an industrial society meant the growth of heavy industry, and the increased scale of industrial

organisation led to increased productivity and greater prosperity by the end of the nineteenth century. The new organisation of production primarily required an adult male labour force. In the tertiary sector, increasing numbers of white-collar jobs were available for women. Men's wages increased, and the standard of living of many working-class families rose above the subsistence level. The family economy became a family consumer economy as households specialised in reproduction and consumption.

Values and behaviour shaped during one mode of production continued to influence action orientation as the economy changed. Membership in a family continued to define the work roles. Industrialisation did not separate family and work, isolating one sphere from another. Industrialisation did deprive the family unit of its productive activity, but the family continued to influence the productive activities of its members. Women's work had to be assessed in terms of the family. Family provided continuity in the midst of economic change.²⁸

A social-Darwinistic world view was characteristic of the period, and marked the minds of the workers perhaps even more than the theories of Marx. Social-Darwinism taught that the higher the civilisation the bigger the differences between the sexes. Man as the stronger sex had to protect woman. Female wage-labour was widely viewed in the working class as a kind of failure of this male protection when married women worked. The woman was domesticated under patriarchal benevolence in the framework of the family. This social-Darwinistic perspective was reinforced by religious value patterns working in the same direction of support for the family as an institution.²⁹

Once the industrial mode of production predominated, once people worked for wages outside of households, aggregate and local economic organisation influenced the demand for women in paid employment. Owing, among others, to mental structures based on social-Darwinism and to the role of religion in supporting the family, an important constraint becomes operative: the almost universal segregation of occupation by sex. The degree of occupational segregation has varied somewhat over time, but there has been a continuing tendency for societies, employers and workers to accept sex-stereotyping of occupations. Women are most likely to work when the demand for workers in female occupations is high. When there is a shortage of the supply of male workers (during or after a war, for example) more women are drawn into non-female occupations.³⁰

By looking not only at work, but at workers as members of households, Tilly and Scott were able to assess the role of the family. In the period they examined, the family economy was modified from a productive unit to a wage unit. Their study challenged an older view which held that industrialisation separated the family and work.³¹ Women in industrial societies constituted a kind of reserve army which was mobilised when demand for labour increased and demobilised when

demand abated. Female labour was directed to specific pockets in segmented labour markets.³²

This pattern was general in the four industrial societies studied here and in others as well, although its symbolic and discursive reflections varied. The general framework meant that the gender aspect was subordinated to 'class' in interest articulation and representation. The gender aspect was silent in labour relations when union claims were brought forward in gender-neutral terms for repeals of injustices and inequalities on the labour markets.

The fact that this was also the case in the 'progressive' Swedish labour market model underpins this conclusion. The debate on the principle of equal pay in the Swedish trade union movement is a case in point. There was in the Swedish trade union confederation LO, beginning in the 1950s, or even earlier, debate on the principle of equal pay for equal work as a target of union strategies. The LO Congress in 1956, for instance, discussed a number of motions on this issue. The grass roots were more radical than the leaders of the confederation. They disapproved of the comments made by the executive of the LO about the motions, claiming that they were not sufficiently committed. The delegates forced through an amendment to the comments with the stipulation that the LO and its affiliate unions and local organisations should contribute more actively and energetically to a gradual dismantling of the wage differences between male and female workers in future. The principle of equal pay for equal work should be maintained.³³

However, the implication of this congress decision should not be exaggerated. The congress of the Metal Workers' Union in 1957 is a good illustration of the real significance, when it became a matter of converting the principle into practical politics. The President of the Metal Workers' Union was quite clear on this point:

Although [the decision of the LO Congress in 1956] perhaps binds us to make new efforts for our female comrades, far be it from me to give anyone the illusion that we will go in for them as never before. I know that this question is complicated, not only because of the attitudes of the employers, but also, for instance, because of problems in connection with the setting of wage rates for younger male workers.³⁴

There was no strong pressure for separate treatment of the women. The comment at the metal workers' congress in 1957 by one of the female delegates is a good illustration of how the thinking went:

The first reaction [to the outcome of the central wage bargaining] was a certain disappointment, when they heard what had happened to the question of female wages, but the situation became somewhat brighter,

when we heard that the question would be settled within a five-year period.... I don't think this agreement will be a terrible setback for the women, because, I dare say, they never have been really convinced that the question would be resolved on this occasion.³⁵

The issue of women's wages did not have high priority in the Swedish trade union movement. The issue was subordinated to the general low-wage debate in the framework of the wage policy with solidarity. The big problem in any serious discussion of gender-specific marginalisation and discrimination on the labour markets, the question of to what extent female labour had equal access to better paid jobs, was only touched upon in the union debate. Although the principle of equal pay for equal work was introduced, it was quite a different question whether women really would get access to the same occupations.

This second element of the equality problem was very much concealed in the debate in the 1960s. The question of equality between female and male labour was mainly reduced to a general low-wage problem. The energy of the union movement was invested in resolving the general low-wage problem much more than a specific gender problem. To put it more clearly, the problem was never defined as a gender problem. Gender-based identity and solidarity were subordinated to the more general identity and solidarity category of 'class', when representatives of organised labour formulated problems and expressed feelings of injustice that had to be corrected. There was certainly an insight that there were more women than men in low-wage occupations. Nevertheless, this fact was not treated as a specific gender problem. Men were the representatives of women and spoke on their behalf in the name of 'class' in the industrial society.

This was also the case in the country with the image and claim of having the most progressive labour market organisation. The female aspect was concealed under the more general aspect of power/powerlessness on the labour markets, in a dualistic capital-labour perspective. The question of how employee interests were formulated and represented in industrial societies is a question with a specific connection to the question of the power structures in the labour markets. These power structures did not establish any one-way and immediate connection between marginalisation and segmentation, on the one hand, and strong organised pressures from labour for correcting these injustices, on the other. The internal cultural structuring of the concept of 'class' contained its own specific power relationships.

Of course, the fact that organised labour expressed and represented key interests of the skilled male workers, rather than the interests of the unskilled, poor, culturally weak and less articulate workers, does not imply that those whose interests were represented belonged to privileged groups.

However, seen in retrospect, it was a problem that in the name of the 'wage policy with solidarity', as in Sweden, so much structural injustice could remain unarticulated. It would be an exaggeration to argue that women kept silent, but they did not make much noise.

This only changed in the 1970s with the more definite transformation of the industrial societies towards an information or knowledge society. One aspect of this change was the rapid growth of employment in services and the increased female participation in the labour market, the U-turn in the terminology of Tilly and Scott. From this point on, union strategies and labour relations started to reflect gender-specific inequalities in the labour market in a new way. The discursive power relationships and the interpretive frameworks changed. 'Emancipation' became a key word in the political debate. It not only meant increased labour market participation, but also the beginning of individual emancipation from the family institution. The degree of domestication of women decreased.

This development was particularly evident in Sweden.³⁶ Therefore, Sweden can also serve for this phase as an illustration of a more general trend, which was less obvious in the other three countries in this study, however. *The argument here is that the most important consequence of this U-turn, in the wake of the exit of the industrial society and the rise of female labour in service occupations, was that the gender dimension, for the first time in history, was set up as a mobilising identity category with political implications in its own terms.* This occurred under considerable tension with the old identity and solidarity category of class, which began to be eroded, but had also contained the gender dimension.

This is a slow process and mobilisation in the name of gender occurred mainly in the public debate. The impact on interest representation within the trade unions was slow and did not correspond to the attention paid to the question in the public debate. The gulf between labour market and labour relations remained wide. The labour relations changed, too, during this transformation to a service society, although not in a gender-specific way. Only in Sweden was there a discernable impact from labour market change on labour relations through increased female interest representation in the trade unions. The expression of this increased role of female representatives was a growing tension within the LO between private sector manufacturing industry (male-dominated) and public service sector (female-dominated) unions during the 1980s (see below).

The gender issue had a dominant position in the political debate. As usual in such situations, dazed politicians exposed to a new kind of problem set their hopes on academic 'research'. The political interest in research in this area resulted in new chairs in gender-specific research in disciplines like history and sociology. The representatives of this rapidly expanding academic sector began, in their search for the historical roots of the prevailing debate, to discover inequalities which had been mainly

unarticulated in a time when the symbolic representation of the industrial society was male-dominated. The label of inequality put on the past was an expression of feelings in the present.

The simultaneous collapse of basic industries like steel and shipbuilding, i.e. the macho symbols of the industrial society, temporarily provoked a more radical 'class' language, social unrest and demands for state subsidies ('crisis packages'). However, at the same time as class identity was activated as a mobilising category it was being undermined by an increasing management-labour co-operation at the enterprise level in the fight for survival on depressed markets. Management and labour of one enterprise stood on the same barricades in the competition for taxpayers' money with corresponding constellations of local task forces at competing enterprises. National solidarity patterns under the 'class' concept gradually began to change towards enterprise-related identification patterns.³⁷ *Mitarbeiter* instead of *Arbeiter*, colleague instead of worker, became a new mobilising concept in this process in the hands of the employers.

At the same time signs of a taxpayer's revolt against the increasing burden of financing public welfare emerged. The billion packages of subsidies to ailing industries provoked increased social rivalry between public sector and private sector employees. In a country like Sweden, where the expansion of the public sector in the 1970s had mainly meant increased female labour market participation, this rivalry was translated into a gender-related tension. The rapidly growing number of women in nursery and caring occupations gradually discovered that the real content, under the motto of 'emancipation', was the growth of cheap labour in the public sector. In the 1980s the conflict pattern on the Swedish labour market changed from the classical pattern of a dualistic labour-capital perspective towards one between public service sector and private manufacturing industry sector unions in a way similar to the British pattern of demarcation conflicts.

The long-term impact of the two trends, the local gravitation of labour relations in the declining (in employment terms) manufacturing industry and the increased gender-related tensions within organised labour eroded the hierarchical structures which were one of the key elements in the corporatist organisation of society. The Swedish union confederation LO lost the power and ability to take action. In one of the most important and controversial questions since 1945, the issue of EU membership, the LO was paralysed and took no stand. In the public sector unions the women feared that membership would mean public sector reduction, so there was strong resistance to the EU. In the private sector unions, EU membership was considered necessary to attract capital investment to Sweden.

This reconstruction of the increasing tension between 'gender' and 'class' as identity category since the 1970s can be regarded as an ideal-typical draft with a point of departure in the Swedish trajectory. The

ideal type could hopefully serve as a basis for more systematic comparisons of the details of this process in order to increase understanding of the transformation from an industrial towards an information society. This transformation appears to have increased women's power on the labour market. However, the emerging organisation pattern of the labour market with emphasis on concepts like flexibility, shared work, home-work and part-time work will probably completely change the preconditions for interest expression and organisation on the labour market.

The developments towards labour markets with increasingly non-substitutable labour, in the framework of a global decrease of the demand for labour, have again made the question of demobilisation of the female reserve army topical. The debate on child-care allowance, in Sweden and elsewhere, for instance, seems to indicate a discursive movement in this direction. The family as an institution is being reactivated. The implication is that the question must be put of how permanent the U-turn discovered by Tilly and Scott in the 1970s really will be.

The discursive power seems, in this perspective, to be less a matter of a change from 'class language' to 'gender language' within the labour force than a matter of a change towards increased power for transnationally organised capital. In this development, concepts like 'emancipation' and 'equality' take on new significance when they are related to concepts like 'market' and 'flexibility'.

The crisis in the 1970s brought industrial reorganisation and political intervention with massive subsidies in order to mitigate the effects of deindustrialisation of certain key industries. The reorganisation produced new ways of looking for productivity increases when the capacity of conveyor belts and the piece-work systems had been exhausted. The focus of industrial relations moved towards the enterprise level in Western Europe, while the focus was already at that level in Japan. (In Britain, too, there was a long tradition of industrial relations concentration at that level, although, for instance, the participatory capitalism after World War II gradually produced more national, transsectoral, and transprofessional identity patterns in the union movement.) Concepts like *Mitarbeiter*, *medarbetare* (colleague) were brought forward in new management strategies of integration of labour at the company level, and identity ties with the company rather than 'the class' were constructed. Internal labour markets, marginalisation and segmentation emerged on the labour markets as a result of these strategies. Other factors as well contributed to these effects. Robotisation and computerisation of the work process and transfer of labour from manufacturing towards service occupations meant that 'rational production' became production with less manpower at the shop-floor as well as in the offices.

The active parts in this emerging decentralisation, played, for example, by managements with their *Mitarbeiter* strategies have been described as a particular Japanisation. While these recent developments could be interpreted in terms of convergence, Aoki has emphasised the decisive difference depending on different historical preconditions. The concept of the internal labour market should be reserved for Western countries where promotion is referred to specific jobs and tasks in a neo-classical sense, while the Japanese order should be conceptualised in terms of ranking hierarchies. Management's remuneration to employees and promotion are associated primarily with their ranks as such, and not with jobs or industrial output. This difference is, historically, based on the different modes of coming to terms with labour in the organisation of society.

In Japan we found relatively speedy re-employment in the 1970s and 1980s. This did not occur through the market but through trading relations within the framework of the family metaphor. After World War II its focus was again on the company, between companies and between companies and workers in networks which are basically capital-dominated. (Cf. above on labour's organisation of capital in Sweden that should not be mistaken for the surrender of capital. The same thing, although with reversed signatures applies in Japan.) Labour market stratification was both a historical precondition and an outcome, and workers have often had to accept lowered wages, especially in the bottom tiers of the subcontracting networks.

What the future will bring in development of the four problem-solving approaches to the accumulation of problems and legitimacy pressures in the 1970s and 1980s is, of course, an impossible question to answer, but well worth discussing. History is not repetitive and many of the challenges we face today are quite new. Environmental pollution and control of weapons of terror pose major problems. Communication technology has, for the first time, really become transnational. Transnational capitalism moves cash from one account to another all over the world in a few seconds. This takes place in ways which sometimes form patterns where, in retrospect, it is easy to discern intentions, which were much less clear when action was made, and where it is difficult to discern the individuals behind the intentions. Trust and confidence seem to be important factors when intentions are formed but they have basically been dependent on personal relationships. What happens when they increasingly are related to expectations of anonymous market forces? Modes of organisation of society, economies, education and evaluation of material and immaterial resources have, until quite recently, had a coherent national political order as their point of departure. Transnationalisation of capital means growing interaction between states, economies and societies. So far only the enterprises have been able to bring about transnationalisation. What the developments in Europe in the mid-1990s, including the single market and the European Union, will bring in this respect is still very much an open question. Polanyi has demonstrated that

CONCLUSIONS

market expansion often provokes protests and claims for market demarcation and regulation.³⁸ Whether the expansion of transnational capital will provoke such responses is an open question. What would a regulation in the framework of the EU mean in terms of relationships between the EU the US and Japan? This question, too, is open.

What concepts and interpretive frameworks will emerge for interpreting and influencing these contradictory transfers of the centres of gravity from the national towards both the supranational and infranational levels? What convincing capacity will they have? Who will develop them? Will they orient action towards compromise or conflict or new consensual myths? Will the popular bottom-up protests be coped with and canalised in the name of *populus* or in the name of *demos*? The difference between the Roman and Greek variants of democracy (people's self-government) is in some respects not very big but in other respects quite decisive.

These questions for the twenty-first century are the same as those that were asked for the twentieth century in the 1890s. The answers are as unknown for us as they were for the participants in the discursive struggles for power a century ago. Perhaps our languages, our tools for the production of meaning, are the element in the forming of the future which changes least. They still mainly operate in national cultural frameworks, where also the basis of political legitimacy has been located so far.

NOTES

1 MODERNISATION, CULTURE AND INSTITUTIONS

- 1 This perspective on modernisation is in particular suggested by Eisenstadt 1988, 1992 and 1994.
- 2 Ibid. 1994.
- 3 Cf. on this point Stråth 1991.
- 4 Braudel 1969.
- 5 Koselleck has developed conceptual history both as a theory of modernity and as a method for historical analysis. He argues that, since the French revolution, the relationship of the past to the present and the future has undergone fundamental changes. As the organising basis for action in the present, the 'space of experience' has been replaced by 'horizons of expectation'. In an age of accelerating time, characterised by an unceasing accumulation of new problems, experience became, in Koselleck's view, a category of limited capacity. The acceleration of time meant that the space of experience shrank, and failed to make 'modernity' comprehensible. Instead, the horizons of expectation became the guide for men trying to cope with modernity. Because this horizon itself was constructed out of politically pregnant concepts, the study of how these concepts were formed becomes central. The construction of new concepts, charged with values and significance, thus involved the anticipation of a possible future at the same time as it was an expression of an agonising inability to understand developments in the present on the basis of past experience. In this creative construction of new concepts and redefinition of old ones, carried out in the effort to make the future *machbar* (practicable), the role of the language is crucial. Koselleck's methodological approach calls for a thorough investigation of the discursive aspect of major transitions. Politics are studied as a permanent process of problem resolution: Koselleck 1985 and 1989. Socio-political experience is the point of departure in Koselleck's analysis of how the conceptual world is transformed during periods of major transition. The contours of a new conceptual topography, which constitutes 'modernity', are discerned. The conceptual change reflects the world in the process of formation. Koselleck's *Begriffsgeschichte* is more than a 'history of concepts', it is 'conceptual history', where the important feature that emerges is the structural changes of language and language usage according to a perceptible pattern of meaning. The structure of linguistic transformation is established and its progress charted empirically. In particular, Koselleck has studied the transition in Prussia in the wake of the French Revolution and Napoleon from a conceptual historical view. Before the

Revolution ‘revolution’ had a connotation of repetition and return. One impact of the Revolution was that the future became open and constructible. This provided a space for the transformation of policy and economy and the development of social movements that sought to design and implement their visions of the future world. Within such a framework there is great scope for the consideration of how the conceptual structure of the social world could be reconstituted as ‘modernity’: Koselleck 1989b and 1989c; cf. Childers 1990 and Stråth 1990 and 1991.

- 6 Polanyi 1944.
- 7 For this periodisation, see Torstendahl 1991. He conceptualises the 1890s as the transition from classical to organised capitalism and the 1930s (the start; in most countries after World War II) as the transition to participatory capitalism.
- 8 Ibid., pp. 96–97.
- 9 Ibid., ch. 5.
- 10 Trigilia 1991, pp. 308–309.
- 11 Schmitter 1974 and Lehmbruch and Schmitter 1982.
- 12 On this point I deviate from Torstendahl 1991 who sees corporative capitalism as a new phase of capitalist development rather than the culmination of participatory capitalism as I do. Torstendahl also has a different definition of corporatism than Lehmbruch and Schmitter. Ibid., p. 151.
- 13 Stråth 1987.
- 14 Stråth 1993, ch. 2.
- 15 Thévenot 1985 and 1993.
- 16 Salais *et al.* 1986. Cf. Wagner 1993, p. 468.
- 17 Galbraith 1958 and 1967; Shonfield 1965. Cf. draft for a research proposal by Richard Griffith, European University Institute.
- 18 Maier 1987, p. 9, 1975, p. 42 and 1970. Of course, and this Maier is keen to emphasise, to counterpose liberal concepts of Taylorism—he does not refer to Keynes—and productivity to fascist economic premises is not to argue that liberal democracy and fascism should be construed as merely alternative frameworks for a capitalist social order. The institutional arrangements of a society are a much more complicated matter than being merely functional supports for given property relations.
- 19 Berghahn *et al.* 1993, p. 68.
- 20 This legitimisation of compromises has been obvious in e.g. union strategies after 1945 aiming at the stabilisation of power relationships in order to improve the living standard of the union members. *Sozialpartner* and ‘co-operative’ have been key concepts in such strategies, which often have been expressed in the form of equilibrium metaphors. A case in point is Victor Adler’s idea of *Gleichgewicht der Klassenkräfte* which in Austria was transformed to the ‘branch community’ metaphor where the unions and the management are sitting on the same branch. On this point I have drawn on a PhD thesis work of Christoph Thüer at the European University Institute, Florence.
- 21 Brubaker 1984, pp. 111–112. In this emphasis on the inevitability of conflict in social life, Weber stands on the same side as his contemporary Sigmund Freud.
- 22 Drescher *et al.* 1982, pp. 3–5, 14 note 11. In Taylorist as well as fascist models of consensual myth construction elements of ‘rational’ social engineering and forward looking ideas of a planned modernity have coexisted in a contradictory way with ‘irrational’ traditionalism and spontaneous unpremeditated responses to social and political pressures. Recent works on nazism emphasise the ‘americanisation’ of the Third Reich. See, for instance, Prinz and Zitelmann 1990. At the same time Hirdman 1989, in a study of the emergence of Swedish welfare politics in the 1930s, demonstrated the similarities in certain respects between democratic and

- totalitarian social engineering. Cf. also Sörensen 1993 for a discussion of British, German and Norwegian social political planning during World War II.
- 23 Anrup 1990.
 - 24 Zimmermann and Saalfeld 1988.
 - 25 Walzer 1967.
 - 26 Cf. Torstendahl 1991, for instance, for an empirical illustration.
 - 27 Mann 1986.
 - 28 This is true also for Britain even if the British institutions and political culture have been challenged by e.g. Scottish and Welsh nationalist movements.
 - 29 Moore 1966.
 - 30 Most of the small states in Europe did not experience a bourgeois revolution, but nonetheless, they developed in a democratic direction. Moore's analysis is flawed by his exclusion of the small states. His argument is simple: 'the decisive causes of their policies lie outside their own boundaries'. Any assumption that rules out internal influence over the development *a priori* seems unsatisfactory. Moreover, the large nations were as much a part of an international order as the small ones. Another problem with Moore's thesis is the progressive role he attaches to the bourgeoisie in the development toward democracy, while there is no place at all for the working class and its organisations. Dietrich Rueschemeyer has emphasised that industrial capitalism created conditions that facilitated the organisation of the working class and the middle strata, making it much more difficult to exclude those groups politically than Moore seems to assume. Rueschemeyer *et al.* 1992.
 - 31 Biagini and Reid 1991, pp. 3–4.
 - 32 d'Iribarne 1989.
 - 33 Hoston 1986 has, in a detailed work, demonstrated the existence of a vital intellectual Marxist debate in Japan in the interwar period that functioned as an elaborate counter-ideology to the hegemony of the family metaphor (ch. 5). The question of why this vital debate remained scholarly at the theoretical level and never took real root among the workers in industry, as it did in Europe, must be discussed in a perspective of discursive power and social hegemony.
 - 34 Sombart was early in paying attention to the role of cultural/institutional embeddedness when he talked about the specific *Wirtschaftsgesinnung* of any economy. By this he meant all value imaginations, goals and maxims which are vitalised through the creative, active individuals in the economy. Sombart simplifies when he talks about a dichotomy between traditional and rational economic management, but his use of the concepts of cultural conditions and cultural style in connection with the concept of *Wirtschaftssystem* demonstrates that he is open to context and complexity, see Sombart 1986.
 - 35 Österberg 1988, Flyvbjerg 1991 and Olsen 1992. Cf. March and Olsen 1989 and Brunsson and Olsen 1993.
 - 36 Scott 1988, pp. 53–67, Gareth Stedman Jones 1983, pp. 1–24. Concerning the chess game metaphor Österberg 1988 argues convincingly that not even chess is played according to game-theoretical prerequisites. Any configuration on the chessboard is filled with many meanings, which are objects of different interpretations depending on the skill of the players, their experience, their styles, their conditions and so on. Social realities have many meanings. Therefore, game theory is a biased reduction, where social life becomes a 'maximum' game between 'rational' actors. Game theory does not tell us anything about the cultural preconditions of the strategic choices. These cultural preconditions are the criteria of intentional target formulation and action orientation. Individuals and social formations are cultural products and

the macro-level of society and its structural dictates and constraints could be considered to be the sum of anticipated consequences of human action which feed back the formulation of targets. Only in this sense are target formulation and strategies intentional. Intention is not the same as fulfilment. Because of the uncertainty of the targets and intentions of other actors strategies emerge rather in terms of intuition than intention. It is probably more justified to speak of a connection between cultural preconditions (values and norms of a society) and intuition than intention when strategies emerge.

- 37 This perspective is in one specific respect reminiscent of Weber, who argued that what is rational from one point of view may well be irrational from another, although Weber was much more confident in the possibility of predictability and rule governing. The increased importance of the private law contract, the extensive freedom of contract was one important aspect of predictability and rule governing of the market. Contract was the legal reflection of the market orientation of Western societies. However, when Weber considered market relationships as rational, it was no moral approval but only a rationality in a means-end relation. The rationality involved in the formal freedom of contract does not guarantee that every one will be equally able to stipulate the terms of the agreement. Powerful employers can impose their terms on workers. The employers' rationality is not necessarily the workers' rationality. Legal formalism and economic rule based calculability are rational only in a formal, *zweckrational* sense. There is an insoluble conflict between the formal (*Zweck*) and the substantive (*Wert*) principles of justice as well as there is an antagonism between the formal economic and legal rationality and the rationalities of deeply rooted value orientations of a society. Brubaker 1984, pp. 8, 10, 18-20, 35-43.
- 38 Gluck 1994.
- 39 Wagner 1993, pp. 467-469.
- 40 Max Weber used a railway metaphor to illustrate how historical processes at certain points of time could be changed into new directions, when, for instance, charismatic leadership broke the general process of bureaucratisation and disenchantment which characterises modernisation, and produced new magics. Pointsmen, *Weichensteller*, shunted the train onto a new track, where the process of disenchantment continued although from a new point of departure.
- 41 Mann 1986, p. 23.
- 42 Gareth Stedman Jones 1983, p. 8.
- 43 Cf. Anrup 1990.
- 44 Statement by Anthony Sampson quoted in Berghahn 1986, p. 332.
- 45 Gluck 1985, pp. 16, 28, 29, 50, 53, 58-59, 242-243, 246, 275, 277, 281.
- 46 Jackson Lears 1985. In another context I have demonstrated, in a study at the local level, how fragile an existing hegemony can be. Shipyard workers in Gothenburg were long tied to a predominating liberal philanthropic, paternalistic policy. They were late in unionising and their organisational weakness was well known in the Swedish labour movement. However, in the 1910s when the shipyards boomed during the war and took on many new hands, often young and unskilled workers, the policy was not capable of absorbing this rapid change. The shipyard workers 'broke through' the hegemony from within. In a few years they established themselves as *the* radical stronghold of the Swedish labour movement, a position which lasted from the early 1920s to the 1960s. During these years the shipyards were a communist bridgehead. Industrial relations in the German shipbuilding city of Bremen developed almost identically with those in Gothenburg. See Stråth

1982, chs 2-3 for the case of Gothenburg in detail. For the comparison with Bremen and also with another development pattern of working class value orientation in more traditional reformist Malmö (Sweden) and Kiel (Germany), see Stråth 1983 and 1987b.

47 Ibid.

2 GERMANY

- 1 Ritter and Tenfelde 1992, pp. 176-197. Concerning the fast urbanisation, see several of the contributions in Priamus and Himmelmann (eds) 1993, e.g. Reulecke, Reif and Rebentisch, and Reif 1993. The mass migration not only meant an improved labour market position for the employers. To the domiciled *Bürgertum*, the nomads from the east constituted strange and alarming masses which threatened the ease of the bourgeois society. Saarbrücken, Gelsenkirchen, Bochum, Mülheim, and Essen in the west and Charlottenburg, Schöneberg and Neukölln around Berlin are striking examples of explosive urban growth. Between 1871 and 1900, the number of cities doubled. The number of big cities increased five-fold. In 1871, every third German lived in a city; by 1900 every second one did. It goes without saying that this very dynamic period demographically and industrially brought in its wake considerable social problems and strains which could easily make the situation explosive. In order to defuse this socially explosive situation, massive state intervention was activated. This, according to Kaelble, was one important reason for the fatal weakening of Liberalism in Germany. Kaelble 1988b, pp. 340, 344, 348, 354.
- 2 The almost classical study of this process is Kocka 1969 in his analysis of the Siemens factory. Cf. Holmburg 1991 who investigates the same firm in an impressive study, although for a later period, 1900-1939.
- 3 Torstendahl 1984, p. 162.
- 4 Torstendahl 1991, pp. 96-97.
- 5 Ritter and Tenfelde 1992, pp. 196-197.
- 6 Torstendahl 1991, p. 97.
- 7 Schönhoven 1987, p. 221. For an analysis of CDI, see Kaelble 1967.
- 8 Grebing 1986, p. 88; Schönhoven 1987, p. 175.
- 9 Nipperdey 1990.
- 10 Lutz 1984, *passim*.
- 11 Wehler 1975. Cf. Checkering 1984, pp. 12-13.
- 12 Kocka 1980 and 1983. Cf. Torstendahl 1991, p. 109.
- 13 Kocka 1988b, pp. 5-6. The classics Karl Marx, Max Weber and Thorstein Veblen emphasised, as a key element in the German development since the Napoleonic wars, the fact that Germany never experienced a political and social revolution like England and France in the seventeenth and eighteenth centuries. By revolution, they meant a liberal bourgeois revolution. The dynamic economic development occurred in the framework of a social order which was mainly feudal. This historiographical current was underpinned in the 1970s by H.-U. Wehler's *Kaiserreich* (Wehler 1975). See also Jürgen Kocka, Hans-Jürgen Puhle and others in Winkler (ed.) 1974. Sociologist Ralf Dahrendorf talked about a German feudal-industrial society (Dahrendorf 1967). Cf. also Mommsen 1990.
- 14 Kaelble 1988a. For a general revision of the thesis of a weak bourgeoisie, see Blackburn and Eley 1984. Blackburn and Eley argue that there was a bourgeois hegemony economically, socially and culturally in the *Kaiserreich*.

Eley even interprets the founding of the *Reich* in 1871 as a bourgeois revolution. The very success of Germany's dynamic latecomer capitalism, together with the accompanying consolidation of bourgeois civil society, contributed to the displacement of many grievances directly on to the political level. This, rather than the malignant role of a manipulative old elite, explains much of the unstable and febrile nature of German political culture in the *Kaiserreich*.

15 Blackbourn and Eley 1984.

16 Wehler 1988. Wehler has modified his thesis after the controversy with the British revisionists. He is now more hesitant to assess the German development as necessary. However, he still discerns a decisive break in the 1870s. Before that time a bourgeoisie based on liberal nationalism and education (*Bildung*) constituted a progressive force through ideology, political debate and culture rather than socio-economic position. Like Nipperdey 1990 and Langewiesche 1988, Wehler discerns the decisive break in the late 1870s, when Bismarck tried to blow up the strong national liberal movement, which resulted in an isolation of the left liberals. Nipperdey rather sees the break between Bismarck and the Conservatives on the one side and the national liberals on the other. The result was the same, however: a weak liberal movement.

Jürgen Kocka's *Bürgertum* project at the Bielefeld University meant an opening to the deadlock situation in the *Sonderweg* debate by pointing to the question of what the *Bürgertum* and liberalism really was and what connections there could be expected between them if any at all. *Bürgertum* proved to be a nebulous concept. It is difficult to discover empirically as a socio-economic formation. Empirically there are contradictions and mergers with other strata and classes are discernable. *Bürgertum* is a question of identity construction and production of meaning through inclusion and closure where interests and strategies emerge. It cannot be socio-economically derived from a position between feudal structures and the working class. The bourgeoisie structures and defines itself by comparison with other social entities. Exactly how this process of self-understanding emerges differs from one country to the other.

17 Jarausch 1990.

18 L.Eugene Jones 1988.

19 Blackbourn and Eley 1984, pp. 154-155.

20 Attempts to mitigate experiences of crisis on the labour markets have been undertaken particularly by the communes since the 1870s. At the turn of the century claims for public unemployment insurance gained ground. However, not until 1927 was a public unemployment insurance established. Ritter and Tenfelde 1992, pp. 258-261, 715-716. The education of union leaders and their integration into the administrative networks can be compared with the education of union leaders in the Swedish popular movements (see Chapter 3).

21 Zollitsch 1982, pp. 94-97.

22 After the removal of Bismarck in 1890, Lohmann's influence in the government increased somewhat, although it is important to emphasise that he met resistance in Parliament, in the state bureaucracy, and in the public discourse, even more than Bismarck had. The participation of the state in the social insurance system was much less than Lohmann intended. Turner 1985, pp. 25-27.

23 Turner 1985, p. 35.

24 Wehler 1988.

25 Blackbourn and Eley 1984, p. 49.

26 Ibid., pp. 154-155.

27 Grebing 1986, pp. 69-70, Turner 1985, p. 5.

28 Weisbrod 1989, pp. 119-129.

- 29 Ibid., p. 128. For a discussion of the social composition of the German employers, see Kaelble 1990.
- 30 Weisbrod 1989, p. 120.
- 31 Ibid., p. 124.
- 32 See Kaelble 1967 for a comprehensive study of the CDI.
- 33 Kaelble and Volkmann 1986, Tenfelde and Volkmann 1980, pp. 9-30 and Volkmann 1986.
- 34 Weisbrod 1989, p. 126.
- 35 Berghahn 1986, pp. 15-16.
- 36 Schönhoven 1987, pp. 221-223. Early collective bargaining and recognition of the unions emerged before 1914 in a few large and 'liberal' firms like Robert Bosch AG and the printing and building industries. Patrick Fridenson has demonstrated that industrial relations did not always mean polarised relationships. In his comparison with France, he sees the French rather than the German employers as using the master-of-the-house model. The close ties between the state apparatus and heavy industry in Germany contained, as has been emphasised above, considerable flexibility and modernisation capacity. Fridenson 1988, pp. 67-70, 74-76, 79-84, 90-91. Hartmut Kaelble, Klaus Tenfelde and Heinrich Volkmann have demonstrated how forms for the regulation of industrial conflict were developed, and institutions for such regulation established before 1914 in Germany. Volkmann 1986, Kaelble and Volkmann 1986, Tenfelde and Volkmann 1980, pp. 9-30.
- 37 Kaelble and Volkmann 1986, Tenfelde and Volkmann 1980, pp. 9-30 and Volkmann 1986.
- 38 L. Eugene Jones 1988.
- 39 The Liberals never followed the recommendation of Max Weber, to concentrate the bourgeoisie as a class into one class-conscious party which would launch an attack on the big Conservative landowners. Not only their national identification but also their difficulties in defining a bourgeois class interest made such an undertaking difficult. The problem of the Liberals in the perspective of Weber was to not represent a class in a time of increasing class identity construction, and where alternative identity construction around the concept of nation (*Volk*) was occupied by the Conservatives. Eley has emphasised the economic, social and religious divisions of the bourgeoisie, the formidable radicalism of an independent Social Democratic labour movement, and the residual aristocratic strengths defensively entrenched in the 1871 Constitution as key elements in answering the question of why a stronger parliamentary state along the lines of the British model did not develop (Blackbourn and Eley 1984, p. 139). However, in a comparative perspective this argument seems too simple. 'Parliamentisation' does not exhaust the possible forms of peaceful or relatively stable development. In Sweden, for instance, parliamentarism was not introduced until 1917. There, too, it is difficult to discern such a thing as a homogeneous bourgeois class. The Social Democrats were at least as strong as in Germany.
- 40 Ritter and Tenfelde 1992.
- 41 Ritter and Tenfelde 1992, pp. 717-779.
- 42 Spohn 1990.
- 43 Pollard 1969.
- 44 Spohn 1990.
- 45 Grebing 1986, p. 56.
- 46 Gilcher-Holtey 1986, pp. 86, 88, Grebing 1986, pp. 111-112, 182.
- 47 Schönhoven 1987, p. 202, Schneider 1987, p. 371.

- 48 Lidtke 1985, pp. 60–62. Cf. also Groschopp 1987, pp. 23–24, 194–198.
- 49 Lidtke 1985, p. 6.
- 50 Ibid., p. 7.
- 51 Ibid., p. 9.
- 52 Laqueur 1974.
- 53 Lepsius 1993.
- 54 Ibid., pp. 10–14.
- 55 Grebing 1986, pp. 250–251.
- 56 Ritter 1980, p. 79.
- 57 Grebing 1986, pp. 126–127.
- 58 Berghahn 1986, p. 16.
- 59 Ibid.
- 60 Ibid., p. 17.
- 61 Paetau 1988, pp. 399–400.
- 62 Führer 1990, p. 207.
- 63 Paetau 1988, pp. 401–402.
- 64 Führer 1990, pp. 62–63.
- 65 Ibid., pp. 180–181.
- 66 Ibid., pp. 186–200, 215–227.
- 67 Ibid., pp. 524–525.
- 68 For a discussion of the Weimar Constitution in this perspective, see Huber 1981.
- 69 Berghahn 1995.
- 70 Maier 1970, pp. 46–53.
- 71 Feldmann and Steinisch 1978, pp. 354–355.
- 72 Ibid., pp. 438–139.
- 73 Laursen 1991.
- 74 Cf. Ritter 1980, p. 91.
- 75 Feldmann and Steinisch 1978, p. 360.
- 76 Holmburg 1991.
- 77 Holmburg 1978.
- 78 For a demonstration of this contradiction and inconsistency at the local level, see Boch 1991 where the cutlery industry in Solingen is investigated.
- 79 Turner 1985, p. 34.
- 80 Maier 1970, p. 56.
- 81 Roche 1979, pp. 310–316.
- 82 Hinrichs and Kolboom 1990, pp. 383, 386, 390–395. See also Brady 1974, Stollberg 1981.
- 83 For a discussion of DINTA, see Fiedler 1993.
- 84 Maier 1987, p. 46.
- 85 Ibid., pp. 38, 42.
- 86 Turner 1985, pp. 35–37.
- 87 Zollitsch 1982, pp. 91, 94.
- 88 Ibid., pp. 94–97.
- 89 Ibid., p. 99.
- 90 Berghahn 1995.
- 91 Ibid., pp. 99, 103–105.
- 92 Ibid., p. 109.
- 93 Mosse 1966, p. 4.
- 94 Klotzbach 1987, pp. 31–34. For a discussion of the extent of continuity and discontinuity in the structures of society in Germany after 1945, see several of the contributions in Broszat, Henke and Woller 1988, especially Enker, Boyer, Fichier,

- Hetzer, Blessing, Vollenhals, Willenbacher and Möding. See also Benz 1984 and Abelshauser 1983 and 1987.
- 95 Chickering 1984, p. 9. Roger Chickering has studied the crucial role of the *Alldeutsche Verband*, the Pan-German League, in the spread of the new ideology. It delivered intellectual weapons to a number of other activist societies which arose in the 1880s and 1890s in Imperial Germany during the period of the organisation of the interests at the national level. The Colonial Society, the Navy League and later the Defence League were examples of these societies. The Pan-German League was the most unrestrained expression of the spirit and will for power which underlay German imperialism. Ultimately, and in ways many Pan-Germans never realised, these ideas served the interests of German industry. The League has been described as a vanguard of industry.
 - 96 Jokisalo 1994, pp. 12–13, 45–52.
 - 97 Chickering 1984, p. 9. Cf. Trägårdh 1990.
 - 98 Ibid., p. 26.
 - 99 Berghahn 1986, p. 207.
 - 100 Klotzbach 1987, p. 27–28, 35.
 - 101 Ibid., p. 26. In a comparative study of Germany and France, Hartmut Kaelble emphasises the role of the differences in historical experience. He argues that after World War II the Germans became ‘state sceptical’ and believed in the creation of social welfare and economic growth without massive state intervention. In France, the reaction was the opposite, owing to other historical experience. There, state intervention and planning became key words of an economic strategy of modernisation. Kaelble 1988b, p. 354.
 - 102 Klotzbach 1987, p. 35.
 - 103 Berghahn 1995.
 - 104 Berghahn 1986, p. 208.
 - 105 Ibid., p. 211.
 - 106 Ibid., p. 212.
 - 107 Ibid., pp. 223, 226–230.
 - 108 Berghahn 1995.
 - 109 Berghahn 1986, pp. 246, 252–258.
 - 110 Rhenisch 1994, p. 106.
 - 111 af Malmborg 1994, p. 316.
 - 112 Abelshauser 1983 and 1987. For counter-arguments, see Buchheim 1990. Cf. also Borchardt 1983. On this point I have benefited from a manuscript by Hans Otto Fröland, Trondheim University (Fröland 1994).
 - 113 Berghahn 1986, pp. 242–243.
 - 114 Fröland 1994.
 - 115 Fröland 1994.
 - 116 Stråth 1987, ch. 2.

3 SWEDEN

- 1 Most of the industrial expansion beginning about 1850 was in the sawmill and wood industries. The development of the railway network got underway, a modern banking system was established and the mechanical engineering industry was born during this period.
- 2 Torstendahl 1991. The pulp industry, a modern chemicals industry and the engineering industry expanded rapidly. This was not simply a quantitative but also a qualitative process of structural reorganisation. Economic activity was

continuously upgraded towards higher rates of manufacturing added value relative to raw material inputs. During 1870–1913 Sweden had the most rapid growth of per capita output of any country in Europe. Sandberg 1978, pp. 654–655

The key element in this growth was exports. However, to view the process of Swedish economic growth as only a response to foreign demand would be wrong. Over the period 1880–1938 Sweden's export ratio was unchanged. The importance of exports lay with their opportunity for improving inherited capabilities and added value in the metallurgical and wood-related industries.

- 3 Glete 1994, pp. 73–74. The *riksdag* was for MPs. Before the reforms it was mainly a forum for monitoring their local interests.
- 4 Sandberg 1978, pp. 654–655. The combination of growing demand, beginning with bar-iron in the eighteenth century and the British demand for timber in the 1850s, and Swedish technological contributions resulted in a number of industries using Swedish resources such as wood, high-quality steel, and a disciplined, generally literate and initially inexpensive labour force. Safety matches, ball bearings, cream separators, and telephone and electrical equipment are some examples.
- 5 From 1870 to 1920 there was a marked transformation of the financial institutions and a change in the sources of domestic savings invested in Swedish industry. At the beginning of the period provincial agricultural societies, local saving banks, regional commercial banks and mortgage institutions (basically for agriculture), as well as private railway enterprises constituted a regional institutional structure for production of finance. The markets for industrial products were also strongly regionalised. The emergence of provincial newspapers and, from 1862, of a political forum for regional politics meant that political and economic power converged at the regional level with favourable opportunities for planning and co-ordination of the region economically in terms of credit institutions, industry, transport and agriculture. During a crucial period, the regions served as networks for information and co-ordination of local systems into new combinations at a higher aggregate level.

By the end of the nineteenth century these regional political and economic communications networks were being transformed into national structures. Banking at first had a focus on the regional commercial banks, but a very dynamic concentration process in the 1910s resulted in the establishment of a national bank system. The regional market orientation of the domestic market industry decreased. Many local firms merged into national groups or created market niches beyond the home region through specialisation. The regional connection between ownership and production decreased, not least because of the establishment of the stock exchange as an efficient market institution at the turn of the twentieth century. Major industries with specialised export production grew up in regions which could not supply them with capital. There, too, the regional connection between ownership and production decreased.

- 6 Glete 1994, pp. 76–77. Foreign, especially French, capital played a major role in facilitating Swedish growth before World War I, although its role was not a direct one. For instance, the Swedish merchant houses that played a key role in financing the early growth of the timber trade obtained much of their funds abroad. The Swedish national and local governments and Swedish mortgage institutions relied primarily on foreign bond markets. Sandberg 1978, pp. 654–655.
- 7 Glete 1994, p. 122.
- 8 Kilander 1991.
- 9 Ibid.

- 10 Torstendahl 1991, pp. 116–117 and Kilander 1991.
- 11 However, there were some important exceptions. In railway development the state built the trunk lines which acted as a surrogate form of industrial planning, consciously organised to open up new areas to industrial development. Similarly, the establishment of a state-owned telephone equipment company in 1891 and the largest hydro-electric plant in 1910 both acted as a focus for further development at critical periods in the respective industries' histories. On this point I have benefited from a manuscript draft (1991) by Richard Wright, Cambridge University.
- 12 The population grew from 3.5 million in 1850 to 5.2 million in 1900. Still, in 1850, 90 per cent of the population lived in the countryside. By 1900 this figure had only decreased to 75 per cent: the urbanisation process was far less dynamic than in Germany, for instance. In 1850, 75 per cent of the active population was in agriculture and 10 per cent were in industry and crafts. In 1900 these figures were 57 and 20 per cent, respectively.
- 13 Therborn *et al.* 1979.
- 14 Scott 1960, p. 164.
- 15 Runeby 1978.
- 16 Ibid.
- 17 Henningsen 1977, cf. Trägårdh 1990.
- 18 Runeby 1978.
- 19 Aronsson 1992.
- 20 Stråth 1988, Aronsson 1992, Knudsen 1993, pp. 45–60.
- 21 Stråth 1991b.
- 22 Karlström 1985. Cf. Germany and a different development in this respect, for instance, Lutz 1986, pp. 132–133.
- 23 The concept of open cartel strategy was coined by Åmark 1986.
- 24 Cf. *ibid.*, pp. 20–23 and 1989, p. 2.
- 25 Cf. Stråth 1982 for a discussion of these two approaches.
- 26 Cf. Kjellberg 1992 and Olsson 1991.
- 27 Rothstein 1992.
- 28 Runeby 1978.
- 29 Stråth 1982.
- 30 Söderpalm 1969.
- 31 Runeby 1978.
- 32 Ibid.
- 33 Åmark 1989.
- 34 Therborn 1988, p. 31. For a case study of how industrial relations were established at the firm level under gradual erosion of older conflictual approaches and transformed into strategies of compromise, see Stråth 1982.
- 35 Therborn 1988, p. 58.
- 36 Anders Johansson 1989, ch. 3. The view expressed in the Liberal bill was close to the one the Social Democrats had held in 1926. Sharp Social Democratic protests against the bill should be considered in the broader parliamentary context of Social Democratic politics. The protests more concerned the fact that the Social Democrats had not been invited to participate in the preparatory work on the bill than the contents of the bill itself. Very soon after the implementation of the law the Social Democrats and the trade unions accepted it fully.
- 37 Åmark 1989.
- 38 Anders Johansson 1989, p. 75.
- 39 *Ibid.*, p. 35.

- 40 Runeby 1978.
- 41 Alf Johansson 1977, pp. 62–65, 110–112.
- 42 Ibid., pp. 85–89.
- 43 Ibid., pp. 44–45.
- 44 Ibid.
- 45 Anders Johansson 1989, pp. 25–28, 56, 58.
- 46 Ibid., p. 69.
- 47 Ibid., p. 75.
- 48 Ibid., pp. 103–104.
- 49 Rothstein 1992.
- 50 Anders Johansson 1989, pp. 136–137, 141–142.
- 51 Ibid., ch. 7.
- 52 Torstendahl 1991.
- 53 *Tiden* October 1929. (*Tiden* is the journal of the Swedish Social Democratic Party.)
- 54 Ibid., p. 337. Cf. Trägårdh 1990 for a Swedish-German comparison of *folk/ Volk* as a key concept in the organisation of society.
- 55 Trägårdh 1990.
- 56 Torstendahl 1991; Therborn 1985; Nybom 1987.
- 57 Nybom 1987, p. 3; Rothstein 1986.
- 58 For a discussion of social engineering in this respect, see Hirdman 1989.
- 59 Nybom 1987, p. 3.
- 60 Interview with Rudolf Meidner, economist of the Swedish Trade Union Confederation *Landsorganisationen* (LO).
- 61 Kjellberg 1992, p. 96.
- 62 de Geer 1986, pp. 325, 327; Kjellberg 1992, p. 96.
- 63 Kjellberg 1992, pp. 96–97.
- 64 For a discussion of the active labour market policy and the contradictions involved in it, see Martin 1984 and Swenson 1989.
- 65 Kaelble 1994, p. 66.
- 66 Heclo and Madsen 1987, pp. 322–323.
- 67 Torstendahl 1991, p. 125.
- 68 Ljunggren 1992.
- 69 Cf. here Pontusson 1988, p. 46, who describes the Swedish Social Democratic organisation of society as a case of ‘hegemonic disposition and favourable circumstances’.
- 70 Heclo and Madsen 1987, p. 27.
- 71 For a comprehensive discussion of the funds, see Trautwein 1986.
- 72 Stråth 1987.
- 73 Stråth 1993, ch. 2 for a detailed discussion of this transformation.
- 74 Åmark 1988, pp. 20–21.
- 75 Esping-Andersen 1990.

4 UNITED KINGDOM

- 1 Gareth Stedman Jones 1983, p. 4.
- 2 Ingham 1984.
- 3 Foote 1985, pp. 19, 40.
- 4 Gospel 1992, p. 16.
- 5 Howell 1984, pp. 7–8.
- 6 Trägårdh 1990; Henningsen 1977.
- 7 Howell 1984, p. 85; Zeitlin 1987, pp. 8–9.

- 8 Zeitlin 1987, pp. 8–9.
- 9 Ibid., p. 23.
- 10 Hobsbawm 1964, pp. 272–343. For the 1970s, see, for instance, Foster 1974, Gray 1976, Hinton 1973 and Price 1986.
- 11 Melling 1980; Lorenz 1983; Reid 1984; Zeitlin 1985.
- 12 Melling 1980.
- 13 Lorenz 1983, pp. 155–194.
- 14 Reid 1984, p. 66. Cf. Pollards and Robertson 1979, chs 8–9 where the importance of the more labour-intensive strategy is also highlighted.
- 15 Zeitlin 1987, pp. 8–9; Cf. Howell 1984, pp. 84–94.
- 16 Melling 1991.
- 17 Reid 1987, p. 22.
- 18 Howell 1984, p. 85; Zeitlin 1987, pp. 8–9.
- 19 Cf. Johansson and Melling 1994.
- 20 Reid 1984.
- 21 Torstendahl 1984, p. 162.
- 22 Pugh 1982, pp. 12–13; Gareth Stedman Jones 1983, p. 213.
- 23 Pugh 1982, p. 76.
- 24 Biagini and Reid 1991, pp. 14–15.
- 25 Ibid., p. 237.
- 26 Melling 1991b.
- 27 Pugh 1982, pp. 78–80.
- 28 Tanner 1990.
- 29 Ibid., pp. 120–123.
- 30 Tanner 1990.
- 31 Ibid., pp. 129–133.
- 32 Savage 1987, pp. 189–192.
- 33 Biagini and Reid 1991.
- 34 Howell 1984, p. 6.
- 35 Reid 1983, pp. 171–172.
- 36 Gareth Stedman Jones 1983, p. 2.
- 37 Reid 1983, pp. 183–185.
- 38 Price 1986, p. 158; Ritter 1989, pp. 124–125.
- 39 Melling 1994.
- 40 Cf. Hay 1978, p. 114 and Torstendahl 1991.
- 41 Blackbourn and Eley 1984, p. 101.
- 42 Ibid., p. 102; Ritter 1989, pp. 125–126.
- 43 Blackbourn and Eley 1984, pp. 103–104.
- 44 Trägårdh 1990.
- 45 Zeitlin 1987, pp. 20–24 and Reid 1985.
- 46 Cronin 1984, ch. 2.
- 47 Price 1986, pp. 161–162; Ritter 1989, p. 127.
- 48 Price 1986, p. 163.
- 49 Tanner 1990.
- 50 On this point I have benefited much from a manuscript draft (1991) which Richard Wright, Cambridge University made available to me.
- 51 Ibid.
- 52 Ibid.
- 53 Ibid.
- 54 Ibid.
- 55 Tolliday 1987, p. 82.
- 56 Ibid.

- 57 Ibid., p. 83.
 - 58 Ibid., pp. 84–85.
 - 59 Ibid., pp. 86, 88–90.
 - 60 Ibid., pp. 93–94.
 - 61 Ibid., pp. 100–103.
 - 62 Ibid., p. 105.
 - 63 McDonald and Gospel 1973.
 - 64 Tomlinson 1994, pp. 99–101.
 - 65 Ibid.
 - 66 Ibid.
 - 67 Ibid.
 - 68 Developments were similar in the British shipbuilding industry which did not manage to overcome fragmentation either. The majority of shipyard enterprises remained small and independent. Frequently under family ownership or control, they tended towards a jealous guarding of independent action. The evolution of union organisation mirrored this technical and organisational structure. The fragmentation of the shipbuilding industry and the perception of competitive relations led each firm to view its interests as separate. Family-controlled private limited status continued to be the most common form of ownership up to the 1960s. The few mergers that took place in the 1950s were between adjoining yards and were instigated to meet the technical requirements of building larger vessels, rather than any general rationalisation vision of the industry. Lorenz and Wilkinson 1987, pp. 110–111, 114, 122–125, 127.
- British shipbuilders did not recognise the plant-specific and product-specific economies of scale that gave a competitive edge to foreign producers. Industrial fragmentation had further negative effects in preventing the adoption of more systematic forms of labour management. The initial tendency to discount ‘scientific management’ can best be explained by the legacy of skilled labour-intensive forms of production. The complexities of bespoke production had precluded the easy replacement of skilled craftsmen by machines, according to Lorenz and Wilkinson. In countries like Germany, Sweden and Japan, where the supply of skilled labour was less assured and bespoke production less pronounced, builders organised the division of labour in a way that placed greater reliance on supervisory and technical personnel.
- As new techniques in British shipbuilding were ‘captured’ by the skilled trades, their flexible use across occupational boundaries was precluded. The industrial structure of unionism in other major shipbuilding nations meant that unions did not have the same vested interest in establishing control over particular tasks, tools, or materials. For an industrial union, unlike a craft union, such jurisdictional control was not perceived as serving the union’s long-term interest of preserving its employment base. Britain was also distinguished by its tradition of militant shopfloor-level control over job content. As long as British producers remained small and continued to produce bespoke products a premium would continue be placed on skill.
- 69 Lewchuk 1987, pp. 137–139.
 - 70 Ibid., pp. 29–41. Morris used Tayloristic methods in the 1920s, based on the subdivision of tasks and the timing of jobs. But he did not aim to eliminate manual work or labour input that required human care and attention.
 - 71 Ibid., pp. 46–51; Howell 1984, p. 90.
 - 72 Price 1986, pp. 164, 167.
 - 73 Ibid., pp. 164–165.
 - 74 Pugh 1982, pp. 202–203.

- 75 Booth and Pack 1985, pp. 56–58, Tomlinson 1994, p. 86.
- 76 Pugh 1982, p. 213.
- 77 Ibid., pp. 219–220.
- 78 Ibid., pp. 264–266.
- 79 Ibid., pp. 264–266.
- 80 I am grateful to Alan Booth, Exeter, for comments on this point.
- 81 Pollard 1969, p. 102.
- 82 Booth and Pack 1985, ch. 5.
- 83 Dartmann 1992, p. 329.
- 84 Ibid., pp. 330–331.
- 85 Torstendahl 1991, pp. 127–129. Cf. Crosland 1967.
- 86 Ibid., p. 129.
- 87 Ibid., pp. 145–147.
- 88 Foote 1985, pp. 230–231.
- 89 Tomlinson 1982, p. 63.
- 90 Gareth Stedman Jones 1983, pp. 243–244.
- 91 Ibid., p. 245.
- 92 Ibid., pp. 250–251
- 93 Torstendahl 1991, p. 155.
- 94 On this point I am grateful for comments made by Joseph Melling, Exeter.
- 95 Torstendahl 1991, p. 156.
- 96 Streeck 1992.
- 97 The division between finance and industrial capital is analysed by Ingham 1984.
- 98 Elbaum and Lazonick 1987, pp. 14–15.
- 99 Ibid., p. 15.
- 100 Stråth 1987, pp. 118, 152–153. Cf. Lorenz 1983, pp. 197–212, 231–243. See also Eldridge 1967, p. 10 who was earlier than most other observers to put the demarcation disputes in perspective and as early as in 1968 foretold their gradual petering out.
- 101 Elbaum and Lazonick 1987, pp. 15–16.
- 102 For instance the Fairfield experiment at a shipyard in Glasgow, the Geddes Report on shipbuilding in 1966, and the Woodcock Report in 1971 with the purpose of seeking ways of reducing demarcation disputes and, like the Geddes inquiry, to improve industrial relations in shipbuilding. Stråth 1987, pp. 119–125. Other examples are the Donovan Commission (1965–1968) and the Bullock Commission on industrial relations appointed in 1974. Price 1986, pp. 221, 228, 238–247.
- 103 Lash and Urry 1987, p. 271.
- 104 Ibid., p. 271.
- 105 Brown 1991 and Tomlinson 1994, p. 292.
- 106 Tomlinson 1994, p. 306.
- 107 Tomlinson 1994, p. 283. The link between industrial policy and the EEC debate was seen by Benn and his allies as straightforward. For them the EEC's founding Treaty of Rome embodied a commitment to the market economy incompatible with the interventionism of the industrial strategy. Hence the anti-EEC posture was closely interwoven with the industrial policy.
- 108 Ibid., p. 291.
- 109 Ibid.
- 110 Ibid., p. 272.
- 111 Ibid., p. 276.
- 112 Elbaum and Lazonick 1987, p. 16.

5 JAPAN

- 1 Beasley 1982, p. 242.
- 2 Ibid., p. 256.
- 3 Garon 1987, p. 11.
- 4 Sumiya 1963, pp. 71–73. Concerning the growth of heavy industry he gives much higher figures (p. 88 13,000 in 1890 and 158,000 in 1901). Sumiya's figures are not based on the official statistics but on a history of the Japanese labour movement. For the top fifty list, see Nakagawa 1985, p. 13.
- 5 Masaki 1986, pp. 26–27. In 1876–1879, 149 national banks were established; over half were set up by former members of the warrior class as the profitability of banking became apparent. Private banks, e.g. the Mitsui Bank, and companies performing banking activities began to be set up in great numbers. By the end of 1884 there were 950 such institutions. In 1885, the Bank of Japan began issuing convertible bank notes, a function previously performed by the national banks, thereby laying the foundation for a stable modern currency system. This stability gave rise to a large number of new rather large-scale businesses. An important result of this new economic activity was a shift in emphasis on the Tokyo and Osaka stock exchanges from trading mostly in national bonds to trading in private stocks. Ibid., pp. 29–30.
- 6 Ibid., pp. 32, 47; Sugiyama 1984, pp. 2, 40, 42. For a discussion of subsidies in shipping and shipbuilding, see Wray 1984, p. 486.
- 7 Beasley 1982, pp. 147–148. See also Kobayashi, M. 1985. Most of the shipyards tended to diversify into mechanical engineering and steel industries. The break-through for the iron and steel industry was achieved at the large-scale combined iron and steel mills, once established by the government. They produced diversified products for private as well as public markets. Beasley 1982, pp. 13–14.
- 8 As early as in the 1870s one government faction, under Okubo, supported Mitsubishi and another, under the influence of Itō, supported Mitsui. In the 1890s Kawasaki employed the son of the Minister of Finance Matsukata as Managing Director. Okubo died in 1877 and his successor Okuma was forced by Itō to resign in 1881. After this Itō's faction developed close contacts with Mitsubishi, too. In 1884 Mitsubishi rented the government's Nagasaki yard, i.e. before the privatisation drive, and purchased it in 1887. In 1885, the government took the initiative in the merger of the Mitsubishi shipping company and a competing company, Kyo'do, resulting in the formation of Japan Post Line Company (NYK), to which the government guaranteed an 8 per cent return for 15 years. Nakagawa 1985; Shiba 1987. Inoue Karou was perhaps the best-known example of a retired official who moved between the two worlds with ease. Frequently a Minister of State, he headed several governmental agencies between 1878 and 1898, while serving as a director of some of Japan's biggest companies. Garon 1987, p. 19.
- 9 Garon 1987, p. 20.
- 10 Gordon 1985, pp. 18–19.
- 11 Ibid., p. 19.
- 12 Ibid., pp. 21–22. The following discussion of mobility is based on *ibid.*, pp. 36–38, 40–42 and Sumiya 1963, pp. 89–92. For examples of mobility in the shipbuilding industry, see *ibid.*, p. 92.
- 13 Gordon 1985, pp. 36–38.
- 14 Ibid., p. 47 and Sumiya 1963, pp. 53, 89–91. The shipyard union at Ishikawajima shipyard at Sumida, Tokyo founded in 1889, and which at that

point was the only trade union with a systematic organisation, was based on the idea of co-operation with management aiming at 'increasing the benefits for both labour and management'. The union soon collapsed. This kind of union is reminiscent of the early labour clubs in Europe, although a distinctive Japanese mark was that it was bound to the enterprise instead of the city, and concentrated on specific trade unionistic matters rather than on the situation for labour in general.

- 15 Sumiya 1963, p. 95. Takano was a university graduate. He formed *sho'kko-giyukai* (Knights of Labour) among Japanese Workers in San Francisco in 1890. Appointed AFL organiser for Japan by Gompers, Takano and other leaders returned home during the Sino-Japanese War. In 1897, together with liberal reformers and Christian socialists, they founded the Association for the Promotion of Labour Unions. They assiduously avoided confrontation with employers.
- 16 Ibid., p. 97.
- 17 Iwao 1973, p. 292.
- 18 Sumiya 1963, p. 95.
- 19 Ibid., pp. 99, 132–133.
- 20 Gordon 1985, p. 69.
- 21 Iwao 1973, p. 295.
- 22 Ibid., p. 297.
- 23 Sumiya 1963, pp. 98–99. Cf. Iwao 1973, pp. 299–304. In November 1905 the socialist intellectual Ko'toku was released from prison where he had been serving time for anti-war activities during the Russo-Japanese War. When released, he travelled for nearly a year in the US where he was impressed with the anarchosyndicalism of the Industrial Workers of the World. Ko'toku rejected not only reformism, but also the Marxism of Kautsky and Bebel. He called for direct negotiations with the employer and with the use of strikes if necessary, and argued against involvement in political issues, because that would divert the energy of the workers from their 'real' struggle. Excited by the Ashio copper mine conflict in 1907 he advocated what he called 'direct action'. As a result, the government ordered the immediate disbanding of the Socialist Party. The movement then split into two factions: the believers in parliamentarism and the believers in 'direct action', among the latter group Ko'toku. In the high treason trial of 1910–1911 Ko'toku and eleven other socialists were condemned to death and executed for allegedly plotting to take the life of the emperor.
- 24 Gordon 1985, p. 50.
- 25 Ibid.
- 26 Ibid., p. 40.
- 27 Ibid., pp. 41–42.
- 28 Ibid., pp. 45–46. Ishikawajima made a clumsy attempt to draw the *oyakata* closer to the company in 1906 by offering them better wages, while at the same time asserting greater control over workers with a hierarchy apparently based on military organisation. The managers, however, lacked the necessary sophistication, and a strike ensued. Regular workers called the wage rise for the *oyakata* unfair and discriminatory.
- 29 Ibid., p. 61.
- 30 Sumiya 1963, pp. 138–141.
- 31 Garon 1987, pp. 22, 25–29.
- 32 Ibid., p. 28. As early as the beginning of the 1880s, progressive bureaucrats had been accumulating evidence with the intent of enacting labour and factory laws

- to protect workers. They proposed a factory law many times in the 1890s. They were supported by scholars and journalists who appealed to the public through the media.
- 33 Ibid., p. 29.
 - 34 Eisenstadt forthcoming.
 - 35 Sumiya 1963, pp. 139, 141.
 - 36 Garon 1987, p. 39.
 - 37 Sumiya 1963, p. 139.
 - 38 Sumiya 1963, pp. 136–137.
 - 39 Ibid., p. 136. The first training school was established in 1899 by the Mitsubishi Nagasaki Yard for its own employees. A course to give apprentices technical knowledge was adopted in 1909 at that school. The Ishikawajima Shipyard established an employee training system in 1905. In the same year the Shibaura Works introduced a similar system. The Uruga Dockyard followed in 1906, the Yokosuka Naval Dockyard in 1910 and the Osaka Iron Works in 1910. At first these companies depended on co-operation with external vocational institutes for the training, but many of them later developed their own training schools.
 - 40 Gordon 1987, pp. 45–46.
 - 41 Ibid., p. 46.
 - 42 Sumiya 1963, pp. 133–134.
 - 43 See Lorenz 1983, for a comparative discussion of the labour-intensive shipbuilding industry in Britain and its capital-intensive counterpart in France. Cf. also Str  th 1987, p. 11 for differences as to the professional identity-giving titles the shipyard workers used in Europe because of differences as to labour or capital intensity. In labour-intensive British industry with craft unions, the shipyard workers referred to themselves as boilermakers, platers, riveters, plumbers, blacksmiths, anglesmiths, joiners, and so on. In the other West European countries they called themselves shipyard workers.
 - 44 Sumiya 1963, p. 111.
 - 45 Nakagawa 1985, p. 17.
 - 46 Garon 1987, p. 78; Allen 1973, pp. 382–383.
 - 47 Garon 1987, p. 78.
 - 48 However, the employers were not totally successful. At Shibaura the management-sponsored factory committee or yellow union was set up in 1919 to counter the still growing So-do-meï contingent there. The yellow union changed colours and led a controversial strike in 1920. In 1921 Shibaura workers created a single, independent, company union. By 1921, strong factory-based unions were in place at Shibaura, Ishikawajima, and the Yokohama Dock Company, as well as at a host of other heavy industrial firms nationwide. The strength workers in heavy industry were able to muster between 1917 and 1921 had forced managers to rethink their attitude to labour. In the 1920s and 1930s they almost always chose to confront or co-opt unions, rather than recognise them, but they also revamped the system of paternal management in policies concerned with hiring, job security, wages and welfare in order to avoid the recurrence of the ‘double problems’ of labour and the working class. Lockwood 1973, p. 373.
 - 49 Ibid., pp. 374–375. Mitsui, Mitsubishi and Sumitomo all independently established such departments in their head offices between 1917 and 1921. Shibaura was a leader in the Kanto region in this respect.
 - 50 Garon 187, pp. 192–201.
 - 51 Ibid., pp. 192–194.
 - 52 Ibid., pp. 198–199.
 - 53 Ibid., p. 201.
 - 54 Beasley 1982, pp. 216–217. For the introduction of scientific management, see

- Nakase 1979, p. 173. Cf. also Pempel and Tsunekawa 1979, pp. 252–253. The number of employees in the heavy and chemical industries increased from 162,000 in 1914 to 448,000 in 1919, i.e. an increase of 177 per cent in five years. (In 1931 the figure was 553,000.) As to the shipbuilding industry, the number of enterprises increased by nearly tenfold during the war. Before the war, there were only five shipyards able to build vessels of 1,000 dwt or more. The number had increased to forty-five by the end of the war, and the earlier import surplus of ships had been turned to an export surplus. Because of the recession after the war and the agreement at the Washington Conference in 1922 to restrict naval vessels, operations were curtailed under severe labour disputes. Strategies of diversification were implemented to cope with the situation. Manufacturing of automobiles and electrical machinery was tried by several enterprises.
- 55 Sumiya 1963, pp. 153–154. The Iwasaki family, who owned Mitsubishi, were aggressive in investing in heavy industries. The Mitsubishi Shipbuilding Company, with several shipyards, and the Mitsubishi Iron and Steel Mills with three plants in Korea to supply steel for building warships, were established in 1917. Mitsubishi Combustion Engines was founded in 1920 and started to build engines for aircraft at the Kobe shipyard. The company established a large aircraft plant in Nagoya and developed into the Mitsubishi Aircraft Company in 1929. The diversification of Mitsubishi occurred because the profits from its coal mining were declining, owing to the increasing output of electric power, and also because its shipyards were idle on account of the worldwide naval disarmament movement after the Washington Conference in 1921–1922. Mitsui was less heavily industrialised than Mitsubishi, while the third largest old *zaibatsu*, Sumitomo, was more heavily industrialised.
 - 56 Gordon 1985, p. 81.
 - 57 Sumiya 1963.
 - 58 Ibid.
 - 59 Garon 1987, pp. 200–222.
 - 60 Ibid.
 - 61 Cole 1971 and Moore 1983.
 - 62 Moore 1983, pp. xiv–xv. See also Cole 1981, pp. 16–20 and Sumiya 1963, pp. 260–268.
 - 63 Reed 1988, pp. 316–317.
 - 64 Garon 1987, p. 22; Iwao 1973, p. 412.
 - 65 Garon 1987, p. 223.
 - 66 Cole 1989.
 - 67 Interview with Takayama Shigeya, general manager Mitsubishi Heavy Industry, and Kyoshi Mizoguchi, president Zenzosen February, April, 1988. In shipbuilding, the left-wing industry union Zenzosen continued to be strong till the mid-1960s. In that respect shipbuilding held a unique position in Japanese industrial relations. Zenzosen was finally banished into insignificance (in 1988 some 6,000 members) after a struggle against a merger and new organisation and rationalisation measures at Mitsubishi in 1964–1965. Ishikawajima, too, had a strong Zenzosen union till the beginning of the 1960s.
 - 68 Pempel and Tsunekawa 1979, pp. 245, 261–264.
 - 69 Sumiya 1963, pp. 256–257; Cole 1971, p. 272.
 - 70 Sumiya 1963, p. 256.
 - 71 Kamata 1982. Cf. Okayama 1986.
 - 72 Cole 1979, pp. 2–3.
 - 73 Aoki 1988.
 - 74 Chalmers 1988, pp. 3–4, 179, 181, 312.

- 75 Yamamoto 1967, pp. 30–31, 184–185. See also Rohlen 1979, especially pp. 235–238, 240, 242–245, 247–249, 254. Cf. Koike 1983 who shows the failings of the view that explains the Japanese industrial relations system through seniority wages and lifetime employment. Cf. also Dohse *et al.* 1984, p. 39.
- 76 Cole 1971.
- 77 'Labour Unions' Adaptation to the Structural Change in the Shipbuilding Industry'. *Zosenjukioren*, Tokyo, August, 1980.
- 78 Kikkawa 1983.
- 79 At the request of the Ministry of Transport ('mainly for the purpose of avoiding a state of confusion arising from excessive shortage of construction volume') the Council for the Rationalisation of the Shipping and Shipbuilding Industries submitted a rescue programme for the shipbuilding industry to the Ministry. The council was established as an expert committee for the shipbuilding and shipping sectors which was established in the early 1950s to support the government with advice in shipbuilding and shipping affairs. The members of the council were university professors and representatives of the industry and its trade associations, the banks, and, unique to Japan, the mass media. The unions had one representative.

In 1976 the council proposed a 35 per cent capacity cut for the shipbuilding industry. The Ministry of Transport put forward 'guidelines' which requested the reduction of operating hours by 67 per cent and 63 per cent respectively for the next two years as compared with 1976. In new 'guidelines' in 1978 continued reductions were suggested for 1979 and 1980. Such 'guidelines' do not have any legally conclusive effects, but few if any companies try to dodge implementation. The price would be a deteriorating relationship with the government, which could cause long-term problems for the company. However, shipbuilding was not cured of its crisis. In 1983 prospects were deliberated once again by the Council for Rationalisation. For 1983 and 1984 the Ministry of Transport prescribed new-building quotas for the big yards. In 1986 the Council for Rationalisation, and then the Ministry of Transport, proposed a new reduction of capacity by 20 per cent. *Ibid.* Interview with Kaibara Naotake, Rengo, March, 1988.
- 80 'Labour Unions' Adaptation to the Structural Change in the Shipbuilding Industry'. *Zosenjukioren*, Tokyo, August, 1980.
- 81 *Ibid.*, and interview with Kaibara Naotake, Rengo, March, 1988.
- 82 Lecher and Welsch 1983, pp. 137–142. Cf. Sugimori *et al.* 1977 and Kobayashi, H. 1983, p. 527.
- 83 Ouchi 1982, pp. 28–30. Cf. McGregor 1960.
- 84 Nakase 1979, p. 173; Greenwood and Ross 1982, p. 44; Schonberger 1982, p. 193. Cf. also Kamata 1982.
- 85 For a sophisticated comparison which does not end up in this pitfall but relates different national management resolutions (Japan, US, Sweden) to institutional and political differences, see Cole 1985.
- 86 Dohse *et al.* 1984, pp. 42–45.
- 87 *Ibid.*, p. 38. Cf. Tokunaga 1983, p. 15.
- 88 Aoki 1988.

CONCLUSIONS

- 1 For a discussion of Keynes and the concept of 'political market' in this perspective, see Str  th 1987, p. 235–236. For a discussion of the overexploitation of Keynes, see Skidelsky 1979.

- 2 Tilly 1984, p. 14.
- 3 Heclo and Madsen 1987, p. 322.
- 4 For a discussion of Sweden in the early twentieth century and the 1970s in such a perspective, see manuscript draft by Carl Holmberg, Göteborg University (forthcoming).
- 5 Ibid., p. 229.
- 6 Laqueur 1974.
- 7 In the 1870s nationalism in Germany changed in important respects. From having been an element of bottom-up liberal protest against the feudal society of estates, nationalism became an element of conservative identity construction with the aim to ward off threats experienced in the form of the emerging working class. In the late 1870s the majority of the liberals became attracted by this conservative message. They became the National Liberals. Wehler 1988; Nipperdey 1990; Langewiesche 1988.
- 8 For the German emigration, see Moltmann 1976.
- 9 Biagini and Reid 1991, p. 9.
- 10 Henningsen 1977.
- 11 Eisenstadt forthcoming.
- 12 Jackson Lears 1985, pp. 586–587, 590–591.
- 13 Flyvbjerg 1991, pp. 105–115. Cf. Anrup 1990.
- 14 Zimmermann and Saalfeld 1988, pp. 44–45, 47, 49–52.
- 15 See on this point Rueschemeyer 1992.
- 16 Kilander 1991.
- 17 Rueschemeyer *et al.* 1992.
- 18 Stråth and Torstendahl 1992.
- 19 This point of departure is elaborated in greater depth in Stråth and Torstendahl 1992. I owe a great debt to Rolf Torstendahl for his many sharp-sighted comments and suggestions on this point.
- 20 Petersson 1987, p. 83.
- 21 Tilly 1984, pp. 28–29, 63, 147. Following Georg Simmel and Harrison White, Tilly calls this combination of shared characteristics and social ties ‘catnet’ (category x network). Population, for instance, forms a category.
- 22 Mann 1986, p. 23.
- 23 Mann 1986, pp. 1–2, 27–28. Networks in themselves do not answer questions about the specific role of the state, how the networks relate to other mechanisms of governance, whether the state is an authoritarian or coercive order, where social control comes in and what keeps networks from falling apart, whether they form communities with shared values, their degree of permanency or occasional existence, their driving force, what set of factors determine collaboration and coalition formation, etc.
- 24 For this discussion of gender I benefited much from talks with Ulla Wikander. The distinction between labour markets and labour relations suggested to me by the publisher’s (unnamed) reviewer of the manuscript was valuable.
- 25 European Forum 1994.
- 26 Tilly and Scott 1978.
- 27 Sommerstad 1994.
- 28 Ibid.
- 29 Wikander 1994.
- 30 Ibid., p. 230.
- 31 Ibid., p. 232.
- 32 For a convincing case study of a Swedish factory, see Wikander 1988.

NOTES

- 33 Stråth 1993.
- 34 Ibid.
- 35 Ibid.
- 36 For figures in a comparative perspective, see Stråth 1992
- 37 For an analysis of this process, see Stråth 1987.
- 38 Polanyi 1944.

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INDEX

- Abelshauser, Werner 68, 238
 Adenauer, Konrad 63, 64, 67
 ADGB union 46, 48, 58, 59
 Adler, Victor 231
 AEG 56
 af Malmborg, Mikael 238
 Agartz, Viktor 62
 Ahlener programme 62–3
 Allen, G.C. 173
 Amalgamated Engineering Union (AEU) 136
 Amalgamated Society of Engineers (ASE) 114, 115, 136
 Åmark, Klas 240, 241
 American Federation of Labour 160
 American strategies 24, 67, 135–6, 172–3, 191; influence of 73, 85–6
 Anrup, Roland 232, 233
 anti-capitalism 155
 Anti-Socialist Law (1878–90) 36, 39–40
 Aoki, Masahiko 185, 193, 228, 248, 249
 apprenticeships 114–16, 124, 159
Arbetsmarknadsstyrelsen (AMS) 95
 Arbitration Act (1923) 68
 Aronsson, Peter 240
 Ashio copper mine 246
 Askwith, George 125
 Attlee, Clement 141, 143
 Austria 231
 autonomous groups 191

 Baade, Fritz 58
 Bad Godesberg programme 64, 66
 Baldwin, Stanley 133
 Bank of England 109
 banking *see* finance and banking
 bargaining 145, 151, 152, 192
 Beasley, W.G. 245, 248

 Bebel, Ferdinand 246
 Benn, Anthony Wedgwood 149–50
 Benz, Wolfgang 238
 Berghahn, Volker R. 64, 65, 69, 236, 237, 238; *et al.* 231
 Berlepsch, Baron Hans Hermann von 33
 best-practice 130, 131
 Beveridge, William 144
 Bevin, Ernest 144
 Biagini, Eugenio F. and Reid, Alastair J. 17, 122, 232, 242, 250
 Bismarck, Prince Otto von 33, 37, 217, 235
 Blackburn, David and Eley, Geoff 30–1, 126–7, 234–5, 242
 Bloch, Marc 5
 Board of Trade 125
 Boch, Rudolph 237
 Böckler, Hans 61
 Boer War 126
 Bolshevism 128, 169
 Booth, Alan 244; and Pack, Melvyn 140, 243, 244
 bourgeoisie 30–1, 203, 232, 234–5
 branch community metaphor 231
 Branting, Hjalmar 92
 Braudel, Fernand 7
 Breslau Congress (1925) 49
 Broszat, Martin *et al.* 237
 Brown, W. 244
 Brubaker, Rogers 231
 Brunsson, Nils and Olsen, Johan P. 232
 Buddhism 164
 budget deficits 2, 139
 Bullock Commission 150, 244
 Bülow, Prince Bernhard von 35
Bund der Industriellen (BdI) 36, 45

- bureaucratisation 17, 110–11
 Butler, R.A. 153
 Butskellism 153
- Calvinism 18
- capital 16, 64, 73, 100, 217;
 accumulation 78; borderless flows of
 10; different kinds of 174;
 investment 109; labour organisation
 of 108, 178; organised 30, 32, 80,
 84, 90–1, 204–5; redistribution of
 98; shortage 157
- capitalism 1, 10, 62, 118, 139, 154–6,
 156; corporative 231; organised 24,
 28, 57, 71, 93, 148, 152, 201;
 participatory 93, 140, 216;
 restructuring of 110
- cartels 56, 84–5, 110; open 78–82, 90,
 93; price 115, 125, 160
- Catholics 18, 39, 40, 42, 43
- ‘Cattle Trading Agreement’ (1933) 88
- centralisation 62, 76, 90, 95, 98, 114, 145
- Centralverband Deutscher Industrieller*
 (CDI) 29, 35, 44, 45, 80, 83, 202
- Chalmers, Norma 185–6, 249
- Chamberlain, Joseph 154, 201
- Chartism 119
- chess game metaphor 20–1, 232
- Chickering, Roger 238
- China 154, 205
- Christian Democrats (CDU) 62, 63, 202
- class 12, 18, 23, 24, 111, 123–4, 135,
 210, 224, 226, 227; conflict 17;
 consciousness 183, 186; identity 37–8,
 160, 201–2, 204, 220; influence of
 76–7; perception 117–25, 146;
 politics 143–4; struggle 43, 52, 61,
 75, 111, 146, 198–9, 236
- Clause 4 129
- co-determination 62, 63–6, 69, 146, 150
- Co-determination Act (1976) 69, 101
- Cohen, Max 57, 59
- Cold War 63, 65, 66, 180, 181, 199,
 204, 206
- Cole, Robert E. 185, 187, 248
- colleague, concept of 11, 70, 102, 191
- collective bargaining 34, 78–9, 80, 90,
 96, 113, 133, 179–80, 236
- common interests 82
- Communism 168, 179, 202, 213
- company *see* industry/ies
- comparison 5–7
- competition 87–8, 105, 111, 117, 131,
 192, 217–18
- compromise 44–53, 82–3, 85, 88–94,
 205, 206, 212, 216
- computerisation 227
- concentration process 27–33
- concepts 20, 22, 23, 211, 229
- concertation 10
- Conciliation Act (1923) 51
- Conciliation Boards 134
- Confederation of German Employers
 (BdA) 67
- Confederation of German Industry
 (BDI) 67
- conflict 19, 37, 42, 44–53, 79–80, 113,
 147, 165, 169, 179, 203, 206, 207,
 211, 226; resolution 4, 82–3
- confrontation 32
- Confucianism 19, 164, 206
- consensus 14, 25, 81, 171, 173, 187,
 198, 212, 231
- contingency 196
- continuity/discontinuity 6–7, 12, 16,
 20, 67, 69, 196, 200, 209, 237
- convergence 228
- corporatism 10, 56, 66, 70, 149–50;
 liberal 68–70
- craft skill 109, 112, 115–16, 158
- crisis 7–9, 71–8, 110, 196, 200, 214,
 215, 227, 235; periods of 9–13;
 resolution 88–9; responses to 11
- Cronin, James E. 242
- Crosland, Anthony 141, 244
- culture 13–26
- Dahrendorf, Ralf 234
- Dalton, Hugh 138
- Dawes Plan 54
- DDP (Germany) 49
- December Compromise (1906) 102, 207
- decentralisation 31, 67, 76, 103, 107,
 145, 159, 227
- Defence League 238
- de Geer, Hans 241
- democracy 3, 30, 93, 98, 231, 232;
 breakdown of 16–17
- Deutsche Gewerkschaftsbund* (DGB)
 62, 64, 65, 70
- Deutsche Institut für Technische
 Arbeitsschulung* (DINTA) 56
- devaluation 15, 213, 214
- deviation 18

- d'Iribarne, Philippe 18, 232
 discursive power 221
 Disraeli, Benjamin 111, 217
 Dodge Plan 180, 181
 Dohse, Knut *et al.* 249
 Domei 182
do-mei-hik 160
 Donovan Commission 244
 double doctor-heir strategy 58–9
 Drescher, Seymour *et al.* 231
 Duisberg, Cari 45
- Ebert-Groener Pact (1918) 45
 Economie Council (*Wirtschaftsrat*) 49
 economic cycles 194
 economics 15
Einigungsämte (conciliation/arbitration boards) 32
 Eisenstadt, Shmuel N. 165, 210, 247
 Elbaum, Bernard and Lazonick, William 148, 244
 emancipation 226–7
 emigration 27–9, 73–8, 85, 206–7
 empirical opportunism 81
 Employee Representation on Boards of Directors Act (1973) 101
 employers 95; associations 71, 80, 110, 114, 133; challenges for 205; lexible response of 78–82; interests of 130, 217; response of 199; strategies of 102, 176–7; strength of 135
 employment, full 11, 96–7, 187; lifetime 186, 187, 188, 205, 249; long-term 175–6; temporary 183–4; *see also* unemployment
 Engineering Employers' Association 86
 Engineering Employers' Federation (EEF) 114
 enterprise unions 182–3
 equality 223–5
 Erhard, Ludwig 63, 66, 68
 Esping-Andersen, Gösta 241
 European Community (EC) 103
 European Union (EU) 107, 226, 228, 229
 experience 238
 exports 123, 239
- Fabian Society 137, 202, 217
 factory, committee system 170, 247; employment 156–7; law 246–7
 Factory Law (1911, 1916) 163, 165, 174
 Factory Survey Office (Japan) 163
 Fahlbeck, Pontus 74
 family metaphor 33, 85, 164–8, 173, 190, 197, 205, 206, 210, 214, 220, 232
 Farmers' Party 2
 fascism 13, 14, 26, 171, 208, 231
 Federal Republic 69
 Federation of British Industry (FBI) 134–5
 Federation of Swedish Industries, The 81
 Feldmann, Gerald D. and Steinisch, Irmgard 237
 finance and banking 21, 56, 109, 132, 146, 156, 173, 245; transformation in 71–2, 73, 239
 flexibility 11, 212, 227
 Flyvbjerg, Bernt 232, 250
folkhemmet 75–7, 85, 94, 96, 151, 197, 198, 199, 207, 210, 212, 214, 215, 220
 Foote, Geoffrey 241, 244
 Ford, Henry 11, 136
 Fordism 77, 192
 Foster, John 242
 4th of October Committee 100
 fragmentation 11, 119, 130, 131, 143, 200, 212, 218
 frameworks 20, 195, 229; radical 39–40
 fraternity rescue fund 190
 fraternity system 170
 Free Conservative Party 33
 free enterprise 63
 Friendly Society 168
 Fröland, Hans-Otto 238
 Fusutaro, Takano 160
- Gaitskell, Hugh 143, 153
 Gailbraith, John Kenneth 12, 231
 game theory 232–3
 Garon, Sheldon 245, 246
 gender issues 106–7, 221–7
 General Commission of the German Unions 42–3
 General Strike (1926) 133, 135, 137, 138
 Germany, compared to Sweden 107–8; emergence/erosion of liberal corporatist order 68–70;(e)migration in 27–9; from compromise to conflict 44–53; labour concentration/ contradiction in 27–33; rationalisation and unemployment 53–9; social market economy in 61–8;

- workers and
- their organisations 37–44
- Gewerbegerichte* (courts of trade) 32
- Gilcher-Holtey, Ingrid 236
- Gladstone, Herbert 120
- Gladstone, William Ewart 118, 120, 209, 217
- Glete, Jan 239
- Gluck, Carol 24–5, 198, 233
- Gompers, Samuel 160, 246
- Gordon, Andrew 167, 206, 246, 248
- Grand Coalition (CDU-SPD) 69
- Gray, Robert Q. 242
- Great Depression 13, 14, 24, 58, 88, 90, 140, 173, 180, 199, 208–9, 215
- Grebing, Hela 234, 235, 236, 237
- Greenwood, Ronald G. and Ross, Howard 249
- Griffith, R. 231

- Habermas, Jürgen 21, 76
- Hamburg Congress (1928) 49
- Hannover conference (1946) 62
- Hansson, Per-Albin 89
- Hardie, Keir 119–21
- Hay, J.R. 242
- Heckscher, Eli 74
- Heclo, Hugh and Madsen, Henrik 198, 241, 250
- Hegel, G.W.F. 12
- hegemony 24–6, 233
- Henderson, Arthur 128
- Henningsen, Bernd 111, 240, 250
- Herr-im-Hause* see master-of-the-house
- hierarchical organisation 42
- Hilferding, Rudolf 57, 91
- Hinrichs, Peter and Kolboorm, Ingo 237
- Hinton, James 242
- Hintze, Otto 5
- Hirdman, Yvonne 231
- history 15, 31, 196, 228, 230–1; process of 17–18
- Hitler, Adolf 61, 155
- Hobsbawm, Eric J. 242
- Homberg, Carl 250
- Holmburg, Heidrun 54, 234, 237
- honko* 186
- Hoston, Germaine A. 232
- Howell, David 241, 242
- Huber, Ernst Rudolph 237
- human relations 191
- Hygikai 169–70, 181
- hyperinflation 15, 50, 52, 54, 212–13, 214

- ideal type 9–13
- identity/ies 12–13, 18, 111, 177; national class-based patterns of 10; tensions between categories 220
- ideology 4, 23, 24–5, 210
- IG Metall 64
- imperialism 30, 41, 155
- Independent Labour Party (ILP) 119–20, 144
- individualism 189, 201
- Industria* newsletter 86
- Industrial Peace Delegation (1929) 87
- industrial relations 7, 18, 21, 36, 63–4, 74, 76, 82–5, 113, 117, 150, 200, 210; built on career patterns 184–5; centralisation of 90; changes in 179; gravitation towards workshop level 152; and hiring/firing process 176–7; influences on 85; paternalistic-authoritarian 37; remaking of 206; removal from economic policy making 140–1; shaped at micro-level 193; state/ political embeddedness of 82–5
- Industrial Reorganisation Corporation 142
- industrialisation 27–8, 30, 44, 73, 222; compressed nature of 159
- industry/ies, declining 10; future-oriented 10; and government 156–8; growth of 71, 238–40; heavy 156–7, 159, 172, 183, 221, 245; heavy/light dichotomy 36, 50–1; labour policy of 162–3; wealth and power of 173
- Ingham, Geoff 241
- integration 3, 78, 81, 204
- International Federation of Trade Unions (IFTU) 140
- International Labour Organisation (ILO) 168, 169, 205
- Ireland 73
- Iron and Steel Federation 132
- Ishikawajima Shipyard 158, 161, 171, 245
- Ishikawajima-Harima 188
- iss hin* 155
- Italy 138

- Itō 245
Iwao, Ayusawa 246
- Japan, containment of labour in 178–83;
employers' double problem in
168–78; familism in 164–8;
government and industry in 156–8;
job security and company unions in
183–8; management and overnment
strategies in 162–4; mobile workers/
weak unions in 158–62; restructuring
in 188–93; revolutionary upsurge in
178–83; tradition, modernity and
capitalism in 154–6; worker radicalism
in 168–78
- Japan Post Line company (NYK) 245
Japanese miracle 19–20, 181, 191
Japanisation 24, 184, 228
Jarausch, Konrad 31
job, design 191; security 183–8
Job Security Act (1974) 101
Johansson, Alf 240, 241; and Melling,
Joseph 242
Joint Industrial Councils 133
joint stock companies 157
Jokisalo, Jouku 238
Jones, Gareth Stedman 23, 126, 232,
241, 242, 244
Jones, Larry Eugene 31, 37, 235
journeymen 159–60
- Kaelble, Hartmut 98, 234, 236, 238,
241; and Volkmann, Heinrich 236
Kaiserreich 29, 30
Kamata, Satoshi 184, 248
kanban 191
Karlström, U. 240
Karou, Inoue 245
Kautsky, Karl Johann 92, 93, 121, 246
Kawasaki 245
Keidanren (Federation of Economic
Organisations) 182
Keynes, J.M. 2, 12, 138, 139, 140, 142,
195, 209, 211, 231, 250
Keynesian/ism 10, 11, 13, 64, 69, 70, 77,
93, 147, 150, 195–6, 199, 209, 211
Kikkawa, Mototada 249
Kilander, Svenbjörn 239
king-peasant coalition 77
'Kingdom Stumm' 33
Kjellberg, Anders 240, 241
Kjellén, Rudolf 73, 75, 92
- Klotzbach, Kurt 237, 238
Knudsen, Tim 240
Kobayashi, Masaaki 245
Kocka, Jürgen 30, 234, 235
kōdō 155
Kōki, Hirota 171
Korea 68, 94, 154, 181, 182
Koselleck, Reinhard 7–8, 211, 230–1
Kōtoku 246
Krupp, Alfred 34
Kyōdo 245
- labour: aristocracy 124–5, 186; policies
162–3; relations 220–1 Labour Act
(1928) 84 labour market 220–1;
active policy in 94–9, 129;
contradictory organisation of 29–33;
control over 29; demand in 109;
differences and similarities in 4;
effect of retraining on 96;
fragmented 114, 125, 143; gender-
dimension 107, 221–7;
institutionalisation of 82; interests of
217; internal 185, 192; and job
security 103; mobility of 101, 103,
110, 157, 158–62, 245;
modernisation of 52; organisation of
8, 21, 194–5, 214; perception of 85;
polarisation of 84; segmentation of
87; stratification of 176–7; structure
of 205; uneasiness in 55–6; and war-
time involvement 93–4
Labour Market Board 95–6
Labour Representative Committee
(LRC) 120
laissez-faire 110, 147
Landsorganisationen (LO) 71, 79, 89,
90, 94–6, 98, 105, 106–7, 134, 223,
225, 226; Congress 87, 88
Langewiesche, Dieter 250
language 14, 20, 38, 210
Laqueur, Walter 41, 202, 250
Lash, Scott and Urry, John 244
Lassalle, Ferdinand 39–40
Lears, Jackson 233, 250
Lecher, Wolfgang and Welsh, Johann
249
Legien, Carl 32, 43, 47, 203
Legien-Stinnes Agreement (1918) 3, 46–7,
50, 200
Lehmbruch, Gerhard and Schmitter,
Philippe C. 10, 231

- Leipart, Theodor 50
Leistungsbereitschaft 192
 Lepsius, M.Rainer 41
 Lewchuk, Wayne 243
 liberal Taylorism/Keynesianism 13–14
 liberalism 30–1, 155, 202–3
 Liddtke, Vernon L. 41, 237
 Lindman, Arvid 80
 Lipset, S.M. 60
 Ljunggren, Stigbjörn 241
 Lloyd George, David 138, 217
 lock-outs 85, 114
 Lohmann, Theodor 33, 47, 235
 Lorenz, Edward H. 112, 113, 242, 244, 247; and Wilkinson, Frank 243
 Luther/ans 19, 76
 Lutz, Burkart 30, 234, 240
- MacArthur, General Douglas 178, 179
 McDonald, G.W. and Gospel, Howard 243
 MacDonald, Ramsay 120, 121, 128, 138–9
 McGregor, Douglas 249
 Macmillan, Harold 142
 Maier, Charles S. 13, 26, 231, 237
 Male Suffrage Act (1925) 170
 Manchuria 154, 170, 171, 173–4, 177
 Mann, Michael 15, 219, 232, 233, 250
 March, James G. and Olsen, Johan P. 232
 marginalisation 214
 market, expansion and regulation 8
 Marshall Plan 61
 Marx, Karl 17, 39, 140, 222, 234
 Marxism 2, 17, 20, 39–40, 60, 87, 93, 121, 125, 138, 232, 246
 Masaki, Hisashi 245
 Masayoshi, Matasukata, 154, 157, 245
 mass, consumption 77, 140, 195; production 135–7, 136, 140, 148, 195
 master-and-man relationships 118
 master-of-the-house 29, 32, 33–7, 44, 108, 123, 127, 151, 197, 198, 206, 220
 meaning 23, 216
 mechanisation 29
 Meidner Report (1976) 99
 Meidner, Rudolf 99, 241
 Meiji period 24, 25, 154, 160, 173
 Melling, Joseph 112, 113, 114, 242
- Metal Workers' Union (DMV) 57, 58, 59, 223
Metallarbetaren newsletter 86
 metaphors 20, 22, 198, 211
 middle class 144
 military Keynesianism 59
Mitarbeiter/medarbetare (colleague) 191, 228
 Mitsubishi 157, 172, 182, 245, 247
 Mitsubishi Nagasaki 158, 163, 166, 247
 Mitsubishi Shipbuilding Company 248
 Mitsui 157, 172, 247
 mobilisation 14, 16, 198, 225–6
 modernisation 1–5, 71–8, 154–6; American model 73–4; capacity of 48–9; and crisis 7–9; of labour market 52; progressive 29; top down/ bottom up 200; variety of 2–3
 Moellendorf, Richard von 56
 Möller, Gustav 89
 Moltmann, G. 250
 Mommsen, Wolfgang J. 234
 Mond, Sir Alfred 134
 Mond-Turner talks 130, 133, 134
 Mongolia 154
 monopolies 110
 Moore, Barrington Jr 16–17, 232, 248
 Morrison, Herbert 142
 Mosse, George L. 59–60, 237
 motor industry 135–6, 182
 MTM system 94
 muddling through 195, 198
 Müller, Hermann 51, 58
 Mussolini, Benito 155
- Nagasaki and Osaka Iron Works 158
 Nakagawa, Keiichiro 245, 247
 Nakase, Toshikazo 249
 Naotake, Kaibara 249
 nation 12, 111, 210
 National Confederation of Employers' Organizations (NCEO) 133, 134, 135
 National Enterprise Board (NEB) 149
 National Executive Committee 149
 National Plan (1965) 142
 National Socialism 208
 National Union of Vehicle Builders (NUVB) 136
 nationalisation 62, 142–3, 143, 144
 Naumann, Friedrich 31, 37, 203
 Navy League 238

- Nazis 3, 13, 59, 60, 203, 208
 neo-classical 147
 neo-corporatism 10, 12, 108
 neo-liberal 147
Neohistorismus 6
 networks 218–20, 250
 New Deal 180
 New Liberalism 120
 Nietzsche, Friedrich 8
 Nihon Sangyo 173
 Nikkeiren 181
 Nipperdey, Tomas 29, 234, 235, 250
 Nissan 173, 174
 nobility 77
 norms/values 18, 20–1, 211
 Norway 73, 74, 108, 206
 November Revolution 46
 NSDAP 60
 Nybom, Thorsten 241
- Okubo 245
 Okuma 245
 Olsen, Johan P. 232
Organisator 55
 Osaka Iron Works 247
 Österberg, 232
oyakata 158–9, 162, 167
- Pan-German League 238
 Papen, Franz von 59
 parliamentarism 236
 patriarchy 33, 170, 220
 Pempel, T.J. and Keiichi, Tsunekawa 248
 pensions 75, 100, 104
 Petersson, Alfred 92
 Petersson, Olof 250
 piece-work systems 191
 planning 62, 139, 142
 Polanyi, Karl 8, 228, 231, 251
 policy of the third way 106
 politics 14–15, 18, 23; class 143–4;
 culture of 117–25; perception of
 117–25
 Pollard, Sidney 39, 138, 236, 244; and
 Robertson, Paul 242
 Pontusson, Jonas 241
 postmodernism 197, 199, 200
 power 13–26, 21, 23, 34, 82, 186, 194,
 197, 212, 218
 Priamus, Heinz-Jürgen and
 Himmelfmann, Ralf 234
- Price, Richard 242, 243
 Prinz, Michael and Zitelmann, Rainer 231
 problems, how defined 196; resolution 13–26, 20, 91
 product responsibility 10
 production 190, 194, 221–2; as labour-intensive 112–17
 productivity 53–4, 129–30, 191
 profit/s 91, 94, 99, 129
 progress 25
 protectionism 138
 Public Peace Police Law (1900) 160, 161
 public sphere 21
 public/private sector 106–7
 Pugh, Martin 242, 243
 Puhle, H.-J. 30, 234
- quality control 10
- railway metaphor 196, 233
 Rathenau, Walther 56
 rationalisation 20, 29, 34, 53–9, 85–8, 117, 144, 151, 192, 197, 205, 214, 233; concept of 85–8; and failure of compromise on concept of 129–37
 recession 66, 175
 reconstruction 133
 Red Purge 181, 182
 redundancy 87, 94, 115, 180, 187, 213
 Reed, Steven R. 248
 reform 42; Liberal/Labour 125–9, 207
 Rehn-Meidner model 96
Reichsverband der Deutschen Industrie (RDI) 45, 46, 60, 80, 83
 Reid, Alastair 112, 242
 Rengo 190
 reparations 50
 repressions 39
 resources 15–16
 revolution 39–40
 Rhenisch, Tomas 238
rinjiko 186
 risk 21
 Ritter, Gerhard A. 43, 237, 242; and Tenfelde, Klaus 234, 235, 236
 robotisation 227
 Roche, George A. 237
 Rohlen, Thomas S. 249
 Rothstein, Bo 240, 241
 Rueschemeyer, Dietrich 217, 232
 Ruhr 29, 35, 38, 39, 42, 44, 51, 54, 56

- rules 20–1
- Runeby, Nils 240
- Russian Revolution 168, 205
- Russo-Japanese War 156, 161, 162, 163, 166, 204
- Salais, 231
- Saltsjöbaden Agreement (1938) 3, 90, 93, 98, 135, 200, 215
- Sambetsu 181
- Sampson, Anthony 233
- Sandberg, Lars G. 239
- Sasebo 188
- Savage, Michael 121, 242
- Schiller, Karl 66, 69
- Schmitter, Philippe C. 10, 12, 69, 231
- Schneider, Michael 236
- Schonberger, Richard J. 249
- Schönhoven, Klaus 234, 236
- Schumacher, Kurt 61, 63, 66
- scientific management 55, 86, 172, 176, 191, 248
- Scotland 120
- Scott, F.D. 240
- Scott, Joan 232
- segmentation 42, 214, 227
- shagaikō* 186
- Shiba, Takao 245
- Shibaura 247
- Shidehara, Kijuro 179
- Shigeya, Takayama 248
- Shimpei, Gotō 163
- Shinichi, Kamino 171
- shipbuilding 112, 113, 128, 132, 135, 147–8, 157, 158, 161, 173, 188–9, 233–4, 243, 245–6, 247, 248, 249
- Shonfield, Andrew 12, 231
- Showa 155
- Siemens factory 234
- Silverberg, Paul 81
- Sino-Japanese War 126, 160, 204, 246
- Snowden, Philip 121
- social, change 22; compromise 52; insurance 75; market economy 61–8; policies 32, 46; reform 25; welfare 66; *see also* welfare
- Social Bureau (Japan) 174
- Social Contract 149
- Social Democratic Federation (SDF) 119
- social-Darwinism 222
- socialism 121, 139, 162, 202, 213
- society, perceptions of 151; as synonymous with state 93; transformation of 109–12
- socio-economic process 4, 18, 30–1
- socio-moral environments 41
- Söderpalm, Sven Anders 240
- Sōdōmei 168–70, 171, 179, 182, 247
- Sōhyō 182
- Sombart, Werner 5, 232
- Sommerstad, Lena 250
- Sonderwege* 6, 15, 30–1, 194
- Sørensen, Øystein 232
- Soviet Union 138
- Sozialistengesetz* 39
- Sozialstaat* 52, 53
- Spohn, Willfried 236
- Staaff, Karl 81
- stage theory 20
- state 35, 47; increased spending of 214–15; influence of 98; intervention of 134–4, 189–90, 215; involvement of 111–12, 132; as neutral 102; oppositions in 174; perception of 137 relationships with 74–7, 81, 83; responsibilities of 96; role of 203, 216–17; as synonymous with society 93; transformation in 72–3
- steel industry 131–2, 135
- Steel-Maitland, Sir Arthur 133
- Stinnes, Hugo 46, 47, 56, 203
- Stråth, Bo 231, 234, 238, 240, 241, 244, 247, 251; and Torstendahl, Rolf 250
- Streeck, Wolfgang 244
- strikes 3, 11, 38, 80, 81, 83, 90, 108, 148–9, 160–1, 169, 180, 182, 208
- Stumm-Halberg, Baron Carl Ferdinand von 33, 34
- Sturm und Drang* 209
- subcontracting 174–5, 186
- Sumida 165–6
- Sumitomo 173, 247
- Sumiya, Mikio 245, 246, 247, 248
- Sundbärg, Gustav 73
- Supreme Command for the Allied Powers (SCAP) 178–9, 181, 182
- Svenska Arbetsgivareföreningen* (SAF) 71, 78, 89, 90, 95, 102–3, 107
- Sweden, active labour market policy in 94–9; compared to Germany 107–8; compromises of 1930s in 88–94; and concept of rationalisation in 85–8; crisis and modernisation in 71–8;

- flexible response of employers' in 78–82; industrial relations in 82–5; open cartel of unions in 78–82; strains and dissolution of 'Swedish' model 99–107
- Swedish Employers' Association (SAF) *see Svenska Arbetsgivareföreningen*
- Swedish Metal Workers' Union (*Metall*) 86, 101
- Swedish model 3, 88–99, 204; strains in and dissolution of 99–107
- symbols 210
- Takano 246
- Takeo, Ohashi 181
- Tanaka, Kakuei 169
- Tanner, Duncan 242
- Tarnow, Fritz 58, 64
- Taylor, F.W. 13, 54, 55, 86
- Taylorism 11, 13, 26, 85–6, 93, 113, 173, 190–1, 231
- technology 114–17, 194
- Tenfelde, Klaus and Volkmann, Heinrich 236
- Thatcher, Margaret 145, 147, 151
- Thatcherism 146–7
- theorisation 5–7
- Therborn, Göran *et al.* 240
- Throne-Altar coalition 77
- Thüer, C. 231
- Tilly, Charles 250
- Tilly, Louise and Scott, Joan 221, 222, 227
- Tōjō 155
- Tokunaga, Shigeyoshi 249
- Tolliday, Steven 112, 148, 242
- Tomlinson, Jim 243, 244
- Torstendahl, Rolf 9, 28, 141, 142, 231, 234, 238, 239, 241, 242, 244
- Toyota 184
- Toyotism 192
- Trade Disputes Act (1906) 114
- trade unions 11, 15, 17, 32, 63–5, 74, 106, 128, 201, 231; active policy of 94–5; compromise and conflict 44–53; decline in 161–2, 172, 181; and demarcation 113, 147–8; dislocation of power within 102; disputes in 182–3; emergence of 110; and employers 45; erosion of authority in 145; failures of 149–50, 178; as fragmented 139; growth of 82, 168–9, 172, 178–9; high status of 96, 98; influence of 139; integration of 32–3; integration of, at company level 191; localism of 145; no recognition of 34; open cartel strategy of 78–82; and political affiliation 120; political pressures on 118; and rationalisation 133–7; re-emergence of 61–2; recognition of 76; reform of 43; restructuring of 116–17; rivalries in 103; strength and organisation of 136–7; tensions between 150–1; uncoupling of politics from 146; as weak 130, 158–62, 204, 205, 208
- Trade Unions Congress (TUC) 120, 133, 135, 138–40, 145, 149, 150
- tradition 155, 187, 196–8, 199
- Trägårdh, Lars 240, 241, 242
- training 96, 166–7, 184, 186, 247
- transformation 12–13, 195
- transnationalism 228
- Treaty of Rome 67, 244
- Trigilia, Carlo 231
- Turner, Henry Ashby 134, 235, 237
- U-turn 221–3, 225
- unemployment 11, 47–8, 53–9, 55, 58, 89, 97, 105, 110, 124, 126, 131, 135, 213, 214; Binsurance 88; response to 137–41; *see also* employment
- United Kingdom: compared with Germany 146; continued fragmentation in 141–53; failure of compromise on concept of rationalisation in 129–37; labour-intensive mode of production in 112–17; Lib-Lab reformism in 125–9; perception of class concept/political culture in 117–25; response to unemployment in 137–41; transformation of society in 109–12
- urbanisation 27, 234
- Urry, J. 244
- USPD (Germany) 49
- utopia 38
- Vaterland* 38
- vaterlandslose Gesellen* 32
- Veblen, Thorstein 234
- Verbände* 28
- Vereinigung deutscher*

- Arbeitgeberverbände* (VdA) 45, 46, 50
 Versailles Treaty 46, 52, 214, 216
Volk/folk metaphor 59–61, 75, 92, 111, 122–3, 128, 144, 197, 198, 203, 207, 209
 Volkmann, Heinrich 236
 wage policy with solidarity 94–5, 97, 98, 101, 102, 105, 205, 225
 wage systems 87–8, 90, 106, 112, 129–30, 175, 179, 181, 185, 192, 195; constraints on 99; pressures on 77
 wage-earner funds 100
 Wage-Earner Funds Act (1983) 101, 104
 Wagner Act (1935) 178
 Wallenberg family 72, 81
 Walzer, Michael 232
 War Aid Service Act (1916) 49
 ‘we’-‘they’ demarcation 155, 173
 Webb, Sidney 128
 Weber, Max 5, 14, 17, 22, 154, 196, 218, 233, 234
 Wehler, H.-U. 30, 34, 234, 235, 250
Weichensteller 22
 Weimar Republic 2, 12, 30, 41, 46, 49, 51–3, 59, 61–2, 65, 67, 69, 84, 91, 200, 202, 237
 Weir, Lord 134
 Weisbrod, Bernd 235, 236
 welfare 96, 97, 118, 144, 152, 165–6, 175, 187, 189, 209, 211; development of 141–3; reforms in 103–5, 125–7
 welfare state 10, 44, 64; patriarchal 33
Weltbilder 22
 Whitley Committee 133, 170
 Wicksell, Knut 73
 Wikander, Ulla 250, 251
 Wilson, Harold 142, 148
 Winkler, Heinrich August 30, 234
Wirtschaftsführer 55
Wirtschaftsingenieir 55
Wirtschaftswunder 19, 63
 Wissell, Rudolf 51, 57, 59
 women 104, 106, 160, 221–7
 Woodcock Report 244
 worker/s 11, 70, 102; importance of 185–6; organisations of 37–44
 Workers’ National Committee 138
 Workers’ Union 136
 working class 31, 40, 52, 78, 84, 85, 92, 110, 117–19, 141, 143–4, 168, 201; liberal/pluralistic views of 127; perceptions of 123–4; politics of 121–2; radicalism of 128
 working hours 50, 54–5, 57, 86, 112, 114
 Works Constitution Act (1952) 65–6
 works councils 63–5, 133, 146
 Works’ Councils (*Betriebsräte*) Act (1920) 49, 69
 World War I 30, 31, 38, 42, 44, 54, 60, 77, 80, 113, 116, 119, 123, 132, 136, 138, 152, 160, 172, 196, 201, 204, 207, 209, 215
 World War II 13, 17, 65, 68, 69, 74, 93, 108, 140, 144, 146, 147, 152, 167, 183, 195, 199, 204, 209, 227, 228
 Woytinsky, Wladimir 58
 Wright, R. 240, 242
 Wright, Thomas 124
 WTB Plan 58
 Yamamoto, Kiyoshi 186, 249
 Yasuda 173
 Yokohama Dock Company 247
 Yokosuka Naval Yard 158
 Yoshida, Shigeru 181
 Yukichi, Fukuzawa 154
zaibatsu 157, 161, 172–4, 185, 188
 Zeitlin, Jonathan 112, 241, 242
 Zenroren (Japan Federation of Employers’ Association) 181
Zentralarbeitsgemeinschaft (ZAG) 45, 50, 51, 52, 67
 Zentrum (Germany) 49
 Zenzosen union 182
 zero sum 13, 55, 87, 205
 Zimmermann, Ekkart and Saalfeld, Thomas 214, 232
 Zollitsch, Wolfgang 235, 237
 Zosenjukiroren 189–90