

INTERNATIONAL INSTITUTE FOR LABOUR STUDIES
ILO SOCIAL POLICY LECTURES

New forms and meanings of work in an increasingly globalized world

BY RONALD DORE

TOKYO, DECEMBER 2003

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PREFACE

The Social Policy Lectures are endowed by the ILO's Nobel Peace Prize of 1969 and dedicated to the memory of David A. Morse, the first post-war Director-General of the ILO. They are held by rotation every second year in a major university of the world with the three-fold aim of stimulating the interest of graduate and post-graduate students in international social policy; of promoting academic work in areas of concern to the ILO in major universities; and of encouraging greater dialogue between the academic community on the one hand and policy-makers, and business and labour on the other.

The Sixth Nobel Peace Prize Social Policy Lectures were given in Tokyo from 1 to 3 December 2003. Professor Ronald Dore, Associate Researcher at the London School of Economics delivered the series, which was organized in collaboration with Tokyo University and the ILO Office in Japan. The theme of the lectures was "New Forms and Meanings of Work in an Increasingly Globalized World". Ronald Dore, a Fellow of the British Academy and an Honorary Foreign Fellow of both the Japanese Academy and the American Academy of Arts and Sciences, is renowned for his pioneering work, analysing the transformation of labour markets in Japan and other industrial societies.

The lectures focused on the evolution of work and relations at work with special reference to industrial societies. They were delivered in four separate sessions, and dealt with the following themes: (i) The pains and rewards of work in the twenty-first century; (ii) The concrete

meanings of labour flexibility; (iii) The direction of social change and (iv) Global markets and national employment systems.

Drawing on his academic contributions, spread over several decades, Dore discussed a range of analytically important issues concerning the course and the consequences of globalization within and across countries of the world. These issues included productivity growth, changes in working time, the transformation of workers' interests into rights, the rise of individualism and metamorphosis of the bread-winner model, the division and fragmentation of the job-for-life model, the rising capital content of labour, flexibility as a tool for improving labour efficiency, the polarization of the workforce and the rise of income inequalities, the changing fortunes of the managerial class, the dilemma of reconciling social justice with meritocracy, competing models of capitalism, and the prospects for securing social justice in the face of rising inequalities.

The lectures drew attention to a perceived trend in industrial societies towards a rising tolerance of inequalities. Globalization has always been associated with the rise of "market individualism" and a polarization of the workforce. As the pace of globalization has accelerated in recent years, the outcome has been rising inequality within labour markets. Quite significantly, this is accompanied by a rising tolerance of inequality, notably among the industrialized economies. The lecturer discussed whether this trend could be reversed through national economic and social policies. Even in an era of globalized markets, each country can still initiate a range of independent policy choices; the reach and effectiveness of these choices, however, tend to be circumscribed by the economic and cultural hegemony of industrially advanced economies.

In connection with the Social Policy Lectures, the University of Tokyo organized an international symposium and invited scholars from Japan and other countries to lead panel discussions. In addition, prominent members of the academic community, international organizations and the media, along with leading members of the ILO tripartite constituency in Japan, participated in the lectures and panel discussions. The papers and proceedings of the symposium will be brought out separately

as a joint publication of the Institute and the University of Tokyo. The audio files of the Social Policy Lectures have already been posted on the ILO website of the International Institute for Labour Studies.

In publishing this volume, the Institute would like to place on record its appreciation of the valuable support and cooperation received from Professor Kazuo Sugeno, Dean, Faculty of Law and his associates in the University of Tokyo. The Institute would also like to thank Ms. Mitsuko Horiuchi and her colleagues in the ILO Tokyo Office for organizing the lectures.

Jean-Piere Laviec
Director a.i.
International Institute for
Labour Studies

A. V. Jose
Head, Education and
Outreach Programme

Lecture 1. The pains and rewards of work in the twenty-first century

These lectures commemorate the award to the ILO of the Nobel Peace Prize in 1969. The award was a fitting tribute to one of the oldest of the UN agencies for a half-century of efforts to promote peace by reducing conflict, and to reduce conflict by tackling the causes of conflict, both within and between countries. In receiving the prize in 1969, Director-General David Morse quoted from the section of the Versailles Treaty which had provided the ILO with its charter a half-century earlier.

Conditions of labour exist involving such injustice, hardship and privation to large numbers of people as to produce unrest so great that the peace and harmony of the world are imperilled.

There will be a good deal in what follows about the mixture of motives that go into the moulding of the laws and norms that govern work and employment, and that phrase encapsulates a range of such motives. There is indignation – anger at what is perceived as injustice. There is pity – purely altruistic sympathy for the hardship of others. There is charity – the desire to cure privation. And there is self-interest – *your* unrest threatens *my* peace.

In 1919 when those words were written, the threat to peace that the authors most probably had in mind was a renewal of war among the states gathered together in Versailles. And, indeed, the accusation of

social dumping, the charge that hardship and privation among Japanese workers threatened the Western powers with unfair competition, played a not inconsiderable part in the events which led to the spread of the Second World War to the Pacific. Today, after September 11th, we have a broader definition of what constitutes a threat to peace in our more globalized and vastly more technically sophisticated world where the unrest which injustice and hardship bring is magnified by global television. Today, the terrorism which kills innocents directly, and far more innocents indirectly in the wars which follow, is no longer a matter of Archdukes and lone Serbian nationalists.

The award of the peace prize to the ILO in 1969 came at the end of what the United Nations called the Development Decade, a decade of great optimism when so many former colonies became independent states. It was a time when development economists were confidently charting the courses, and marking out the stages,¹ by which they could become rich independent states. The Pearson report, suggesting a target of 0.7 per cent of GNP for rich country aid to the developing nations, was published in 1969. In his acceptance speech, David Morse dwelt on the World Employment Programme which signalled a major shift in the ILO's focus, away from promoting common standards and acceptable mechanisms for resolving industrial conflicts in rich countries to aiding in the economic and social development of what was then coming to be called the Third World.

It is obvious in retrospect that it was rivalry between the First and Second Worlds which accounted for much of the attention and aid which the developing world received in that and subsequent decades. Since the cold war phase of that rivalry ended, the world has become a much less optimistic and a much less generous place. The volume of political speeches deploring the fact that over a billion of the world's population lack clean water or live on less than a dollar a day may be on the increase, especially since the first dramatic siege of the rich world's conclaves by the anti-globalizers took place in Seattle five years ago. But we also hear more about donor fatigue. The aid budgets of the rich world continue to shrink. They also become increasingly concentrated on areas where the

¹ One of the most influential texts, W.W.Rostow: *The stages of economic growth: A non-communist manifesto* (Cambridge, CUP) was first published in 1960.

unrest which human misery produces seems a direct threat to the interests and security of the rich world. In the mixture of altruism and self-interest noted earlier, it is the forces of self-interest which seem to be gaining ground.

In the ILO's work today, that mixture of altruistic concern and self-interest is most poignantly acute in the issues surrounding what the ILO calls "core labour standards", known in the WTO context as the "social clause". The last lecture will have something to say about that, but the main the focus here will be on trends of change in the advanced industrial countries. These changes relate to globalization, but they relate even more directly to the accumulation of technical knowledge which has made globalization possible. For most of the last six centuries, since the first big advances in ocean navigation, the world has seen creeping globalization. In recent years it has accelerated to the point that sometimes it seems as if social scientists can talk of nothing else.

Various Utopias

Our globalized world is anything but the peaceful place which the committee awarding peace prizes seek to promote. But peace remains a potent symbol of benign aspirations, productive of utopian visions of a world of amicable coexistence in which zero-sum games are always resolved with smiles and mutual consideration. And if the absence of conflict is one defining characteristic of many utopias, so too is the absence of work or labour.² For Anglophones "toil and strife" go readily together as a cliché summary of the chief ills that human flesh is heir to.

² Reflection on the fact that the International Labour Office is called the Bureau International du Travail recalls those writers in English who try to make elaborate distinctions between just two categories of "labour" and "work". (e.g., Hannah Arendt: *The human condition*, 1958 quoted in Keith Grint: *The sociology of work*, Cambridge, Polity Press, 1991). The fact that there is no similar pairing for "travail" or that Japanese cuts the conceptual area in quite different ways with *rodo*, *kinro*, *hataraki*, *kasegi*, etc., shows up the parochial nature of such debates.

As in the old sea shanty: “It’s a damned hard life/of toil and strife/that we whalemens undergo”.³

Most Utopias, to be sure, do not abolish work, they merely transform its nature. One of the most famous formulations is that of Karl Marx. In the realm of necessity which mankind has hitherto inhabited, the division of labour is imposed by society. A man “is a hunter, a fisherman, a herdsman or a literary critic, and he must remain so if he does not want to lose his means of livelihood.” But with communism, men were to enter the realm of freedom, “making it possible for me to do one thing today and another tomorrow, to hunt in the morning, fish in the afternoon, breed cattle in the evening, criticize after dinner, just as I like, without ever becoming a hunter, a fisherman, a herdsman or a critic.”⁴

Marx may have had an exaggerated opinion of his polyvalent skills, but it is not entirely clear that he really believed himself to be predicting the future state of mankind.

However, another famous economist, making what seems to us today like a Utopian prediction, clearly did. Three-quarters of a century ago, Keynes, in what his biographer has called “the most eloquent expression of his Utopianism”⁵, wrote an essay first published in the year after the great Wall Street crash. It is included in his collected works under the title: *The economic possibilities for our grandchildren*. In it he spoke of the enormous benefits which technical progress would bring. By the end of the century, he forecast, we should all be working something like five hours a week.

How different is the result – in two respects. The richest, most technologically advanced society on earth, the United States, is also the society where annual hours of work are among the longest, for some categories of workers a good deal longer than they were when Keynes

³ As in many other industries, the toil of whaling has been much reduced, but the international strife surrounding it has greatly increased, a paradigm, perhaps, of a general evolutionary trend in which the major locus of mankind’s problems shifts from the physical to the social.

⁴ *The German ideology*, 1846, translation as quoted in Keith Thomas: *The Oxford book of work*, Oxford, OUP, 1999, p. 515.

⁵ Robert Skidelsky: *John Maynard Keynes: The economist as saviour, 1920-1937*, London, Macmillan, 1992, p. 234.

wrote. In continental Europe where the preference for leisure has proved stronger, French ministers have recently called for the abolition of a national holiday in order to increase annual work hours, and German employers are agitating for a shift back from the 35 to the 38-hour week. In both cases the argument is that national competitiveness demands it.

Who now remembers Japan's government-backed drive to reduce the working week of the 1980s, culminating in the reduction of the standard working week to 40 hours in 1988? Though justified on quality-of-life grounds, it was largely prompted by the need to counter American arguments in trade talks that excessive work gave Japan an unfair advantage which justified trade discrimination. Nowadays, in spite of unprecedented unemployment and much talk of work sharing, maximizing the contribution of talented workers seems a more important element in national competitiveness. Overtime shows a secular increase, much of it, apparently, unpaid.⁶ Japan's labour standards inspectors launched a campaign to stop unpaid overtime a couple of years ago, and ordered over 600 companies to pay over 8 billion yen for overtime that was not remunerated.⁷

The second failure of Keynes as prophet was this. He said that by the end of the century we should *all* be working five hours a week. Whether he assumed a more or less unchanged income distribution was not clear,⁸ but he did assume that the necessary work would be fairly equally distributed. Instead, the typical pattern in most advanced industrial societies is that there are lucky people and unlucky people. The lucky ones, the most gifted 30 per cent or so of the population who acquire skills in short supply, spend 60 or more hours a week at what society counts as "work", and is in reality an activity full of opportunities for enjoyable problem-solving, self-expression, ego-assertion or whatever, while another 30 per cent, the least lucky, or the least gifted with learning ability and energy, frequently do not work at all, as they move from

⁶ Suzuki, Fujikazu: "Sabisu-zangyou no jittai to roudou-kumiai no taiou" ("Unpaid overtime: The facts and unions' policies for dealing with them") *Nibon rodo kennkyuu zasshi*, No. 519, Oct. 2003.

⁷ JIL e-mail Newsletter, 17 Jan 2003.

⁸ Skidelsky thinks he had in mind "an enlarged Bloomsbury at the top and bread and circuses for the masses", *ibid.*, p. 237 (see footnote 5).

employment to unemployment, and back again, in a succession of jobs which nobody would do except for the money.

And, as everyone knows, this lousy job/no job cycle is also a low pay/no pay cycle.⁹ The unequal and, it seems, increasingly unequal, distribution of work opportunity, is only a symptom of what, for many of us in the advanced industrial societies, is the much more serious problem of an increasingly unequal distribution of earnings per hour worked.

The agenda

That inequality issue we shall come to later. The first question about work at the beginning of the twenty-first century is why there is still so much of it about, what motivates it, what satisfactions people get out of it: in short, what the title of these lectures calls the “meanings” of work. The second question – for the next lecture – will be about flexibility, and its consequences. How does one explain the generally acknowledged trend for inequality – inequality of outcomes within one generation, and as a consequence inequality of opportunity; inequality of life chances for the next – to grow in almost all the advanced industrial societies? And in the light of that probable explanation, there arises the third question: the normative question, the justice question. How does one evaluate this polarization in the nature, meaning and rewards for work? How do we balance the greater freedom and well-being and self-fulfilment which the modern world offers for some, against the greater constraints and limitations of freedom for others? And what should be the role of national governments in rebalancing those costs and benefits? Next comes an attempt to situate these recent trends towards polarization in the more extended context of two centuries of industrialization. Are they an extrapolation and acceleration of those long-standing processes of social change which nineteenth-century sociologists identified as the consequence of industrialization and economic growth – those gradual processes of social change which they

⁹ Paul Gregg and Marco Leonardi: *Wage and employment dynamics in the UK, 1978-1995*, London, Centre for Economic Performance, LSE, Working Paper No.1019.

summarized in such formulae as the shift from status to contract, from community to association, or as a continuing process of structural individuation and the concomitant growth of individualism? Or are they, alternatively, not manifestations of irreversible secular trends, but the more contingent consequences of political choices which might conceivably be reversed? And my final question is this. Just suppose that in some countries there were a consensus on the desirability and feasibility of policies to reverse these trends by promoting greater equality and social solidarity sufficient for the appearance of governments determined to pursue such policies. Has the global integration of the world's economies left national states so bereft of sovereign autonomy that they would find it impossible to do so? Would it all depend on whether there were a similar change of heart in the economic and cultural hegemon, the United States?

Work intensification

The first question, then, is why the enormous increase in productivity since Keynes wrote *The economic possibilities for our grandchildren* has not resulted in a marked increase in leisure. The first and most obvious explanation is the endless escalation of wants. As levels of living rise, standards of living rise too, even faster. What once were luxuries come to be incorporated into the category of basic necessities. What once were gadgets of limited usefulness, like telephones and e-mail become more useful as more people have them and eventually not having them becomes a mark of what we have come to call social exclusion. And conversely there is a proliferation of goods whose value to their owner depends on how many other people *don't* have them – what Fred Hirsch dubbed “positional goods”: luxuries which give satisfaction primarily in their mere possession rather than in their use.¹⁰ The capacity of product development teams to devise ever more baroque elaborations of the mobile phone, the capacity of marketing teams to create brands and to make people feel that they must have them, has grown even faster than productivity. The limitless generation of insatiable wants, the continuous

¹⁰ Fred Hirsch: *Social limits to growth*, London, Routledge and Kegan Paul, 1977.

retranslation of concepts of utility, seems to be one parameter economists can take for granted.

There is, to be sure, much discontent with this process. Denunciations of the consumer society abound. The advocacy of zero-growth began in the 1970s, inspired by Malthusian concerns over the limits to the earth's physical resources. It was met with the argument that over the last century technological innovation in agriculture had spectacularly disproved Malthus' pessimistic predictions about sustainability, and that technology would do the same for us and our energy problems in future. More recently, some Japanese economists have tackled the problem of how to achieve a decent society in a zero growth steady state, largely as an attempt to make a virtue out of necessity, given the perception that the earlier sources of Japan's once spectacular economic growth seem to have been exhausted.¹¹

But for all these expressions of value preferences, hardly anyone doubts that in practice there is no way of preventing large-scale unemployment without growth, and no growth without the contribution to aggregate demand of active, if not avid, consumers. One would never guess it, watching the shops and shoppers of Tokyo, but sluggish consumer demand has been a major contributor to – and some, like myself, would argue the primary cause of – Japan's deflationary stagnation. Meanwhile, in America it is the contrasting exuberance of its consumers which gives hope of recovery from the effects of the post-bubble recession. Indeed, as trade/GDP ratios increase, growth in the rest of the world comes increasingly to depend on the propensity of Americans to consume 4 per cent more than they produce, and the willingness of those, particularly in Asia, who consume less than they produce, to finance that consumption by investing their spare cash in America.

Some calculations made on British statistics for the century 1881 to 1980, showed a fairly consistent long-term trend for a reduction in average lifetime work hours, i.e. an amalgam of shorter working weeks and more annual holidays, as well as later entry to the labour force and earlier retirement. The authors calculated that of the large increase in productivity over that period, about one-third was absorbed in this decrease

¹¹ See, for example, Nakamura Yoichi: *Zero seicho no Nihon keizai*, Tokyo, Nihon Keizai Shinbun, 1999.

in lifetime work hours, but about two-thirds by an increase in consumption.¹² One can do a simple calculation of the split in Japan, using average real wages per hour, and the average number of work hours per year – of those, that is, whose work hours are counted and get into the statistics, a category which does not include managers and the self-employed.¹³ It emerges that the Japanese took their rewards for the great rise in productivity from 1975 to 1995, one-quarter in increased leisure and three-quarters in increased consumption. However, there is no reason to suppose that any of these historic ratios can be projected into the future. One would expect the earnings/leisure trade-off to be rather different when the average weekly working week falls to 35 or 40 hours, instead of 60.

Juliet Schorr in her *Overworked American*¹⁴ talks of an “insidious cycle of work and spend” brought by the consumerist treadmill and long job hours. She attributes longer work hours partly to consumer ambitions outstripping incomes, but also partly to the stagnation in hourly wages in the American economy from the early 1970s. Longer hours and a second income from a working spouse become the only way to maintain expected living standards. Others have stressed the importance of emulation, and suggest that the need for longer work hours to keep up with the neighbours explains the strikingly high cross-country correlation between work hours and income inequality – the more inequality, the more hours worked, at least in manufacturing.¹⁵

Certainly, in the United States, it is not just the badly paid who work long hours. There is a positive correlation between pay levels and hours worked. Those in the top quintile of the income distribution work longer hours than those in the middle and those in the middle more than those in the bottom quintile. As the poet Robert Frost is reputed to have

12 Philip Armstrong: *Technical change and reduction in life hours of work*, London, Technical Change Centre, Working paper, 1984. Bruce Williams: “Shorter hours – increased employment?” in *Three Banks Review*, 1985.

13 Nitta, Michio: *Henka no naka no keyo-shisutemu*, Tokyo, Tokyo Daigaku UP, 2003, pp. 45-47.

14 Schorr, J. *The overworked American*, New York, Basic Books, 1992.

15 Sam Bowles and Yonjin Park: “Emulation, inequality and work hours: Was Throstein Veblen right?” Amherst, U.Mass. Working paper, 2001. From data for various years from 10 countries, the simple correlation was $r=0.84$.

said: “by working faithfully for 8 hours a day you may eventually get to be boss and work 12 hours a day.”¹⁶ This is by no means the same everywhere. In Sweden, work hours are more or less the same at all pay levels. Italy and Switzerland still show the pattern which half a century ago was common in most industrial societies when the hired hands turned up at the factory at 7 a.m., the clerical staff arrived at 9 and the managers at 9.30.¹⁷ The poor still work more – when, that is to say, they can get a job.

The shift in priorities: Managers

So consumerism, unlimited wants, emulation and the readiness to work long hours are one labour-**supply-side** reason for the lengthening of work hours. But if that were the whole explanation there is no obvious reason why there should have been a widespread tendency for the slow but steady fall in average work hours to be reversed in many countries in the early 1980s. Business cycle changes mask underlying trends, but the figures for manufacturing work hours show that the reversal point came in 1982 in the United Kingdom, a year later in the United States and Canada, in 1985 in Italy, in 1988 in Norway and Sweden. Germany continued to have falling hours until 1996, by which time Germans were working 447 hours a year less than Americans, a big change from 1950 when they worked 380 hours more.¹⁸

For an explanation of that point one has to turn not to the labour-supply side but to the labour-demand side. The chief governing factor was the intensification of competition, and the accompanying change in managerial priorities and employment conventions. Again, this is a near-universal trend in the industrial world, but it is the Anglo-Saxon economies which have set the pace. The transformation of their economic structure began in earnest in the lead Anglo-Saxon economies in the early 1980s with the near simultaneous arrival in power of Ronald

¹⁶ Michael White et al: “‘High performance’ management practices, working hours and work-life balance”, in *British Journal of Industrial Relations*, 41, ii, June 2003, p. 175.

¹⁷ Nathan Glazer: “On Americans and inequality” in *Daedalus*, Summer 2003, pp. 111-114.

¹⁸ Bowles and Park, *op.cit.* Statistics from the US Bureau of Labor (see footnote 15).

Reagan and Margaret Thatcher. In the institutional dimension it achieved its most sweeping and thorough-going character in New Zealand a decade later. These were always the world's most individualistic market-driven economies, despite the United Kingdom's postwar overlay of collectivism. But the process of transformation which began in those Anglo-Saxon economies in the 1980s today appears to be universal. I stress "today". My last lectures will dwell on whether it will still be so tomorrow.

It is a trend which seems universal, but still considerable differences survive. The economies of countries where there is less faith in the supreme value of competition and more stress on cooperation and consensus, such as Japan, Germany, Sweden or Holland – have been variously described as the economies of Rhineland capitalism, non-liberal capitalism, welfare capitalism or coordinated market economies.¹⁹ In such countries attachment to established institutions is still putting a brake on this intensification of competition. But that resistance has been markedly weakened over the last decade. Many of the things happening today in Japan are mere replays of changes that took place in the Anglo-Saxon economies 20 years earlier. The true believers in the virtues of competition and flexible markets would say that these countries are just laggards, lacking the political courage to face down vested interests and carry out badly needed reforms. I prefer to avoid the value-loading of the word "reform" and use neutral words like "change" or "transformation". But, belief in doctrine apart, the true believers' faith in what might be called the marathon view of history – the notion that, some in front, some lagging behind, all the player countries are on the same track – would seem to have some empirical justification. In Japan, at least – not so obviously in continental Europe – belief in both the desirability and the inevitability of following the Anglo-Saxon countries along the neo-liberal track has gradually become the dominant doctrine in the economic bureaucracy over the last decade, and in the Japanese Government since Mr. Koizumi became prime minister.

¹⁹ Respectively, Michel Albert: *Capitalisme contre capitalisme*, Paris, Editions Seuil, 1991, (Capitalism vs. Capitalism, London, Whurr, 1992); Wolfgang Streeck and Kozo Yamamura: *The origins of nonliberal capitalism*, Ithaca, Cornell UP, 2001; Ronald Dore: *Stock market capitalism, Welfare capitalism: Japan and Germany vs. the Anglo-Saxons*, Oxford, OUP, 2001; Peter A. Hall and David Soskice: *Varieties of capitalism: The institutional foundations of comparative advantage*, Oxford, OUP, 2001.

But to get back to the intensification of competition, the factors which brought it about are not difficult to list.

One major factor was the gradual establishment of neo-classical economics as the hegemonic doctrine in policy-making circles.²⁰ Of particular importance were two elements of the market-liberal philosophy with which it is intimately associated. First the view that efficiency is the overwhelmingly dominant value and market competition the only sure way of achieving it. Second, what has become known as the doctrine of shareholder value; the normative view that the overwhelming imperative for corporate managers is to maximize the returns to equity capital. As a result the stock market has become ever more central to the working of the economy, and movements of the stock market have acquired ever more prominence in the news reported in newspapers and television. Today, the American networks' hourly business news reports, heavily concentrated on stock exchange movements is lapped up by the 45 per cent of American households which directly own equity, and the many more who do so indirectly through their pension funds.

And in parallel, in the minds of managers, the daily movement of their company's shares has acquired an ever greater salience, a tendency vastly increased by the device of paying them in stock options, a contrivance deliberately introduced in order to align managers' interests not with those of their subordinate employees but with their shareholders. Objectively – by which I mean in bottom-line terms – stock markets have become important to firms less as a source of capital than as the ruler of reputation. When a firm's shareholders begin to desert and it fails to keep up its stock price in relation to the industry average, it begins to suffer in its product markets as well, and in its ability to attract talented workers. Its managers became more vulnerable to takeover.

²⁰ The process by which this took place is well traced in D.Yergin and J. Stanislaw: *The commanding heights: The battle between government and the marketplace that is remaking the modern world*, New York, Simon and Schuster, 1998.

Shift in priorities: Governments

The other source of intensifying competition was an increasing concern of governments with **national** competitiveness. I can recall a time, in the 1970s, when in the United Kingdom the concern was so limited that there was no consensus as to whether the proper word was “competitiveness” or “competitivy”. What made it a central concern? First was the improvement of statistical services, increasing confidence in measures of output growth, increasing publicity given to league tables comparing states’ relative growth rates, and the fact that increasing pre-occupation gave rise to further refinements in statistical reporting: quarterly not just annual growth estimates, regular scheduled announcements of lead indicators and so on.

Second, there was a change in the ordering of policy priorities. Whereas full employment had been the dominant goal for most Western governments, it began to fade in importance as it seemed more difficult to achieve and to exact an ever higher cost in inflation. Low inflation and economic growth became the new priorities. Politicians saw that employment figures did not win or lose elections. The unemployed were increasingly, not a cross-section of the labour force, but an underclass who did not vote anyway, whereas delivering high growth rates counted with the voters who counted. It’s the economy, stupid.

The first result of the new preoccupation with national competitiveness was the industrial policy phase, the fostering of national champions, the direction of credit to frontier industries, the subsidization of R&D, the promotion of research consortia, the relaxation of competition policy. Even the homeland of market liberalism, the United States vigorously used its defence budget for this purpose and eventually overcame its anti-trust tradition to create Sematech as a means of countering Japan’s increasing success in electronics.

The beginning of this industrial policy phase, the late sixties and seventies, coincided in the older industrial countries with the height of trade union power, and of egalitarian concerns with welfare security. The guarantees afforded by government backing, and trade union pressure for job security, led on the one hand to a proliferation of government regulation of redundancy dismissals, and on the other to the most

famous jobs-for-life firms like IBM and Kodak acquiring ever greater prestige as normative models, at least for the Anglophone world.²¹ Efficiency-wage theory and implicit-contract games theory became popular among labour economists as a means of explaining such quasi-community-firm employment practices – “explanation” for the true believers meaning, of course, attributing such practices entirely to acceptable and respectable motives of self-interest. At the beginning of the 1970s, and long before the “learn from Japan” fashion hit the business schools, I was able to marshal plenty of evidence to suggest that there were more signs of the United Kingdom’s employment system endogenously evolving towards something like Japanese large-firm lifetime employment than of Japan becoming more “modern”, using “modern” in the sense in which most Japanese writers still at that time defined it; that is to say, more like the fluid labour markets of the American textbooks.²²

The subsequent retreat from industrial policy had many causes besides the already-mentioned factor of the steady entrenchment in universities and bureaucracies of market-liberal philosophies. Disillusion came in part with the realization that a general improvement in *performance* improves nobody’s *competitiveness*. If all athletes take drugs, you need ever more drugs to win. Better try to ban drugs altogether. Levelling the playing field by banning government subsidies became a major preoccupation in trade talks, and in the competition policies of the European Union in which four of the major industrial countries were involved. Another factor was disillusion with the other arm of state intervention in the economy, the attempt to counter the endemic problem of inflation through social partnership and incomes policies. Corporatist solutions may have worked, and still continue to work, in countries as diverse as Ireland and Italy, but their manifest failure in some leading economies, notably the United Kingdom, strengthened the hands of those who advocated market solutions to the problem of controlling inflation – strict control over the money supply and the curbing of trade union power as a precondition for removing rigidities and bringing flexibility to labour markets.

²¹ Thomas J. Peters and Robert H. Waterman Jr: *In search of excellence: Lessons from America’s best-run companies*, New York, Warner Books, 1982.

²² Ronald Dore: *British factory, Japanese factory, The origins of national diversity in industrial relations*, London, Allen and Unwin, 1973.

Competition intensified

So began the deregulation of product, financial and labour markets, injecting market competition into what had been regulated oligopolies and public services. The deregulation intensifying domestic competition coincided with accelerated globalization – lowered tariff barriers, cheapening transport and information costs – which intensified international competition too. And in the older industrial economies, a major factor was the arrival of Japan as a competitor which had reached world-class levels of technology while still enjoying the advantage of low wages. I recall the CEO of a Phillips subsidiary in Britain commenting, in 1979, after I had given a lecture on the Japanese community-like firm, “Phillips, too, used to be a very Japanese sort of firm. Career employment, respect for seniority, keeping redundant workers on the books, etc. And we had the leeway to do it – until, that is, we had to meet Japanese competition.”

Managers, under greater pressure to survive the competition and to keep up the value of their stock quotations, sought to pare their payrolls to the bone, while cutting back on overheads. Getting more hours out of already trained workers seemed better than bearing the costs of training new ones. And along with the attempt to get more work hours per employee went moves to get more work per work hour. “High performance management”²³ or raising productivity through more efficient utilization of human resources is one way of describing it. Work intensification is another. Jobs were redesigned to eliminate those wasted, under-utilized moments which once left room for the occasional smoke or sociable chat. Cost elimination became the name of the game. American business schools seized on Japanese quality circles as a wonderful means of getting the workers themselves to devise ways of eliminating those so-called wasted moments of relaxation. The business gurus in their best-sellers did not always distinguish between stress-reducing and stress-intensifying ways of improving efficiency, nor between what I would call the difference between membership motivation and market motivation. What I mean by that is the difference between managers who

²³ Michael White et al., define it for survey purposes as using refined appraisal systems, group working and performance-related pay (see footnote 16).

share with their workers a sense of membership in a community-like firm and can appeal to that sense of membership to motivate efforts to win market share from their firm's rivals, and, in contrast, managers who are dedicated to increasing profits for their shareholders and can only manipulate self-interested incentives – market motivations. For the latter, as Peter Capelli has pointed out, that other much-touted feature of Japanese management, team-work, was also useful.²⁴ It was a way of evoking moral obligation as a supplement to self-interest, particularly attractive since it could be hailed as a move towards decentralized autonomy, liberation of individuals' urge to self-expression, etc. If membership motivation was destroyed at the firm level, as firms became less and less like communities and more and more like the nexus of individualistic contracts that neo-classical theorists say it should be, it could be partially recreated at the grassroots team level. "Commitment" was now to the group of work colleagues, and not letting them down could be a powerful motive for not shirking.

The other side of the shift to reliance on market motivation was the development of ever more sophisticated systems of performance pay and performance measurement. The intensified concern with firms' competitive performance trickled down, as it were, to their personnel policies. These changes in wage systems coincided with, and were accelerated by, long-term shifts in social structure, particularly family structures. There always was a strong functional complementarity between the breadwinner-husband/full-time housewife model of the family on the one hand and payment systems with a large element of reward for seniority on the other, most clearly made explicit in the standard-worker concept used by Japanese trade unions in wage bargaining. The feminist movement demanding gender equality, plus declining fertility, and the general increase in individualism as manifest in growing divorce rates, all served to erode the normative power of that family model. At the same time the shift from seniority career progression wage systems to performance-based inter-personal competition made it more difficult to maintain that model.

All these changes, prompted by the shift in management priorities, were matched and supported by a shift in the priorities of government.

²⁴ Peter Capelli: *The new deal at work*, Boston, 2000, p. 218.

Labour protection legislation was steadily diluted, permitting easier dismissal and greater use of temporary contracts, relaxing insurance obligations, reducing the legal rights of trade unions, and impairing their ability to strike.

The mechanisms by which these changes led to both work intensification and longer hours of work are fairly clear. There were both sticks and carrots. The reduction in job security made workers at all levels more vulnerable to pressure. New pay systems providing stronger incentives to perform prompted worker's readiness to stretch their capacities by taking greater responsibilities involving extra work. And all this was especially true for managers, professional and white collar workers who anyway had the most challenging and interesting work and were most prone to become compulsive workaholics.

It is small wonder that one of the latest hot topics in the so-called HR field is the work/life balance. It is instructive to compare those discussions with the QWL movement, the Quality of Working Life movement of the 1970s. Then, in what was still called the labour relations and personnel management field, a prime concern was dealing with alienation. A major impetus in the United States, where the movement largely began, was the outbreak of strikes and sabotage at GM's brand new Lordstown factory, in spite of ideal work conditions and the application of the latest human relations theories. But the QWL movement soon faded. A Swedish economist who served for a time as his country's Minister of Commerce summed it up somewhat cynically: when people are earning enough to have all the nice sofas they want at home, they begin to want sofas in the office too. The difference between QWL and the new concern with the work/life balance is that QWL accepted the centrality of work to the human condition. Work was expected, for men at least, to be what Blauner called their central life interest.²⁵ Work/life balance talk, on the other hand, accepts – most obviously for women whose problems of combining work and career were the starting point of the whole discussion, but also for men – a sharp dichotomy. The American slang admonition to the workaholic: “get a life” sums it up. The change in assumptions about the centrality of work, I suspect, has a lot to do with this intensification of work and its tendency to consume ever more hours

²⁵ Blauner, R: *Alienation and freedom: The factory worker and his industry*, Chicago, Chicago U.P. 1964.

of the waking day. Even for those with the most intrinsically enjoyable jobs, the word “work” suggests a source of stress from which everybody needs adequate relief and relaxation.

The multiple forms of job satisfaction

But that, of course, does not make the difference between enjoyable jobs and jobs that are mere drudgery any the less important. “Loving your work” Primo Levi once said, “represents the best, the most concrete approximation of happiness on earth.”²⁶ But, he added, unfortunately it is the privilege of the few.

The title of these lectures promises talk of new meanings of work. But most meanings of work are old meanings. One thinks of economists as people who write about labour as a factor of production, but the classical economists were well aware of the human meanings of work. Adam Smith, who analysed the efficiency of the division of labour in pin factories also talked about the soul-destroying drudgery of working in one, how it induces a torpor of mind which makes people incapable “of conceiving of any generous, noble or tender sentiment”. Mill’s chapter on labour had a perceptive discussion of the way that convention and the social standing of occupations impinged on both satisfactions and pay differentials. Taussig, an economist in that tradition, offered an eloquent classification of what he called the “sorts of labour, [which] though pursued systematically and continuously, seem never to become wearisome.”²⁷ There is “...intellectual labour, particularly of persons who are engaged in the pursuit of knowledge and in the satisfaction of man’s insatiable curiosity about the things that surround him” There are “persons of artistic temperament [who] have often so strong an instinctive bent toward one kind of activity that nothing can hold them from it and nothing ever pall the pleasure of the exertion”. Then there are those occupations which satisfy “the instinct of emulation”. And then there is

²⁶ Levi, Primo (1978) *La chiave a stella*, tr. William Weaver: *The wrench*, London, Michael Joseph, 1984, quoted in Keith Thomas, op.cit. p. 144. (see footnote 4).

²⁷ F.W.Taussig, *Principles of economics*, 1911, quoted in Keith Thomas, op.cit., p.168. (see footnote 4).

management: “work of leadership and command almost always is continuously pleasurable. It satisfies the love of distinction and the desire for domination, and it has a real or apparent element of freedom.”

The modern HR literature on job satisfaction could be trawled for an endless elaboration of the different kinds of satisfaction which people can get from work, but one is unlikely to find much mention of “the love of distinction and the desire for domination.” Nor is one likely to find much mention of that other element in the work of the growing number of people engaged in financial markets, or at least those who are engaged in the speculative trading of foreign exchange or the management of hedge funds, namely gambler’s excitement. If not exactly what Taussig had in mind as intellectual work, it is certainly work which requires the exercise of a high level of intelligence which may in itself give satisfaction. Already in the mid-1980s, when financial markets were far less developed, the Nobel Laureate Tobin wrote a forceful passage deploring the fact that so many of his brightest students were attracted to them,²⁸ and doubtless would have deplored the granting of a later Nobel prize for work on the pricing of options, an essential tool in financial speculation. But when even the best brains have absorbed all the information available, and quantified all the risks (by however dubious a formula), there is still a large element of uncertainty to provide the spice of gambler’s excitement, magnified by the often huge size of the possible gains and losses. There is also, as the splendid book *Liar’s poker*²⁹ made clear, a strong element of what Taussig called “emulation”. Your bets are placed against those of known or unknown others; your gains are their losses as directly as in a game of tennis.

The type of satisfaction it brings is one way of classifying the meanings of work, with two main sub-categories – intrinsic rewards whose infinite variety I have just been illustrating, and extrinsic rewards. Of these there is less variety, money and fringe benefits being overwhelmingly the most important. But there are also (a) sociability and the enjoyment of work friendships, and (b) social prestige, ranging from celebrity fame to a basic sense of inclusion, the satisfaction of not being

²⁸ James Tobin: “On the efficiency of the financial system” in *Politics for prosperity: Essays in a Keynesian mode*, Brighton, Wheatsheaf, 1987, p.282.

²⁹ Michael Lewis: *Liar’s poker*, London, Hodder and Stoughton, 1989.

one of an excluded, and often workless, minority. It is worth adding that when I say “ranging” I do indeed think of a continuum. I do not follow those who would make a distinction between prestige and esteem. The prestige of the celebrity on the one hand, and the boost to his local reputation of an unemployed person who finally lands a job on the other, seem to me to be in the same prestige dimension, just as much as the millions the celebrity earns and the dole of the unemployed are in the same money dimension.

Social usefulness

But social prestige suggests another dimension, different from the satisfaction dimension, for classifying work: namely degrees and forms of social usefulness. In Italy the phrase “socially useful work” has acquired an unsavoury taint since it was the name given to a make-work scheme, introduced in the mid-1990s, which essentially offered the chance of paid idleness, often to youths with the right political party connections. But “how socially useful?” is still for me a relevant question to ask about work. And it is certainly one prompted in my mind by the thought of all those people mentioned earlier who toil so assiduously in foreign exchange markets making speculative transactions amounting to over 200 times the sum needed to settle international trade transactions. The proportion of the population involved in these financial services may not have changed much in number, but their take from national economies has grown apace as has their political clout. No-one would write today, as Galbraith did in 1967 about “the air of quaintness that attaches to the suggestion that the United States is run from Wall Street”.³⁰ To take American statistics: in 1970, financial services took a fifth of total corporate profits. By 2000, having shed a lot of routine clerical labour and acquired a lot of very clever traders, not to mention Nobel-prize-winning mathematical geniuses, their share had increased to

³⁰ J.G.Galbraith: *The new industrial state*, London, Hamish Hamilton, 1967, p. 58. An Italian commentator on the Republican victory in governorship elections in Kentucky and Mississippi remarks, “The class of investors are the ace up Bush’s sleeve; a new social stratum has been born whose sole creed is Wall Street. The right is now a mass party.” Ennio Caretto, *Corriere della Sera*, 6 November 2003.

over a quarter.³¹ It may well be that the economic textbooks are right when they explain to adolescents prone to moralistic indignation that speculation plays an essential part in modern economies. Insurance hedges, and speculators' revealed forecasts of future prices may indeed be useful to those working in the real economy and producing the goods and services people directly enjoy. But I find it hard to believe that those producers are really much better served today than they were in 1970.

It is worth posing the question: as between the personal satisfaction dimension and the social usefulness dimension, which is the more important way of classifying work? In feudal societies, the dominant ideology held that social usefulness was overwhelmingly the most important. In what I would count as the most sophisticated feudal society the human race has produced, namely Tokugawa Japan, many editions of the elementary school text book, the *Teikin Orai*, began with wood-block illustrations of the four orders of society. There was the samurai whose contribution was to defend the country with his sword and keep judicial order with his wisdom. Second in rank came the peasant who provided elemental needs. Third came the artisan, pictured making his pots and his barrels, who provided for needs and pleasures beyond mere subsistence. And finally came the merchant who provided a useful service shifting goods from where they were produced to where they were consumed, but had a bad tendency to cheat on the way, to speculate on attempts to corner markets and create artificial scarcities.

The famous Japanese business tycoon, Shibusawa, is noted for his creation in the 1880s of a Japanese word for “businessman” – literally “real business man” – to distinguish himself and his friends from the traditional merchant who had such a bad name. He was, among other things, a banker who helped create the Japanese tradition of hand-maids-to-industry banking. He wrote a commentary on the Confucian *Analects*, and made much of the moral difference between entrepreneurial risk, where outcomes are decided by effort to please customers as well as by luck, and speculative risk where they depend solely on luck and cunning. In our contemporary world whose conventional economic ideas are set by the financial community which dominates the economy, the distinction has disappeared. Read the Japanese economists writing in the

³¹ US National Accounts, Table 6.16.

popular press today, who talk of “risuku-ando-ritaan” and claim that the world is so justly constituted that the greater the risk, the greater also the potential returns. For them, risk is one and indivisible: moral distinctions are irrelevant.³²

Justice and the reward system: Software engineers and office cleaners

That suggests a theme which will be central to the next lecture and it relates back to the intrinsic and extrinsic rewards of work, and the difference between intrinsically enjoyable jobs and drudgery. In many traditional wage systems there was something equivalent to the British wage premium called “heat and danger money”. It was said that at one time, in New York, garbage collectors were paid more than teachers. This may be simply explained as a matter of supply and demand in the labour market, but it was also seen as a principle which accorded with most people’s sense of justice that the more unpleasant the work, the more you should be paid. In the income distribution as a whole, however, manifestly the reverse is the case. People who have the most intrinsically satisfying jobs are also paid more for doing them. There is nothing new in this. What is new is the tendency not only for the lucky ones with the most enjoyable jobs to be paid more, but for them to be paid increasingly more, and to be more confident that they deserve it. That needs explaining, and it needs evaluating in the light of conflicting principles of justice.

The value systems invoked for defining those principles of justice are multiple. They differ, clearly, as between those who would define themselves as on the right in politics and those who are on the left. But there is one particular principle which has lately been gaining ground and

³² Professor Takenaka, later to become Minister for Economic Affairs, suggested in a sponsored advertisement in the Nikkei that it might not be a bad idea to teach children about stocks and shares in primary school, to implant the idea that taking aboard greater risk can lead to higher returns “Risuku to ritaan no kankei, kichin to haaku suru koto ga juyo” (“The important thing: getting a good grasp on the relation of risk and return”) *Nihon Keizai Shimbun* 26 November, 1999, second section. Another journalist has written a whole book about timid risk-aversion without even a hint that different kinds of risk might have different moral justification. Daniel Ben-Ami: *Cowardly capitalism: The myth of the global financial casino*, New York, Wiley, 2001.

clearly requires close examination. It is the marketist thesis that, in a democracy, the only valid criterion of social usefulness is what the market will bear. What people are willing to pay for is what they value, what has for them utility. Individual choice is an essential element of freedom, and that applies equally to one-man, one-vote democracy and to the one-consumer, one-pocket market. It does not matter how much citizens differ in understanding in the one case or how much they actually have in their pocket in the other. They would concede that the social usefulness of the drug dealer or the child pornographer is not adequately measured by their incomes. A collective act of freedom-constraining social choice is, the marketists admit, therefore necessary to distinguish between legitimate and criminal activities. But in the legitimate realm, freedom to market one's goods, one's services, one's talents, oneself, should be the rule.

It should certainly not interfere with the freedom of software engineers, in their *seller's* market, to choose to whom or how they will sell their talents at any one time, nor the freedom of the firm which cleans the office to choose in their *buyer's* market the cleaners who, at any one time, do the best job at the lowest wage.

That set of ideas, commonly dubbed neo-liberal, and which I shall call "market individualism" has a lot to do with the topic of flexibility which I will tackle in my next lecture.

Lecture 2. The concrete meanings of labour market flexibility

There is no more controversial word in the vocabulary of those who write on labour matters than “flexibility” – not so much controversy over its empirical referent, as over its evaluative overtones. For some – those, to take up the distinction made at the end of the last lecture, who see the whole world as a seller’s market for scarce skills – it is the banner under which they move forward to a shining future. To others – most conscious of the buyer’s market for unskilled labour – it is a threat of insecurity and exploitation.

Productive efficiency

My sense of the history of the word in the English-speaking country that I know best, namely England, is that it first came into use as the rallying call in attempts to counter the restrictive practices of British craft unions. There was a perfect self-interested rationality in the way individual unions had sought, ever since the nineteenth century, to maximize the work available for their members, and restrict the number of apprentices who could be trained to do it. In the full-employment period of the 1950s and 1960s, unions acquired greater power to pursue such tactics than they had ever had before. Threats of formal strikes, or informal

walk-outs, enabled unions in some factories to insist that, for instance, only paid-up members of the woodworkers' union should be allowed to bore holes in wood so that someone else, a fully paid-up member of the electricians' union could install wiring. "Flexibility" was the slogan under which such manifest forms of inefficiency were tackled, which usually meant, in the deeply adversarial context of British industrial relations, that where union job control was strong and the restrictive practices deeply entrenched in convention, managers had to negotiate what became known as the "buying out" of restrictive practices by increasing wages – a form of what became known in the United States as concession bargaining. And that, of course, provided incentives for militant shop stewards to invent new "traditional" restrictive practices.

At the same time there was an attempt to reduce the influence of single-craft unions on training practices. The multi-skilled, the polyvalent worker became the new hero. Since wage systems were also tied to skill definitions, this required negotiating revisions of wage structures too. This in turn, since the nature of polyvalence differed from factory to factory, gave further impetus to the movement towards the decentralization of wage bargaining from the national or regional to the individual firm or, more often, individual establishment, level. It also helped transform the craft unions into general unions. The arrival in the United Kingdom of Japanese firms pioneering single-union agreements on their greenfield sites gave a further push in this direction.

Speed of adjustment

A second and different flexibility drive sprang from the growing concern, in the 1970s and 1980s, with the problem of industrial adjustment, not just to changes in the business cycle, but to changes in the structure of economic activities. What gave greater salience to the need for faster adjustment was, first, the acceleration of technical change, and secondly the growing competition in labour-intensive industries from low-wage producers in the Third World. The second affected primarily the tradeables sector, but the first affected producers in all sectors including domestic services like banking. Growing stability in the labour

market during the 1950s and 1960s, with measures to encourage company pensions, and to improve job security by establishing unfair dismissal proceedings and controlling redundancy, had been thought desirable not only from considerations of welfare and justice, but on productivity grounds. Job security, loyalty, commitment and cooperation had been considered good for efficiency and profits. But in the thinking of managers and governments, the greater speed of change and the intensification of competition which I discussed in my last lecture, made the ability to lay off workers in declining or rapidly automating sectors, and to fill vacancies for skilled workers in expanding sectors, come to seem a more important route to efficiency than fostering loyalty and commitment. At the same time, although full employment no longer had the policy importance it once had, governments were increasingly worried about rising levels of unemployment. The argument that employers were not taking on new workers because it was too difficult to sack them later prompted a reversal of the trend to foster job security. And the argument that high payroll taxes priced workers out of the market and induced excessive substitution of capital for labour provided further fuel for attacks on the welfare state.

So, there were two quite different notions of flexibility. On one hand was the willingness of workers to use their skills in whatever way managers thought they could best contribute, plus managers' cleverness in deploying those skills and in providing training to supplement them – all those ways of strengthening the organization's core competences in the modern jargon. On the other hand was the objective of optimizing the allocation of labour in the economy, through increasing managers' freedom to hire and fire; making it possible for them to downsize at minimum cost, and to find the skills they needed in the labour market. Flexibility also meant improving the functioning of the labour market by better institutions – better information diffusion, a vocational education and training system which provided better training and a qualification system which gave more reliable signals, plus measures like housing allowances to enhance geographical mobility and so on.

Two kinds of flexibility: Two kinds of efficiency

By the mid-1980s the distinction between the two, which came to be known as internal and external flexibility respectively, was well established. But the words “external” and “internal” masked a much more important difference. External flexibility was about the pursuit of allocative efficiency, internal flexibility was about the pursuit of productive efficiency, through good organization, clever innovation and conscientious work. I was able to use these contrasting meanings in an oxymoronic title for a book about Japan, *Flexible rigidities*. It was about the way in which, by sacrificing external flexibility in the employment system – by accepting the impairment of allocative efficiency, in other words – one could derive such an improvement in productive efficiency from internal flexibility as to more than compensate. The argument was not just about labour markets, but about a general Japanese trade-off between allocative and productive efficiency – about the way that accepting the rigidities involved in long-term commitments could build relations of mutual trust and goodwill that profitably enhanced cooperation not only in employment relations, but also in subcontracting relations, customer relations and relations between banks and industrial firms.

The question this raised was one which I always found difficult to answer even after I had written another book explicitly devoted to tackling it.³³ Is the trade-off the same everywhere, or is there something about Japanese cultural and ethical traditions, about the personalities, the modal behavioural dispositions of the Japanese which makes the terms of the allocative/productive efficiency trade-off very different from what it would be in a more individualistic contractualist Anglo-Saxon society, where trust too easily gives way to opportunism, and security is deemed as likely to induce shirking as effort? I am increasingly willing to grant that the “something different” answer is the right one, and the important question is whether it can or should stay different.

³³ *Taking Japan seriously*, London and Stanford, Athlone and University of Stanford Press, 1987.

Core and periphery

The question naturally arises whether it is possible to combine the two kinds of flexibility, the pursuit of both allocative and productive efficiency. One attempt to do so was the core-periphery recipe for managing human resources. Firms should seek to cultivate a core labour force in whose heads and dexterous hands resided the firm's core competence, the workers one relied on for sustained organizational learning. Every device the firm could afford should be used to keep those employees and enhance their commitment to the firm. But for a wide range of functions which required little training and little firm-specific knowledge, and for which new recruits could therefore easily substitute for leavers, and for functions not needed on a full-time basis, the emphasis should be on minimizing cost. Such jobs could be done by workers on temporary contracts, despatched workers, or casual part-timers, or they could be out-sourced.

The idea was popular, especially in the United Kingdom but after nearly a decade of discussions in the business press, a survey found that only 10 per cent of employers claimed to be consciously following a core-periphery strategy.³⁴ And still, a decade later, the institutional changes carried out by governments in the name of flexibility have been, and still are, all in the direction of promoting external flexibility, sometimes directly at the expense of the devices which managers had developed to promote employee retention: the insistence on making pensions portable without loss, for example, or banning closed shop agreements. Both are measures, incidentally, which could claim political legitimacy under the banner of that central element of the Anglo-Saxon value system, freedom – freedom to change your job without penalty, freedom to choose whether or not to belong to a trade union.

Some of the measures taken to improve the workings of the labour market are uncontroversial: better information-diffusion, better vocational training and more reliable qualification systems, the shifting of social security contributions from payrolls to other forms of taxation and so on.

³⁴ Hunter, L.; A, McGregor; J, MacInnes; A. Sproul: "The flexible firm: Strategy and segmentation," in BJIR, 1993, 31, pp. 383-407.

What are, by contrast, highly controversial are the other flexibility measures such as reducing the degree of legal protection against unfair dismissal, removing controls on redundancy downsizing, cheapening the use of temporary and contingent workers by diluting their rights to social insurance and vacations, and so on – all reversals of the trends towards increasing labour protection which dominated the first three-quarters of the last century. And like that earlier trend the new flexibility measures are found worldwide, but still to very varying degrees. There could be no better test of what I called in my last lecture the marathon view of history. The United Kingdom lowered the legal barriers against worker dismissal in the 1980s. The deregulation lobby in Japan succeeded only at the end of the last decade in putting on the legislative agenda a proposal to lower the (much higher) barriers set by Japanese legal precedents through less protective statutory regulation. In effect it lost the first round to a coalition of trade unionists, plus bureaucrats and businessmen with some lingering attachment to the notion of a quasi-community firm. (The notion that having to sack workers is a form of triage and not just a cost-effective reduction in labour inputs.) The subsequent law explicitly reaffirmed the principles of case law for disciplinary dismissals, and implicitly reaffirmed, by omitting to mention them, downsizing dismissals. Whether the deregulation lobby will accept its defeat as definitive remains to be seen.

It can be argued that all these latter measures are neutral in relation to the trade-off between allocative efficiency and productive efficiency. By making it easier for firms to turn their peripheral workforce into a highly adjustable, highly variable cost, it also makes it easier for them to bear the fixed costs of maintaining cooperative commitment in their core labour force.

In practice, however, at least in the United States studies have found inconclusively ambiguous relations between the use of contingent workers, turnover, both voluntary and involuntary, and various measures of employee retention and involvement strategies, such as team-work, job rotation, profit-sharing, premium wages, expenditure on careful selective recruiting, and so on.³⁵

³⁵ Peter Cappelli and David Neumark: *External job churning and internal job flexibility*: NBER Working paper 8111, Feb 2001.

Contrasting mindsets

To simplify a little one might say that the mindset which seeks to promote mobility and market-relations and the mindset which values organizational stability and personal security tend to be contrasting mindsets across-the-board; intimately linked to beliefs about human motivation and productive efficiency.

The credo of the former, which I will call the market mindset, can be stated briefly.

Allocative efficiency is all important because the efficiency of firms depends on the efficiency of individuals.

Work skills are a transferable commodity.

The effort to apply them can be evoked by clever short-term reward systems – performance pay, stock options, etc. – plus professional conscience and opportunities for self-realization.

And the opposing credo, which I shall call the organization mindset holds that:

The efficiency of firms depends on their build-up of human resources.

Skills are not static but are built within organizations by organizational learning.

Commitment and loyalty can be effective supplements to self-interest in the evocation of effort.

Individuals' perceptions of their self-interest are not only focused on short-term cash rewards, but on long-term career prospects.

So the one says “the end of jobs for life, hurrah”; the other either denies that it is happening, or admits that it is happening and deplors it.

Why all the emphasis on market mobility?

But before I get to the “end of jobs for life” question, a prior issue is why the market mindset has dominated labour legislation over the last 20 years.

The first justification which the advocates of flexibility measures offer has nothing much to do with the virtues of markets or organizations. It is that flexibility combats the social evil of unemployment. If one makes it less costly for enterprises to employ people, they will employ more. If it is legal to offer temporary, fixed term, part-time, agency-despatched, specific-project contract work, and other forms of “atypical” employment, they will hire more workers. That this leaves the people they employ insecure and without health insurance or holiday or pension entitlements is unfortunate, but it is better than leaving them unemployed.

Empirical study of the extent to which this is true is difficult, given the manifold other factors which impinge on the unemployment rate. In Italy, for example the freeing up of such atypical forms of employment brought by a 1997 law is credited with having knocked two points off the unemployment rate over the following four years, and it is clear that during that period such jobs grew at a faster rate than “typical” jobs. However, how much of the increase was real and how much a “coming out” of hitherto unreported “black” jobs remains controversial, and in the two subsequent years “atypical” jobs have grown at a slower rate than jobs of a traditional type.

But the general dominance of what I called the market mindset over the organization mindset is certainly not explained by a concern for unemployment alone. Four other factors seem to me of crucial importance.

I have already talked about the shift in managerial philosophies. Managers single-mindedly bent on maximizing shareholder value are less concerned with, and less likely to take pride in maintaining, employee welfare. The trickle-down of market principles into pay systems strengthened the market mindset in general.

But secondly, the politicians who responded with the legislation demanded by the powerful managerial class, were not just concerned with creating the conditions for national competitiveness. They were also engaged in class struggle. Much of the labour protection legislation had earlier been passed with the support of, and often only under pressure from, trade unions. The attempt to remove it had not only flexibility/efficiency objectives but also the political objective of breaking the power of trade unions and their ability to influence the electorate. This was most explicit in Mrs. Thatcher's Britain of the 1980s, but it is worth remarking that the erosion of that ability of trade unions to influence elections has greatly reduced the importance of this motive in Britain, much less so in Germany. Where class-based politics have receded in importance, centre-left governments have been converted to the same market mindset as their opponents. There is no more ardent advocate of labour market flexibility as a remedy for Europe's ills than Tony Blair. Even in Italy, where class-based political affiliations retain greater importance, it was the centre-left government which introduced the measures mentioned above legitimating atypical forms of employment. It was the premier of the same government who proposed a particular temporary dilution of unfair dismissal protection – a relaxation of the conditions under which workers found to have been dismissed unfairly could be reinstated – which later, under a centre-right government became the focus of intense controversy.³⁶

Third was the legitimation provided by the economics profession as it became ever more dominated by the neo-classical tradition. Allocative efficiency and how markets can achieve it provide the theme for really hard economic science, algebra of the highest degree of arcane cleverness. Productive efficiency, by contrast, is a soft subject whose prime currency is the anecdote. Just go to any business school and ask about the relative position in the pecking order of an economist working on financial markets and an organizational theorist.

But finally, there is the element much stressed by those who applaud the trend: social change producing a demand for greater freedom of choice. It is argued that as society becomes more affluent, and

³⁶ It involved extending the exemption from the requirement of reinstatement of workers found to have been dismissed unfairly from firms with 15 or fewer workers to firms with 19 or fewer.

skills more refined and specialized, a growing number of people are not much interested in job security. They want the freedom of choice which flexible labour markets give them. The chief thing they want from employers is a good salary. That way they can build up a bank balance to cushion themselves against the increased risk of losing their job. Secondly they want the chance to “get learning experiences that can be added to their resumés”³⁷ for when they move on to their next job.

That this spirit of individualism has grown, even in the least individualistic societies such as Japan, can hardly be denied. A young Japanese lawyer, author of an interesting book on cross-shareholdings wrote this about Japanese so-called human-capital-ism some 15 years ago.

Is it really so good for humans? In the truly modern labour contract a worker sells his work; he doesn't sell his soul. The employee-sovereign Japanese firms require Japanese to spend their whole lives, from birth to retirement, in enforced competition, first to enter the firm, then for advancement in it, and for that they have to sacrifice freedom and individuality, human feeling and creativity, cultural pursuits, playing a useful role in the family or community, spiritual poverty in return for material riches.³⁸

The proportion of the labour force who harbour such ideas may be small, even in the United States and a fortiori in Japan. The zealous advocates of flexibility and shareholder value in Japan tend in practice to be workaholics in lifetime career jobs. But even if the people who actually live the freedom lifestyle are a minority, they are the most articulate minority, the most celebrated in the lifestyle-obsessed popular media. And as such they can have the most influence in shifting expectations and conventions.

And, quite apart from such self-realizing high-fliers, it is clear from many empirical surveys that a lot of those in temporary and insecure jobs are forced into them by the lack of any alternative – including most of those counted in that category in Spain when their numbers reached 34 per cent of the labour force and started alarm bells ringing. However, it is

³⁷ Jacoby (1999).

³⁸ Nakajima Shuzo: *Kabushiki no mochiai to kigyoho*, Tokyo, Shoji Homu Kenkyukai, 1990, p. 265.

clear that there are also quite a lot who prefer such jobs either for the higher per-hour returns or because they value the greater freedom to come and go. The striking rise in part-time jobs in the Netherlands owes a great deal to changing worker (including male worker) preferences and not just to the cost-reduction efforts of employers.

The end of jobs for life?

So, can one conclude that a sea-change in employment practices, most obviously advanced in the lead economy, the United States, is generally under way in our globalized world? And that the change is aptly summed up as “the end of jobs for life”, even in an economy like Japan’s where the lifetime employment system was most institutionally entrenched? And that it is equally welcomed by both the managers and the managed? The answer is, well, not entirely. Statistics for average length of tenure, for instance, show little change in either the United States or the United Kingdom. The big increases in the number of non-standard, contingent and casual workers which follow regulatory change seem to level off quite rapidly. If one is talking of managerial objectives, it certainly seems to be true that fewer managers, either in the United States or Japan, would put as high a priority on promoting the welfare of their employees relative to satisfying shareholders as used to be the case. But whatever that says about ends, retaining core employees, engineering commitment, increasing employee autonomy and involvement have for many managers retained their value as means of increasing profits and satisfying shareholders.³⁹ Some new devices have been added, notably employee stock options and profit share schemes. But the greater dominance of the shareholder profit drive does clearly set limits on the extent to which firms will accept fixed cost commitments for the sake of retaining loyal workers. Outsourcing shifts risks onto other firms, frequently former employees. The transfer from defined benefit to

³⁹ Sanford Jacoby finds a polarization in the US between what he calls “strategic partner” and “resource-based” HR departments, the former largely charged with minimizing labour costs, deeply involved in M&A decisions and generally quite powerful in the firm, the latter (generally less powerful) who are more concerned with building up the firm’s core competences and keeping and training the people on whom those competences depend. *People on top*, Princeton, Princeton U.P. forthcoming.

defined contribution pension schemes – something only just beginning in Japan – shifts financial risk from the firm to the employee.

And inequality

The debate about the end of jobs for life, and the debate about growing inequality are often linked, but they are two separate issues. Jobs for life and a low Gini coefficient are not necessarily connected. Internal labour markets in the United States always were dubbed the primary sector in contrast to a secondary sector of low-paid insecure jobs held largely by women and ethnic, predominantly black, minorities. Critics of Japan's dual structure always did argue that the privileges of the lifetime employment workers in the large unionized firms were bought at the expense of low pay and insecurity in those firms' subcontractors. They drew a contrast with Germany where sector-wide collective bargaining greatly reduced such differentials.

But the structure of differentials, apart from fluctuations caused by the business cycle, seemed more or less stable. If there was a secular tendency in the 60s and 70s, nearly everywhere it was towards a compression of differentials. The evidence of a new trend towards widening differentials began to be clear in the Anglo-Saxon economies in the 1980s. For a while, optimists could dismiss it as a temporary blip, but by now there is general agreement that it is a continuing trend, replicated almost everywhere in the industrial world.

There are several competing explanations for this trend, notably the decline in union power, technical change and the integration of low-wage developing countries into the world trading economy.

Low-wage competition from imports, the hollowing-out of manufacturing sectors by overseas outsourcing have certainly played a part. In theory their effects should be temporary; cheaper shirts, and computers with cheaper components, free up cash to spend on other things, so the handing off of labour-intensive sectors should enrich the more advanced societies by creating consumer demand for different kinds of labour. But even under the best of circumstances – an optimistic climate of expected

growth and entrepreneurial dynamism – that adjustment process takes time, and can still leave behind the unadaptable – middle-aged coal-miners supported by their wives, the only members of their families who are welcomed in the new electronic factories. Moreover, import surges, particularly from dynamic countries like China, can happen quickly.

Of the relevance of union power there can be no doubt. Katz and Darbishire⁴⁰ argue convincingly that there is an inverse correlation between the strength of unions in collective bargaining and the degree of centralization of the bargaining on the one hand, and both the degree of inequality and the rate at which it is increasing on the other. Strong unions do serve to compress differentials on a national scale, both directly through wage bargaining and indirectly by their political influence restricting deregulation of the labour market. The question which arises is whether that effect is achieved, in Germany, for instance, where differentials are most compressed, at the expense of slow growth, restricted development of the service sector and high unemployment. That is certainly the belief of the current German Chancellor, and it is his view that the imperative of national competitiveness, plus the social costs of unemployment, make the cost too high.⁴¹

The decline in union power has undoubtedly contributed to, but is not the whole explanation of, what seems to me the crucial factor in widening inequality, which is the increasing tendency for employment contracts to be individually bargained, short term, and directly subject to market forces. For that the change in personnel management systems, the growth of performance pay and so on, all the moves to bring market principles inside the firm has been primarily responsible; the role of unions is relevant insofar as they have failed to resist such changes, and even in some cases encouraged them.

⁴⁰ Katz, Harry C.; and Owen Darbishire: *Converging divergences: Worldwide changes in employment systems*, Ithaca, Cornell UP, 2000.

⁴¹ See the review of Katz and Darbyshire's book by Wolfgang Streeck, "High equality, low activity: The contribution of the social welfare system to the stability of the German collective bargaining regime", in *Industrial and Labor Relations Review*, Vol. 54, April 2001, Number 3, pp. 698-706.

Technological sophistication and learning ability

The trend towards greater market-determination of wages combines with another trend which is genuinely long-term, namely the steady accumulation of technological knowledge and its impact on the structure of jobs. It is a point which must occur to anyone who has to wrestle periodically with some new bit of baroquely elaborated software the computer manufacturers have foisted on us. For all that machines have come to do a lot of thinking for us, there is still a steady and inexorable increase in the number of jobs which only those with high levels of brain power can learn how to do, and as the machines eliminate physical drudgery and simple repetitive clerical work, a simultaneous diminution in the number of jobs which almost anybody can learn to do. Given a relatively stable distribution of learning ability in the population, even with the best efforts to improve learning opportunities in the education and training system, the market-clearing price of the hard-to-learn jobs goes up, and the market-clearing price of the anybody-can-learn jobs goes down.⁴² They go down so far in the societies with better welfare systems, as to be not much better than the guaranteed welfare minimum and so reduce incentives to accept employment.

It is difficult for any well-meaning student of labour problems to admit that there are intractable or only narrowly tractable limits to the available solutions and that those limits are set by the distribution of genetically-constrained learning ability which the best environmental improvement efforts can do little to change. It used to be the ritual conclusion of studies of labour market mismatch that we need better education and training. The United Kingdom is now dedicated to the target of getting half of each age group into universities. But the belief that better education and training will make a substantial difference has

⁴² There is by now a huge literature on the rising inequality of wages/salaries. Two recent analyses of American and British data stress that what technological change is eliminating is in fact middling jobs – routine clerical and craft jobs. Employment in the low-paid unskilled jobs like that of care assistants, is in fact increasing but (care-needing people are often too poor for need to be translated into effective demand, while the supply is increased by the “displaced middles” and immigration), not fast enough to create a seller’s market for care skills. Maarten Goos and Alan Manning: “Lousy and lovely jobs: The rising polarization of work in Britain”, CEP Working Paper, LSE, and Autor, David H.; Frank Levy and Richard I. Murmane: “The skill content of recent technological change: An empirical exploration”, in *Quarterly Journal of Economics*, CXVIII, forthcoming.

withered. The Chancellor of the Exchequer, introducing a debate on equality said: “whereas in the 1980s it was possible for John Smith (leader of the Labour Party) to argue that the solution to bringing together economic efficiency and social justice was policies that promoted education and training, now we have got to look at other means” and went on to talk about wage subsidies and in-work benefits.⁴³

One consequence is that whereas most unemployment used to be properly described as frictional, affecting people in a wide range of occupations, much modern unemployment is long term and, as an OECD Council of Ministers said two months ago, “affects vulnerable workers and their families disproportionately”.⁴⁴ Japan is now facing the problem of youth unemployment that hit the United Kingdom in the 1980s; as was the case then, this is not a general problem, but the particular problem of those who have done least well at school.

That is not the whole explanation of widening differentials, however. A general feature of widening differentials is the fact that the top decile and especially, in the United States, the top percentile, and a fortiori the top millile, has pulled away much farther from the median than the bottom decile or percentile. The rapidly increasing demand, and the much more slowly increasing supply of hard-to-learn skills may be the major explanation for the stretching of the median/top decile difference. But there is something more than that in the median/top millile difference. The corporate compensation committees which award executive salaries several hundred times the median wage, will claim that this is the price of talent dictated by the market. But in that market, the going rate, the price tags that all the participants in that market carry, is the cumulative upward-spiralling result of their power to determine their own salary. And they have become increasingly greedy. It is also plausible to assume that their greed has helped to pull the top decile or the top quartile away from the median too. They may not be able to set their own salaries, but comparison with the level just above is a powerful fairness argument they can use when they negotiate. And greed is infectious.

⁴³ W. Stevenson, ed.: *Equality and the modern economy: Seminar 1*, London, Smith Institute, 1909, p. 5.

⁴⁴ OECD Meeting of Labour and Employment Ministers 29 September 2003.

I shall end this lecture by reverting to the point I made at the end of the first lecture. The effect of increasing technological sophistication on the supply and demand for skills is one thing. The increasing tendency for structural changes to make incomes more directly subject to market forces is a second thing. But the change in morality, ideology, call it what you will, that defines fairness in terms of whatever outcome the market produces is quite another thing and it is the question, primarily, of the evolution of criteria of fairness that will be the subject of the next lecture.

Lecture 3. The direction of social change

Let me briefly state the agenda for the last two lectures. I have asserted that a trend to greater inequality of incomes is more or less universal and inevitable in any market system with high technology. I also noted another trend, especially in the richest industrial societies, towards an increasing tolerance of inequality, both its existence and its growth, which signified an important shift in ideas of fairness. The clearest manifestation of that tolerance is the widespread attack on welfare state mechanisms of redistribution which make the final, secondary distribution of income less unequal than that produced by the market.

It is on the second trend that the last two lectures will concentrate. The first question, which is the major theme for this lecture, is how far the trend is (a) the consequence of internal structural changes within all industrial societies which keep abreast of the ever- more sophisticated stock of technological knowledge as the human race accumulates it, or how far it is (b) a consequence of one particular aspect of globalization – cultural integration under the dominance of a cultural hegemon. Not an original question but a revival of the old nineteenth-century debate about social change: independent evolution or cultural diffusion? The second question concerns the possible sources of a global rethink – which comes down to asking whether the trend towards tolerating greater inequality is likely to be reversed even in the cultural/political hegemon, the United States.

The third question, which I shall tackle in the last lecture is: supposing that the trend to tolerate ever-increasing inequality remains unchanged in the United States, how far is it possible or likely that individual countries will resist global socio-political homogenization and continue to embody different norms, different conceptions of fairness in their institutions? This question takes us into the whole “diversity of capitalisms” argument.

In 1969 the Chairman of the Peace Prize awarding committee ended her speech on the work of the ILO, as she had begun it, by quoting the motto on the document buried under the foundation stone of the ILO’s original Geneva office. It is in Latin, as in 1919 was thought to befit an international organization. After all, for the vast majority of the nations gathered at Versailles the significant “world” to them was still pretty much coterminous with the Roman Empire, plus the extensions of Rome-derived civilization in north and south America and the Antipodes. Even for the outlier power, Japan, part of being modern and civilized was to have flourishing departments of classics – Greek and Roman classics – in the state universities. So there was nothing odd in using the world’s first global language on portentous occasions. The motto, or injunction, read: *si vis pacem, cole justitiam*. If you seek peace, cultivate justice.

“And we may add”, continued the Chairman, “by way of summing up our experience during these fifty eventful years, and as a guideline for the future: just as peace is indivisible, so also is justice.”

It is those last four words which I wish to dispute. Many, if not most, discussions of justice – procedural justice, distributive justice, social justice – do indeed assume that there are **universal** principles which can somehow be arrived at through reason. And it is quite true that there are certain acts of violent oppression which in any circumstances 95 per cent of the human race would condemn. And it is equally true that in the attempt to build worldwide systems of international law, the principles of justice on which they are based must command something close to worldwide respect if they are to be effective. It was the difficulty in achieving such unanimity which bedevilled the attempts to write into the UN Charter a definition of aggression in 1945, or the attempts to define unfair trade in the WTO today.

Norms of fairness: The power dimension

But when we move off the global scale of relations between states to questions of justice between individuals, or between individuals and collectivities or legal entities, the variance of principles is even greater. Principles of justice, or what I shall prefer to call, in more everyday terms, “ideas, concepts or norms of fairness”, still, even in our globalized world, vary widely among the world’s societies. Within societies they vary from social group to social group and those differences are the stuff of politics, especially political disputes over legislation. In relations between employers and employees, between husbands and wives, the disabled and the able, the vigorous young and those too old to work, there can be sharp differences in what is considered fair. Clear conflicts of interest are expressed as conflicting principles of fairness: private injuries are given the status of public wrongs. But in spite of that conflictual heterogeneity, it still makes sense to speak of the dominant ideas of fairness in a particular society, dominant ideas, some firmly embodied in law, some not, of what counts as fair and acceptable, or alternatively as unfair and a proper cause for indignation, resentment and revolt. The groups whose self-interested claims correspond with those dominant ideas of fairness can thereby derive moral advantage and increased political clout.

It is still true that relevant differences between societies in their dominant ideas of fairness can be linked to long-standing differences in value systems as between, say, Christian, Confucian or Islamic societies. And note that I say “linked to”, rather than “caused by”, since the flow of causation, the pattern of mutual feedback between ideologies, economies and power structures – between the means of persuasion, the means of production and the means of coercion – must always be in dispute. In many relatively stable traditional societies, particularly in the more sophisticated feudal societies like those of medieval Europe and Japan, there is not much doubt about the way in which those with the confidence and physical power to hold and defend land were able to coerce acceptance of social arrangements in their own interests so successfully that those arrangements become “normal”, and acquired a normative character. It came to seem perfectly fair and sensible, and part of the order of nature, that rights and duties depended on the position in the

social order into which one was born. Knights should be knightly and serfs servile.

But power shifts and norms also shift. We observe, today, that the ideas of fairness embodied in the unfair dismissal legislation which many countries enacted in the 1960s and 1970s are giving way to different criteria of fairness as those laws are amended with widespread support from centrist opinion; it is perfectly proper to ask what groups, with what economic and political power, have been able to shift the centre of gravity of opinion among the lawmakers.

Norms of fairness: The ethical dimension

It is quite proper to ask that question about established power, but not only that question. New ideas of fairness can come bubbling up from below, as in the French and American revolutions, responses to what Marx called the contradictions between economic and political structures and de Tocqueville saw as a drive towards equality in-built in history – a function of basic and near-universal characteristics of human nature. Alexis de Tocqueville called it an “unquestionable sign of God’s will”.⁴⁵ Barrington Moore, in a brilliant survey of revolts against injustice described it as a human capacity for a “latent form of moral anger” which social structures could suppress, but not forever.⁴⁶

The enactment of the first pieces of labour protective legislation such as, in the United Kingdom, the 10-hours Act of 1847, was not just the first fruit of labour agitation as Marx and Engels claimed the following year in their Communist Manifesto.⁴⁷ Nor, a century later, was the considerable extension of such legislation in the two decades after the Second World War just the result of the entrenchment of trade union

⁴⁵ *Democracy in America*, New York, Vintage Books, 1954, p. 7.

⁴⁶ Barrington Moore, Jr.: *Injustice: The social bases of obedience and revolt*, London, Macmillan, 1978, p. 46.

⁴⁷ Dicey called the vituperative debate for its introduction, running in parallel with and at cross-purposes with the free-trade versus protectionism debate, “the battlefield of collectivism against individualism” where “Benthamite liberalism suffered its earliest and severest defeat” A.V. Dicey: *Lectures on the relation between law and public opinion during the nineteenth century*, (1914) New Brunswick, Transactions, 1981, p. 237.

power in the electorate. It also sprang from, to use the title of a 1950s British novel, “the conscience of the rich”, that current of middle-class opinion which accepted that, in the trade-off among the French Revolution’s triad of values – the trade-off between liberty on the one hand and equality and fraternity on the other – fairness might require that the balance shift away from liberty towards equality and fraternity.

Interwoven with the power battles between the landed aristocracy and the manufacturing bourgeoisie there were two major strands to that current of opinion: compassion for the weak and unfortunate, and a socially responsible restraint of greed on the part of the powerful. Many people have traced the shaping of that current of opinion in nineteenth-century Britain. T.H. Marshall, in one of the classics of the welfare debate,⁴⁸ described it as the increasingly substantive definition of the status of citizenship, which he seemed to suggest was a continuing and open-ended process. Dicey, writing at the beginning of the twentieth century, was acutely aware of the ideological affinity between trade protection and labour protection, prefiguring today’s neo-liberal alliance between free-traders and the advocates of labour market flexibility. Then it was old, classical liberalism which was giving way to collectivism. He quotes as an example a resounding assertion of the claims of society, of equality and fraternity, against the overwhelming emphasis on liberty. It is by Thomas Arnold, the founder of the famous British school which invented Rugby football. Forty years after the French Revolution he called the notion that liberty was the supreme value “one of the falsest maxims which ever pandered to human selfishness under the name of political wisdom” and he went on to explain in detail what he meant, namely:

the maxim that civil society ought to leave its members alone, each to look after their several interests, provided they do not employ direct fraud or force against their neighbour.[K]nowing full well that [people] are not equal in natural powers, [nor in] artificial advantages; knowing, also, that power of every sort has a tendency to increase itself, we stand by and let this most unequal race take its own course, forgetting that the very name of society implies that it shall not be a mere race, but that its object is to provide for

⁴⁸ *Citizenship and social class, and other essays*, Cambridge, CUP, 1950.

the common good of all, by restraining the power of the strong and protecting the helplessness of the weak.⁴⁹

The mid-century consensus

The culmination of the collectivist trend was reached in the third quarter of the last century, incorporated in an accumulating body of labour protective legislation, and in the institutions of the social insurance-based welfare state, both rationalized and theorized in the popular philosophy of Rawls.⁵⁰ Rawls argued that fairness between the strong and the weak could be achieved by designing the institutions which would be chosen by the unborn who could not know whether they would be born strong or weak. The labour protective legislation, setting minimum labour standards, and regulating the nature of the employment contract, sought to rebalance the bargaining power between strong employers and weak individual employees, while giving weak individuals the backing of collective strength by facilitating union organizations.

At the same time, the social insurance model of the welfare state was a system for pooling the risks of becoming weak, within a society of citizens equal in basic rights. This was to be achieved by collecting contributions from those who were young and lucky enough to be able to work, and redistributing them to those who were old or unlucky enough not to be able to work. That insurance model alone never proved adequate anywhere. Fairness was still thought to require a link between contributions and the right to automatic benefits. So, while social insurance might take care of the risk of becoming weak, it could not cope with the risk of being weak in the first place and was therefore unable to build up a qualifying contribution record. Hence the insurance scheme's redistribution between fortunate and unfortunate citizens of equal rights and duties, and equal dignity – what de Tocqueville called “equality of condition” – had increasingly to be supplemented by a different sort of redistribution, progressive taxation and social assistance – assistance

⁴⁹ T. Arnold: *Miscellaneous works*, pp. 453-4 as quoted in Albert V. Dicey, op.cit p. 216. (see footnote 47).

⁵⁰ Rawls, J., *A theory of justice*, Cambridge MA, Harvard U.P., 1971.

which was means-tested and consequently carried stigmatizing implications of second-class citizenship.

That mixture of labour protection and social security commanded something of a consensus in the industrially developed world of the 1960s and early 1970s. President Johnson saw great political advantage in proclaiming his Great Society ideal even in the most individualistic country of that world, and may actually have believed in it. But today, after 30 years of debate, what one might call the OECD consensus has shifted. The key slogans in that debate have been words and phrases like “self-reliance”, “personal responsibility”, “dependency”, “freedom of choice”, “equality of opportunity not equality of outcomes”, “initiative”, “enterprise”. The need for labour protective legislation is challenged. “Some scholars argue that labour law no longer serves a legitimate mission and should be “dissolved back into contract” says one recent writer.⁵¹ The welfare state is constantly referred to as overblown and dysfunctional.

How should one sum up the present OECD consensus as it is embodied in the communiqués issued by ministerial meetings and largely echoed in speeches by centre-left as well as centre-right prime ministers? It is no longer about “restraining the power of the strong and protecting the helplessness of the weak”. Rather, says today’s consensus, one needs to unleash the power of the strong, the better to provide a safety-net for the weak.

The new consensus

Let me list some separate elements of that consensus, for which I shall henceforth use the summary term “market individualism”.

1. The social safety-net is clearly necessary, and can be provided by minimum-wage legislation and social assistance.

⁵¹ Karl Klin: “The horizons of transformative labour and employment law” in J. Conaghan; K. Klare; M. Fische (eds). *Labour law in an era of globalization: Transformative practices and possibilities*, Oxford, Clarendon Press, 2002.

2. Neither should be set at such a level or under such conditions as to deter people from accepting available work. Hence, as the market-clearing wage for the least skilled labour falls steadily below what society counts as relative, if not absolute, poverty, in-work benefits such as the US earned income tax credit become increasingly the most favoured method of keeping people above the poverty line.

3. Providing incentives to work, even coercive incentives, through such in-work benefits and welfare-to-work schemes, is desirable for two reasons. First, because unemployment figures have symbolic importance for measuring a government's handling of the economy, irrespective of whether unemployment is concentrated among the least employable whose mobilization would add little to GDP. But secondly, because of the work ethic – because having a job, making a contribution to society, is still regarded, and should be regarded, as an essential condition for first-class citizenship. Welfare dependency is demoralizing, excluding, and conducive to social disintegration. It is both a moral duty of governments and in the enlightened self-interest of the middle-classes who vote for them, to try to make sure that everyone is a work-participating citizen.

4. Even beyond the subsistence-survival incentives for work at safety-net levels, the main motivation for work at all levels is money, plus what we used to call fame or reputation and now call celebrity. The notion once prevailed that the rewards offered by public service – honour, self-realization, and the satisfaction of solving problems, helping fellow-citizens – could provide a supplementary or even alternative motive to money, and that people working for fixed rewards in bureaucratic career structures could do good, conscientious and efficient work. That is an out-moded illusion. Bureaucratic careers lead only to bureaucratic inefficiency. Career-job security leads only to free-riding and shirking. The public sector is for wimps – except, that is, for soldiers, but even there, while public rhetoric in the United States of course continues to celebrate patriotic dedication, the Department of Defence is busy outsourcing military functions to the private sector, mobilizing the profit-motive in the name of efficiency. Likewise, in the United Kingdom, Tony Blair does the same with hospitals and Japan's Prime Minister does the same with highways.

5. Power corrupts, but the market disciplines. Reward structures set by administrative decisions in state or corporate bureaucracies are unfair; reward structures determined directly by market forces, or those which simulate market forces within organizations like performance pay, are fair. This is for two reasons. First, market rewards are fair because they have an objective character; they are not subject to any individual's arbitrary, biased and possibly nepotistic judgement. Secondly, it is fair because consumer sovereignty is a basic tenet of democratic societies. The trouble with bureaucratic reward structures is that they tend to reward effort. None does so more than the Japanese *nenko* system, the system of payment according to seniority plus merit, in which the definition of merit puts heavy weight on effort, often at the expense of performance. But the consumer is not interested in effort. The consumer is interested only in performance: does the widget widge at 100 per cent efficiency or not? Hence it is only fair, since we are all consumers, that it is performance that should be rewarded.

So we live in societies in which it can seem perfectly normal for the CEO of a large company to say: The multiple millions a year I earn as a CEO represent an impersonal valuation of my potential contribution to the company and therefore to the shareholders and society. The valuation is impersonal because it is conducted by my Board's compensation committee in the light of the going rates in the executive labour market, as objectively established by Hays Consultants or Incomes Data Services. As such it is a fair reward for my work. I do not protest that a small part of the income that I cannot tie up in trusts and off-shore accounts should be taxed to provide a safety-net for people with no income, but beyond that they are not my concern.

Whence the change?

The growing inequality which is increasingly justified by arguments such as these is, as I said in my last lecture, more a matter of the top pulling away from the median, rather than of the median pulling away from the bottom. So why has it happened? Paul Krugman in a brilliant recent

essay⁵² has asked why it should be that whereas, in 1970 the CEOs of Fortune's top 100 American firms had an average income which was 39 times the salary of an average employee, today the multiple is not 39 but over 1000.

Krugman lists three causal mechanisms which economists have offered to explain this quite startling change. Two of those I mentioned in my last lecture, the impact of low-wage competition from developing countries and increasing skill premiums induced by technological change. The third is the phenomenon of the superstar. The global expansion of the market and new means of communication turn interpersonal competition into rank-order tournaments in which a few winners take all.⁵³

None of these could even begin to explain the change that has taken place in senior business salaries. So what is there to fall back on? Only one thing, says economist Krugman: what orthodox economists would call the irredeemably fuzzy-minded hypothesis of a change in social norms, what I have been calling an increasing tolerance of inequality, an increasing reluctance to call greed, greed.

Society needs to restrain the strong, said Arnold. Thirty years ago, that restraint was predominantly a matter of ethically-based *self*-restraint. Krugman quotes Galbraith in the *The new industrial state* remarking on the fact that the divorce between ownership and control had left managers all-powerful. Yet,

a sound management is expected to exercise restraint.With the power of decision goes opportunity for making money. . . . Were everyone to seek to do so . . . the corporation would be a chaos of competitive avarice. But these are not the sort of things that a good company man does; a remarkably effective code bans such behaviour. Group decision-making insures, moreover, that almost everyone's actions and even thoughts are known to others. This acts to enforce the code and, more than incidentally, a high standard of personal honesty as well.⁵⁴

⁵² "For richer", *New York Times Review*, 20 October 2002.

⁵³ Robert H. Frank and Philip J. Cook: *The winner-take-all society: Why the few who make it to the top get so much more than the rest of us*. New York, Penguin Books, 1995.

⁵⁴ J.G. Galbraith: *The new industrial state*, London, Hamish Hamilton, 1967, pp.115-117.

A number of mechanisms specific to corporate salaries are involved in this shift in social norms. First is shareholder activism and the doctrine that the managers' job is to serve the shareholder, not to enrich the employees or to cooperate with state planners in maintaining an efficient national technostructure, to use Galbraith's phrase. Second is the consequent growth in the use of stock options as a means of aligning managers' interests exclusively with those of shareholders. (In Galbraith's day they were more valued as a tax dodge than as an incentive.)⁵⁵ Third is the way that compensation committees are appointed by the people whose compensation they fix, and fourth is the way they are served by remuneration advisors' research, and tend to put their CEO at least in the second quartile of last year's distribution, thus ensuring a regular upward ratcheting of the market rate.

But for our purposes the important thing is the general change in what Galbraith called "the code", the norms that determine what is considered acceptable, what degree of coexistence within the same society between vast wealth and miserable poverty is considered tolerable. Note, also, Galbraith's suggestion that self-restraint not only compressed pay differentials; it was associated with honesty. We have recently had plenty of evidence, at Enron, World Com. and Tyco, etc., that the removal of restraint on *legally conforming* greed has indeed been accompanied by lowered standards of plain honesty.

Deeper roots: Ideological and political

Some of the roots of this change can be sought in the ideological and political sphere. One can read the history of the growth of neo-liberalism as something like an autonomous shift in the realm of thought, but even that shift can be partly attributed to changes in social structure. The growing army of true-believer economists reinforced the neo-liberals' agenda with their faith in the overwhelming importance of allocative efficiency, and the universal efficacy of market competition as a means of achieving it, together with their arid paradigm of man as a rational

⁵⁵ *ibid.* p. 116.

self-interest maximizer, a dessicated calculating machine. And the growth of that army can be attributed to the conventions governing university appointments, the ability of cohesive factions to capture departments, plus the values which rank hard mathematical sciences over easier, softer institutional-analytic forms of social science.

Again, neo-liberalism gained adherents for its attack on the role of the state, partly because it was a response to the growth of union power. The corporatist arrangements needed to deal with wage-cost-push inflation threatened to dilute the traditional business dominance of politics and force business to share power with what was called the other “social partner”. Continental European business groups largely decided, with reluctance, that they could live with that development. The Italian business confederation entered into a quite constraining tripartite contract regulating wages and industrial relations as recently as 1992, a contract which continues in force today. Anglo-Saxon business groups never accepted such constraints and for the last 30 years have refused even to contemplate such tripartite bargaining.

The subsequent decline of union power came in part from the shift away from mass-production manufacturing much aided by the systematic union-weakening strategies⁵⁶ of neo-liberal governments. This was also a highly relevant factor in the ideological transition, not only because declining collective bargaining power led directly to greater income dispersal, but also because of trade unions’ consequent loss of political influence, their power to swing elections. I started by drawing a distinction between the two forces bringing about shifts towards equality and fraternity and away from liberty: the protest of the have-nots and the conscience of the haves. But there has always been feedback between the two. For all the genuineness of Dr. Arnold’s moral outrage, his knowledge of how many windows urban rioters had broken in his and his friends’ houses cannot have been irrelevant to his feelings. Your unrest threatens my peace, again.

⁵⁶ Documented, for example, in Harry C. Katz and Owen Darbishire: *Converging divergences: Worldwide changes in employment systems*, Ithaca, Cornell UP, 2000.

Deeper roots: History, family, school, affluence, migration and demography

But one needs to look below politics for the tectonic shifts in social structure which have promoted the change in social norms. Let me briefly list six.

1. What one might call the history factor is obvious. The great advances in collectivism were brought on by the solidarity produced by shared national hardship – the 1930s depression followed by the war. The sort of cross-class solidarity of the infantry platoon that the great labour economist Phelps Brown wrote about⁵⁷ as a possible paradigm for industrial peace was reproduced on a national scale. *Your* fortitude will bring us victory, as the British wartime posters used to say. The Beveridge report which laid the foundations for the British welfare state, a model for many other countries, was explicitly designed to give a promise of a post-war Britain that the troops would find worth fighting for.

That sense of social solidarity that sustains a welfare state – sustains the sense that, in the Biblical phrase, we are all our brother's keepers – is bound to attenuate as the memories of wartime solidarity grow dim.

2. Affluence clearly has its own independent effect. In a poor society, you need the social insurance of mutual trust and mutual aid among family members and members of your local community. Social solidarity counts. In an affluent society you build up a bank balance, buy insurance.

3. The sexual revolution is relevant in two ways. The repression needed to ensure social stability in pre-contraception days had a reinforcement effect on all other norms which required the restraint of self-gratification. When anything goes in matters of sex, anything can go in matters of greed. The other way in which it is relevant is in its effect on the feminist movement and the gender revolution. This contributes, together with a declining sense of what one might call “general dutifulness”, to the growth of individualism and a declining sense of family

⁵⁷ E.H. Phelps-Brown: “Morale, military and industrial”, in *Economic Journal*, 59, No. 233, March 1949.

solidarity. That has the specific effect of causing the “breadwinner model” to lose its normative force as an element in wage determination within organizations, and the general effect of contributing to the acceptance of market individualism.

4. Even more important is the class revolution. I have talked about the respective contributions, in the history of labour movements, of the protesting have-nots and the conscience-driven haves. Not only sympathy but also ease of communication and collaboration between them was facilitated by the fact that the self-taught workmen who left school at 13 were often just as, if not more, intellectually gifted than their middle-class colleagues. But over the last half century, first, the enormous growth of educational opportunity, secondly, the increasing use of educational certificates in an increasingly meritocratic system of occupational selection, have ensured that the bright people from poor families who might once have become effective left-wing trade union leaders now sail through the educational system and become successful members of the middle class. But after two or three generations, through a combination of economic, cultural and genetic mechanisms, the initial response to the widening of educational opportunity, namely brisk social mobility, is declining. The evidence is clear both in surveys and in the emotional responses of those who dispute it.⁵⁸ Divisions between economically and culturally differentiated classes are becoming clearer, and are increasingly transmitted from generation to generation. We seem to be reverting to the situation described by Disraeli in the early nineteenth century, of social classes which are like two nations, “between whom there is no intercourse and no sympathy; who are as ignorant of each other’s habits, thoughts, and feelings, as if they were ... inhabitants of different planets.” We have, in other words, an attenuating basis for the social solidarity which can prompt the sort of redistribution required for a successful welfare state in a society of increasing dispersion in the primary distribution of income.

⁵⁸ Not an issue one would expect national bureaucracies to take up, but the lingering attachment to egalitarian values has prompted the Japanese bureaucracy to do so, partly in response to a big media upsurge of interest in 2000. (See Genda Yuji: *Shigoto no naka no juan*, Tokyo, Chuo Koron, 2003, p. 10). The Ministry of Finance Research Institute produced a major study. See Zaimusho, Zaimu Sogo Seisaku Kenkyujo: *Shakai-kaiso. Ishiki ni kansuru Kenkyukai: Hokokusho*, June, 2003. The highly polemical Chapter 4 by Seiyama Kazuo is an example of the emotional reaction I had in mind.

5. The same consequence – an attenuation of the sense of fellow-feeling – attends that other growing phenomenon, increasing ethnic diversity brought by the migration of workers from developing countries to do the jobs that rich country citizens are reluctant to take. A concern for the effects of this diversity on social cohesion and political support for the welfare state turns many who are in principle favourably disposed to the tolerant values of multiculturalism into advocates of assimilation.⁵⁹

6. Finally, demography, the ageing of populations brings to the fore the increasing cost of social-solidarity redistribution, in particular one form of it – pay-as-you-go pension systems which redistribute labour income from the working population to the old. Systems once established can often persist from inertia, but not when the certainties of demographic change make their future cost so easy to calculate. The move to shift the pension burden away from state pay-as-you-go defined benefit systems, to private defined-contribution systems, is practically universal, again reinforcing individualistic tendencies and not just weakening redistribution mechanisms but widening inequality. Even the earlier pay-as-you-go pension systems can be divided into the fully solidaristic in which a basic pension is paid out of taxes, and the more individualistic type in which pension benefits depend on contributions. Sweden is one of the former, but it is notable that even in socially cohesive Sweden, the prospect of an increased tax burden to maintain the system has prompted, not, say, proposals for levying an earmarked “old people’s support tax” but the more individualistic solution of a notional defined contribution system run by the state.

So, to conclude, there are many reasons why the future looks grim for those whose idea of fairness involves not just a concern for individual freedom but also equality and fraternity. There is the additional factor of the feedback mechanisms by which institutions form consciousness and consciousness reinforces institutions. Richard Sennet’s title *The corrosion*

⁵⁹ Alan Wolfe: “Assimilation v. multiculturalism in liberal democracies”, in *The responsive community*, 13, Summer 2003. Ronald Dore: “The liberal’s dilemma”, Paper for the BIEN Conference, Geneva, Sept. 2002. Glazer argues that ethnic diversity is a major reason for the weak development of the welfare state in the United States. Nathan Glazer: “On the American indifference to inequality”, in *Daedalus*, Summer 2004, p.115.

of character: *The personal consequences of life in the new capitalism*⁶⁰ says it all. Those who live and work in reward systems based on market individualism are likely to end up as market individualists.

A possible change of heart?

But let me finally touch on the possibility of some reversal of these trends.

First, note that the norms as yet have not decisively tipped. Their proponents are still struggling to establish their legitimacy. As Krugman said, in the essay I quoted earlier, in the United States, where inequality talk exposes you to charges of class warfare, there is a “sizeable, well-financed industry” of conservative think-tanks trying to discredit the data, the methodology and not least the motives of those who report the obvious facts of inequality and poverty. The American Business Council holds emergency sessions on how to combat media criticism of executive salary levels.⁶¹ Greed may be OK, but it is not yet quite legitimate.⁶²

One can think of two possible scenarios that might lead the middle classes of the leading industrial democracies to undergo a change of heart

⁶⁰ New York, W.W.Norton, 1998. His concluding assertion of optimistic faith is: “a regime [the flexible capitalism regime] which provides human beings no deep reason to care about one another cannot long preserve its legitimacy.”

⁶¹ *Financial Times*, 10 October 2003.

⁶² Since writing this I have come across a letter I had forgotten ever having written in response to the announcement of civil service pay rises in Britain, which coincided with the publication of an important survey documenting the rise in income inequality (*italics added*). “The judgements of (modestly paid) Ministers about how much is necessary to keep top civil servants in Whitehall are as crucial a mechanism in the growth of pay disparity as the judgements of company compensation committees that their CEO’s salary must of course not be lower than the top of the second quartile of the distribution. Those judgements depend crucially on a particular assumption about work motivations – namely *that we are all primarily driven by greed and envy. Over large areas of the UK economy – especially but not exclusively, the public sector – that assumption is still false.* People take jobs, and put their backs into jobs, for a variety of motives – a “spirit of public service” among them. No permanent secretary has, in fact, jumped ship for the money lately. Ministers are reported to be anxious to ensure that any temptation is reduced in future. But the thing about such anticipatory moves is that they become self-fulfilling. The more the institutions of our society are built on the assumption that greed and envy are the only reliable motivators, the truer that becomes. (R. Dore: “Danger that greed and envy really will become the main motivating forces”, in *Financial Times*, 14 Feb. 1995).

before the last vestiges of the old morality disappear. The first is the possibility that the process of unwinding the imbalances in the world economy – notably the US need for the rest of the world to lend it capital at the rate of a billion and a half dollars a day so that Americans can spend five per cent more than they produce – will lead to a world depression on a 1930s scale and the comprehensive discrediting of Anglo-Saxon capitalism.

One can read the market individualism that I attempted to define above as simply an extension of the trend away from community and towards individualism which preoccupied the nineteenth century sociologists. They framed that trend in different dichotomies, *gemeinschaft/gesellschaft*, status and contract, mechanical and organic solidarity, community and association. Writing a century after such preoccupations began, at the time of the Second World War, Polanyi traced this process as a steady trend for economic activities which once were embedded in social relations, and much constrained by primordial ties of kinship and community, to become completely disembedded with the growth of markets. But instead of assuming, as most of his predecessors had assumed, that this was an indefinitely extending trend, he saw the depression of the 1930s as a shock which would reverse the trend and see the claims of society reasserted.⁶³ In the 1950s and 1960s, in the growing collectivism and nascent corporatism of the Golden Age, it looked as if he might be right. But since the 1980s, it seems that the old trend has reasserted itself. The only embedding of the economic in the social now much talked about is the universally condemned “crony capitalism”. It may be that the shock of another depression may give us a second chance to experiment with embedding labour relations in the social fabric of organizations, and embedding a segment of exchange relations in the institutions of the welfare state.

The second reason for supposing the possibility of a trend reversal is another of the “your unrest, my peace” effects. The misery of the poor can spoil the quality of life for the well-off. A couple of journalists sketched this scenario with plausible vividness.

⁶³ Karl Polanyi: *The great transformation*, [1944], Boston, Beacon Press, 1957.

Fifty years ago, the notion of most middle-income earners having their properties protected by an alarm would have been diagnosed as a phobia... [In twenty years time] those who can afford it will have the bodyguards, the razor wire and the dogs; those who cannot will work in the black economy in which weapons and crack are the units of currency. People will carry handguns, legal or not... No responsible parent will ever allow their child out unaccompanied. Nice young couples will play bridge by videophone.... Your car? Bullet-proofed. Your movements? By day and through decriminalized zones. Your leisure? Zen callisthenics, policed by your own vigilante group.⁶⁴

Already, in the United Kingdom, there is mounting concern with what is called anti-social behaviour – “that menacing mix of small crimes and misdemeanours... incivility, disorder and nuisance” usually deemed a consequence of social exclusion.⁶⁵ The British government has commissioned a survey and is contemplating new legislation.

A basic income?

If such concerns do reignite the conscience of the rich, what form will the response take? There is by now a sizeable body of opinion in favour of one line of response, mobilized in a number of organizations of which BIEN, the Basic Income European Network⁶⁶ is the most prominent. It can be summarized as follows.

⁶⁴ Michael Bracewell and Julian Evans: “Anti-hero for a razor-wire future” in *The Guardian*, 26 December 1993.

⁶⁵ “The politics of behaviour, *The Economist*, 13 September 2003, reviewing Frank Field, *Neighbours from hell: The politics of behaviour*, London, Politico, 2003, See also, Keith Prowse, “Market forces are encouraging the growth of Britain’s anti-social culture”, *Financial Times*, 18 October 2003.

⁶⁶ See www.bien.org. Relevant publications by two of its leading members are Philippe van Parijs: *Real freedom for all*, Oxford, Clarendon Press, 1995 and Guy Standing: *Beyond the new paternalism: Basic Security as Equality*, London, Verso, 2002.

1. There is no way in which state intervention can much alter the increasingly polarized primary distribution of income which market forces produce.

2. As the market-clearing rate of the jobs available to the least employable citizens falls further below what society considers a tolerable poverty line, recourse to means-tested safety-nets will steadily increase, either in the form of in-work benefits, or social assistance to the unemployed.

3. This implies a) mounting costs in benefits, b) even more rapidly mounting costs in administration, benefit fraud and countering benefit fraud, c) even more problematic social consequences from the relegation of benefit recipients to second-class citizenship, first by the means-testing itself and second by the publicity given to the prevalence of benefit fraud.

4. As a result it will – and should – come to seem a sensible alternative to abolish all welfare benefit schemes except for a few disability pensions and instead – at a cost of, say, something like 40 per cent of GDP – pay everyone an income sufficient to live on, simply as a basic citizen's right. That right would be accompanied by an obligation to perform community service work – something more continuous than the national service which remains as an, often valued, hangover of conscription in continental Europe, but somewhat more extensive than the jury service of Anglo-Saxon countries.

I do not have the space to develop the idea fully but the outline is clear. Many of what are now the least well-paid jobs would be covered by community service, including a lot of the caring jobs for which there is now a need but no effective demand because the needy are too poor. Unemployment as an administrative concept would be abolished. Non-employment as an economic problem of under-utilization of national resources need not be a problem as long as money and the prospect of a higher standard of consumption, increasingly supplemented by self-realization, still provide a major motive for work. And unemployed idleness as a social problem of dignity-deprivation should also be abolished if the least employable people who would find it difficult to get a job were joined in their joblessness by poets and gardeners who preferred

to write poetry or dig gardens rather than make extra money, and nobody bothered much about who was which.⁶⁷

Admittedly that is a big “if”. To start with, the work ethic, the source of the stigmatizing force of unemployment, is not so easily dethroned – and with welfare to work the slogan of our day, the chief reaction to social problems is currently to reinforce it.

And secondly, will the élites of the industrial nations, increasingly transnational in their daily contacts and increasingly cosmopolitan in their lifestyle and sympathies, really suffer from the disintegration of their societies enough to contemplate such solutions? Or will the globe still contain enough exclusive havens of tourist peace for their holidays to compensate for all the barbed-wire inconveniences of life in the home they occasionally visit?

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* *

In this lecture I have neglected the globe. I have been considering changes within individual societies, and asking whether the direction of social change in what the marathon view of history has hitherto deemed the vanguard societies is firmly set or likely to change. In the final lecture the interaction between societies will be the main concern.

⁶⁷ Milton Friedman’s negative income tax, and the French guaranteed income scheme remove the “readiness to work test” which most guaranteed income schemes involve, but they retain the means test. See Robert J. Shiller: *The new financial order: Risk in the 21st Century*, Princeton, Princeton U.P.2003, p. 253. The basic income would remove both stigmatizing forms of “prying by officials”.

Lecture 4. Global markets and national employment systems

In discussing the possibility of a reversal of the established trend towards market individualism at the expense of social solidarity I ignored one important factor, namely the effects of globalization. I interpret the term broadly to encompass a wide variety of phenomena which have one thing in common – they have been much facilitated by the easier and cheaper contacts made possible by modern communications and transport. Improvements in this field began in earnest with the voyages of the fifteenth century. One simple measure of the level of globalization of the world or of a particular country – simple in conception that is, but next to impossible in application – is the proportion of interactions between its people or its organizations which involve cross-border contacts. It is quite useful to distinguish between international interactions, as in the WTO or the Olympics, where the people concerned represent their national states, and transnational interactions which involve members of civil society, from migrant workers' remittances, stamp collectors' gatherings and paedophile networks to Medecins sans Frontieres or INTELL, the International Network on Transformative Employment and Labour Laws.⁶⁸ In both dimensions growth was accelerating in the period up to 1913, slowed in the interwar period, grew

⁶⁸ Devoted to “the use of law to construct more just, equal, non-hierarchical, culturally and sexually pluralistic and democratic societies.” J. Conaghan, K. Klare and M. Fischl, eds.: *Labour law in an era of globalisation: Transformative practices and possibilities*, Oxford, Clarendon Press, 2002,

again within the Western world during the cold war, and has accelerated at a faster rate in the world as a whole with the telecommunications revolution since 1990.

This lecture has two, not clearly related parts; what has come to be known as the social clause issue, but which, for the ILO, is the core labour standards issue; and secondly the question whether societies can sustain very different cultures, institutions and value systems in spite of a high degree of global economic integration. I say “not very clearly related”, but there is a relation nonetheless. I denied earlier that justice was one and indivisible, but caring about justice, being prone to indignation at the sight of unfairness, is perhaps a general personality syndrome. By and large, the people who are upset at growing inequality in their own society, are also disturbed by the grosser inequalities between the rich countries of the north and the poor countries of the south. They are well represented in the anti-global movement, if outnumbered by people whose main emotion is hatred of the rich and powerful, as symbolized by capitalism and the United States. But they are also the unsung heroes of development aid whose work in private voluntary and official international organizations, often at great personal risk, has incrementally contributed, if not to closing the rich world/poor world gap, at least to slowing the pace at which it is widening.

Imposing standards

The core labour standards issue is in a sense part of a contradiction at the heart of much United Nations work and clearly apparent in the preamble to the UN Charter. On the one hand the Charter proclaims the principle of non-interference in the internal affairs of member States, on the other it proclaims the UN’s mission to do what it could never do if it totally respected national sovereignty, namely “promote social progress and better standards of human life”. In the case of labour standards this basic contradiction is greatly complicated because the humanitarian concern in rich countries with wages and conditions of labour in poor countries gets mixed with, and is often exploited by, self-interested protectionism on the part of those whose jobs or profits are threatened by

competition from countries whose only advantage in their attempts to emerge from dismal poverty is their low wages.

I have none but banal comments to make on this issue. There is some truth in the witticism that the only thing worse than being exploited is not being exploited. If the reality is that the alternative to child labour is not child schooling but the destitution of the child's family, or one more Rio street child, hunted by vicious vigilantes, then who would want to ban child labour? It is entirely sensible that what started as the ILO's International Programme for the Elimination of Child Labour (IPEC) should have evolved to the point at which the first ILO Convention (Number 182) it inspired was called the Elimination of Worst Forms of Child Labour Convention of 1999.

About the exploitation of employees by employers in a purely domestic context, there is no difference, it seems to me, between labour conditions issues and other human rights questions such as torture and arbitrary arrest. In the end these domestic problems will only be cured domestically. Foreigners pontificating about slave labour and human rights in China may have some restraining effects on Chinese authorities, especially when China is making a bid to win the Olympics or engaged in some other diplomatic effect. But in the long run they are trivial in their effect compared with the increasing detail with which the Chinese press reports instances of worker protests against employer brutality, and the courage of middle-class lawyers in supporting them.⁶⁹

Transnational corporations' outsourcing, however, highlighted by the Nike boycott case, does raise additional issues. The ability of NGOs to inflict damage on multinationals with a bad reputation has induced a large number of companies to adopt, or at least to publish, codes of conduct which, if implemented could indeed result in their changing their practices to leave more of the value-added of their operations in the third-world countries in which they operate, and to ensure that it is more equally distributed. The interest that such decent companies would have in removing the competitive advantage of competitors with less fastidious consciences could, in theory, lead the rich world to agree to regulate

⁶⁹ See Anita Chan: *China's workers under assault: The exploitation of labor in a globalizing economy*, Armonk, M.E.Sharpe, 2003.

its own countries' corporations in their operations in poor countries — a Global Compact with teeth. But we are a long way from that point and the idea of a so-called social clause enacted by the WTO which puts all the onus of improving labour standards on developing countries and makes trade access conditional on certified conformity to such standards is a charter for protectionists and not the way to do it.

One cannot alter the fact that, for a developing country, there is a trade-off between imposing regulations which ensure that foreign multinationals pass as much as possible of the value-added of their operations to host-country workers and managers on the one hand, and not deterring the multinationals from investing on the other. What is needed is agreement among developing countries to prevent a race to the bottom. The ILO has always been good at organizing such agreements. The device of the intergovernmental labour convention, pioneered at Bern 14 years before the ILO was born, has proved an excellent way of preventing employers in countries with higher standards of decency from being forced to retreat from those standards by the undercutting competition of countries whose standards are lower.

To be sure, the signing and ratification of conventions can be dismissed, and often justly dismissed, as mere ritual, having no effect on reality. But by various devices countries can sometimes be shamed into living up to their hypocrisy. Students of labour history in Japan will recall that, already in 1922, the government's need to send to ILO meetings people who could plausibly be represented as genuine trade union leaders had a substantial effect in boosting trade unions in Japan. One thing about globalization is that the opportunities for such shaming have increased. There are far more international meetings at which delinquent countries have to explain themselves and sign up to agreements endorsing the Four Fundamental Rights. There is also much more monitoring now that half the ILO's technical assistance efforts are devoted to core labour standards work — by technical assistants who also write, sometimes, frank reports.

The cosmopolitan élite

Those technical assistants, frequently highly cosmopolitan men and women, are relevant to the first point I wanted to make about my other topic, globalization and national diversity. I left the “direction of social change” issue by asking whether the people who are lucky enough to have interesting and worthwhile jobs and high incomes will be content to live embattled lives in a dangerously criminalized world, protected by razor wire and ever more sophisticated electronic devices. Or whether the prospect of such a world, and the loss of liberty it might entail, would lead them to reassess the importance of equality and fraternity — would make them willing to accept social arrangements for the redistribution of income which would make them poorer.

One plausible answer is: Swedes, maybe yes, but Americans no. An American might say, your lurid picture of the horror future is greatly exaggerated. The threat can be contained. Go to Washington. It is a city with one of the highest murder rates in the world, yet when you get west of Georgetown, the houses in the leafy suburbs do not even bother to have burglar alarms. Zero tolerance works well to suppress the sort of crime that affects the élite. By and large the poor kill each other. And as to the loss of liberty involved in protecting the well-off from crime, since September 11th the United States has shown that the increasing curtailment of liberty by state coercion only means, for the honest well-heeled citizen, having to take your shoes off before you get on an aeroplane. So, they might say, the problem can be contained.

A Swede, on the other hand, who has never been to Washington, and who lives in a much more cohesive society, where some concern for the welfare of fellow-citizens is taken for granted, might well have a very different view.

But the new thing about our globalized world is that an increasing number of the Swedes whose opinion counts most in the formulation and revision of Swedish social norms have been to Washington. An increasing number of the Swedish élite, and the élite of other European and Asian countries, belong to the category of what someone called Davos Man, after that Swiss resort where the good and the great gather

annually for the World Economic Forum. Others have called them the “cosmocrats”. A journalist’s definition of a cosmocrat:

Cosmopolitan in taste and Anglo-American in outlook, these are the people who attend business-school weddings, fill up the premium seats on airplanes and provide the officer ranks of most of the world’s companies. They constitute a more meritocratic ruling class than we have ever seen, a much broader one, an uneasy one perhaps, but a ruling class nevertheless.⁷⁰

And, one might add, they all read the same consciousness-forming newspapers: the *Financial Times*, *The Wall Street Journal*, the *Economist* and *Business Week*. They may not yet be a world ruling class, although those of them who work in the World Bank or the IMF or the US Treasury may see themselves that way, but they are certainly influential in shaping opinion in their countries.

Fear, sympathy and solidarity

There are two ways in which this affects inequality and the tolerance of inequality within countries. The first is the general weakening of a sense of national belonging.⁷¹ Fear alone is not enough for the prospect of increasing social unrest to lead to measures to reduce inequality. It needs to be accompanied by some sense of fellow-citizenship, by that stretch of the imagination, that capacity for empathy, that can prompt the thought, when one sees the poor and unfortunate: “there but for the grace of God, go I”. The Swedish banker who walks foreign streets as much as Swedish streets and talks to more foreign waiters than Swedish waiters is less likely to have that capacity for empathy, or to be influenced by it when he discusses the Swedish taxation system.

Secondly, one of the characteristics of the cosmocrats is that, whatever their native language, much of their time is spent talking English. The intimate relationship between being at home in a country’s language

⁷⁰ *Financial Times*, 27 May, 2000.

⁷¹ See Charles Taylor: “No commuity, no democracy”, in *The Resonsive Community*, 13, iv, Fall 2003.

and being at home in that country's culture is well-known. Anglophony and the Anglo-Saxon mentality – the propensity to accept the institutions of Anglo-Saxon societies as somehow “normal”, a norm from which other countries' institutions are deviations – tend to go together. Not always. During the cold war, it used to be said in Africa: if you want your son to become a free-market liberal send him to study in Moscow; if you want to turn him into a communist send him to the States. But that kind of disharmony is rarely to be seen at Davos.⁷²

And that makes a difference to our question about inequality and the tolerance of inequality. According to the World Values Survey, 70 per cent of West Germans express the belief that people are poor because of imperfections in society, not their own laziness, and 70 per cent of Americans hold the opposite view.⁷³ The betting is that the cosmocrats even from West Germany lean more towards the American than to the German view.

Cultural hegemony

That is the serious meaning of American cultural hegemony, not the Macdonaldization of the world or American soap operas on French television. The mechanisms that underlie it are clear: the global labour market, the global firms that use it and the training institutions that serve it.

The market for executive talent is, indeed, becoming genuinely global. Jurgen Schrempp, all within a decade, got Daimler-Benz listed on the New York Stock Exchange, bought Chrysler and became such a respected member of the American financial community as to be appointed to the Stock Exchange council. True, the flow is predominantly one-way; the brain-draining of Europeans and Asians to the United States. But there is backflow, too. Ron Somers, whom Sony made

⁷² Disharmonious antipathy can be deeply felt by a sensitive soul brought up in an American leftist family, see Richard Sennet: *The corrosion of character*, New York, Norton, 1998.

⁷³ Nathan Glazer: “On Americans and inequality” in *Daedalus*, Summer, 2003, p. 113.

CEO of its Columbia Pictures in the United States, returned to his native Germany to head Deutsche Telecom.

One global firm, IBM, gave Hofstede, the author of *Culture's consequences*,⁷⁴ the chance to provide evidence – what I would describe as reassuring evidence – that for all the socialization of its executives in an American-based company culture, national differences in thinking and behaviour could still persist. But the homogenizing tendency is still there.

It is a tendency reinforced by the role of American business schools in preparing this global élite. They have become an important means of providing intellectual training, plus cultural and ideological socialization to a wide range of the world's business community – both directly and indirectly: the two major continental European business schools in France and in Switzerland are Anglophone in language and predominantly American in inspiration. In Japan, the backflow across the Pacific of MBAs, most of whom used to be sent by their large-corporation employers, but who are now mostly paying their own way and preparing to join the growing army of business consultants, explains a lot about the shift of managerial opinion towards greater sympathy with shareholder value doctrines and with neo-liberal ideas – about the welfare system in particular and about the role of the state in general.

Perhaps even more important are the American graduate schools in economics. An increasing number of the economists teaching in university departments in France and Italy, Japan and China, are men and women who got their PhDs at Chicago or MIT, or even Wyoming and Kentucky. They are the people who train the next generation of businessmen and civil servants. They are the people who, thanks to the prestige of an American doctorate, have a more than proportionate voice in the media and on the government committees and commissions in which policy is formed. They are the people, variously well-informed about the institutions of various countries, but all fully familiar with the institutions of the United States, who are responsible for the fact that the change in labour laws – for example to dilute unfair dismissal restrictions or permit free use of precariously temporary labour – spreads so rapidly from country to country.

⁷⁴ Geert Hofstede: *Culture's consequences: International differences in work-related values*, London, Sage, 1980.

Ideologies and markets

All this stuff about cultures and ideas is all very well, you might say, but people being converted, being persuaded by ideologies, is really a secondary matter, compared with the harsh reality of global markets and competition within them. It is the global integration of the economy, particularly by financial markets, which explains why neo-liberal ideas are changing national structures all over.

This argument can be examined under two heads. First, there are the conscious decisions taken by those whom markets have given power. These decisions force people in other countries to change their economic and social systems, the purpose and the effect of which is to give markets a larger role in allocation mechanisms in the economy at the expense of political and administrative decision. I have in mind, of course, the conditionality lever, the conditions attached to loans from the IMF and the World Bank. These conditions are drafted and imposed in accordance with what has come to be called, because of the close coincidence of view of those organizations and the US Treasury, the Washington consensus – which is, essentially the doctrines of market individualism, as I spelt them out in the last lecture. They are imposed, frequently, with an almost religious conviction, a conviction that they embody principles not just of efficiency but also of justice.

I said that the power which these organizations exert is given to them by markets. Of course it is partly an institutional authority, conferred by states' original agreement to take part in these embryo institutions of world government and sign up to their founding constitution. And those agreements, because of voting structures and financing structures, inevitably give the dominant nation, the United States, power to control their decisions. In some international organizations, like the ILO and UNESCO, US dominance may be less than absolute, and may *in extremis* have to be exercised only by walking out and forcing the organizations to make concessions to get it back in again. But in the organizations which govern the international economy, like the World Bank and the IMF, the power of the dominant economy, the United States, is entrenched and not to be gainsaid.

So the institutional authority is built into the world system, but the occasions to exercise that latent power are given by markets. Sometimes it may be product markets, when it is the collapse of a commodity price – cocoa or coffee or copper – which puts a country in danger of defaulting on its external debt and sends it begging for a loan. But more often it is the workings of financial markets. The Asian crisis of 1997 is the prime example. The flood of international money into Asian countries seeking to cash in on the high returns available in rapidly growing economies, turned into a Gadarene rush for the exits as soon as the market operators sensed the danger of a catastrophic fall in the exchange value of local currencies – thus precipitating just such a catastrophic fall which threatened debt default and forced recourse to the IMF. Even in such well-functioning economies as the Republic of Korea, the IMF was able to impose conditions, not just macroeconomic management conditions like swingeing interest rates, but structural reform conditions like flexibility in labour markets and systems of corporate governance more like those of the United States. President Roh is now suffering from the consequences of the unholy alliance which then developed between the IMF which saw the chaebol as unfair to shareholders, and the trade union movement which saw them as unfair to employees.

So that is one force making for the homogenization of a market-individualist world, the exercise of power by identifiable individuals. The other more impersonal market mechanism is through the most integrated of all world markets, the financial market. It is summed up by the title of an OECD report on corporate governance: *Corporate governance: Improving competitiveness and access to capital in global markets*.⁷⁵ The idea is simple. The world's savings are now one big pool. There is a large army of clever people engaged in allocating those savings to uses which offer the best balance of risk and return wherever in the world they might be. Countries like the United States, where corporations regularly register a return on equity of 20 per cent, will never lack capital, as the current willingness of the world's savers to lend the US a billion and a half dollars a day attests. But a Japan where 8 per cent is considered a handsome return will eventually be starved of capital. Not only will foreign investors shun it, its own savers will send their money elsewhere. So, the only way to

⁷⁵ OECD, 1998, the so-called Millstein report.

remain a serious competitor is to conform to the market individualism which drives the US economy, to use both labour legislation and corporate governance legislation to shift the balance of negotiating power between workers and their unions on the one hand, and shareholders and their managerial agents on the other – to increase the power of shareholders over managers and the power of managers over workers.

Possibilities for the future

To sum up, so far, I have spelled out two mechanisms which seem to promise a homogeneously market-individualist globe: American cultural hegemony and the power of financial markets to starve non-conformists of capital. My first point is that at present the cultural hegemony factor is far more important than market forces. Though the mobility of capital is clearly increasing, capital still does tend to stay at home: Japan's 1.4 quadrillion yen of savings is still mostly in yen – what economists call the “home bias paradox”.⁷⁶

My second point is that the globalization of financial markets on which the second mechanism depends is by no means irreversible, and it is not clear that financial protectionism would damage the world trading system for goods and non-financial services. China has never abandoned its control over capital movements which, leaky though it is, remains effective. Its highly cautious controls over the influx of portfolio capital and the activity of American investment banks have not impeded its import of useful direct investment, or proved an obstacle to its getting the trading privileges in product markets conferred by membership in the WTO. Mahathir in Malaysia showed that the reimposition of capital controls was possible even after they had been abandoned. The *Financial Times*, the *Wall Street Journal* and the *Economist* and Japan's *Nikkei* combine to pour scorn on the notion that a general return to capital controls is even technically possible, given the degree of integration of the world's economies. That judgement is not based on detailed examination of technical modalities because nobody has any interest in trying to work out

⁷⁶ Frederico Asso, “The home bias paradox in economic thought” in J.Lorentzen and M. de Cecco, eds.: *Markets and authorities: Global finance and human choice*, Cheltenham, Edward Elgar, 2002.

what such mechanisms might be. What is without doubt, however, is the fact that their most influential readers, the participants in financial markets, would think any such reassertion of financial sovereignty outrageous.

My third point is that for all the erosion of sovereignty on the part of states which sign up to international organizations and have to compete in world markets, they are still capable of a large range of independent choice as to the sort of economic institutions and the sort of income distribution they want to have, even if the imposition of capital controls does prove technically impossible without fatal damage to the world trading system.

And my fourth point is that the disparity between the institutions of different types of capitalism is still large and there is no conclusive evidence in the ups and downs of national fortunes – Japan and Germany up and the United States down in the 1980s, vice versa in the 1990s – that one is superior even in competitive efficiency to the other.

The diversities of capitalism

Before getting to my final points let me elaborate on those differences with respect to the crucial dimension I have just mentioned – the balance between shareholder and employee interests. Capital versus labour is the classic formulation of that balance, a zero-sum relationship of irredeemable opposition, translated into the inevitably adversarial relationship between management and trade unions.

But there are wide differences in the degree to which the adversarial nature of the relationship is structured and perceived. To categorize somewhat crudely, one can talk of three contrasting systems. There is first the Anglo-Saxon pattern where the adversarial relation is for real: the knives are out. There is a general consensus among managers that the absence of unions is preferable even to a cooperative union. The only good union is a dead union. Employee cooperation with shareholders is best achieved by making them minor shareholders too, through stock options and profit-sharing schemes. Unions, the only organized

countervailing power to the dominance of shareholder interests, seem to be in steady decline.

The second is the continental European pattern; the knives are kept in their sheaths while people play poker according to rules which everybody has a hand in working out. There is no denial of the adversarial nature of the relationship but there are well-established patterns of negotiation to reach compromises which nearly everyone can accept as, if not fair, at least not too unfair. Meanwhile that system which operates in day-to-day decisions at the enterprise level is reinforced at the political level in institutions which allow what are called the social partners – a concept quite alien to the other two systems – to reach similar compromises about fair rules for negotiation whenever circumstances require them to be changed. It is possible to think of strategies by which unions can retain enough power for social partnership to be a stable system.⁷⁷

The third is the Japanese pattern: the rules are well established and not changing much, the knives are locked away in the family cupboard and it is only when the senior members of the family flagrantly break the rules that people lower down the hierarchy start wondering where they put those knives. Nowadays, when they find them, they frequently discover that they are blunt: few enterprise union leaders could imagine circumstances in which they could persuade their members to strike as their fathers and grandfathers did in the 1950s and 1960s. Maintaining the distributive balance between property owners and workers depends, in other words, on the inertia of habit, on the values and the sense of responsibility of the managerial class, not on a legally institutionalized balance of power as in the continental European system. And those inertial habits, those values and the nature of that sense of responsibility, are under greater pressure from the weight of American cultural hegemony than in any other country I know.

⁷⁷ Marino Regini: "Work and labour in global economies: The case of Western Europe" in *Socio-Economic Review*, vol. no.2.

Final words: Final questions

So my final words: first, to these diverse forms of capitalism I respond with the French slogan about what we used to call sex and now call gender: *Vive la difference!*

Secondly, I would note that the influence of the cultural hegemony factor has been much diminished over the last year by growing criticism, in the crucial intellectual circles of the world – including the American academic world – of the American, or rather the Anglo-Saxon, expedition into Iraq. How those attitudes, or the policies which prompt them, will change, remains problematic.

Thirdly, as the history of the Pax Britannica shows, once a cultural hegemon, not always a cultural hegemon. American dominance of the world economy may one day be eclipsed by China. What balance will it construct between the rights of property and the rights of labour? Is its new President's emphasis on "resolving the excessive widening of the income gap between some parts of society"⁷⁸ of long-term significance? And will the cultural influence which naturally accrues to economic success be exercised by making us all learn Chinese, or will China too have to seek cultural hegemony through the English language?

Even the licence given to those unlikely to be around to be proved right or wrong, does not make me venture to predict.

⁷⁸ The communiqué of the "third plenum" meeting of the party's Central Committee, 14 October 03, *Financial Times*, 18 October 03.

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Ronald Dore learned Japanese during the war and has spent most of his life studying Japanese society and economy. He has taught in London, UBC, Harvard and MIT and held research positions in centres of development studies and studies of technical change. *His Stockmarket Capitalism, Welfare Capitalism: Japan and Germany versus the Anglo-Saxons* was published by Oxford University Press in May 2000. The Japanese translation received the Ekonomisuto Prize 2002. There are two recent collections of his writings, *Social Evolution, Economic Development, and Culture: What it means to take Japan seriously* (paperback, Edward Elgar, 2001) and *Collected Writings of Ronald Dore* (Synapse, 2002). He is an Associate Researcher at the Centre for Economic Performance, LSE, London.



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