Workplace Democracy in the Core Countries: Problems and Prospects

Edward S. Greenberg
Institute of Behavioral Science
University of Colorado, Boulder

Prepared for the workshop on “Innovation in Democratic Theory” at the annual meetings of the European Consortium on Political Research, Mannheim, Germany, March 26-March 31, 1999.
The short-term and medium-term prospects for workplace democracy in the United States and in the other core capitalist countries are, in my view, not good. For workplace democracy to flourish, I would suggest, requires an environment that is compatible with its core values, provides the infrastructure for optimal operation, and offers political support and protection for its fundamental needs and goals. Such an environment, in my view, depends decisively on the ability of labor to exercise significant power at the levels of the firm, the industry, and the state. On-going developments in the world economy and the international system are, however, shifting the relative power balance between labor and capital to the advantage of the latter. These developments include the retreat of communitarian, egalitarian, and participatory values and the advance of neoliberal ones, the assault on many workplace practices and pubic policies that have served to empower employees, and technological developments that undermine the ability of labor to act cohesively and effectively in political life. This is not to say the imbalance is total and irrevocable or that labor is powerless to shape its own fate. Nor is this to say that schemes of employee participation in decision making will disappear from the workplace. In fact, there is every reason to believe that the workplaces of the future will be places that are less hierarchical and more participative, consultative, and team-oriented. Nevertheless, most of these workplaces will not be authentically democratic. I elaborate this argument in the remainder of the paper.¹

**Democracy, Political and Workplace**

When thinking about the workplace, both scholars and practitioners tend to use the term “democracy” quite loosely. By “workplace democracy” they generally have in mind some form of worker participation in decision making, or other schemes of worker empowerment, rather than full political democracy on the job. Participation in decision making and worker empowerment come in a wide variety of forms, but for the most part, they fall considerably short of what is
considered authentically democratic by political theorists. Only a few workplace participation and empowerment schemes, that is to say, allow workers the influence and protections routinely afforded citizens in a democratic polity.

At the core of political democracy is a very simple yet powerful idea: “rule by the people.” The word democracy, as is widely known, is rooted in two Greek words, _demos_, meaning “the people,” and _kratein_, “to rule.” By the people, the ancient Greeks, and most political philosophers since the Greeks, meant rule by the “many” as opposed to the “few” (as in aristocratic or theocratic societies) or the “one” (as in monarchical or autocratic societies). Rule by the people, or, more specifically, self government by the many, has been the operative idea of democracy no matter the particular outward form of democratic institutions. (MacPherson 1973; Held 1987; Dahl 1989; Putnam 1993; Sorenson 1993)

Political democracy occurs in two major forms: direct democracy and indirect-representative democracy. In direct democracy, the people rule themselves by deliberating about and deciding public policies in open assemblies where they meet together on a face-to-face basis. This form of democracy prevailed in a handful of Greek city states in the fifth century B.C. and in a smattering of small political units (such as the New England town meeting) and private organizations (like the Israeli kibbutz) since then. For the most part, however, political democracy developed historically in conjunction with the emergence of the nation state where geographic scale and population size renders direct, face-to-face democracy unfeasible. (Held 1987; Dahl 1989) In nation state settings, so radically different from the Greek polis or the Israeli kibbutz, democracy eventually came to mean rule by the people, _exercised indirectly_, by means of the election of representatives who deliberate and decide in the place of and on behalf of the people.

But how can indirect representative democracy, where the people do not meet in face-to-face settings, be democratic in the sense that the people rule themselves? One answer, derived from a long tradition of liberal democratic thinkers and the experience of liberal democracies
such as those in the United States and Western Europe, is that the people can rule to the extent that they have available to them instruments that enable them to keep their representatives responsive and responsible, that means exist, that is to say, to convey popular demands to representatives, to apply popular pressures on their actions while in office, and to remove representatives who are not responsive to the demos.

Democratic theorist Robert Dahl has specified more clearly than any other contemporary thinker the characteristics that must be present in any representative system for it to justify the claim that it is democratic in the sense that it allows rule by the people. (Dahl 1989) First, members of the association (citizens in a polis or nation state, workers and stakeholders in business firms) must have an opportunity to place issues on the agenda, to express their preferences about alternative policies being proposed, and to vote on the final alternatives. Second, in the determination of the content of the agenda, as well as in the vote that determines what policies shall be adopted, each member of the association is equal; that is to say, “one person, one vote” must be the operative principle at all stages in the decision making process. Third, in the course of deliberations about which policy alternatives should be on the agenda and which policy shall be selected from among the alternatives, members of the association must have access to information that will allow rational decision making. Fourth and finally, when final policy decisions are made, the majority must rule.

These standards are hard to achieve in the real world. Indeed, no contemporary nation state lives up to them, though some come closer than others. (Dahl 1989; Sorenson 1993; Lipset 1994) Very few workplaces, however, approximate these standards, even those that call themselves, or are called by others, democratic. Indeed, what has been called workplace democracy in the theoretical and empirical literature on the workplace is hardly democracy at all. With some exceptions, workplace democratic initiatives and experiments have been mainly about adding employee voices to the decision making process, and not very powerful voices at that. Employee “empowerment” and “participation” schemes have been highly constrained; they
tend to be arrangements in which workers are provided opportunities for adding input to
decisions concerning a limited set of company and workplace policies without access to
substantial power or responsibility. Except for fully worker-owned companies, schemes of worker
participation in decision making, for instance, do not allow workers a voice equal to that of
management or owners in setting the agenda for business firms or deciding overall enterprise
policies. Freedom of speech and association is severely limited in workplace settings.
Enterprise records, projections, and technical analyses are only infrequently available to workers
to inform their decisions, even when they are allowed a participatory role. And, the majority does
not rule on most issues that matter.

Capitalism and Workplace Democracy

That the internal structure and operations of enterprises are not democratic, even when
many of them have schemes of worker participation in decision making in place, should not be
surprising, because the logics of democracy and capitalism are not the same. At the most
elementary level, democracy is based on a “one person, one vote, one voice” principle, whereas
capitalism is based on a “one dollar (or one Franc, one Pound, one Deutschmark), one vote, one
voice” principle. The overall direction of a democratic polity or association, that is to say, is
determined on the basis of equal consideration of the preferences of each member; the overall
direction of a market economy is determined largely by money votes held in unequal bundles by
persons and firms. (Bowles and Gintis 1986)

More importantly for the present discussion is the different understanding of “property
rights” in the democratic polity and in the business enterprise in a capitalist society. In
democratic discourse there is no private property right in particular offices or political roles. That
is to say, office holders cannot buy and sell their offices, do with them as they please, give them
as gifts to friends and neighbors, or pass them on to their children. Nor do officials have a
private property right in the physical assets of government, whether in land, buildings,
monuments, or office machines. On those occasions when political offices or government assets are treated as private property by public officials in democratic polities, they are rightly understood to be examples of corruption and violations of the public trust.

Private ownership of the means of production, on the other hand, is the very essence of capitalism, an understanding that is fairly universal and not confined to marxists who use this particular language. Private ownership of land, raw materials, productive machinery, technology, and the commodities that are produced is a fundamental feature of the law in capitalist societies and, to varying degrees, is a widely shared value in the cultures of capitalist societies. In capitalism, workers as workers have property rights only in what marxists call labor power, which they are free to sell to the highest bidder or to withhold from the market as they choose. Workers in enterprises have no fundamental property right to the business enterprise, its assets, or what it produces. In a company like General Motors, for instance, the worker does not have a property right in, and therefore no inherent right to control the use of, the parts coming into the factory, the machinery on the factory floor, or the automobiles that are produced. All “belong to” the fictitious person called the corporation which is, in turn, owned by the corporation’s stockholders.9

Workplace Democracy Against Capitalism

Authentic democracy in the workplace and private enterprise capitalism, then, are incompatible in most respects that matter. Given this incompatibility, it should occasion no surprise to learn that authentic workplace democracy has had a hard time of it in capitalist societies. Indeed, workplace democracy has only occurred when workers have been able to challenge crucial aspects of capitalism and its underlying logics. That is to say, real workplace democracy has been established only when workers have been able to transform some essential feature of fundamental capitalist social relations, whether by making a revolution, by
transforming themselves into capitalists, or by imposing their will over private property’s freedom of action, either by external governmental mandates or by union militancy at the point of production. Let me examine each of these in turn.

There are, first, those cases of workplace democracy associated with a handful of anticapitalist revolutions that have occurred since the late 19th century. Though authentic democracy lived but briefly in the fires of these upheavals, they have served as a beacon for many activists and theorists over the years. Examples include the Paris Commune in 1871, the 1905 Russian Revolution, the post-World War I risings in Germany and Hungary, the Turin industrial insurgency of 1919-1920, and Catalonia during the Spanish Civil War. In the most visible case, the 1917 revolution in Russia, worker and soldier “soviets” ran industrial enterprises in the Soviet Union for a short period during and after the October Revolution (though hardly as business enterprises in the conventionally understood sense), until Lenin turned his back on these forms inspired, ironically, by his own *State and Revolution*. Another example of a workplace democratic outcome of an anticapitalist revolution is that of the former Yugoslavia with its unique brand of “market socialism,” with “worker self management” at its core. (Horvat 1982) In the end, though Yugoslavia’s system of worker self management neither operated entirely as advertised nor survived the ethnic civil war that fragmented the country, it remains a tantalizing model of what might be possible in democratizing the workplace.

Authentic workplace democracy has also occurred in the core capitalist societies when workers have become capitalists by forming producer cooperatives. Being collective owners of enterprises, workers gained the right to control production and to enjoy its fruits and assume its risks. (Berman 1967; Bernstein 1976; Mason 1982; Gunn 1984; Jackall and Levin 1984; Greenberg 1986) Though producer cooperatives have long captured the imaginations of democrats, one must admit in the end that, with the exception of the Mondragon case in Spain, the producer cooperative sector has never amounted to very much in capitalist societies, whether the accounting is done in terms of proportion of overall production in the national
economy or of innovations in processes or products. Nor have they been entirely democratic. Most, for example, have used hired, non-voting employees in their operations, with hired workers sometimes even constituting a majority of the workforce. And, there is considerable evidence that professional managers exercise substantially more power than the aggregate of worker-owners, even in model cooperatives like those at Mondragon. (Kasmir 1996)

Full democracy in the workplace, equivalent to the standards of political democracy, has been exercised by workers, then, only in two circumstances: for brief periods during and following anti-capitalist revolutions, and in producer cooperatives. One can expand the number of cases of workplace democracy if the standards for the existence of democracy are relaxed somewhat by dropping the requirement for full worker sovereignty and majority rule, and insisting only that workers exercise control (not simply influence) over some aspect of production traditionally under the control of private ownership or receive, as a matter of right, some portion of the fruits of production. Using these standards, we can say that some degree of workplace democracy has existed when governments, responding to the votes of workers (and others) in democratic elections, have imposed mandates on private enterprises to share with their employees some measure of control over the production process and over the distribution of profits. The range and complexity of such governmental interventions is substantial, of course, and a lengthy discussion of them here would be out of place. I would simply point out that every government among the core capitalist countries, for example, protects the right of workers to form unions, mandates safe and wholesome conditions in the workplace, and imposes minimum wage rates, no matter the wishes of private property holders. Many governments, especially those in Western Europe, also require enterprises over some minimum size to have in place mechanisms of worker consultation, ranging from works councils to employee representation on corporate boards. The weight of these public impositions on traditional property rights seems to be significantly related to labor union density, the size of the working class vote, and the number of seats in the legislature held by labor or socialist parties.4
Labor unions have also been a factor in increasing the democratic character of the workplace if we think of democracy in the more modest terms set out above: e.g. *worker control* over some aspect of production and reward traditionally under the sole control of enterprise owners and their top managers. Thus, labor unions in virtually all of the rich democracies have been able to gain a weighty voice in decisions about job assignments, pay, the grievance process, the pace of work, and even, in some cases (though rarely), the introduction of new technology. The degree of labor union voice in the workplace seems to be related to the degree of union density in a country, the level of support by government for union demands, the economic sector involved, and the level of union militancy. (Stephens 1979; Korpi 1983; Esping-Andersen 1985; Goldfield 1987) As might be expected, union influence and control within enterprises vary tremendously among the rich democracies.

**How the world is changing and why it will adversely affect workplace democracy**

I have been making the point that authentic workplace democracy is difficult to achieve, but that under specific circumstances, important advances have been made. However, many of these advances, in my view, are now threatened by a number of important developments in the world political economy. These developments will make life increasingly difficult for workplace democracy in the years ahead because they are significantly changing the relative power balance between capital, labor and the state. These developments include the collapse of the socialist model and the apparent hegemony of neo-liberalism, technological changes that are altering important aspects of work, and the globalization of capitalist economic relations. Each represents a formidable obstacle to workplace democracy; together, they seem almost insurmountable, at least in the short and medium runs.

*Capitalism Trumps Socialism*
The socialist model has been in retreat since the late 1980s, while the neoliberal version of the capitalist model has enjoyed a resurgence in popularity that few could have foreseen only a few years ago. The signs of these developments are everywhere: the collapse of the Soviet Union and the discrediting of most of the ideas of the Soviet regime in Eastern Europe; the transformation of China into a capitalist country in everything but name; the abandonment of the socialist development model in the less developed economies of Africa and Latin America and its replacement by neoliberal economic policies and supporting ideology; and the advance of free market, small government ideas in most western nations, even among many historically Left political parties (e.g. Labor in Britain, the Democrats in the USA, the Socialists in France, and the Communists in Italy). Even in the redoubts of the Social Democratic welfare/social economy states of Western Europe, talk of “deregulation “privatization,” “labor flexibility” and getting people “off the dole” is widespread. (Gill 1995; Standing 1997; Dicken 1998:115-116) SAF, the Swedish employers’ association, for example, formerly a close partner with organized labor and the Social Democratic state, now widely disseminates articles and books “attacking the public sector, the welfare state, and collectivism” and extolling the virtues “of the market economy and the free society.” (Olsen 1996) High levels of unemployment and slow economic growth during the 1990s in Western Europe are now widely attributed among government, opinion and business leaders to “labor market rigidities,” particularly to those rules, regulations and customs that have served to empower employees at the workplace and to guarantee minimum levels of income, irrespective of employment.

The retreat of socialism and the socialist ideal is consequential because it is socialism that has long provided the ideas, values and moral energy for those attempting to challenge the ascendency of private property rights in society and in the workplace. Absent these, workers lack a solid foundation upon which to press for direct worker control in the workplace, enhanced labor union influence, or government policies mandating employee empowerment. Absent these, workers are disadvantaged in the face of the confident demands of capital that it must be
unshackled if society is to reap the full benefits of free market efficiencies.

The collapse of the socialist model and the spread of neoliberal ideas not only leaves workers without a strong ideological basis for pressing claims against the prerogatives of private property, but also encourages individualistic, self-seeking orientations among employees rather than cooperative, solidaristic ones. Neoliberalism emphasizes that each person faces a world of competitors and that survival and fulfillment depends almost entirely on “going it alone,” “fending for oneself,” and “looking out for Number 1,” to use that infelicitous phrase from America. Societies with such ideas in the ascendency are not environments that are very conducive to cooperative, collective initiatives in the workplace. Workers in such societies are likely to seek individualistic solutions to felt job problems, for example, rather than collective ones; they are more likely to opt for additional occupational training or to look for another job, for instance, rather than attempt to build democratic institutions in the workplace. Exit rather than voice is what is encouraged in neoliberal regimes.8

Globalization and Its Consequences

Globalization is a word that has become both fashionable and contested at the same time. I will use it, following Carnoy and Doremus, Keller, Pauly and Reich, (Carnoy 1993; Doremus, Keller et al. 1998) to mean not only the worldwide spread of production facilities and processes and its attendant international division of labor, but also the “spread of corporate finance, investment, production, management, sales, labor, information, and technology across national borders and, by virtue of the efficiency-driven, competitive forces thereby put in place, the resulting tendency for economic and political variables to converge toward global norms.” (Doremus, Keller et al. 1998:151) In using this definition, I am describing a trend or tendency, not a finished product. Unlike the strongest proponents of the globalization thesis, (Ohmae 1990; Ross and Trachte 1990; Reich 1992; Barnet and Cananagh 1994; Ohmae 1995) I do not believe nor do I mean to imply that national borders do not matter, or that nation states are powerless in the face of globalization forces, or that transnational corporations have lost their national
On the other hand, because I firmly believe that the evidence supports the proposition that the changes that are ongoing in the world economy are so substantial in scale, scope and pace and, in certain respects, so different in kind from earlier periods, I cannot agree with several critics of the globalization thesis who hold that there is nothing essentially new about contemporary world capitalism.\(^9\) \(^{10}\) (Gordon 1988; Glyn and Sutcliffe 1992; Hirst and Thompson 1996; Wade 1996)

Closer to the mark than either of the extreme positions—that “globalization is all” as against “globalization is a myth”--is Dicken who suggests that we live in a world where globalizing forces are powerfully at work, though the world is not fully “globalized” (and may never become so). The world economy may be best understood, in his view, as a mix of “internationalization” processes—which are simply quantitative changes in familiar economic activities across national boundaries, such as arm’s length trade in goods and services--and “globalization” processes—which involve the functional integration of internationally dispersed activities.\(^{10}\) In some areas of economic activity, it is fair to say, we are witnessing nothing more than an extension of what has gone on before (“internationalization”). In other areas of economic activity, however, we are witnessing something new, namely, the management of economic activities by private firms as if much of the world were a single market and a single design, production, marketing and distribution platform (“globalization”).

It must be said that even where globalization is most evident, it is highly uneven in nature, with some regions, nations, economic sectors, and business firms substantially more globally oriented and/or integrated than others. Large firms, for example, will differ from one another in their relative mix of international (trade of finished products, let us say), global and locally-oriented activities. Countries will differ from one another, as well, on where they fit in the global commodity chains of different products and services. There is also substantial unevenness in how governments respond to globalization, there being no optimal solution or set of strategies for successfully addressing the problems caused by globalization or for taking
advantage of the many opportunities it creates.\textsuperscript{11} And, regions, nations, groups, firms and individuals enjoy different levels of benefits from globalization; some will gain by their encounter with globalization and others will lose.\textsuperscript{12}

The present world economy is different in several important respects from the world economy characteristic of the first two-thirds of the Twentieth Century. For most of the century, world industrial production was concentrated in the core capitalist countries. These countries generally exchanged finished industrial products for raw materials from the Third World, with the terms of trade greatly advantageous to the former. Production in the core was dominated by large, national corporations, organized along oligopolistic lines, allowing broad practices of administered pricing and substantial profitability. Business services were almost entirely national in scale, with the exception of those services provided within the branch offices and subsidiaries of transnational firms. The general prosperity and stability in the large-firm sectors of the core gave business leaders the confidence and resources to enter into cooperative arrangements with organized labor (i.e., government regulated collective bargaining, tripartite “corporatist” governing arrangements), to support and help pay for broad systems of social insurance (old age, disability, and unemployment insurance), and to support various forms of public assistance to those unable to work (children in poor families, the elderly poor, and the like). The result in the core countries was a system where workers in the large corporation-organized labor sector enjoyed stable and well-paid jobs, and where governments had the means, the need, and the willingness to create a welfare state of varying degrees of generosity. (O’Connor 1973; Greenberg 1985; Heidenheimer 1990; Reich 1992; Armstrong 1998)

Increasingly, the design, production, marketing and distribution of goods and services are being globalized, with some major elements of these activities moving out of the core countries and locating elsewhere. A system in which finished manufactured products in the core are exchanged for primary products from the periphery is gradually shifting to a system, more advanced in some sectors than in others, where substantial portions of industrial production, at
all levels of technological complexity, have moved to sites around the globe outside of the core.\textsuperscript{13}

“Transnational corporations (TNCs) are the chief economic organizing agent in global capitalism” (Gereffi 1994:5) the main instrument by which industrial design, engineering, production, marketing and sales (as well as associated financing and other business services) have become global in scale. (Dicken 1998; Vernon 1998) Increasingly, TNCs survey the world for manufacturing possibilities and relocate their operations to multiple venues, producing intermediate inputs and final products at multiple sites. Increasingly, TNCs try to integrate a total manufacturing, marketing, and distribution system across national lines.

Global firms undertake these activities through a dizzying array of forms. The most familiar is the situation in which a firm produces a final product at home and sells them to intermediaries abroad or through the company’s own sales organization. Global firms also produce abroad in wholly owned subsidiaries, with some intermediate and final goods sold where they are produced, or exported to third countries or back to the home country. A very large proportion of all traded goods in the core economies are, in fact, simply shipments between various component parts of single companies as part of a more general commodity chain. Global firms also license technologies to others abroad, subcontract parts of the commodity chain production to others, outsource to suppliers at home and abroad, and enter into short-term or long-term strategic alliances with other companies in the core or in the NICs. The largest global firms are likely to be involved in all of these forms of activity at once. Increasingly, moreover, the very largest firms are “off-loading” all but their “core competencies” in systems integration, financing, and strategy, leaving much of the design and production of intermediate inputs to independent firms.

Corporations are able to operate globally because of three revolutions. First, the revolution in telecommunications and computers enables corporate managers to coordinate the activities of scores of manufacturing plants, designers and engineers, suppliers, subcontractors,
shippers, brokers, sales representatives, and retail outlets all over the world. Gap headquarters in San Francisco, for example, receives daily reports from each of its stores worldwide, analyzes which items are and are not selling in each location, and alters its manufacturing, purchasing and shipping decisions in response, all within ten days or less.\textsuperscript{14} Second, the revolution in transportation (air cargo, truck/ship containerization and package express) allows corporations to assemble parts for manufacturing from multiple locations and to ship intermediate and final products from almost anywhere in the world, to almost anywhere in world, speedily and at relatively low cost. Ford, for example, assembles cars in Mexico from parts manufactured in over a dozen countries and ships them to markets in Latin America as well as to the United States.

The third revolution is the formation of global financial markets, encompassing stocks, bonds (or, more accurately, the “secondary market” in unmatured bonds), insurance and a range of new credit instruments such as derivatives, where funds are moved instantaneously to where they are needed by global firms and by investors interested in global firms. All of this is possible only because to the first revolution mentioned above, in telecommunications and digitalization. And, the scale of financial transactions is stunning in size; currency exchange transactions alone are now sixty times the size of the dollar value of annual world trade in manufactured goods. (Harris 1998/99:)

The global economy is characterized by intense competition among identifiable giants. To be sure, market economies have always been about competition, but what is different, according to Raymond Vernon, is that rather than a competition between numerous, multiple and faceless enterprises, characteristic of early capitalism, or a competition between giants protected by large home markets and friendly home governments, characteristic of much of the post-war period, the current environment is one in which a limited number of large firms compete globally. As the leading student of the modern multinational has put it, “When mature multinationals are at war, those who shape the strategy of the enterprise usually see it as a
global war, with share-of-the-global-market as the telling measure of success...Decisions to open or close plants, to introduce new products or retire old ones, to raise prices in a market or lower them, are likely to be framed by their effects on the global position of the firm.” (Vernon 1998:14)

Global giants face a dilemma as they face their competitors. What most would prefer to do, other things being equal, is to increase the size of the market for their existing products. This represents the lowest cost strategy for long-term profitability. However, firms know or soon learn that there are strong constraints on the size of the world market for a particular product, something that has been demonstrated by theorists of the “product life-cycle.” (Hirsch 1967; Vernon 1979; Casson 1983) For individual firms, the success of a particular product invites other firms into the market, decreasing market share. For the mature product itself, overall demand falls over time (after reaching its peak) as other products appear that accomplish the same task in a better way or at a lower cost, or both. This suggests that survival in an intensely competitive global environment requires continuous product and process innovation, the first, to find and exploit new markets, the latter to increase the efficiencies (and lower the costs) of production.

Continuous product and process innovation has the effect of decreasing product-cycle times and quickening the pace of the introduction of new products based on new technologies. Needless to say, continuous innovation of products and processes as part of a global competitive strategy is enormously risky and costly. To decrease risk and share the cost with others, especially in knowledge-based industries such as computer chips, aircraft, automobiles, pharmaceuticals, bioengineering, telecommunications, and internet services where there are enormous advantages in being “first to market,” large firms seek scale economies to expand their markets and product lines—thus the mergers between companies such as Ford and Volvo, Pearson and Simon and Schuster, Daimler Benz and Chrysler, and Bertelsmann and Random House, Vodafone Group and Airtouch Cellular and the formation of strategic alliances such as
the recently announced one between Deutsche Post, Lufthansa and DHL in the parcel-delivery business—to share the high costs and risks of research and development, and to share existing technology and knowledge (note the numerous strategic alliances among computer and pharmaceutical firms, for example). Because of the costs and risks involved in the introduction of new products and technologies and in the effort to expand markets against fierce competitors, go-it-alone strategies focused on national markets are increasingly being shunned in favor of more global strategies.\textsuperscript{15}

How Globalization and Technological Change Affect the Relative Power of Capital and Labor

Though the individual firm in the globalized economy finds itself under increased competitive pressure and, therefore, does not feel terribly powerful, the globalization of the international economy, with the technological innovations that both make it possible and which are among its main products, substantially increases the power of capital in general relative to both labor and the governments of nation states. Globalization, and its attendant technology, that is to say, has altered the relative power of capital and labor in the core countries, strengthening the former and weakening the latter, and has altered the relationship of capital and the governments of nation states to the advantage of the former.\textsuperscript{16}

The rise of the relative power of capital is tied to its unprecedented mobility.\textsuperscript{17} Workers and national governments must contend with the fact that they are finding it increasingly difficult to control the surge across national boundaries of investment capital, production and distribution capabilities, and information and cultural production, all subject to the decisions of TNCs. Workers, whether unionized or non-unionized, find that their bargaining power relative to capital is diminished, for the latter's threat to relocate vital activities is increasingly credible. It is increasingly credible not simply because companies can choose to move their primary home-based factories elsewhere (a very expensive option for firms with high sunk costs, as in manufacturing) but because global firms have the organizational, technical and financial
capacities to alter where production takes place along their commodity chain among existing subsidiaries, subcontractors, and alliance partners and to create new links in the commodity chain.

The same thing can be said for the relationship between global corporations and national governments. Because governments do not want to lose important economic activities and jobs to competing locales in the world, and because the hegemony of neoliberal ideas make them susceptible to private property/free market arguments, political leaders in the core capitalist countries are increasingly receptive to corporate demands in relationship to taxes, regulation, and labor rights (Garrett 1995). Not all core countries are equally receptive to these claims, of course; the United States and Great Britain, being the most neoliberal in ideology, remain the most receptive and the Scandinavian countries the least, though the tendency to yield to the demands of capital is seen everywhere. Thus, the deregulation of banking, airlines and telecommunications is now well advanced across Western Europe.

Large global firms have also become increasingly successful in pressing organized labor and governments in the core to allow more flexibility in labor practices and labor markets as the price for keeping jobs, investment and tax receipts at home. Global corporations claim that the intense competition they face requires them to be nimble and responsive—meaning the capacity to deploy and redeploy resources as needed (including labor), open and close production and distribution facilities to respond to market demand, and to move into new product lines and areas of business activity (and to shut down others)—to adopt best global practices in work organization and use of technology, and to control costs of production. At the national level, the pressure on labor and government is to allow firms to expand and reduce the number of employees as required in response to market conditions (with the background threat being outsourcing); at the firm and plant level, the focus is on transforming work practices, eliminating what global firms consider to be work rule “rigidities” and allowing faster introduction of labor-saving technology. (Dicken 1998:438; Harris 1998/99:27) It is important to point out that nations
tend to handle the demand for labor flexibility in different ways. In the United States, for example, layoffs are the preferred response to periods of declining demand for labor; in much of Western Europe, reducing hours is preferred to layoffs. But these differences between the Anglo-Saxon and Continental models are beginning to blur. In Germany, for example, Daimler-Benz reduced its workforce by almost 75,000 during the 1990s (mostly through attrition and early retirement), while Deutsche Telekom will have laid off over one-third of its over 200,000 workers by the year 2000. Dasa Aerospac (a partner in the European Airbus Consortium) laid off thousands of workers in the mid-1990s because it claimed that it could not compete with Boeing in world markets, given its higher labor costs. (Longworth 1998:81, 168)

Contemporary globalization and technological change undermine the relative power of labor, moreover, by fragmenting the employed or working class. One axis of fissure is along a line which divides workers in “trade exposed” economic sectors from “sheltered” sectors. Workers in each sector have a broad range of common interests, but important areas of divergence interests as well. The former, for example, are more likely than the latter to support legislation to compensate and retrain those displaced by trade. (Clayton and Pontusson 1998:96-7) Other observers have suggested that an important life-style, economic and political fissure is opening between what Drucker calls “knowledge workers” and Reich calls “symbol analysts” and others in the employed workforce. (Reich 1992; Drucker 1993). Standing suggests that distinct strata have appeared within the workforce in the core economies, each of which has overlapping but also distinct interests: the salariat (white collar professional and service workers with secure salaried employment); the proficians (highly skilled people with marketable skills with only loose attachments to any single employer); core workers (the old blue collar, manual working class, supportive of unions and the welfare state); flexiworkers (temporary workers who move in and out of the workforce, with few benefits, low wages and minimal job security); the long-term unemployed (those whose periods of unemployment come close to matching their periods of employment over the life course); and the detached (lumpenproletariat in traditional
class language). (Standing 1997:23-25) Additionally, globalization has helped to generate a massive migration of people from the Third and Second Worlds to the First World, helping to fragment the working class along ethnic, religious, and racial lines. Each of these developments makes it more difficult to organize workers for collective action whether at the level of the firm, the industry, the region or the nation.¹⁹

The relative power of capital is also increasing because of the emergence of a new international regime to coordinate world economic activities that institutionalizes neoliberalism by privileging market efficiency, discipline and confidence as the foundations of world economic policy to which national governments must be attentive (Gill 1995). This regime includes: currency, bond and security markets; global legal and accounting codes, practices and firms; central bank coordination mechanisms; regional economic organizations such as NAFTA and the European Union; and institutions like the World Trade Organization, the IMF, and the World Bank, all of which favor policies that confer a broad range of rights on international private property, encourage free trade on a world level, while constraining the ability of democratic national governments to interfere with market processes. Nations can choose, of course, to resist the neoliberal global regime, but there are obvious costs to such a course of action.

### Some Indicators of the Changing Balance of Power

I have suggested that workplace democracy and capitalism are deeply contradictory. I have further suggested that advances in workplace democracy have happened when workers and national governments, under the influence of a strong working class movement, have been strong enough to impose restrictions on the tradition prerogatives of private property. The rise in the power of capital relative to workers and national governments, then, does not bode well for workplace democracy.

There are many indicators of the changing power balance. There is, first, the well-documented rise in levels of inequality across all of the rich democracies, a product of differential wage and salary rates among the strata identified by Standing, the higher relative
returns to capital as compared to labor, and the relative decline in the social wage. Relative income decline is especially noteworthy among the less-skilled, battered everywhere in the core generated by a lethal combination of trade, the export of unskilled jobs and rapid technological change. (For critical reviews of the evidence see Rodrik 1997; Clayton and Pontusson 1998; Feenstra 1998)

There is, moreover, a noticeable decline in labor union density across all of the core countries (Visser 1991; Visser 1993) and the consequent decline of labor union power in national politics. (Kautsky 1996) To be sure, this change of union density and influence is more pronounced in some countries, such as the United States and Great Britain, than in others. To be sure, unions can still win important victories in particular times and places. Nevertheless, the overall trends are clear, particularly outside of the public sector. In an environment where the relative weight of blue-collar manufacturing jobs is decreasing, union membership is stagnant or declining, employee interests multiply and fragment because of the rise of white collar and knowledge-based jobs, and workers and national governments must worry about the export of jobs, the voice of organized labor does not get the hearing it once did from either private companies or national governments. (Archer 1995)

There is, additionally, the obvious decline in the influence of labor and socialist parties as representatives of employees and carriers of the socialist vision. Even where such parties retain a hold on power, or are serious contenders for it, they generally are no longer parties that seek to control or impose important restrictions on the prerogatives of private property. John Kautsky has described the new reality in the following terms:

European politics no longer consists, as it once did to a large extent, of the bitter conflicts among the three principle ideologies (of socialism, liberalism, and conservatism). Rather, liberalism--the ideology that stands for both democracy and capitalism, that is, for private property in the means of
production and the market economy—has triumphed. Interestingly, it is most represented, not by the weak liberal parties, but by the parties that once represented conservatism and fought democracy, and the parties that once represented socialism and fought capitalism. The major European political parties, once distinguished by quite different programs appealing to different segments of the electorate, ...[now seek] support from a broad spectrum of voters. (Kautsky 1996:51)

The experience of the British Labour Party is instructive here. Standing firm on its traditional commitment to the welfare state in the 1980s and early 1990s, it found itself mired in defeat. In the mid-1990s, under the leadership of Tony Blair, the party redefined itself as the voice of fiscal rectitude and low taxes, and eventually won control of the government. Since his victory, Blair has pushed a legislative program designed to cut taxes, pare the welfare rolls, diminish regulation, and encourage investment.

There is, finally, the mounting evidence that the roles and responsibilities of national governments in the core are changing. Over the course of the past century, people in the rich democracies came to expect that their national governments would manage rapid economic and social change and shield them from some of the most damaging consequences of these changes. These popular expectations contributed to the rise of the welfare and social insurance roles of governments among the western democracies, as well as enhanced roles in macroeconomic management, business regulation, worker protection, and industrial policy. (Ringen 1987; Heidenheimer 1990) In all of the rich democracies, moreover, the state ensured labor representation in the form of union recognition and empowerment in the workplace. In each of these areas, governments in the core countries are redefining their roles and diminishing their responsibilities. (Clayton and Pontusson 1998; George 1998) Every government among the rich democracies, for instance, has cut back or has attempted to cut back on the reach and generosity of the welfare state; most are cutting benefits, tightening eligibility requirements,
raising the retirement age, providing fewer services, and imposing higher co-payment requirements for basic services. Privatization experiments are being introduced in places that were scarcely imaginable just a few years ago. Sweden, for example, has been experimenting with vouchers for private schooling, private alternatives in health care, and public funding for private day care. State-owned and operated companies in transportation and communications have been and are being sold to private owners across Europe. Many governments have cut tax rates on upper income groups and corporations, and deregulated many areas of economic life, including the banking and securities industries.

Change is so substantial that several “model” social welfare states are beginning to look more like states in the other core countries.22 In Sweden, solidaristic wage policies, active labor market policies, and joint labor-capital-state coordination are being seriously eroded, leading to speculation about the “demise of the Swedish model.”(Olsen 1996)23 In Germany, there is talk of the end of the “social market” model as the nation struggles with the highest wage bill in the world, stagnant productivity gains in key industries, steady loss of export market shares, and the loss of over one million jobs as companies shift their operations abroad, either through wholly owned subsidiaries or through outsourcing, subcontracting, or alliance partnerships (Economist 1996: 17-18).

At the same time that the expansion of the welfare state has been halted virtually everywhere (and rolled-back in many places), workers across the core countries have seen many of their security, representation and participation rights eroded. Increasingly, workers have been forced to accept plant closures and the shift of production work to other parts of the commodity chain, to work reduced hours during slow economic times, to accept the more frequent use of contingent and part-time labor, to see some protections against arbitrary dismissal go by the boards, and to suffer some erosion in union bargaining powers.(Standing 1997)

These changes reflect the decreasing willingness of large global firms to accept labor
unions as full and equal bargaining partners in the workplace as they had done in the past. This has been especially striking in Germany where the foundation of the “social market economy” has been collective bargaining at the sectoral level between representative employers’ associations and trade unions. German law ensures that these voluntary agreements are legally binding, and gives the government the power to make agreements reached by the associations and unions legally binding for all companies in the sector. Two important trends are undermining this felicitous arrangement. First, there is growing evidence that large firms are trying to formally opt out of this system. Several, for example, have undertaken the difficult process of resigning from the employers’ associations that represent their sector in collective bargaining negotiations. (Hassel and Schulten 1998; Longworth 1998) More importantly, and in the face of vigorous union objection and judicial judgments against the practice, many firms are forcing their works councils to make concessions that require employees to work for wages, benefits, and protections that are lower than the collectively-agreed-upon sector contract. (Hassel and Schulten 1998) Daimler-Benz insisted upon and succeeded in having its workers at Stuttgart and Gaggenau work on Saturdays without pay, for example, and has continued to maintain this arrangement. Other companies have similarly succeeded in gaining concessions for additional unpaid work hours. The decreasing importance of sector collective-bargaining agreements for German firms is captured in the following comment of Werner Stumpfe, president of the largest employers’ federation Gesamtmetall: “I don’t care about the agreement anymore, because I have four or five excellent exit routes. I may simply relocate 10,000 jobs to the Czech Republic. Or I may outsource.” (Stumpfe 1996)

On the Future of Workplace Democracy

None of this is to say that the welfare state in the core countries is about to disappear, or that all vestiges of employee power in the workplace will be erased. It is to say, however, that capital in general now has the upper hand and that workers, operating on their own through
unions and other workplace organizations, or through the governments of nations states, are on the defensive. It is to say, moreover, that workers are likely to remain on the defensive for some time to come because the fundamental reasons why they find themselves in such difficulty--the decline of socialism, the ascendancy of neo-liberalism, the globalization of economic processes, and labor-saving and labor-fragmenting technological innovations--have not played themselves out. This does not bode well for workplace democracy because, as I have argued, workplace democracy depends greatly on the ability of workers to impose their will on private property. We are surely unlikely to see the further expansion of authentic workplace democracy; we are much more likely to see its diminution (though not disappearance) across a wide range of countries and practices. Let me speculate about what the near and medium term future is likely to hold. I present my speculations as a set of theses, organized around the categories of workplace democracy that I set out at the beginning of the paper: anti-capitalist revolution, producer cooperatives, and government and union impositions on the prerogatives of property.

Thesis # 1: the transition from capitalism to socialism is not on the agenda for the core countries. The socialist model is in retreat, neoliberalism is in the saddle in theory and practice, and the working class has neither the strength nor inclination to fundamentally disrupt this pattern. How one feels about this development depends a great deal, I suppose, on how one feels about the nature of “presently existing socialism” during this century. Those who see such socialism as an inspirational model for worker self confidence and assertiveness, and an impetus for workplace democracy, will likely lament the disappearance of socialist revolution from the historical agenda. Others, who believe existing socialism was a disaster for both socialism and democracy (among whom I count myself), are unlikely to worry a great deal about this development.

24
Thesis #2: producer cooperatives will come and go with some regularity, but they will not advance the cause of workplace democracy very much because of their extremely light footprint on modern economies. The producer cooperative sector has never accounted for very much economic activity in relative terms, nor have cooperative firms made much of a contribution in terms of technological innovations or new products. For the most part, producer cooperatives have been small scale enterprises, with over-representation in service industries (food, trash hauling, and the like) or simple manufacturing (wood products, steel, appliances, etc), and under representation among the largest firms in the economy and in high technology research, development, and manufacturing. (Cornforth 1995)

There is also evidence that producer cooperatives are having an extremely difficult time under the intense competitive pressures brought by globalization. The watchwords in the business press about what is required for companies to survive in this global environment hardly fits the cooperative experience--lean, nimble, innovative, and inventive--so it comes as no surprise to find so many of them in difficulty. The American plywood firms, for example, are barely holding on and it is only a matter of time before virtually all of them disappear. (Gunn 1992) The forest workers cooperatives of the Pacific Northwest, the subject of much attention and admiration in the 1980s, have collapsed and exited the scene. (Gunn 1986; Mackie 1994) At Mondragon, the most successful cooperative experience in the contemporary world, pressures generated by the process of integrating Spain into the EU and the larger global economy are generating severe problems, including a rising proportion of nonmember temporary workers, a decline in member participation in enterprise governance, low morale among younger members, and slow growth. (Moye 1993; Kasmir 1996) Though not producer cooperatives, as such, the Israeli kibbutz sector has also experienced enormous economic difficulties since the middle-1980s, with no evidence of a turnaround in the offing. (Leviatan, Oliver et al. 1998)

Thesis #3: the welfare state has reached the limits of its development and will recede to one
degree or another in all of the core countries. The period of major growth in welfare state protections and benefits is over in the core countries. As Vic George has put it, “the dominant social democratic expansionist model of welfare [has been superceded] by the neo-liberal contractionist mode.” (George 1998:17) I will not rehearse the reasons why this is so; much of this paper addresses and illustrates this point. Three caveats are in order about this thesis. First, the welfare state will neither collapse nor disappear. The reasons why the welfare state exists remain compelling, and citizens of the rich democracies will not allow their political leaders to back off too far from their commitments, especially in the areas of old age pensions, health care assistance and support for education and training. Citizens can prevail here because firms, though enormously mobile, cannot shift their commodity chain activities at will, seeking the very lowest labor costs available above all else; their locational decisions are constrained by the availability in targeted areas outside of the core of, among other things, telecommunications and transportation infrastructure, a trained workforce and political stability. Recall that most global economic activity is accounted for by the U.S., Western Europe and Japan triad, in conjunction with a relative handful of emerging economies/NICs. Because “factor price equalization” only operates where firms can reasonably seek alternative sources of factor inputs, global firms are unlikely to be able (even if they wanted to do so) to use the threat of mobility to push wages and welfare state benefits in the core to Third World levels. Much more likely is a convergence towards the wage and welfare state standards prevailing in the United States and Great Britain, locations where many Western European based firms can and have transferred some of their operations. There will not be a “race to the bottom” of all nations, that is to say, but there may be a “slow drift” to the bottom of the wage and welfare state levels of the core triad.25 So the operative word here for the welfare state is “retrenchment,” not “disappearance.” 26

Second, the pace of retrenchment will not be uniform across the core countries; it will go faster and further in some places than in others, with the Anglo-American systems most likely to take the biggest steps backwards, a process that is already well underway. Note the recent
assault on public assistance that has occurred in both the United States and Great Britain. But no nation will be immune. Again, I expect a slow drift by much of Western Europe towards U.S/U.K standards, at least in the long run. Third, relative domestic spending may not decline very much if political leaders become convinced that international competitiveness requires greater support for education, training, telecommunications and transportation infrastructure, and for research and development. That is to say, the relative size of domestic spending in the core countries may stay the same or even increase a bit, but the focus of domestic spending may well shift to competitiveness-enhancing programs.

Thesis #4: it is unlikely that labor unions or national governments will be able to force major corporations to give up more control rights in the enterprise to workers and their representatives. As I pointed out above, workers in capitalist societies have no inherent property rights in enterprises or in the commodities and services they produce. To the extent that workers have gained limited but important control rights in firms-- such as representation on works councils and corporate boards--it has been because of worker power, exercised through their unions and/or through governments responsive to working class voters and left political parties. With the diminution of labor union and leftist party influence in most core countries, it is unlikely that much more progress will be made on this front. It is not necessarily the case that existing worker empowerment laws will go by the board. After all, corporations have learned to live with most of these power-sharing arrangements and may find some of them quite helpful. But it is probably the case that major new initiatives in this area are unlikely to occur, not only because of the ascendancy of the power of private property and neoliberal ideas, but because in a “downsizing” era, unions tend to be more concerned with protecting existing jobs than in introducing new experiments in workplace democracy.

Thesis #5: A growing number of companies will introduce schemes to increase worker
participation in decision making, but such schemes will not be authentically democratic. Even a cursory reading of the organizational and management literature shows that the idea is spreading among business leaders that hierarchical and authoritarian forms of organization are not conducive to worker productivity and enterprise growth and profitability in the new economy. Workplace organizations in the future are likely to be “flatter” than in the past, with fewer layers of supervisors and managers, and more team-oriented, consultative and cooperative arrangements. There is much talk these days of quality circles, self-managing teams, joint management-union health and safety committees, participatory management, mini-enterprise units, and the like. (Lawler, Mohrman et al. 1992; Lawler 1992; Drucker 1993; Drucker 1995; Pfeffer 1998) While it is not entirely clear how much actual worker participation is taking place at job sites—talk, that is to say, exceeds action by a considerable degree (McCaffrey, Faerman et al. 1995)—what is clear is that business leaders expect that worker participation in one form or another will have important payoffs in firm productivity and profitability. There is just enough evidence that workers who participate in decision making on the job tend to be less alienated and have fewer accidents, higher morale, greater commitment to the enterprise, and work more productively to pique and maintain the interest of business leaders in participatory schemes (Greenberg 1986; Greenberg and Grunberg 1994; Drucker 1995; McCaffrey, Faerman et al. 1995; Delaney 1996; Pfeffer 1998; Greenberg and Grunberg 1999)

Make no mistake about it, however. Worker participation in decision making in private enterprises is strictly controlled by management, except where worker participation is provided for in a union contract or by government mandate. Managers decide if and when to introduce such schemes; they determine the range of issues for which workers voices are desired; and they can terminate participatory schemes as they wish. “Top management sets the culture, prescribes appropriate behavior, and ...maintains a strong overview of otherwise decentralized activities.” (Gunn 1994:124) Workers in participatory companies do not control the agenda of decision making bodies, as citizens do in a democracy, nor is there political equality, majority
rule, or First Amendment types of protections for individuals as democracy requires. I will not go so far as to suggest, as economist Christopher Gunn does (Gunn 1994), that worker participation is mainly a new way for management to control workers in a competitive environment in which more traditional forms of control no longer function well and in which management is trying to gain workers’ cooperation in improving a company’s process and product, though this is certainly an issue worth further exploration. What I would say with a great deal of confidence, however, is that workplace participation is not the same thing as workplace democracy.  

Because various forms of worker participation in decision making have discernible benefits for companies, we are likely to see their spread in the years ahead in all of the core countries. Because such schemes do not fundamentally empower workers, however, we cannot say that we will witness the spread of authentic democracy in the workplace at the same time.

**Some Final Words About Long-Range Possibilities**

I have painted a terribly pessimistic portrait of the condition of workplace democracy and its prospects for the near and medium term. But what of the long term? Is it possible that workplace democracy will prove healthier and more vital than I have suggested? Are there developments underway that might lead to a different and more optimistic future? Let me mention some possible counter-tendencies.

First, it may be the case that workplace democracy, while declining in the core, may be on the rise in the NICs and LDCs, despite recent economic troubles. If global firms continue to site manufacturing and other commodity chain activities in these countries, capitalism may create in the semiperiphery and the periphery the very conditions that are conducive to the organization of workers into labor unions and supporters of labor-left political parties. If this happens, it may be that workers outside the core will come to exercise more power in the workplace and over the policies of their national governments, making such policies more
supportive of employee needs and interests. This has already happened in South Korea and Taiwan, to a certain extent, and is likely to happen elsewhere, though no one would be so bold as to suggest how far and fast such tendencies are likely to spread. If labor power increases in the periphery and semi-periphery, raising wages and labor standards there, workers in the core will benefit as well: “factor equalization” pressures on wages and welfare states are likely to decrease.

Second, it is not unreasonable to envision the development of a general revulsion against neoliberalism as some of the harsher implications of its prescriptions are felt by individuals, groups and institutions in societies at all levels of economic development around the world. The neoliberal world, whether the harsh one of Thomas Hobbes, the benign one of John Locke, or the efficient one of Adam Smith, is an unforgiving place, with few social supports to counter the terrible advance of the market. It is useful to remember that the citizens of the rich democracies lived through liberal regimes in the past, found them wanting and, to one degree or another, chose alternatives to strict liberalism. The present negative reaction to downsizing companies and leaner governments among the populations of the core capitalist countries, as well as the often violent reactions to the neoliberal prescriptions of the IMF outside of the core, suggest that popular support for neoliberalism may not run very deep, something that private and public policy makers will ignore at their peril.

Third, it is possible that labor unions will develop a strategy for and the will to fight growing corporate dominance and union decline. This will require, I believe, not only a renewed commitment to organize the unorganized--note the new vitality of the AFL-CIO in the United States--but the construction of new capacities to operate across national boundaries and to challenge corporate prerogatives at the global level. Technically, it is now possible for non-governmental (NGOs) and non-corporate groups to organize effectively and act politically across national borders, as demonstrated by the success of global advocacy organizations in the areas of the environment and human rights. NGOs have also begun to organize and have positive
effects in the area of labor standards (e.g. “sweat shops,” child labor, etc). At the present time, however, the mismatch between the capacities of capital and labor to act globally remains substantial.

Finally, some hold out hope that the many experiments in worker participation in decision making and worker empowerment, though introduced by corporations with their own needs in mind, will eventually evolve into something akin to authentic workplace democracy. The idea here is that workers, having experienced some of the promise of authentic democracy on the job, will insist that democratic practices be expanded. Participation and empowerment reforms will pile up, as it were, adding one to another until authentic democracy has evolved. Though research on the “spillover” model in the U.S. plywood cooperatives found no evidence of such an additive dynamic, (Greenberg 1986) I am not prepared to reject the possibility that the model may operate in the future in other economic sectors and in other societies. As of today, however, I see no such trends.

I conclude by simply reiterating the main line of my argument: authentic workplace democracy will become increasingly difficult to realize in the core countries in the near and medium term, though the prospects for workplace democracy may be brighter in the long run. Until that time, we must be satisfied with the small gains in worker empowerment and participation in decision making now taking place. These reforms may not add up to democracy, but they are a long way from autocracy as well.
Citations


Labor Research 17(1): 45-61.


---

1 I will not make the case for workplace democracy, but simply take it for granted that workplace democracy is a beneficial social arrangement. For spirited defenses of workplace democracy see (Pateman 1970; Horvat 1982; Dahl 1985; Greenberg 1986; Archer 1995; Greenberg, Grunberg et al. 1996).

2 For a review of these cases through history see (Horvat 1982).

3 To be sure, citizens in a democracy can use their votes to force government to, as it were, intrude on property rights by defining corporate stakeholders more broadly and granting these stakeholders means to share in the control over corporate activities and in their profits. I shall have more to say about this below. At this point, my focus is simply on the differing “logics” of capitalism and democracy. For more on this, see (Bowles and Gintis 1986).

4 These factors are not entirely determinative, however, as demonstrated by the case of France which has both comparatively low levels of union density and well developed mechanisms for employee representation and consultation.

5 It remains to be seen whether the romance with neoliberalism among world elites, media commentators and intellectuals will survive the financial turmoil in Asia, Latin America, and Russia, and whether international agencies such as the IMF will retreat from their strict neoliberal policies.


7 See (Standing 1997).

8 To be sure, the degree to which workers seek individualistic, non-communal solutions will vary by nation, society and culture. Neoliberalism has not won the day everywhere, but it is difficult to identify any of the rich democracies where neoliberal ideas are not, at the least, openly challenging traditional beliefs, customs and practices spanning private and public life.

9 For a convincing argument on the continuing relevance of the “placeness” of transnational corporations, see (Doremus, Keller et al. 1998).
Critics often point out, for example, that FDI and trade were at least as high in a relative sense in the later 19th and early 20th centuries as they are today.

This point has been made very convincingly by Milner and Keohane. (see Milner and Keohane 1996)

In saying this, I distance myself not only from those who believe that globalization brings universal prosperity and liberty (e.g. most of the business press and the economics profession) but also from many on the Left who understand globalization in entirely negative terms, as a set of processes that spreads exploitation and inequality to a much wider canvas.

It must be noted, of course, that most of world trade, alliance formation, subcontracting, and sourcing occur within the orbit circumscribed by the United States, Western Europe and Japan. Each of these three nodes, however, has substantial relations with firms and customers in the so-called emerging economies and NICs, as well as with firms and customers in the periphery. Though the recent financial turmoil in the emerging economies has created some uncertainty in the relationships between the three core economies and the others, there is no reason to believe that they will not recover over the long run.

Based on interviews by the author with executives at GAP Corporate headquarters in San Francisco.

The contest over the “super-jumbo” commercial airplane between Boeing and European Airbus is a good example. Most industry analysts believe that each company, if it decides to go ahead with the project, will be required to invest on the order of $12 billion before the first plane rolls off the production line. Neither company alone can afford to invest this amount, nor would it be willing to do so without some assurances from potential buyers. Each company has been trying, therefore, to gain one form or another of assistance from their home governments, to form partnership alliances with key subcontractors, to arrange “offset” concessions from other nations, and to obtain advance orders from airline companies. Unable to accomplish all of these objectives, and not entirely convinced that a market exists for the “super-jumbo,” Boeing has withdrawn from the race.

To reiterate a point made several times: I do not believe nor mean to suggest by this statement that either labor or nation state governments are powerless or irrelevant.

Some forms of capital are more mobile than others, of course. Finance capital, for example, is far more mobile than manufacturing capital with its investment in physical assets like factories and machinery. Because most of the world is integrated into an almost seamless global capital market where financial capital can respond to events almost instantaneously, governments today must be particularly attentive to issues of taxation on capital, government spending, budget deficits, and a range of other policies affecting interest rates and the value of national currencies (Garrett 1995).

I very much agree with the view expressed by economist Robert Feenstra (Feenstra 1998) that globalization and technological innovation are so intertwined that it makes little sense to talk of them separately. Speaking about the debate in the literature on whether increasing international trade or technological innovation is the prime cause of rising wage inequality in the core, Feenstra makes the following observation:
In fact, the whole distinction between “trade” versus “technology” becomes suspect when we think of corporations shifting activities overseas. The increase in outsourcing activity during the 1980s was in part related to improvements in communication technology and the speed with which product quality and design can be monitored, which was in turn related to the use of computers”…..[the success of large-scale discounters like Wal-Mart depends in large part]….”on an extensive system of outsourcing to low-wage countries, with new inventory methods and rapid communications. (p.41).

19 To be sure, the working classes in the core industrialized country have always been rived by internal conflicts of interest that have undermined their ability to form politically cohesive movements. What is different today, in addition to the multiplication of fissures, is that diverse occupational, life-style, ethnic, religious, and racial groups are not, as in the past, being drawn into “mass production” systems which tend to blur divisions. Modern technology and modern forms of production are “distributed” and dispersed rather than drawn together into large agglomerations, so workers have less opportunity to deliberate about their common interests. (See Lipset and Ray 1996; Richardson 1996; Harris 1998/99)

20 This is even true in the U.S. where Teamster Union workers won a major victory against UPS in 1998 and where home health care workers won the right to organize in Southern California in 1999.

21 Though, to be sure, states differed among themselves on the extent and forms of such worker empowerment. (See Hancock, Logue et al. 1991; Freeman 1994; Jacoby 1995)

22 There is an ongoing debate about the degree to which the Western European welfare states are experiencing significant retrenchment. For arguments that the welfare state is still vital and holding its own see (Pierson 1996; Garrett 1998; Stephens, Huber et al. forthcoming). Clayton and Pontusson (1998) demonstrate to my satisfaction, at least, that the evidence for welfare state retrenchment is substantial and convincing.

23 For Bert-Olof Swanholm, head of the Swedish industry federation and then-chairman of Volvo, the contradiction between globalization (in the form of corporate opportunities for relocation) and a vibrant welfare state is clear. When the government proposed to increase social spending in 1997, he suggested that it would not take much more “Swedish government misbehavior” for Swedish companies to consider whether to shift their headquarters elsewhere. The chairman of Ericsson made a similar threat several days later. (See Vernon 1998:121)

24 Spain, for example, has 11,000 cooperative enterprises, but they account for only 1 percent of Spanish employment. (Moye 1993:262)

25 Ericsson, the Swedish telecom giant, recently moved its European headquarters to London, citing the need to be closer to investors and to escape Sweden’s high tax rates. There has also been the recent trend for European firms to seek listings on the New York Stock Exchange where they will have to follow U.S. accounting rules and submit to the short-term shareholder value perspectives of investors. The Netherland’s Aegon has been listed on the New York exchange since 1985. Germany’s Daimler and Britain’s Vodafone have been listed since the early 1990s and there are reports that other giants will soon join their lead.
Because social insurance and other universalistic entitlement programs remain popular among middle class and working class voters in all of the rich democracies, welfare state cuts are most likely to come from programs targeted at the less-advantaged and in cuts in the quality and availability of public services. (See Armstrong 1998; Harris 1998/99)

It must be said, however, that participation in workplace decision making tends to encourage participation in civic life and politics outside of the workplace. Workplace participation in decision making, that is to say, is “democratizing” in some larger sense, but only if workplace participation is actual rather than merely symbolic. (See Almond and Verba 1963; Greenberg 1981; Greenberg 1986; Sobel 1993; Greenberg and Grunberg 1994; Greenberg, Grunberg et al. 1996)