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TRANSITIONS TO ECONOMIC DEMOCRACY:
CORPORATIONS, COLLECTIVE ACTION,
COUNCILS AND CODETERMINATION
IN TWENTIETH CENTURY GERMANY AND SOUTH AFRICA

by

ANDREW G. LAWRENCE

A dissertation submitted to the Graduate Faculty in Political Science in partial fulfillment
of the requirements for the degree of Doctor of Philosophy, The City University of New
York

2003

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This manuscript has been read and accepted for the Graduate Faculty in Political Science in satisfaction of the dissertation requirement for the degree of Doctor of Philosophy.

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Abstract

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by

Andrew G. Lawrence

Adviser: Professor John Bowman

This dissertation analyzes the process of class formation at the institutional level in twentieth century Germany and South Africa. Through an examination of the ways in which labor and employer organizations organize their interests in these countries, it interrogates sociological claims that employers permanently enjoy an organizing capacity greater than their employee counterparts. Arguing that the organization and articulation of interests should be understood within a transnational, comparative framework rather than a merely national one as corporatist literature suggests, the dissertation finds that in comparatively backward contexts, employers are bestowed with considerable short-term advantages over both potential competitors in their product markets and over their employees in the labor market. These advantages derive in large measure from the conditions in which large corporations in backward contexts enter the global political economy. In the longer term, however, the picture looks quite different.

The examples of the German coal and steel industry and the South African gold and diamonds industry show that large firms in these sectors were able successfully to combine their product and labor market advantages as a means of consolidating economic and political power. Through their respective dominant employers associations, they could further impose constraints on labor's free collective bargaining regionally and nationally.

The terms of these employer advantages, however, are highly contingent and unstable. In their violation of the norms of free organization, employers and their authoritarian state allies unintentionally foster more extensive forms of worker organization, while also politicizing labor's place in the social order. When such authoritarian coalitions weaken, employers are forced to cede to the demands of labor organizations that show an unusually high degree of organization compared with their counterparts in "older" industrialized nations. A further legacy of post-authoritarian democratization is a more fully articulated labor law in comparatively backward contexts that further strengthens labor movements' longer-term advantage over their employers.

Based on archival research, interviews, newspapers, and other printed sources, this dissertation engages in new ways of understanding German and South African developmental "peculiarity," the role of associations in organizing employer and employee interests, the dynamics of labor movements, and their relation to democratization.

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Introduction

Following a period of growing domestic repression, military adventurism, and defeat, a racist authoritarian regime, supported initially by large mining, metals, and agricultural interests but now discredited, yields to a previously disenfranchised populace among whom the trade union movement and a communist party enjoy an increasingly prominent profile. The labor movement is, however, unable to convert its moral political victory into a mandate for radical and far-reaching reorganization of the economy, including nationalization of the large oligopolistic firms that dominate it. Instead, it settles for programs addressing widespread hunger and homelessness and promoting infrastructural development and for a system of codetermination sanctioned by national law and grudgingly accepted by the industrial magnates who initially opposed it. This industrial elite largely escapes condemnation for its alleged complicity with and support for the previous regime: indeed, it is swiftly rehabilitated as a stalwart of the new democratic order. Nonetheless, it partially disaggregates its vast vertically and horizontally organized economic empires so as to retain control of their core interests even as various component parts are more firmly integrated into the global economy. A minority of firms even includes union or employee representatives on their boards of management, and former management and unionist foes demonstrate together against policies of Western powers that threaten their companies. Meanwhile, the country adopts a constitution that no longer recognizes elitist and undemocratic privileges within the polity and proceeds with an admittedly halting, inconclusive, and incomplete prosecution of crimes committed by the military, police, and bureaucrats of the old regime.

Depending on the audience and context, this thumbnail sketch of a democratic transition brings to mind South Africa from the mid-1980s to mid-1990s or Germany from the mid-1940s to mid-1950s.¹ Given the countries' widely diverging histories, geographies, and levels of development, it would be hardly surprising to argue that German and South African employer-employee-state relations have been shaped by different constitutional, political, and ideological currents.² But as this sketch suggests, beneath the surface the countries share striking similarities in their respective trajectories across the twentieth century.

¹ For a similar comparative sketch between the US and South Africa, see Colin Bundy, 1990. "An Image of its Own Past? Towards a Comparison of American and South African Historiography," *Radical History Review* 46/7: 117-143, echoing a 1966 speech Robert F. Kennedy gave at the University of Cape Town.

² To be sure, such differences are no less significant for being obvious. For example, apartheid governments' military excursions, assassinations and related illicit activities in frontline states were inextricably linked to domestic repression, but were far less deadly than Nazi Germany's *Drang nach Osten*; De Klerk's Nationalist Party faced political stalemate in 1990 but not the total military defeat of the Nazis on VE Day; Anglo American Corporation (AAC) Chair Bobby Godsell and National Union of Mineworkers (NUM) members demonstrated against the Bank of England's gold sales, whereas Ruhr mining and steel executives and union leaders demonstrated against demontage; and so forth.

0.1 *Post-liberalism and the role of associations*

Such institutional commonalities between the two countries pose several interrelated questions. With no common cultural heritage between the countries, why did their employer associations play a similar – moreover, such an unusually prominent – role in their respective countries’ political and economic arenas? These associations’ comparative absence is notable in earlier pioneer Anglo-American contexts, so that their prominence in Germany is historically, and in South Africa culturally, particularly striking. These employer associations are further notable in their historical stability, predating their respective states’ founding and surviving numerous episodes of regime change largely intact and unchanged. Yet if the associations’ prominence is so deeply embedded in their particular contexts, why did they both experience crisis at the beginning as well as the end of the Cold War?

Parallel and equally puzzling commonalities are in evidence between the countries’ labor movements. Scholars of either case might ask: Why did an ethnically homogeneous German workforce and an ethnically diverse South African one both strive for maximal industrial unionism during the period of democratization? Certainly, neither had achieved anything close to the ideal of “one industry, one union” before World War II; cultural traditions would seem to have little explanatory power. This is true for the level of workplace organization as well. With their cultural roots in the British shop steward movement, why did South Africa’s democratic unions attempt to import German-style works councils under the rubric of “codetermination”? Why, for that matter, did codetermination become a passionate cause for German unions after 1945, when they had given it only moderate support before then? Answers to these questions reveal distinctive

patterns of collective action and association characteristic of post-liberal states and exemplified by both cases.

The argument, elaborated in greater detail throughout the dissertation, may be anticipated here. As post-liberal states,³ both Germany and South Africa share the experience (at different historical periods) of a liberal order's stunted development, crisis and failure; and both have developed traditions and institutions that compensate for this failure. Answers to the above questions, therefore, may be found in this process of institutionalization as response to failure.

Among the most fundamental characteristics of *early* liberal states is their homogenization of domestic populations through an array of techniques, including the promotion of national identity, education systems, border change, and the expulsion of less easily assimilated groups. For example, for de Tocqueville, this homogenizing capacity was among the most remarkable aspects about the nineteenth century United States.⁴ While this process is never complete or total, success may be judged as the appearance of homogeneity sufficient to pursue further state projects.

Post-liberal states, as with all latecomer states, necessarily find this task more difficult. There is a breakdown not only of social integration, but also of the state

³ On Germany's experience status as post-liberal, see Werner Abelshauser, 1984. "The First Post-Liberal Nation: Stages in the Development of Modern Corporatism in Germany." *European History Quarterly*, v. 14, 1984: 285-318; and Philippe Schmitter, "Does Post-Liberalism Have a Future?" in Karlheinz Bentele, Bernd Reissert, Ronald Schettkat, eds., 1995. *Die Reformfähigkeit von Industriegesellschaften: Fritz W. Scharpf, Festschrift zu seinem 60. Geburtstag*. Frankfurt/Main: Campus. The importance of postliberalism as an analytical tool for U.S. contexts is increasingly recognized after 9/11: see Kanishka Jayasuriya, "September 11, security, and the new postliberal politics of fear," in Eric Hersberg and Kevin W. Moore, eds., 2002. *Critical Views of September 11: Analyses from Around the World*. New York: New Press. 290 pp.

⁴ Alexis de Tocqueville, [1835] 2000. *Democracy in America*. Translated, edited, and with an introduction by Harvey C. Mansfield and Delba Winthrop. Chicago: University of Chicago Press. 722 pp.

capacity to respond to this breakdown. Border changes tend to be to their disadvantage; a growing community of states has increasing power over time to impute national identity upon newer nations juridically, rather than allow populations to assert their self-imputed national identity ethnically. The rise of imperialism denied most of the world's population the opportunity of national assertion of any kind. The most extreme expression of externally imposed juridical nationhood came at the height of imperialism with the division of Africa at the 1885-6 Berlin Conference.⁵

These disadvantages impose intolerable burdens on latecomer parliamentary systems to be “representative.” Even within the older democracies, there is an observable transformation of class-based parties into catchall parties – often within a generation after the achievement of universal franchise.⁶ Party politics becomes more distant and less meaningful for a growing majority of citizens, in both Northern and Southern contexts.⁷ When state capacity to pursue homogenizing and organizing activities erodes, in the case of post-liberal states, these are effectively “outsourced” to associations.⁸ In other words, these states explicitly or tacitly bestow upon associations an official role in promoting member identities, organizing member interests, or both, without, however, necessarily

⁵ Robert Jackson and Henry Rosberg, 1982. “Why Africa’s Weak States Persist.” *World Politics*; Eric Wolf, 1982. *Europe and the People Without History*. Berkeley: University of California Press.

⁶ Otto Kirchheimer, 1966. “The Transformation of Western European Party Systems,” in Joseph LaPalombara and Myron Weiner, eds., 1966. *Political Parties and Political Development*. Princeton: Princeton University Press: 177-200. Within the pattern of West European experience in which Kirchheimer locates West Germany, it is clearly the most extreme manifestation of this transformation.

⁷ Claus Offe, “The Separation of Form and Content in Liberal Democracy,” in Claus Offe, 1984. *Contradictions of the Welfare State*. Cambridge: The MIT Press: 162-178.

⁸ This is not the case for all latecomer states, see the discussion of Latin states in section 0.3.4, below.

regulating the means by which associations pursue these goals. For this reason alone, the relation between associations and democracy deserves closer scrutiny.⁹

Waning state sovereignty has the further effect of displacing social movement activity and dissent into other arenas. Henceforth, collective action in latecomer contexts is never again delimited by a “natural” national context. Typically, it has taken forms at once subnational and transnational. To these multiple spatial and political arenas often correspond racial, ethnic, and class expressions existing on a continuous plane of subalternity.¹⁰ Unlike their pioneer counterparts, social movements in latecomer contexts are typically both *against* and *beyond* state and nation, and are usually intensely conscious of this stance. Perhaps the first such movement, the antislavery movement, decisively shaped the Enlightenment’s rebellious and insurrectionary expressions.¹¹

Indeed, race, nation, and class are so mutually determining from the nineteenth century onwards that it makes little analytical sense to treat them as dependent or independent variables. Following Karl Polanyi’s central insight that welfare policies are the precondition of, rather than a response to, labor commodification, Howard Winant (among others) argues that projects of racial formation should be seen as a precondition

⁹ See Joshua Cohen and Joel Rogers, eds., 1995. *Associations and Democracy*. New York: Verso. 267 pp.

¹⁰ Thus, Mahmood Mamdani, following Franz Fanon, observes that “the struggle of [colonial] subjects was both against customary authorities in the local state and against racial barriers in civil society.” M. Mamdani, 1996. *Citizen and Subject*. Princeton: Princeton University Press: 19.

¹¹ Arguably, the most prominent example being the Saint Domingue Revolution; on its centrality to the French Revolution and the Age of Revolutions more generally, see C. L. R. James, [1938], 1989. *The Black Jacobins: Toussaint L’Overture and the San Domingo Revolution*. 2nd ed. New York: Vintage; and Arthur L. Stinchcombe, 1995. *Sugar Island Slavery in the Age of Enlightenment: the Political Economy of the Caribbean World*. Princeton: Princeton University Press.

of the institutionalization of “abstract” labor.¹² Echoing the earlier analysis of Gunnar Myrdal, Howard Winant rightly insists that, as hallmarks of modernity, “key processes of racial formation . . . involved the making of new forms of *empire and nation*; the organization of new systems of *capital and labor*; and the articulation of new concepts of *culture and identity*. Because these are circular and cumulative processes, they must be understood as thoroughly intertwined; there is no need or possibility of proposing one of these three as primary or causative.”¹³

The German and South African labor movements of the early twentieth century typify latecomer social movements in the difficulties they faced in negotiating race, nationalism, and divisive and divided employers, as well as in the strategies they devised – promoting organizational autonomy, political recognition, and solidaristic identity – to address these challenges. Most obviously, these movements had to contend with state legacies and practices that were racialized to an unprecedented extent. What is perhaps more striking about these cases when viewed together is that the very barriers that employers, allied with state actors, use to hinder labor movements’ access to state power serve to delimit employers’ scope of action and organization during phases of democratization. This dissertation deploys these cases to illustrate and analyze this historic reversal of collective action challenges between employers and employees.

¹² Howard Winant, 2001. *The World Is a Ghetto: Race and Democracy Since World War II*. New York: Basic Books. Indeed, it is doubtful whether – historically or analytically – labor has ever been successfully abstracted from its status-inflected, gendered, or racialized contexts: cf. Karl Polyani, “The Economy as Instituted Process,” in K. Polyani *et al.*, eds., 1957. *Trade and Market in the Early Empires: Economies in History and Theory*. New York: Free Press. See also George Fredrickson, 2002. *Racism: A Short History*. Princeton: Princeton University Press.

¹³ H. Winant, 2001, *ibid.*: 21 (emphasis in text).

0.2 *Collective action under backwardness: the transnational racial context*

To be sure, the development of identity and interest, racial formation, and forms of collective action are all historically bounded phenomena. This study is focused on the period in world history from the coincidence of late and uneven industrialization, state formation, and the abolition of slavery in the late nineteenth century through the crisis and transformation of the Second World War and its aftermath, up to the contemporary post-Cold War era. In this context, it is useful to employ a distinction between the concepts of *lateness* and its older counterpart, *backwardness*. I understand *lateness* to refer to a measurable periodization of concrete political and economic developments relative to other countries (particularly those having the greatest influence upon the country in question), whereas *backwardness* – shorn from its pejorative connotations bestowed by modernization theory – can refer to a more subjectively assessed environment in which political actors of a given period assess their economic and political challenges.

Through a traditional class lens of revolution and reform, the end of World War I is usually seen as the determining moment of crisis and transformation, both in theory and in strategy. It was then that the Russian Revolution, in Gramsci's famous phrase, "disproved *Capital*" before a world audience.¹⁴ For scholars such as Howard Winant, by contrast, the determining moment was the end of World War II, bringing with it a catastrophic and barbarous end to an era of racial empires.

¹⁴ Antonio Gramsci, 1971. *Selections from the Prison Notebooks*. Quinton Hoare and Geoffrey Nowell-Smith, eds. New York: International Publishers.

This study draws on the insights of both perspectives to pose basic questions about their effects upon collective action strategies. Prior to each of these respective moments of crisis and decision, *class* and *race* appeared “natural” and “inevitable” aspects of everyday life in the view of both ruling segments of society and also of many subalterns. During the interwar period, the shocking force with which the Russian Revolution seemed to demonstrate the fragility and contingency of class organization may have had the effect of burying race deeper within a collective unconscious. After it became more widely known to what extent Nazi Germany had transformed the Second World War into a genocidal race war, the status of these contested categories became almost reversed. Race and its attendant hierarchies, although still popularly essentialized, were no longer “natural,” while class – as status, struggle, and self-identified way of life – faded from a collective consciousness. While various élites’ frequent proclamations of the achievement of a new classless society and the end of ideology may have raised suspicions that they protested overmuch, protests of a more traditional kind had dramatically declined during most of the 1950s and 1960s, at least in the more industrial North.

Nowhere was the apparent political quietism of the 1950s more evident than in newly established West Germany, where levels of industrial action and party identification dropped to record lows. Nowhere was it less evident than during South Africa’s first decade of apartheid, when protests challenged the very terms of state organization. In both cases, attempts at explicitly class-based collective action had dramatically failed in the 1920s and 30s. In both cases as well, the state – drawing on

older traditions, but radicalizing them beyond recognition – defined the workforce racially as a means of defeating employment-based demands.

The differing outcomes after 1945 can be explained in part with reference to the distinction Collier and Collier (1991) make between “cross-sectional” and “longitudinal” historical processes.¹⁵ Relevant examples of the former type – that is, of autochthonous phases of political change – would include the onset of industrialization, democratization, and franchise extension, the achievement of various civil rights and social outcomes. Longitudinal processes on a transnational or global scale include world wars and other large-scale conflicts, population movements, and international agreements.

Yet this distinction obscures the less apparent *racial* dynamics shaping both types of processes and both national contexts. In the interwar period, South Africa’s racially exclusive mining unions sought, and failed, to organize the workplace in their image of whiteness. Despite modest gains in unionization and workplace rights among disenfranchised workers during World War II, the National Party succeeded after 1945 in equating the *rooi gevaar* (“red peril”) and the *swart gevaar* (“black peril”) – in other words, equating Western anticommunism with whiteness – and thereby fusing domestic apartheid policy with regional and global foreign policy.

Germany’s unions – similarly fragmented, albeit along ideological, ethnic, and confessional, not racial lines – sought, and failed, to organize the state, first through workers’ and soldiers’ councils (giving way to the principle of representative

¹⁵ These two processes’ interaction occurs “between the unfolding over time within each country of phases of political change, and a sequence of international developments that influenced . . . the countries roughly in the same chronological time, but often at a different point in relation to these internal political phases.” Ruth Collier and David Collier, 1991. *Shaping the Political Arena*. Princeton: Princeton UP: 19-20.

government), and next through “codetermination at all levels of society.” Shortly after banning unions, the Nazi Party succeeded in imposing a racially exclusive *Volk* ideology on all levels of society. Through the course of war, genocide, postwar population transfer of liberated concentration camps, prisoner of war camps, and Soviet zone refugees, this ideology lived an afterlife in the first decade of West Germany, during which its population remained almost entirely ethnically German. Significantly, however, West Germany was reintegrated under U.S. auspices into the community of nations not as a German, but rather as a European, western, and – more tacitly, albeit unambiguously – white nation. Together with capitalism and anticommunism, whiteness became the hard currency in which both countries could redeem their global position under U.S. hegemony.¹⁶ This theme is elaborated further in section 0.3.5, “Bringing transnational relations back in.”

0.3 *Theoretical debates*

If this assumption regarding the increased importance of associative activity to latecomer state policy and formation is correct, it contradicts the principal tenets of mainstream economics, particularly in the guise of neo-liberalism. This doctrine draws on the most pessimistic traditions of classical liberalism and realism. Liberalism has

¹⁶ See George W. Shepherd, Jr., ed., 1970. *Racial influences on American foreign policy*. New York: Basic Books; Rubin Francis Weston, 1972. *Racism in U. S. Imperialism; The Influence of Racial Assumptions on American Foreign Policy, 1893-1946*. Columbia, University of South Carolina Press; Elliot P. Skinner, 1986. “Ethnicity and race as factors in the formation of United States foreign policy,” in Michael P. Hamilton, ed., 1986. *The American Character and Foreign Policy*. Grand Rapids: W.B. Eerdmans; Gerold Horne, 1996. “Race for the globe: U.S. foreign policy and racial interests,” in Benjamin P. Bowser, Raymond G. Hunt, eds., 1996. *Impacts of Racism on White Americans*. Thousand Oaks : Sage; Michael Krenn, ed., 1998. *Race and U.S. Foreign Policy from 1900 through World War II*. New York: Garland; and *idem.*, ed., 1999. *The Impact of Race on U. S. Foreign Policy: a Reader*. New York: Garland.

always remained profoundly skeptical of any institutions that did not actively promote the freeing of markets, while maintaining that once freed, such markets would automatically promote growth and development.¹⁷ Realists, in drafting the previous Washington Consensus at the height of the Cold War, maintained considerably greater faith than liberals in the role of institutions in promoting development—as long as they were institutions of coercion, such as the police, authoritarian bureaucracies, or the army.¹⁸ Grassroots democratic institutions, such as independent unions, could play at best a minor role that was never above suspicion.

Today, claims about the importance of institutions such as employers associations, unions, and works councils for either democracy or development confront the combined force of these unrelenting – if seemingly contradictory – types of skepticism. Where an earlier realism claimed that assertive unions had to be subordinated to the national “developmental” state for the sake of stability, while classical liberalism favored the free movement and expression of workers, the doctrine of neo-liberal globalization insists on the same subordination in the name of global competitiveness, whose logic states are incapable of altering. This development may be traced in the separation of the academic literature on labor movements from those of industrial relations and democratization.

0.3.1 *From labor regimes to industrial relations*

Since the end of the Cold War and democratization’s “third wave,” if not earlier, the gap between theories of democratic transition and those of industrial relations has

¹⁷ The classic statement remains Friedrich A. Hayek. 1944. *The Road to Serfdom*. Chicago.

¹⁸ Paradigmatic here is Samuel Huntington, 1968. *Political Order in Changing Societies*. New Haven.

grown ever wider.¹⁹ It would be only a slight exaggeration to claim that they have no overlapping areas at all. Where an earlier generation in comparative politics assumed that labor relations had a central (if unproblematic) place in democratic change and consolidation, this assumption has been challenged from a number of directions over the past two to three decades. Many New Left scholars in the more industrialized North assumed that labor had become a fundamentally and irrevocably conservative force; workers, they concluded, were willing slaves to a consumer society.²⁰ The alienation of labor from its movement roots and society's attendant "culture shift" from "material" to "post-material" values was complete, they argued, reserving hopes for the further democratization in other, "new" social movements.²¹ More conservative political scientists could only agree, equating the labor movement with its organized (social democratic party/trade union) form and reducing the latter's political significance to the status of one pluralist pressure group among many others.²²

Meanwhile, Dankwart Rustow's innovative transition in democratic transition literature from macrohistorical, socioeconomic correlates of democratization to a more concrete genetic model²³ had the effect of leaving labor (in any form) without a seat at the

¹⁹ For an important and theoretically sophisticated exception, see Charles Bergquist, 1986. *Labor in Latin America*. Chapel Hill: UNC Press.

²⁰ See, *i.a.*, André Gorz, 1982. *Farewell to the Working Class*. London: Verso.

²¹ Cf. Ronald Inglehart, 1990. *Culture Shift in Advanced Industrial Society*. Princeton, N.J.: Princeton University Press; Alain Touraine, 1981. *The Voice and the Eye: an Analysis of Social Movements*. Translated by Alan Duff, with a foreword by Richard Sennett. New York: Cambridge University Press.

²² See, especially, S. Huntington, 1968. *Political Order*; Robert Dahl and Charles Lindblom, 1956. *Politics, Economics and Welfare*. New York: Harper; and R. Dahl, 1971. *Polyarchy: Participation and Opposition*. Yale University Press.

²³ Dankwart A. Rustow. 1970. "Transitions to Democracy: Toward a Dynamic Model," *Comparative Politics*, 2 (April 1970): 337-63.

transitional bargaining table.²⁴ A wave of military coups and the rise of authoritarian rule in Latin America and elsewhere transpired shortly after Rustow's article appeared, and they were closely followed by (often wildcat) strike-waves in advanced capitalist countries, with the combined effect of bestowing a geographic component upon the analytical wedge between democratization and labor. From that point on, studies of "developed" countries placed labor securely in an entirely domestic "industrial relations" context, whereas studies of "developing" countries under authoritarianism or during transition increasingly privileged "élite bargaining pacts."²⁵ In both cases the trend toward marginalizing the study of labor in general had the further effect of separating it into discrete First and Third World contexts. Just as significant, international and transnational dimensions of labor movement politics were all but excluded from analysis, confining it to hermetically sealed national contexts—a trend that continues in current scholarship on transitions.²⁶

²⁴ This is the fault of the heirs of the genetic model, rather than of Rustow, for he saw increased social polarization as a key antecedent to democratization; see *ibid.*: 352–55. For example, J. Samuel Valenzuela, 1989. "Labor Movements in Transitions to Democracy," *Comparative Politics* 21, no. 4 (July 1989): 445–472, argues that labor movements must subordinate their demands during transition in order to secure the democratization process.

²⁵ Of course, such large-scale strikes were hardly confined to the North, as the southern African examples of Namibia in 1970–1, South Africa in 1973, and Angola in 1974 all attest; yet these cases were usually characterized as nationalist, anti-colonialist phenomena.

²⁶ For example, Haggard and Kaufman have stressed the effect of short-term economic conditions on the bargaining power and interests of incumbents and opposition forces, tracing the impact of economic crises on the terms of transition and nature of new political alignments, with reference to ten middle-income Latin American and Asian countries. Although they make passing reference to unions as components of these alignments, they accord neither unions nor employer associations any substantial role as political actors; and Haggard and Kaufman's temporal framework is too foreshortened to describe the development of the associations' institutions. See S. Haggard and R. Kaufman, 1995. *The Political Economy of Democratic Transitions*. Princeton: Princeton University Press, 1995, esp. chapters 1, 4, 5, and 10.

0.3.2 *Corporatist exceptions*

Separating the literature on democratic breakdown of the 1970s and the more recent work on the political economy of democratic transition is the wide-ranging literature on corporatism. This diverse body of work addresses many of the deficits in the earlier and subsequent literature. Associations – especially unions and employer federations – are accorded a central analytical place. The channeling and disciplining of the labor process through state-sanctioned arteries becomes a qualitatively more important focus for corporatism compared with pluralist approaches. Moreover, the geographical focus of corporatism's analytical lens is not confined to North or South, First or Third Worlds, but rather can fruitfully compare cases across these spatial boundaries, as well as among different phases of the modern era.

In terms of methods and conclusions, however, the literature holds little else in common. The tendency to make distinctions among varieties of corporatism was already present in Philippe Schmitter's groundbreaking 1974 article, in which he separates a more autocratic state corporatism from a more polyarchic societal corporatism.²⁷ Yet this distinction would seem to erode a central component of corporatism's definition, namely, the state's role in granting functional monopolies over associations. Further, in neither subtype does Schmitter allow for any power of the state to grant representational monopolies to employer or business associations; in both cases power would appear to be

²⁷ Philippe Schmitter, 1974. "Still the Century of Corporatism?" in *Review of Politics* 36: 85-131. More recently, Schmitter has given a skeptical answer to his earlier article's question: see Jorge Luis Lanzaro and Philippe C. Schmitter, 1998. *El fin del siglo del corporativismo*. Caracas, Venezuela: Nueva Sociedad.

exercised asymmetrically over labor but not business.²⁸ Finally, the corporatist paradigm describes *pattern* in political economy, not *process*. Even when providing insights into the dynamics of bargaining effects, the corporatist literature has difficulty explaining the transformation, crisis, and demise of bargaining institutions.

0.3.3 *Limitations to corporatism: labor*

The plurality of corporatist approaches masks a further ambiguity about its effective scope. As Claus Offe has observed, while a strictly class-based corporatism fails

to come to grips with the corporatization of non-class organizations (*e.g.* taxpayers, students, city governments, doctors, etc.), . . . [an] alternative conceptual framework [focusing on such non-class organizations does not sufficiently account for the fact that corporatist] arrangements are typically advocated and promoted where the economic and political power of working-class organizations has grown beyond what the ruling class is willing to accept in the interest of continued and balanced capitalist accumulation.²⁹

This distinction derives, he argues, from differing state goals toward the respective types of interest groups. From unions, the state seeks “restraint, discipline, responsibility, and the greater predictability of conflict behavior” resulting from union bureaucratization. For non-class organizations, the state desires “delegation, devolution, and transfer of political issues and demands into an arena in which they do not directly affect the stability of (central) government” and where, in fact, they simplify governance agendas. While the

²⁸ A good discussion complicating the notion of power in corporatism and disaggregating its varieties – while further eroding its analytical utility – may be found in Ruth Collier and David Collier, 1979. “Inducements *versus* constraints: Disaggregating ‘Corporatism’,” *The American Political Science Review*, 73: 4 (December 1979): 967-86.

²⁹ Claus Offe, 1985. “The Attribution of Public Status to Interest Groups,” in *idem.*, 1985. *Disorganized Capitalism*. Cambridge: The MIT Press, p. 240.

state exchanges an enhanced status with both types of groups, it does so in pursuit of the differing ends of (economic) group “restraint” or (non-class) group “delegation”; the groups’ respective rewards are recognition and autonomy.

Offe and others contend that the state’s delegative activities characterize the more recent corporatist phenomenon in advanced capitalist contexts. If anything, in fact, the simultaneity of both the restraining and delegating varieties of corporatism is more distinctive and apparent in latecomer democracies than in their supposedly more developed counterparts. At the same time, however, latecomer compromises involving restraint or delegation tend to be more brittle and provisional than the more deeply consensual and stable patterns of negotiation normally associated with corporatist theory and practice. The “crises of crisis management” are as a consequence not only more pronounced in latecomer contexts, but can even occur in these contexts earlier, historically, than in the “advanced” capitalist North.³⁰ As such, these crises draw into question both the “corporatist” and “latecomer” labels.

Offe draws attention to two aspects of what has recently been termed the “democratic deficit” of contemporary governance that compels states to seek corporatist solutions: the erosion of party identities and the decline of bureaucratic policy design and implementation. This leads him to argue (along the lines discussed at much greater length in chapter one) that organized labor is much more constrained by the effects of these deficits than are organized employers. Constraining organized labor is, in fact, their purposeful design, according to Offe. In advanced capitalist contexts, “capital strikes”

³⁰ Cf. Claus Offe, 1985. “‘Crises of crisis management’: elements of a political crisis theory,” in *idem.*, *Contradictions of the Welfare State*, *op. cit.*: 35-64. This conclusion contradicts Offe’s implication that advanced capitalist states are more prone to political crises than their less-developed counterparts.

remain a threat whether or not capitalists are organized, and employer interests can be easily presupposed; but only unions can strike with any effect, albeit with much greater risk to their membership. Any existing corporatist stability must therefore rest on some combination of political repression, national union culture, and uninterrupted economic prosperity.

Offe's assumption of a class bias in corporatist arrangements rests on his prior assumptions that "investor strike" capacity is *endogenous* to a given country, and that the legitimacy of corporatist arrangements (or lack thereof) in the eyes of organized labor does not seriously affect national legitimacy as a whole. The first assumption, dramatically disproven in German history in 1929 when U.S. investment quickly evaporated, also does not apply to most "developing nation" contexts, where an often-crippling regimen of structural adjustment is tolerated in order to attract foreign investment. The second assumption is even more problematic in these contexts, for which "uninterrupted economic prosperity" is a rarity to begin with and whose benefits are distributed highly unevenly. During and after the "third wave of democratization," political repression diminishes as an option for an arguably growing number of developing nations.

More fundamentally, however, the corporatist paradigm (in both its "state" and particularly, its "societal" guises) presumes a substantially complete commodification of labor freed from ascriptive status. Perhaps the most glaring and persistent exception to this status in virtually all capitalist democracies is the tacit or explicit non wage-based role assigned to women in reproducing household economies. Almost as pervasively,

however, states grant special status on the basis of ethnic, clan, or racial affiliation or define citizenship in a way congruent with such affiliation.³¹

Under these circumstances, state actors face an insurmountable dilemma: they can strive to organize the general interests of the dominant race or the dominant class, but not both. Interest and identity formation occurs prior to, and bears decisively upon, nations and nationalism. Just as dominant class interests are neither contained by nor confined to a given national context, so the organization of racial interests and identities is both a transnational phenomenon and a precondition for national development.

The very stability of economic corporatism after World War II was underwritten not only by the widespread achievement of full employment, but also by the concomitant strengthening of racial corporatism. Together with the terms of racial consensus, the terms of a more evident economic corporatism began breaking down in a variety of Northern and Southern national contexts. Indeed, the flourishing of corporatist literature – and of state-centered political theory, more generally – ironically coincides with a marked weakening of the state’s capacity for unity of action and sovereignty,³² its

³¹ Winant, for example, certainly allows that “the traditional, racialized forms of rule that had shaped the world order in crucial ways for half a millennium” (2001: 32) suffered an unprecedented crisis – but by no means a complete demise – after World War II. This crisis represents, he argues, a “great transformation” of race no less epochal than the one of state and economic order described by Polyani. Nonetheless, Winant is unambiguous about the incompleteness of this transformation: he asks, and answers, “To what extent do these changes permit the present continuation of racial hierarchy? To a great extent indeed.” (*Ibid.*: 20).

³² Schmitter has observed that while neo-corporatist literature has drawn attention to “the many ways in which the structure and action of public authorities affect the identification and organization of interests,” it has generally failed to analyze the “circumstances and motives under which these authorities intervene to change the ways in which individuals and groups perceive their interests and act collectively to defend them.” Philippe Schmitter, “Neocorporatism and the State,” in Wyn Grant, ed., 1985. *The Political Economy of Corporatism*. London : Macmillan. 274 pp.: 32.

perceived embodiment of universal and general interests, and even its famed monopoly of the legitimate use of coercive power within a given territory.³³

Schmitter rightly cautions against viewing corporatist arrangements as merely “a deliberate act of state control over the expression of class or group interests,” arguing instead that they are possible “only where some degree of balance exists in the organized expression of class forces.” More problematic is his assertion that they arise only “where the organized expression of other interest cleavages – ethnic, religious, generational, positional, gender-related, etc. – can momentarily be set aside.”³⁴ While such “setting aside” may be a precondition for continued corporatist stability, such purely class-based theories of corporatism cannot explain the coexistence of states’ racial policies with more familiar class-based forms.³⁵ The same is perforce true for tripartism, or formalized state-labor-employer negotiations, which Huber and Stephens (2001) distinguish as referring *only* to peak-level bargaining over wages, benefits and hours among employer and employee associations and the state, whereas they define corporatism to include a wider range of social and economic policy issues and involve state actors as well.³⁶

³³ Although not necessarily in a situation of exact balance of power, “the relevant interlocutors must be in a situation of mutual deterrence, each sufficiently capable of organized collective action to prevent the other from realizing its interests directly through social control and/or economic exploitation, and each sufficiently incapable of unilateral manipulation of public authority to impose its interests indirectly through the state.” *Ibid.*: 33.

³⁴ *Ibid.*: 36.

³⁵ Much of corporatism’s lack of specificity has to do with initial frames of reference: as Leo Panitch argues, “Although it may be possible to achieve consensus on a core descriptive definition, the definition will have to be so formal as to be of little use in substantive social and political analysis. The debate over definitions is really a debate between different theoretical frameworks, in which normative and ideological preferences play their part.” (Panitch, 1986: 183-4).

0.3.4 *Limitations to corporatism: employers*

If anything, the theoretical inadequacy of these models is even greater with regard to employers and employer organizations. The classic corporatism of several Latin states, as many of its students have observed, is one where a strong, patronage-based state has the effect of “crowding out” strong, organizationally independent associations such as union federations and employer associations.³⁷ The early advantages states bestow upon employers weaken their institutional expressions of autonomy later on.

Germany and South Africa share the distinction of the continuous presence of strong, stable leading employer associations throughout their modern history: the Federation of German Industry (or BDI), and the South African Chamber of Mines. After a lag of some decades, these associations confronted strong labor federation interlocutors: respectively, the German Union Federation (or DGB) and the Congress of South African Trade Unions (or Cosatu), as detailed in chapter 3. Yet in this later phase the associations’ respective states played only a minor role in the dynamics of their day-to-

³⁶ With reference to the international economic environment, Evelyn Huber and John Stephens (2001: 24) conclude that economic “openness is a necessary but not sufficient condition for the development of tripartite corporatist bargains; corporatist arrangements emerge only when unions are strong and the social democratic party is a frequent participant in government either alone or in coalition with other parties.” Indeed, the authors also find (Table 4.2, 96-7) that bargaining centralization correlates even more highly than corporatism indices among social democratic welfare states, and both are more common to social democratic welfare states than to other welfare state groupings. Huber and Stephens, 2001. *Development and Crisis of the Welfare State*. Chicago: University of Chicago Press. 416 pp.

³⁷ Thus, for example, Ben Schneider, 1997-8. “Organized business politics in democratic Brazil.” *Journal of Inter-American Studies of World Affairs*. 39 (4): 95-127 argues that a strongly centralized state, by distributing patronage on a discretionary basis, had the effect of arresting the development of assertive business associations and capitalist collective action more generally. Schneider’s argument thus complements that of Erickson, 1977, *op. cit.*, with regard to Brazil’s labor movement. Similarly, Jonah Levy, 1999. *Tocqueville’s Revenge: State, Society and Economy in Contemporary France* (Harvard UP, 386 pp.) argues that contemporary efforts by French bureaucrats at “rolling back the state” have failed because of the state’s previous legacy of controlling negotiation and regulation, undermining employer and union associations’ political development.

day negotiations, and the union federations did not enjoy strong and continuous social democratic government support. In these respects, the countries do not appear to fit the tripartite paradigm.

In their earlier phase, moreover, employer associations faced the opposite danger from that of being *captured by the state*, as was the case with their Latin employer counterparts. Instead, it was the experience of being captured by *sectoral interests* that not only marginalized most employers within their associations and the larger political arena, but also contributed to unions' authoritarian exclusion and ultimately, to the rise of authoritarian regimes. Earlier studies of these regimes pointed to coalitions of economic interest that supported authoritarian politics, but this scholarship tended to ignore the autonomous role played by employer organizations. Such institutions are not so much expressive as transformative of interests: as Jonathan Zysman argues, "the definition of interests and objectives is created in institutional contexts and is not separable from them."³⁸ Where these employer associations differ from each other most dramatically is in their orientation toward their transnational and sectoral context.

³⁸ Jonathan Zysman, 1994. "How institutions create historically rooted trajectories of growth," in *Industry and Corporate Change* 3 (1): 244.

0.3.5 *Bringing transnational relations back in*

As Charles Maier has emphasized recently, corporatism and associationalism derive from specific international contexts.³⁹ He observes that “international orders . . . have domestic sociopolitical corollaries” and that the one following the First World War was the first internationally to enshrine corporatist political principles by relying upon “complementary transnational associations,” including the International Labor Organization, the treaties on minority rights in Central and Eastern Europe, and the development of an international financial planning and adjustment structure.

After 1945, by contrast, national reconstruction and international accord was based more substantially on the recognition of individual, rather than collective, rights. The United States re-established an international financial order much more proactively, using national institutions.⁴⁰ The image of Americanization, as both model and policy, was decisively impressed upon the post-war landscape:

an imperial policy, together with the coordination of policies of other states, promised to avoid recession. Wilsonian political leaders in World War I had made the connection between political democracy and a peaceful international order, but not between a democracy and an international economic order free of deflationary pressures. The political leadership of World War II understood the second connection as well and thus achieved a more robust settlement.⁴¹

The example of South Africa, however, reveals the ideological and racial limits to the project and practice of Americanization that are less evident from an exclusive focus upon the better-documented case of its manifestation in Germany. Americanization of West Germany meant its inclusion in a transnational zone of whiteness. By contrast, and

³⁹ Charles Maier, 2000. “International Associationalism: The Social and Political Premises of Peacemaking After 1917 and 1945,” in Paul Kennedy and William Hitchcock, eds., 2000. *From War to Peace: Altered Strategic Landscapes in the Twentieth Century*. New Haven: Yale UP: 36-52.

⁴⁰ “If the first postwar settlement had experimented with an international associationalism, the post-1945 settlement rested on an American-sponsored intergovernmentalism.” *Ibid.*: 50.

⁴¹ *Ibid.*: 51.

despite vigorous lobbying by the African National Congress, several members of the African intelligentsia and their U.S. allies at the founding session of the U.N. and elsewhere, the democratic and peaceful international order excluded Africa, except its wealthy southern cone during the apartheid era. In fact, these examples of inclusion and exclusion are part of the same phenomenon: the tentative resolution of the countries' respective racial crises plays out within a global racial context.⁴² As Goldberg (2002: 242) puts it, "debilitating racial arrangements anywhere are sustained by and responses to racial arrangements elsewhere, if not most everywhere."

In the post-Cold War era, Maier claims, "we have come full circle" in combining the international financial orthodoxy of balanced budgets, monetarism and central banks with an NGO-led international civil society. "In short, we welcome the modernizing force of international capitalism and try to tame its effects with the frail restraints of collective action" upon capital's mobility and effects – thereby risking the rise of an "ugly political reaction that celebrates ethnic nationalism and populism." The Versailles order's social guarantees were – and, by implication, today's remain – "too feeble for the economic rigor it demanded."⁴³ Where Maier is arguably incorrect is in his assumptions that collective action only restrains, rather than (among employers) attempts to enable, international capitalism; that populism is necessarily ugly; and further, that the restraining forms of collective action will prove frailer than their enabling counterparts. Indeed, the restraints may be greatest on employers' *capacity* to act collectively at the international

⁴² See David Theo Goldberg, 2002. *The Racial State*. Oxford: Blackwell. 319 pp.; and Winant, *op. cit.*

⁴³ Maier, 2000, *op. cit.*: 51-2.

level. On the evidence of this dissertation, as well as of other works,⁴⁴ they have trouble enough in certain national contexts, at least.

0.4 *Organizing interest in historical institutionalist perspective: methods and sources*

This dissertation combines an array of printed and primary sources, company and municipal archives, survey research, and oral interviews. Its primary reliance upon qualitative sources is appropriate to a two-country comparison of this kind. The comparative politics literature generally concurs that such comparisons are more suggestive of further research than capable of confirming or weakening established social scientific “laws” or conventions. Its methodology is that of the quasi-experimental comparative analysis described by Przeworski and Teune⁴⁵ or, more exactly, the “comparative history as the contrast of contexts” approach discussed by Skocpol and Somers.⁴⁶ By opposing conventions of continentally and developmentally bound comparison typical of the literatures of political economy, labor movements, regime change, and democratization, this study proposes perspectives and variables that more conventional approaches have thus far neglected. Skocpol and Somers argue in this vein that such comparisons may yield “holistic, rich descriptions and full, chronological case accounts. Limits to the applicability of received general theories can be dramatically

⁴⁴ See, among other recent examples, Robert Brenner, 2002. *The Boom and the Bubble: the US in the World Economy*. New York: Verso. 303 pp.

⁴⁵ Adam Przeworski and Henry Teune, 1970. *The Logic of Comparative Social Inquiry*. New York: Wiley.

⁴⁶ Theda Skocpol and Margaret R. Somers, 1994. “The Uses of Comparative History in Macrosocial Inquiry.” In Skocpol, *Social Revolutions in the Modern World*. New York: Cambridge University Press: 72-99. The outstanding exemplar of this approach with reference to the dynamics of race and racism in South Africa and the United States is George Fredrickson, 1981. *White Supremacy and idem.*, 1993. *Black Liberation*.

revealed through this approach.”⁴⁷ A potential drawback is that “virtually any themes can be brought to bear upon the case materials without being put to any explicit test and without being openly identified as proto-theory.”⁴⁸ While “explicit tests” are beyond the scope of this work, it draws upon some new directions connecting literatures on German and South African history, democratization and labor relations.

0.5 *Apples and oranges? The logic of the South Africa–Germany comparison*

Confined to their national contexts, these cases would seem to present roughly similar patterns of highly developed corporatist tripartism. Yet what further distinguishes them from other such examples is the degree to which both race – that fault-line running through the international division of labor – recast not only the nature of their *national* conflicts, self-image, and political fate, but also their *transnational* salience, identity, and importance. By insisting on a transnational level of commonality, this study challenges a prevailing “apartheid of cases”: most academic perspectives abjure this type of pairing for comparative purposes, separated as the cases are by continent, culture, climate, regime type, size of population and economy, and timing of democratic transition. So many differences between the cases presumably provide for only the thinnest and most superficial basis for even a “least similar cases” comparison.

Especially from a perspective of mainstream contemporary political economy, the achievement of a “Keynsian welfare state” by the mid-twentieth century acts as an analytical firewall between the wealthy North and the rest of the world. Thus, Germany

⁴⁷ Skocpol and Somers, *Ibid.*: 88.

⁴⁸ *Ibid.*

is compared most often to Scandinavia (Sweden in particular), France, Britain, and Benelux, its southern neighbors, and increasingly, those to the east; often, with North America and Japan; occasionally, even with Australia and New Zealand; but hardly ever with the “developing” South,⁴⁹ and never with Africa. That would be too much (or, too little). Yet there are two dangers in the comparative tradition of relying exclusively upon familiar, “most similar” mid-range Weberian comparisons. First, such comparisons typically emphasize stability and historical continuity at the expense of a sustained examination of historical origins.

As a consequence, the contours of the case in question may be distorted, both temporally and spatially.⁵⁰

Indeed, there are several unexpected parallels suggested by a reading of both countries’ twentieth-century political-economic experience that are not explored in detail here. The practical intention of the Morgenthau Plan, formulated toward the end of President Roosevelt’s fourth term of office and geared toward the punitive de-industrialization of Germany, although falling out of favor before the end of World War II, was substantially realized – though only for disenfranchised South Africans – through the creation of “Bantustans” in the 1950s, 60s and 70s. More broadly, the forced secession of each country’s most economically backward, rural areas – by external forces

⁴⁹ An exception is Jürgen Bellers, 1997. “Außenwirtschaftspolitik und politisches System: Historisch-komparatistische Studien zur Weimarer Republik und zur Bundesrepublik Deutschland im Vergleich mit anderen Industrie- und Entwicklungsländern.” *Geschichte und Gesellschaft* 23 (1997): 236-257.

⁵⁰ As Diane Vaughan argues, “Our tendency to stick with a particular problem or field of inquiry . . . undeniably expands our ability to develop theory. Yet, ironically, specialization often results in fixed preconceptions about the organizational form appropriate for case analysis, and these preconceptions, in turn, can result in unacknowledged disadvantages for theorizing.” Diane Vaughan, 1992. “Theory elaboration: the heuristics of case analysis,” in Charles Ragin and Howard Becker, eds., 1992. *What is a Case? Exploring the Foundations of Social Inquiry*, p. 173.

in the case of East Germany, domestically in the case of the South African homelands – followed by simultaneous democratization and reunification in the early 1990s, suggests another parallel.

Second and even more problematic, “most similar” type comparisons presume, instead of demonstrate, a similarity of “culture” (often equated with “values” and/or “national culture”) – rather than one of economic position, international context, or subjective experience, to name a few alternatives – *within* a group of cases (in this case, European states), as well as a concomitant cultural difference *outside* of these cases.⁵¹ This study finds, to the contrary, that an examination of the domestic and international origins of these countries’ industrial relations systems reveals important parallels. These similarities serve to clarify a more general understanding of what constitutes “industrial relations systems” and of how labor incorporation is achieved.

The advantages of this approach for labor scholarship have been elaborated by Richard Locke and Kathleen Thelen, who argue for a marriage of institutional analysis with “political constructionism” (which focuses upon the identities and worldviews of political actors) to enable an approach they term “contextualized comparison.” Such comparisons, they argue, are “meant not to displace but rather to complement traditional matched comparisons; . . . [bringing] new insights to labor scholarship by highlighting unexpected parallels across cases the conventional literature sees as very different and,

⁵¹ Prominent, though hardly unique, among recent examples of this literature are S. Huntington, 1996. *The Clash of Civilizations and the Remaking of World Order*. New York: Simon and Schuster, 367 pp.; and S. Huntington and L. E. Harrison, eds., 2000. *Culture Matters: How Values Shape Human Progress*. New York: Basic Books, 348 pp.

conversely, underscoring significant differences between cases typically seen as ‘most similar.’”⁵⁵

The advantages of a “contextualized comparison” are particularly germane to this comparison of Germany and South Africa, given their respective dominant and long-standing academic traditions of labeling both countries’ historical and political development as “exceptions” within their geographic communities. While this literature with regard to Germany is even known by the designation *Sonderweg*, or “special path,”⁵² its South African equivalent (although lacking a particular designation) is scarcely less voluminous.⁵³

The qualifier “contextualized” is particularly important here, since the comparison moves from local to transnational, and political to economic, frames of reference. Both nations are juridically and infrastructurally young, and each achieved unification from an

⁵⁵ Richard M. Locke and Kathleen Thelen, 1995. “Apples and Oranges Revisited: Contextualized Comparisons and the Study of Comparative Labor Politics.” *Politics & Society* 23 No. 3, September 1995: 338.

⁵² The literature on Germany’s supposed is immense and grows apace. For a review and critique, see David Blackbourn and Geoff Eley, 1984. *The Peculiarities of German History; Bourgeois Society and Politics in Nineteenth Century Germany* (New York: Oxford UP), introduction. See also Karl Dietrich Bracher *et al.*, 1982. *Deutscher Sonderweg--Mythos oder Realität?* München: R. Oldenbourg, 1982. 87 pp.; Helga Grebing, 1986. *Der “deutsche Sonderweg” in Europa, 1806-1945: eine Kritik.* Unter Mitarbeit von Doris von der Brölie-Lewien und Hans-Joachim Franzen. Stuttgart: W. Kohlhammer, 233 pp.; Reinhard Rürup, ed., 2000. *The problem of revolution in Germany, 1789-1989.* New York: Berg, 204 pp.

⁵³ South Africa’s transition alone brought forth a flurry of comparisons. See, *i.a.*, P. Berger and B. Godsell, 1990. *A Future South Africa* (Boulder: Westview), chapter 8, “South Africa in Comparative Context,” which rejects analogies with Rhodesia, Algeria, Civil Rights era Selma, Iran in the late 1970s, and the Philippines in the 1980s in favor of Japan’s Meiji restoration and China under Deng Xiaoping; and H. Adam and K. Moodley, 1993. *Negotiated Revolution.* G. Adler and E. Webster (1999: 7) argue that although South Africa is unique in having “a large settler population existing with a numerically dominant indigenous population,” it shares the status of being “a semi-industrialized country in transition from authoritarianism to democracy” with such countries as Brazil, Argentina, Spain, Korea, Taiwan, and former Communist Bloc countries, especially Poland. They find the situation of Brazil and Spain especially similar to South Africa’s. This zone of similarity, while plausible, obscures the social and organizational bases of opposition during transition. In neither Spain nor Brazil did a social democratic party with close ties to a well-organized opposition trade union movement come to power during the transition, nor has either shown the same development of bargaining structures at both the national and firm levels.

array of culturally and politically divergent regions. Both countries' reunification in the early 1990s speaks to the unresolved unease at the heart of their political and social identities, an unease exacerbated by the Cold War and ideological conflict throughout the twentieth century, and tested by their recent tentative embrace of an unfolding multicultural identity.⁵⁴

Indeed, these countries' legacies of backwardness are simultaneously and inseparably political and economic, and the inadequacies of their respective strategies for overcoming these legacies are largely complementary. Already in 1921, the Rev. Z.R. Mahabane, Chair of the Cape Province branch of the African National Congress, observed with great prescience, that "looking at the history of the movement for the solution of the ["Native"] problem, one is struck by the fact that the whites seem to have decided to start on three propositions, namely assimilation, extermination, segregation."⁵⁵ Extermination was impossible – an outcome that could be uttered only to be rejected. Segregation – based as it was on the "very faulty" premise of "the self-preservation and self-protection of the white race and the maintenance of white supremacy" – was "foredoomed to failure." Thus, only some form of assimilation on the basis of equal

⁵⁴ The distinction made by Jackson and Rosberg (1982) between empirical-Weberian and juridical-Westphalian statehood in explaining the weakness of African states is partly effaced by this comparison. South Africa is among the few African states whose juridically altered statehood followed war, and Germany is among the few European states for whom infrastructural state development followed as well as preceded juridical recognition. Whereas South Africa's unification in 1910, like Germany's four decades earlier, followed its most massive military engagement since the Napoleonic era, South Africa's followed defeat at the hands of the British, not victory at France's expense; it entailed far more massive loss of life, over a period of three years rather than a few months; and, "homelands" notwithstanding, it established the country's current territorial boundaries, in contrast to Germany's multiple border shifts, which occurred at regular intervals throughout the twentieth century.

⁵⁵ See Z.R. Mahabane, 1921. "The Exclusion of the Bantu," reprinted in Thomas Karis and Gwendolen Carter, eds., 1972. *From Protest to Challenge: A Documentary History of African Politics in South Africa*, v. 1. Stanford: Hoover Institution Press: 292 ff.

justice and cooperation would form the basis of lasting social peace. The steadfastness with which the ANC maintained this vision and rejected the others over three quarters of a century stands in marked contrast to European failure to do the same, in both South Africa and Europe.⁵⁶

If Germany's mid-century tragedy of pursuing ethnic cleansing and then genocide, rather than a tolerant, ethnically plural society, became emblematic of the broader tragedy of a global racial order at the beginning of the twentieth century, South Africa's relative success in this regard at the century's end symbolized for many the possibility of ethnic reconciliation, if not a non-racial future. Conversely, German-style employee participation in firm governance may serve as a functional equivalent of the inclusive community empowerment and mobilization characteristic of anti-apartheid struggles at their height.

0.6 *Institutional transfer and the comparative political economy of backwardness*

This study poses more broadly the question of the relationship between advantages of backwardness to forms of capitalist and worker collective action, conflict and cooperation. Indeed, the field of comparative political economy furnishes an additional, specific and unexpected zone of similarity. If there were little basis for even a "least similar cases" comparison between Germany and South Africa, there would be

⁵⁶ Ironically, Hitler's defeat – in which South African Prime Minister Smuts, as an Allied general, played a part – ended Smuts' dream of a formal South African Empire extending beyond the Zambezi River and mirroring Hitler's proclamation of the Third Reich. At the same time, it gave renewed impetus to his call for economic empire: "Surely we as the elder brother on this continent should . . . do what we can to help in the general opening up of the resources of this vast continent and the markets it will afford to our industries. . . . Consider what the teeming millions of Africa mean in productive and consuming capacity." From his 1940 speech during the first war session of Parliament, "Greater South Africa," in J. Smuts, 1940. *Greater South Africa: Plans for a Better World*. Johannesburg: Truth Legion, pp. 123-130.

even less likelihood of institutional transfer between them. They lack a colonial relationship, and Germany's economic presence in South Africa lags a distant fourth behind the United States, Britain, and Japan. The phenomenon of "codetermination" transfer belies this assumption. Although the term has some currency in Austria, Benelux and Scandinavia, nowhere else in the world outside Germany (its country of origin) has codetermination enjoyed not only such widespread discursive use, but also such a sustained attempt at institutional transfer, as in South Africa.⁵⁷ This phenomenon is as noteworthy as it is under-theorized and unexamined.⁵⁸

Codetermination (*Mitbestimmung*) refers to the series of laws and concomitant practices enabling worker participation in the governance of the workplace and firm that were first enacted in Germany during and immediately after World War I. These laws are most extensive in the coal, iron and steel sectors centered in the Ruhr, where employees of large firms elect half of all board of management and shareholder supervisor representatives. Additionally, employees elect a board member known as the labor director (*Arbeitsdirektor*), who represents specifically labor-related concerns and is often a former union member. In smaller firms, employees elect only one third of all firm representatives; in all firms employing more than fifty workers, however, employees may choose to

⁵⁷ German actors have clearly been involved in promoting this transfer. The Minister of Labor at the time, Norbert Blüm, proudly proclaimed, with reference to South Africa, that Germany's "social system is an export article." *Wirtschaftswoche*, no. 17, 20 April 1995: 19.

⁵⁸ The fullest account documenting, rather than explaining, this phenomenon is Glenn Adler, ed., 2000. *Engaging the state and business: the labour movement and co-determination in South Africa*. Johannesburg: University of Witwatersrand Press, 258 pp.

establish a works council with substantial rights to information and consultation within the shop floor.⁵⁹

The South African Labor Relations Act (LRA) of 1996 adopts some of the German provisions, modeling workplace forums on works councils, while excluding others (such as employee representation on boards of management) and establishing entirely new institutions without parallel in contemporary Germany and without precedent in South African history. Among the latter are, most prominently, the National Economic Development and Labour Council (or Nedlac), representing all the major labor federations, business associations, and government; and the Commission on Conciliation, Management and Arbitration (or CCMA), providing the judicial framework and mechanisms governing all industrial disputes. While some aspects of the German model were not realized in the final draft of the 1996 LRA, both Nedlac and the CCMA echo earlier German models. Nedlac expresses the ideal of *überbetriebliche Mitbestimmung*, or codetermination above the firm level, long sought by the German labor movement in the interwar period and after 1945 but never realized.⁶⁰ The Weimar analogue to the CCMA is that era's system of labor courts and mandatory arbitration, which was crisis-ridden and eventually collapsed from case overload.

⁵⁹ For a fuller account, see W. Streeck, 1984. "Co-determination: The Fourth Decade." In Bernd Wilpert and Arnd Sorge, eds., *International Perspectives on Organizational Democracy*, p. 391-422. London: Wiley; and J. Rogers and W. Streeck, eds., 1995. *Works Councils*. Chicago: University of Chicago Press.

⁶⁰ Most notable in this regard is the failure to establish a Federal Economic Council (*Bundswirtschaftsrat*) in the 1950s as a successor to the prewar Imperial Economic Council (*Reichswirtschaftsrat*), despite intense debate and government advocacy, and despite similarities with the social democratic visions of "national codetermination" (*überbetriebliche Mitbestimmung*) and "economic democracy" (*Wirtschaftsdemokratie*) from the Weimar period. See Alexander Nützenadel, 2000. "A German 'Sonderweg'? Stabilization Policy, Keynesianism, and Social Market Economy in the Federal Republic, 1948-73," unpublished manuscript.

It is, however, not any real or imagined Weimar template that South Africans wish to emulate, but rather the West German *Wirtschaftswunder*, or “economic miracle” of the 1950s and 1960s. Several scholars of comparative European industrial relations have argued that the German system of works councils, with its provisions for workplace participation and training, was a major influence upon Germany’s strong economic growth and political stability in the post-war period.⁶¹ Others have pointed to the works councils’ more recent role in facilitating workplace training, thereby increasing skills levels while reducing youth unemployment.⁶² Precisely for these reasons, many participants in South African labor relations wish to appropriate Germany’s model as their own.

To students of comparative political economy, however, the question remains whether, or how well, one model may be transferred to another context. Even within Germany, there remains anxiety over whether the former East Germany can adapt to the West German institutional mold into which the *neue Bundesländer* have been cast.⁶³ Given the two Germanies’ shared *demos*, culture, (pre-1949) history and geography, lingering doubts about their success in this regard would cast a long shadow over the possibility of “institutional transfer” from one cultural, political and historical setting to an entirely different one. Although an earlier literature has discussed this issue in the

⁶¹ This theme runs throughout much of the work of Wolfgang Streeck. See Streeck, 1984, and *idem.*, 1992.

⁶² David Soskice, 1994. “Reconciling Markets and Institutions: The German Apprenticeship System.” In L. Lynch, ed., *Training and the Private Sector: International Comparisons*. Chicago: University of Chicago Press: 25-60.

⁶³ See Richard Locke and Wade Jacoby, 1997. “Dilemmas of diffusion,” in Lowell Turner, ed., 1997. *Negotiating the New Germany*. Ithaca: Cornell University Press.

context of colonial influence in Africa,⁶⁴ South Africa's conscious borrowing of aspects of the German model is historically distinctive in that it involves active selection of a policy from a country without colonial influence in South Africa, rather than passive (or selective) acceptance of a colonial legacy. From a rational choice perspective, such institutional change – including the borrowing of “foreign” models – would seem to be natural or likely, since competition among various institutional arrangements yields success and survival of the fittest.⁶⁵

From a sociological-historical perspective emphasizing the “embeddedness” of institutions, however, institutional change is likely to be slow and incremental, short of wars and revolutions.⁶⁶ To the extent that the transfer of codetermination from Germany to South Africa is successful, the rational choice institutionalist perspective would be strengthened and theories of embeddedness weakened – or vice versa, if this transfer proves unsuccessful. Posed in this way, however, the debate begs the question of how “success” is to be understood, whether through the faithfulness of institutional reproduction, its practical or functional results, or by some other means altogether.

⁶⁴ See David Apter, 1955. *The Gold Coast in Transition: A Case Study of Political Institutional Transfer*. Princeton: Princeton University Press. 355 pp.; William Hamilton, ed., 1964. *The Transfer of Institutions*. Durham: Duke University Press; and P. Lyon and J. Manor, eds., 1983. *Transfer and Transformation: Political Institutions in the New Commonwealth*. London: Leicester University Press, for earlier examples in the context of decolonization.

⁶⁵ A typical restatement of this “single best practice” argument is Thomas Friedman, 1999. *The Lexus and the Olive Tree*. New York: Farrar, Strauss and Giroux. 394 pp. From a similar perspective focused on labor markets, see also G. Standing, J. Sender and J. Weeks, 1996. *Restructuring the Labour Market: The South African Challenge*. Geneva: ILO Press.

⁶⁶ See Mark Granovetter, 1985. “Economic Action and Social Structure: The Problem of Embeddedness.” *American Journal of Sociology* 91: 481-510; and J. Rogers Hollingsworth, P. S. Schmitter, W. Streeck, eds., 1994. *Governing Capitalist Economies: Performance and Control of Economic Sectors*. New York: Oxford University Press.

A third “post-Fordist” perspective articulated by Sabel and Piore, among others, combines aspects of institutional logic and cultural embeddedness.⁶⁷ It suggests that the increasing complexity of new technologies and openness of global markets require “flexible specialization” even as they shift focus toward supply-side issues and away from macroeconomic demand management, and that the cooperation and information-sharing institutionalized by works councils help to satisfy these economic-functionalist requirements. Such an explanation might help to explain why Keynesian demand management was never successful in Germany (nor attempted in South Africa), and why works councils have been so successful in the former and may become so in the latter. It implies that embedded practices may be more open to, and successful under, some international economic conditions than others.

But the theory is problematic for the cases at hand.⁶⁸ Just as neither was properly Keynesian, neither had a “Fordist” phase to overcome. Even in the case of automobile production – that most Fordist of industries – neither country’s sector (for different reasons) was characterized by a mass-model market; rather, both have specialized in more upscale

⁶⁷ Charles Sabel and Michael Piore, 1984. *The Second Industrial Divide*. New York: Basic Books; also C. Sabel and J. Zeitlin, 1985. “Historical alternatives to Mass Production: Politics, Markets, and Technology in Nineteenth Century Industrialization,” *Past and Present*, 108, August: 133-76, where the authors envision a future in which worker alienation from the production process is minimized because “economic success . . . may depend on the flexible use of multi-purpose or universal machines and skilled labor to make an ever changing assortment of semi-customized products: a system that reverses the principles of mass production.” p. 133. This, at least, is the vision of “engineers and managers,” if not that of workers.

⁶⁸ More generally, as David Landes observes, even in advanced industrial states, manufacturing still caters largely to a mass-consumption market: “for all the merits of flexible specialization at its best, it has repeatedly lost out in competition with mass-production, large-scale, capital-intensive industry.” This is in large part because “mass production is cheaper production”: unlike the rich, “most consumers cannot afford to be so fussy. A mass market, moreover, is marked by greater elasticities of demand: price differences really matter to the poor. . . . So long as a majority of the world’s population is composed of poor consumers whose wants exceed their purse, and the majority of the work force is composed of unskilled ‘hands,’ this preference will continue.” David Landes, 1989. “Small is Beautiful. Small is Beautiful?” *Fondazione ASSI di Storia e Studi sull’Impresa-Istituto per la Storia dell’Umbria Contemporanea, Piccola e grande impresa: un problema storico*, Milan: Franco Angeli: 15-28; pp. 26-7.

models.⁶⁹ More significantly, German codetermination was adopted *before* the liberalization of German markets, during the economic crisis of the late 1940s and early 1950s, and it is experiencing its greatest crisis during a period of unprecedented economic openness.⁷⁰ Furthermore, economic openness threatens to undermine South Africa's version of the German model, the adoption of which appears to stem from at once more proximate and more deeply structural reasons than the technical requirements of flexible specialization.

Unlike the theories cited above, this study distinguishes between the institutional and cultural legacies of colonialism and empire, on the one hand, and the organizational and institutional expressions of economic development on the other. In South Africa colonial institutions were largely a legacy of British influence and were established before the growth of industrialization. Employer associations and unions, by contrast, were immediate consequences of the challenges of latecomer development that South Africa faced at the time of its unification – similar to those of Germany a generation before. The Union of South Africa thus experienced the contradiction of reconciling pioneer political institutions with latecomer economic challenges. In Germany, by contrast, the 1920 Works Councils Act presented a new institutional challenge to both unions and employer associations, a challenge heightened by the novel economic crises of hyperinflation and depression.

⁶⁹ See Wolfgang Streeck, 1984. *Industrial Relations in West Germany: A Case Study of the Car Industry* (London: Heinemann); and Ashwin Desai and Adam Habib, 1997. "Labour Relations in Transition: The Rise of Corporatism in South Africa's Automobile Industry," *Journal of Modern African Studies*, vol. 35, no. 3, 1997: 495-518.

⁷⁰ See Streeck, 1997. "The German Model: Does It Exist? Can It Survive?" in Crouch and Streeck, eds., 1997.

0.7 *Working-class mobilization and democratic transition*

This study's focus on workplace participation has an additional salutary effect upon literature on democratic transition and consolidation in both countries. The political negotiations in South Africa, following the unbanning of political parties and organizations made illegal under apartheid, coincided with the apogee of the academic vogue for "elite pact bargaining" theories of transitions. The key actors succeeded in marginalizing broad-based input and participation in these negotiations; the elections were peaceful and successful; therefore, the 1990-4 South African transition was highlighted as a textbook case of "elite pact bargaining."⁷¹

The literature on democratization in West Germany in the 1950s and 1960s tended to err in the opposite direction by emphasizing the political quiescence of working class Germans.⁷² While it is true that the Allies and later, Adenauer successfully deterred several working class and popular political initiatives, their actions did not lead workers to dully submit to the status quo. Rather – in part precisely because the national electoral arena offered few prospects – many working-class activists devoted their energies to

⁷¹ Among the better examples of the huge literature from this perspective are Allister Sparks, 1995. *Tomorrow is Another Country* (Chicago UP); Timothy Sisk, 1995. *Democratization in South Africa* (Princeton UP); and Heribert Adam and Kagila Moodley, 1993. *Negotiated Revolution: Society and Politics in Post-Apartheid South Africa*. Cape Town: Jonathan Ball. See also Patty Waldmeir, 1997. *Anatomy of a Miracle* (Norton). For an unconvincing argument that the labor movement and other grassroots groups were *not* marginalized by the negotiations process, see Glenn Adler and Eddie Webster, 1995. "Challenging Transition Theory: The Labor Movement, Radical Reform, and Transition to Democracy in South Africa." *Politics & Society* 23 No. 1, March 1995: 75-106. They subsequently concede this marginalization, in *idem.*, 1999. "Towards a Class Compromise in South Africa's 'Double Transition': Bargained Liberalization and the Consolidation of Democracy." *Politics & Society* 27 No. 3, September 1999.

⁷² Ralf Dahrendorf, for example, bemoaned the listless quiescence of the working class during the Adenauer era, predicting dire consequences for democratic stability. See R. Dahrendorf, 1968. *Society and Democracy in Germany*. London.

local and workplace issues, in which they maintained high degrees of participation throughout the postwar period.

This immobilization – or at least, declining relevance – of parliamentary-level politics was viewed widely at the time as a defeat of working class politics, based on the normative assumption that national parties should be the principal actors in social democratic politics. To the contrary, the findings of this study suggest West Germany was ahead of its time in adjusting democratically to the inadequacies of party politics. Indeed, this dimension of “post-liberal” politics is precisely what Germany shares with much of the developing world, including South Africa, more than it does with other Western European nations.

For both Germany and South Africa, the bookends of the “short twentieth century” (roughly, World War I to the collapse of the Soviet Union) were periods characterized by a central role of labor movements in advancing democratization and creating new state institutions representing their interests. In between, of course, their political systems stabilized in sharply divergent formations: an incrementally advancing “citizenship of skills” in West Germany and an expanding labor-repressive migrant economy in apartheid South Africa.

During the Cold War, both countries defined political citizenship in *de jure* ethnic terms (with racial connotations) by a *jus sanguinis* law (dating from the late imperial era in Germany and even earlier in South Africa). In Germany, however, this law was complemented by significant civil rights as well as participatory workplace rights for non-citizens. In South Africa, on the other hand, the same period was characterized by a progressive erosion and elimination of such rights. Only in the early 1920s, when intense

political strikes were crushed by government force, and in the post-Cold War period, when the two countries' political reunifications coincided with high unemployment and anti-inflationary austerity, did their domestic politics develop in parallel.⁷³

Yet significantly, even in the Cold War era, gains in worker rights among the disenfranchised preceded and motivated the granting of broader civil rights, including citizenship, in both countries. Then, this common cycle of protest and empowerment ran in parallel and was often marked by the same international conjunctures, albeit with sometimes strongly divergent local effects.

The cross-sectional divergence between the two⁷⁴ countries has received disproportionate attention from a framework taking states as units of analysis. This dominant tendency has therefore obscured the similarity of both state and social movement impact upon longitudinal developments. For both Germany and South Africa, domestic politics have cast a wide shadow internationally on twentieth-century world politics as much as foreign and transnational sources of politics have decisively reshaped domestic political landscapes in each. Class instability and breakdown in Germany contributed to genocide and to a transformed global critique of race, a critique centering on South Africa after 1945; and the internationalization of the anti-apartheid movement, which had far-reaching domestic effects in numerous countries, adumbrates the agenda and form of the anti-“Globalization” movements of the present. In this sense, far from being “most different” cases having no likeness in their region or relevance for each

⁷³ Many other countries developed along similar lines in these periods. For 1920s political and labor insurrections, see Carmen Sirianni, 1987. *Worker Participation and the Politics of Reform*. Philadelphia: Temple UP; for the post-Cold War period, see J. Rogers Hollingsworth *et al.*, eds. 1999. *Global Capitalism: Mapping Diversity and Convergence*. New York: Oxford University Press.

other, the countries constitute critical configurative crucibles in contemporary world history.

0.8 *Organization of chapters*

Chapter 1 details the arguments for placing collective action theories in an international context of uneven development, with respect to both employer and employee collective action. In contrast to a seminal article by Claus Offe and Helmut Wiesensthal, the chapter argues that, historically, employers do not enjoy a permanent organizing advantage over employees. While this may be the case in pioneer state or authoritarian contexts, during phases of democratization this advantage is diminished. In these phases, new worker institutions typically facilitate organizing tasks, while those facing employers become more difficult.

A key institutional mechanism in this regard is the employers' association. Employers' associations are historically specific institutions with distinctive identities inseparable from the economic interests they pursue. These associations are typically dominated by leading sector firms or oligopolies that use them as a means of political influence during their sectors' crisis and decline. Previous works in the historiography of the two countries have argued that coalitions of economic interests with state actors have deterred working-class demands and democratic norms.⁷⁵

⁷⁴ Ruth Collier and David Collier, 1991, *op. cit.*: 19-20.

⁷⁵ On the coalition of "iron and rye" in Germany, see David Abraham, 1986. *The Collapse of the Weimar Republic: Political Economy and Crisis*. New York: Holmes & Meier. A work analyzing an analogous coalition of "mealies and mines" in South Africa is Dan O'Meara, 1983. *Volkskapitalisme: Class, Capital, and Ideology in the Development of Afrikaner Nationalism, 1934-1948*. Johannesburg: Ravan Press.

Chapter 2 examines the literature on employer associations and finds, more specifically, that employers' associations in comparatively backward contexts are more likely than states *per se* or economic factions within them to seek to maintain authoritarian rule when faced with working-class pressure. It first delineates how contexts of backwardness impose a set of theoretical assumptions different from those of neoclassical economic theory. It then details the dynamics of organization and crisis among firms during sectoral decline, with reference to German, South African and U.S. steel, mining and metals sectors.

In this context, organized labor often represents an early target for employers' associations to attack in the political arena. Chapter 3 shows how these associations represent major responses to economic crisis, by mobilizing employers in vulnerable sectors to seek state protection. After successfully forestalling labor's political demands, however, these associations thereafter come into conflict with rival business interests in newer, emerging sectors. They lead an "institutional afterlife" in their close relationship with state actors, and their dominant political position is typically contested both by popular, working-class pressure and by demands from newer sectors favoring more consensus with organized labor. When state actors side with the older associational interests, authoritarian rule intensifies and becomes the norm.

Chapter 4 analyzes what happens before and during the coalescence of authoritarian rule in these cases. Labor movements are forced to defend their immediate interests as well as, more generally, those of the politically marginalized and excluded. These tasks include the continual re-forging of common identities, building and sustaining a distinct institutional culture, opposing state-imposed restrictions on the scope

of association and expression, and bargaining with employers over wages, hours and conditions. Needless to say, such tasks overlap in countless areas; indeed, the newly discovered areas of overlapping interest and struggle are woven into webs of solidarity. The competing tasks of organizing institutionally and in the political arena in the pre-transition phase are often mutually exclusive, however, with repression in one arena making organizing in the other more difficult; under authoritarian rule, labor movements typically achieve neither.

During post-authoritarian democratization, however – as chapter 5 details – these competing tasks become complementary and often are mutually reinforcing. Previous authoritarian coalitions weaken through domestic pressure or foreign intervention. Under these conditions, the older business interests abandon state allegiances and attempt to maintain associational control. Any success in this regard, however, comes at the cost of accepting organized labor's new and prominent position of political legitimacy and influence, and of adjusting to a less-favorable international economic context.

Chapter 6 shows how the institutional resources and strategies that the countries' labor movements generated under adverse authoritarian conditions contribute to more favorable circumstances during democratization. It explains why, even where only lukewarm commitment to codetermination existed among leading German union figures (and great hostility was expressed toward it by employers) in the late 1940s, elected works councils proved an effective institutional channel, later on, for the Allied reorganization of the coal and steel sectors and a bridge for councilors themselves to connect workplace and community priorities.

In South Africa, the apartheid government's interest in securing forms of workplace legitimacy was undermined by mine owners' continuing reliance upon local and foreign migrant labor, a reliance bankrolled by the international gold market. However, workers in the manufacturing sector took the lead in popularizing forms of workplace organization that, as in postwar Germany, allowed a degree of community representation and advocacy in filling the political vacuum of the 1970s and 1980s. The chronic weakness of the German unions' social democratic allies at the national level for more than two decades after World War II helps to explain why unions concentrated on sub-national forms of codetermination representation. Conversely, the impressive electoral strength of the African National Congress after 1994 compelled its union allies to devote their energies and attention to national forums, often to the neglect of sectoral and local institutions.

Together, these cases provide a much broader account of the sources of employee versus employer power, the provisional and contingent nature of employer containment of employee power, and the role of labor movement institutions in eroding these strategies of containment. These broader dynamics also illuminate the meaning of democratization. Far from being confined to party interaction in parliamentary arenas, democratization is informed by the social linkages and struggles of labor movements and allied organizations, and by the legal recognition of their achievements.

The conclusion summarizes the theoretical arguments concerning the institutionalization of collective action, their applicability in other periods and contexts under the rubric of backwardness, and the implications these cases hold for theories of economic democratization.

1.

Looking Backward:**Backward and Late Contexts of Worker and Employer Logics of Collective Action**1.1 *Introduction: rethinking asymmetries of class power*

It has long been taken for granted that when it comes to the organizational expression of class power, capitalists have the advantage over workers. Theorists from Adam Smith to those of the present have generally assumed that relative class power is both directly expressed in, and partly achieved by, the relative ease of organizing interests. Smith expresses this dominant belief well:

Workmen desire to get as much, the masters to give as little as possible. The former are disposed to combine in order to raise, the latter in order to lower the wages of labour.

It is not, however, difficult to foresee which of the two parties must . . . have the advantage in the dispute, and force the other into compliance with their terms. The masters, being fewer in number, can combine much more easily; and the law, besides, . . . does not prohibit their combinations, while it prohibits those of the workmen. We have no acts of parliament against combining to lower the price of work; but many against combining to raise it. In all such disputes the masters can hold out much longer . . . [and] are always and everywhere in a sort of tacit, but constant and uniform combination, not to raise the wages above the actual rate.¹

Almost two hundred years later, Mancur Olson made almost the same point, arguing that corporate America, being smaller and easier to organize, would inevitably lobby the halls of Congress more easily than any other actual or potential group interest.² Even if the legal environment in the United States was not so unfavorable to labor interests in the 1960s as its counterpart in British parliament was in the 1770s, employers' "tacit, constant and uniform" combination would always prevail over that of their labor counterparts, within and beyond the Beltway.

¹ Adam Smith [1776], 1993. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Chapter 8, "Of the Wages of Labor." Indianapolis: Hackett: 32.

² Mancur Olson, 1965. *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge, MA: Harvard University Press.

The account of capital's structural organizational advantage reached its apogee in Offe and Wiesenenthal's classic essay, "Two Logics of Collective Action."³ At the heart of Offe and Wiesenenthal's analysis is the claim that the organization of worker interest is greatly constrained by the fact that the class interests of workers, unlike the class interests of capitalists in protecting the conditions of private profit, are not self-evident. In contrast to the "monological," transparent interests of capitalists, the interests of workers are "dialogical"; they can only be discovered through a process of argument, trial, and error.

The authors characterize business interests as "monological," because they assume that the pursuit of profit within the confines of the state's laws and political norms is less culturally mediated and requires less communication among various employers. By contrast, worker interests are "dialogical" in the sense that they are selected and developed through a Habermasian praxis of dialogue and deliberation within a given group leading to solidaristic action. For the workers, interests of members are not only conveyed, but also transformed, by the unions, and their articulation in turn draws into question the "appropriate institutional framework of union action."⁴ Given the greater importance of a transformation of worker interests over their mere transmission in the case of employers, dialogical transformation is understood as the far more difficult task.

Indeed, Offe and Wiesenenthal argue, unions are trapped in a three-fold dilemma of "structural opportunism." By inexorably favoring institutional means over principled ends, they pursue *substantive* opportunism; by placing short-term goals over long-term

³ Claus Offe and Helmut Wiesenenthal, 1985. "The Two Logics of Collective Action" in Claus Offe, 1985. *Disorganized Capitalism*. Cambridge, MA: MIT Press, ch. 7: 170-221.

⁴ *Ibid.*: 208.

strategies, they engage in *temporal* opportunism; and by giving priority to member recruitment over mass mobilization, they are guilty of *social* opportunism.⁵

In this chapter, I challenge Offe and Wiesenenthal's structural theory of class organization, the historical contingency of which is both one-sided and misplaced. In particular, I argue that even in late-developing, post-authoritarian cases like Germany and South Africa, where conservative domestic and international business actors pursue only partial political and economic liberalization and historically labor movements have been banned and repressed, Offe and Wiesenenthal's arguments about the unchanging structural advantages enjoyed by capitalists do not apply.

The combination of economic and political liberalization found in these and other late-democratizing cases presents employers and managers, however, with unprecedented levels of complexity and uncertainty. Whether in the arena of domestic and international competition, state negotiation and lobbying, collective bargaining, or firm governance, the need for coordination becomes both more urgent and more problematic. Employers, as the (at least initially) more powerful group, become the victims of their own early success. Prior to democratization, they had the luxury of not learning from mistakes and indeed, in some cases, of ignoring issues of collective action until a much later date than was the case for their counterparts in labor movements. In short, there are aspects of "late" or "backward" development that may increase the complexity of the collective action problems faced by employers while simplifying those faced by workers. This conclusion, of course, directly contradicts that of Offe and Wiesenenthal.

⁵ *Ibid.*: 214–5.

In challenging the dominant assumption of employer privilege, this chapter focuses upon neither measurable disparities of wealth, nor ideological content of parties, nor even patterns of party rule. Undoubtedly, GINI coefficients, regime change, and party platforms all shed light on aspects of class dynamics and may represent or express dimensions of durable inequality. But they say little about a crucial and often-overlooked dimension of class power: its organizational expression before and during democratization. That is the dimension on which this study is focused. A *conjunctural* critique of dominant assumptions about greater employer power would point to a number of other international and local contexts where employers' power has been significantly weakened.⁶ Such critiques, however, would carry little weight in the face of Offe and Wiesenenthal's arguments that seek to explain the superior *structural* power of employers over employees, for which short- or medium-term shifts in the balance of power represent mere aberrations.

This chapter instead combines conjunctural and structural critiques elaborated on methodological and analytical grounds. Methodologically, Offe and Wiesenenthal may be faulted for focusing exclusively upon the national arena in their analysis, to the exclusion of sub-national and supra-national units of analysis; they also tend to conflate labor with paid labor and unions with labor movements. Most significantly, in conflating democracy as status quo with democratization as process, they discount a significant source of labor

⁶ It has often been observed that Smith's valorization of the global market – in contrast to the views of Hamilton and List, among others – derived in part from the lofty perspective that the commanding heights of the ascendant British Empire afforded him. Within Britain a discourse of class was beginning to emerge, albeit many years before the rise of struggles for universal franchise. Employers faced few challenges to their scope of action, and the relative advantages of the employing classes over the employed appeared absolute. In the post Cold War era, class relations again appear to have come full circle – only this time under the aegis of U.S. dominance.

movement power. Analytically, their framework may be inverted to the extent that deliberative expressions of power may be seen to have sources of strength over instrumental ones. An increase in the number and variety of organizations, in other words, may empower employees yet weaken employers, in those contexts where workers combine disparate instances of collective action to critique and transform the status quo.

A demonstration of this phenomenon faces its strongest challenge neither among such historical cases as Sweden, where long periods of social democratic party rule have favored increased rates of social welfare spending and unionization, nor even among those countries (such as the U.K. and United States) where unions and social democratic forces are historically weaker but nonetheless have enjoyed continuous and stable democratic rule.

Rather, the greatest challenge is presented by those countries where labor movements suffered long histories of harassment, banning and state repression, where weak quasi-democratic rule gave way to authoritarian regimes, and where forces bringing about a conservative restoration of post-authoritarian democracy are not merely local, but also transnational and global in scope and influence. Under these circumstances, labor movements' capacity to organize more effectively would appear meager compared with employers' ability to maintain the status quo. Thus, democratic, fascist and post-fascist Germany and pre-apartheid, apartheid and post-apartheid South Africa present limiting cases to an argument challenging assumptions about the unchanging supremacy of employer over employee power.

This chapter is organized around the central argument that democratization transforms the absolute disparities in employer-employee power. First, it recapitulates

Offe and Wiesenenthal's argument in some detail, with an elaboration of its centrality for addressing the question of changes within and between employer and employee collective action institutions. It then discusses this argument in the context of recent critiques of the "two logics" model, and it summarizes and synthesizes those critiques. The next section explores in greater detail the analytical implications of a historicization and periodization of employer and worker institutions, with reference to a reformulated Gerschenkronian "advantages of backwardness" framework.⁷ A reevaluation of Göran Therborn's analysis of advanced capitalist labor movements establishes the context for Gerschenkron, in which Therborn's initial privileging of political parties is undermined by his subsequent appreciation for the growing autonomy of these movements from parliamentary politics.

The chapter reformulates Gerschenkron's framework along both temporal and geographical axes: it refers not only to sequences of developments *between* countries, but also *across* and *within* countries. Of particular importance to the transnational category of influence is the idea of "Americanization," referring not only to the influence of pioneer states' examples, but also (and more prominently, in the interwar and, especially, post-1945 period) to the differential influence of the hegemonic pioneer, the United States.⁸ Such Americanization affects employer and worker collective action in any given national context in different, context-specific ways, but the relevant point here is that the

⁷ Alexander Gerschenkron, 1962. *Economic Backwardness in Historical Perspective: A Book of Essays*. Cambridge, MA: Harvard University Press. 456 pp.

⁸ "Americanization" may be provisionally defined as the expression of U.S. hegemonic influence upon a given country through market penetration, cultural or political emulation, geo-strategic subordination, or some combination of the three. This influence can, however, be mediated, displaced and appropriated, as discussed in greater detail in subsequent chapters.

influence is decisive and overlooked entirely by Offe and Wiesenenthal. My analytical argument – that these authors neglect the role of the state, the courts, and the law both in regulating and in transforming logics of collective action – concludes this chapter.

The multiplicity of these dimensions of critique of the Offe-Wiesenenthal model should not be understood as evidence that their essay lacks heuristic value. To the contrary: its theoretical and analytical rigor make that work worthy of such an extended critique. It is their insistence upon the analytical significance of the roots of inequality in the labor process, upon the responses of labor movements in addressing these roots, and upon expressions of organized business in responding to the responses that distinguish the essay and suggest applications to many contexts beyond that of post-1945 Europe.

1.2 “Two Logics” revisited

Like Olson, Offe and Wiesenenthal seek to demolish the Cold War era’s complacent pluralist paradigm that asserts equality among all major interest groups. Unlike Olson, however, they erect their critique upon deeper structural foundations, locating their essay in a “sociological model of critique” to demonstrate that “due to systemic causes, inequality prevails even though economic and political equality *are* institutionalized.”⁹ Specifically, they maintain that wage labor is a commodity like no other and the labor market remains qualitatively different from all other markets. Yet just as economic concepts “tend to deny . . . the reality of class,” so, too, does the political science discourse of “interest group” mask the unequal access of class-mediated groups.¹⁰

With reference both to the population groups they organize and their differential standards of organizational success, employer associations and unions are qualitatively different. Employers¹¹ are the primary organizers of workers, acquiring them through contract¹² and combining them with capital (past or “congealed” labor) to produce surplus value over which they exercise control. Only after this primary organization is achieved do unions perform the secondary organization of combining wage workers for their own

⁹ *Op. cit.*: 172.

¹⁰ *Ibid.*: 174.

¹¹ Offe and Wiesenenthal refer as well to *capitalists* (i.e., owners of capital). However, this term obscures the distinction between ownership and control of capital, and *managers* may refer to white-collar supervisory workers who are also primarily wage earners. I prefer *employers* over both these terms, as it refers to those individuals who join and are organized in employer and business associations, and are responsible for hiring, firing, and the daily management of the firm organization or production process, as well as for exercising some control over the firm’s investment decisions. Financial institutions, although also important to investment, are beyond the scope of this study.

¹² The authors do not consider those cases where either factor of production is acquired “primitively” through force.

benefit. Only workers are compelled to negotiate and dispute the terms of the wage contract and must do so jointly, even if initially, they do so as individuals.¹³ While the “capital . . . of each firm is always united from the beginning,” workers are “atomized and divided by competition” and “cannot ‘merge’; at best, they can *associate* in order to partly compensate for the power advantage that capital derives from the liquidity of ‘dead’ labor.”¹⁴

Thus, the differences in the ontological situations of workers and employers are reflected in differences in capacities to act. For business associations an increase in size (and thus, the *potential* of power) tends to mean an increase in the ability to *exercise* power. Yet for unions, after a certain point, further increases in size tend to lead to a diminishing capacity to exercise power, as they become increasingly bureaucratic and incapable of aggregating their members’ needs and ability to act collectively – especially, their ability to strike.¹⁵ Whereas employers are compelled to improve the efficiency of production, thereby reducing their dependence upon wage labor, workers have no comparable means of increasing “the efficiency of the process of reproduction of their own labor power” and reducing their dependence upon capital.¹⁶

¹³ “There is very little scope of choice for them to act as individual workers. But how can they possibly act otherwise?” A central contention of the authors is that “living labor power is both indivisible and ‘non-liquid’ [*i.e.*, non-additive or unmixable], and it is this insuperable individuality that . . . [has] the greatest consequences for labor’s specific ‘logic of collective action.’ ” *Ibid.*: 177.

¹⁴ *Ibid.*: 177-8.

¹⁵ *Ibid.*: 185-8. Size and capacity represent a trade-off for unions: the bigger they are, the more strike funds they have at their disposal, but the more heterogeneous their membership and member interests are likely to become, and the more bureaucratic its structures will be – both factors conspiring to make strike activity less likely.

¹⁶ This applies, in particular, to cases where there exist “legal prohibition and strict regulation of forms of life outside the labor market” and in urban areas, in which it is “virtually impossible for propertyless workers to subsist in ways other than those offered by the labor market.” *Ibid.*: 180. The informal sector, employing hundreds of millions the world over, exists outside of the authors’ analytical framework.

Because power asymmetries persist – “the powerful are fewer in number, are [less] likely to be divided among themselves, have a clearer view of what they want to defend, and have larger resources for organized action” – the weak must adopt qualitatively different strategies in overcoming them.¹⁷ Only by “overcoming the comparatively higher costs of collective action by changing the standards according to which those costs are subjectively estimated within their own collectivity” can this be achieved, implying the “paradox that interests can only be met to the extent that they are partly redefined.”¹⁸ In their single-minded pursuit of profits, employers never confront this paradox.

Capacity to act is also intimately related to the question of the *goals* of collective action. Employers’ single-minded pursuit of profit means that even in the case of business associations, any potential collective action problems confronting them are of a lesser degree altogether. Not only does the “decisive sanctioning potential” reside within the individual firm, rather than (as with striking unions) the collectivity, but firms can also rely to a greater extent upon informal agreements among themselves than unions can. In any case, moreover, such employer organizations represent “a relatively late development in the history of capitalism” – typically, “as a defensive response to the formation of unions.” In the authors’ view, this implies that “the problem of creating and maintaining unity among members and of mobilizing members’ resources is considerably less serious for business associations than for unions.”¹⁹

¹⁷ *Ibid.*: 181-2.

¹⁸ *Ibid.*: 183; 184.

¹⁹ *Ibid.*: 189.

Various dimensions of these organizational asymmetries are expressed schematically in Chart 1.11, below.²⁰

1.11	Unions	Employer associations
Pattern of collective action	Dialogical (more precisely: <i>mixed dialogical-monological</i>): organization plays an active role in defining and transforming members' interests	Instrumental-monological: association aggregates and transmits interests; debates confined to leadership level
Context in which integration and disintegration occur	Social integration: disintegration means conflict and dissensus	System integration: disintegration means malfunctioning; inadequate basis for process of societal reproduction
Location of potential power	Created by the organization ("organize or starve")	Existing outside of the organization (bestowing "ability to afford not to learn")
Means of exercising power	Through member activity	Through the leadership
Visibility, concentration, orientation of power	Open, diffuse, offensive (e.g., "wage demands")	Hidden, concentrated, defensive (e.g., "profit demands")
Modes of public communication and legitimation	Normative claims and demands, based on particularistic advocacy of specific interests	Technical imperatives, based on putative "interests of the whole"

Of course, the state context of the two collective actors is also markedly divergent: "... In a capitalist society, the state depends on the flourishing of the accumulation process" more than on high wages or full employment *per se*, a context bestowing upon employers a quasi-public legitimacy, regardless of their articulation of particular interest. Partly for this reason, "business associations do not have to bother

²⁰ Summarizing *Ibid.*: 193-4.

with . . . formulating an explicit ideology, which, in the case of unions, serves to attract some members while antagonizing others.”²¹ Also for this reason, business associations are able to act defensively and invisibly. They have the effective ability to veto state activity with which they disapprove (*e.g.*, through vetting legislation and investment strikes), rather than being forced to act proactively in an open, “political” manner.

These qualitatively different expressions and experiences of power inform differing degrees of “fallibility” in the two actors’ recognition of their respective interests. Unless this is merely a polite way of suggesting that workers suffer more from false consciousness than their bosses do, the authors here seem to recapitulate the standard arguments of neo-Marxist state theory that emphasize the great extent to which state and capitalist interests overlap.²² For this reason, workers require different institutional structures for overcoming their greater fallibilities. The establishment of liberal-democratic governing structures dedicated to preserving a monological definition and pursuit of interests on the part of both business and unions (where such interests are defined as “bread-and-butter issues”), thus entails, in part, the discouraging of “dialogical” union action (such as “political” strikes, or the formal affiliation of unions with parties) and limiting the scope of legitimate topics of negotiation.

In postwar Germany, the authors argue, “conflict based on *organization* was gradually transformed into conflict based on *legal entitlement* to participation,” that is, the ‘juridification’ (*Verrechtlichung*) of industrial and class relations.” In this process,

²¹ *Ibid.*: 191.

²² See Ralph Miliband, 1969. *The State in Capitalist Society*. London, Weidenfeld & Nicolson, 1969; and Nicos Poulantzas, 1973. *Political Power and Social Classes*. Timothy O’Hagan, trans. London: Sheed and Ward. 367 pp.

legal statutes replace organizational activity. But they simultaneously undermine the structural preconditions for such activity, even in the absence of explicit legal prohibitions concerning certain tactics and categories of demands The basic mechanism by which monological and bureaucratic patterns of collective action are favored and dialogical ones displaced is the *dissociation of representation and struggle*.²³

In other words, the guarantee to union members that they are being represented replaces considerations about, and struggles over, the quality and content of the representation.

Under these conditions “workers can neither fully submit to the logic of the market, nor can they escape from the market,” and thus they are “involved constantly in the immensely complicated process of finding out what their interests are and how they can be pursued in a way that does not turn out to be self-contradictory or self-defeating.” Unions therefore tend to adopt opportunism as a solution.²⁴ Defined analytically, rather than pejoratively, opportunism entails three dimensions: substantive (elevating institutional means over principled ends); temporal (placing priority of immediate accomplishments over longer-term consequences); and social (emphasizing quantitative recruitment of members over qualitative formation of collective identities).²⁵

By reducing or relaxing the threat of a strike, unions can extract gains from employers and the state. Such a threat is difficult to maintain, however: it vanishes if it is never exercised and diminishes if exercised too much. This dilemma typically induces unions to adopt opportunistic strategies upon securing such gains. Union survival (or at least, that of union leadership) is thus dependent upon becoming as independent as possible from their members’ motivation and willingness to act. The only means of achieving institutional autonomy from the rank and file is by substituting, through state institutionalization, “external guarantees for survival for those internal ones for which the

²³ *Ibid.*: 210-1; emphasis in text.

union organization depends upon its members.” The solution is neither stable nor permanent, however, because once such external guarantees are achieved, their removal cannot be prevented: “In other words, the organization itself becomes incapable of guaranteeing the guarantees.”²⁶ Only by transcending the artificial divide between the “political” and the “economic” can unions ultimately reverse this trend.

Indeed, the authors conclude by suggesting that this structural opportunism begins and (almost always) progresses through five distinct stages:

- (1) During the beginnings of unionization and worker collective action, conflict is militant and small-scale, organizations show only a low degree of bureaucratization, and collective action is dialogical;
- (2) early, partial successes lead to an ambiguous and transitory position between monological and dialogical collective action logics, usually favoring the former;
- (3) the triumph of monological collective action is achieved through external recognition and validation of union structures by the state, and is dependent upon the unions’ “responsible” demobilization of the workforce;
- (4) demands guaranteed through strike action are now guaranteed through government statute, usually by social-democratic allies, and union leadership is “professionalized” while membership is “individualized.” The resulting demobilization, however, makes the union vulnerable to partial or total reversals of institutionalization, undermining the achievements of stage three and fragmenting the union organization, so that
- (5) those labor fragments rejecting state collaboration and institutionalization return to stage one militancy, but on the basis of “a much broader range of political, legal, and institutional arrangements.”²⁷

Although the historical illustrations are merely suggestive, the authors imply that over about a century of European labor movement history, most phases lasted about one to two decades. The first stage describes nineteenth-century unionization; the second extends from the turn of the century up to about World War I; the third coincides with the

²⁴ *Ibid.*: 213-4.

²⁵ *Ibid.*: 215.

²⁶ *Ibid.*: 218.

interwar period; the fourth begins in the late 1940s or early 1950s and lasts through the early 1970s; and the fifth lasts from the 1970s to the 1980s.

Significantly, the authors allow for the possibility of counterfactual alternatives to this trajectory. In particular, the transitions from the second to third, and third to fourth stages could have entailed instead a feedback loop to a strengthened first stage, which might be termed a path of “structural (and organizational) virtue,” in contrast to the path of structural opportunism. However, this alternative remains rather static. If labor conflict were to depart significantly from the first stage in some other way – that is, by becoming *more* militant and larger-scale without falling into the structurally opportunist trap outlined above – it is incumbent upon the authors to suggest how that might plausibly occur.

1.2.1 *Critiques of the “two logics” paradigm*

A number of problematic assumptions regarding the “two logics” paradigm have largely escaped sustained criticism among fellow political theorists and sociologists.²⁸ This chapter will focus on two in particular. Whereas critics of Offe and Wiesensthal have identified a greater diversity of organizations through which employer and employee

²⁷ *Ibid.*: 219.

²⁸ Social historians and anthropologists could detail countless ways in which workers – women in particular – show considerable ingenuity in increasing “the efficiency of the process of reproduction of their own labor power,” and thereby reduce *household* dependence upon capital, through savings, decommodified provision of services, increasing the household division of labor, forming cooperatives, and so on. Economic historians might further observe that employers’ pursuit of profits is never so straightforwardly monological: they must constantly contend with their colleagues’ differing degrees and expressions of “enlightened” self-interest, employing different timeframes of profit and different calculations of “externalities,” among other complexities. And industrial relations experts might retort to the suggestion that unions are forced to be political and proactive with much evidence to suggest that the defense of existing wage and benefit gains is the more common union posture.

collective action logics are expressed and have presented a more nuanced picture of those actors' articulation of interests in which identity plays a larger role, they too have neglected the temporal and economic contexts of these instances of collective action. The authors and their critics alike assume a condition of full democratization in their respective case studies and they ignore questions of whether and how the degree of economic openness in these cases affects employer or employee collective action. Following a summary of the critiques below, the chapter explains why these missing factors are important.

These critiques use a wide array of cases to demonstrate ways in which Offe and Wiesenenthal's model proves inadequate or mistaken. Drawing primarily on U.S. experience, for example, William Roy and Rachel Parker-Gwin show that Offe and Wiesenenthal overlook race and gender in the construction of employer as well as worker identity and disregard the salience of the monopolized corporation as a distinct expression of employer interest. With examples taken primarily from Europe, both Wolfgang Streeck²⁹ and Franz Traxler³⁰ show that employers face an array of organizational dilemmas that undermine notions of employers' "monological logic" of collective action.

²⁹ Wolfgang Streeck, 1992. "Interest Heterogeneity and Organizing Capacity: Two Logics of Collective Action?" Chapter 4, *Social Institutions and Economic Performance: Studies of Industrial Relations in Advanced Capitalist Economies*. London: Sage: 76-104.

³⁰ Franz Traxler, 1991. "The Logic of Employers' Collective Action," in D. Sadowski and O. Jacobi, eds., 1991. *Employers' Associations in Europe: Policy and Organization*. Baden-Baden: Nomos Verlagsgesellschaft: 30-50; *idem.*, 1995. "Two Logics of Collective Action in Industrial Relations?" in Colin Crouch and Franz Traxler, eds., 1995. *Organized Industrial Relations in Europe: What Future?* Aldershot: Avebury: 23-44; and *idem.*, 2002. "Employer vs. Product Market Associations: Different Dynamics in Associational Governance?" in J. Greenwood, ed., 2002. *The Effectiveness of EU Business Associations*. New York: Palgrave: 157-170. For an application comparing OECD states, see F. Traxler, S. Blaschke, and B. Kittel, 2001. *National Labour Relations in Internationalized Markets: A Comparative Study of Institutions, Change, and Performance*. New York: Oxford University Press, esp. Part II, "The Organization of Interests: Patterns and Dynamics": 35-104.

And with case studies from both the United States and Europe, John Bowman adds the key insight that employer dilemmas are intimately connected with levels and quality of employee organization. Where workers are comparatively weak and disorganized and/or where barriers to firm exit are low, as was the case of the early twentieth century United States coal industry, larger firms can actively promote unionization as a means of achieving oligopolistic stability. Where employers are organized and barriers to firm exit are much higher, such as in late twentieth century Norwegian manufacturing, the need for employer organizations increases commensurately, even as the ability to maintain agreements among employers diminishes. Together, this body of critical work requires a fundamental revision of the “two logics” paradigm.

Roy and Parker-Gwin address both employer and employee collective action forms and challenges, both theoretically and with historical reference to the late nineteenth-century United States paper, iron and steel, and tobacco industries.³¹ They seek to show that employers had to strive to promote specific interests and identities and that workers could claim to represent the general, societal interest, rather than merely sectoral interests. Differences between employer and employee logics of collective action therefore are based on “historically contingent processes and events,” rather than on unchanging capitalist conditions. These processes in the U.S. context include: the rise of large corporations, which spurred the organizational revolution; differentiated state relations transformed by corporate and antitrust law; and the development of cultural

³¹ William Roy and Rachel Parker-Gwin, 1999. “How many logics of collective action?” *Theory and Society* 28/2. August 1999: 203-237.

understandings among collective actors, conferring identities, strategic legitimation, and meaning upon collective actors and their activities.³²

Departing sharply from Offe and Wiesenenthal's imputation of the two groups' differing capacity to recognize interests, Roy and Parker-Gwin emphasize that "organizations actively participate in construing the interests and identities of members and potential adherents," with organizations and constituents interacting "to define the meaning of membership in groups and social categories."³³ In this view the "connection of interest to action is part of a logic of collective action, not part of the definition of interests," so that "people participate in social movements more on the basis of whom they define themselves to be than [on] what they calculate they have to gain."³⁴

The mutually conditioning and reflexive quality of interest and identity, they argue, is expressed differently, depending on the type of organization in question. Where Offe and Wiesenenthal distinguish between associations and mergers, Roy and Parker-Gwin distinguish between *associations* (mere aggregates of individuals) and objectified *corporate bodies* (with interests and identities that are distinct from their members). The latter distinction supposedly explains differences in motivations for, and patterns of, mobilization that Offe and Wiesenenthal's distinction does not. Olson's "free rider" problem arises only when interests are purely instrumental and corporate organizations have interests clearly distinct from those of their members. Under these circumstances, mobilization may be explained in terms of the overlap of the two instrumental interests.

³² *Ibid.*: 203-4.

³³ *Ibid.*: 205.

³⁴ As their subsequent analysis makes clear, however, this statement applies only to labor movements, because they neither identify equivalent "employers' movements" nor attribute collective employer action more on the basis of identity than on interest. *Ibid.*: 206-7.

Where individual interests largely overlap with, or are inseparable from, organizational interests, the free rider problem diminishes inversely, while the need to account for employee mobilization grows; and where individual *identities* largely overlap with organizational ones, the free rider problem diminishes further.³⁵ There is therefore no question of any historically prior worker or employee identity, apart from more specific questions of individual or organizational interest or identity.

While reasoning that the importance of organization increases along with need and capacity to organize, Franz Traxler distinguishes between associations concerned solely with labor market interests (“pure” employers’ associations) and trade associations advancing product or sectoral interests; he terms those advancing both interest areas “mixed associations.”³⁶ The distinction is significant because, in Traxler’s view, while businesses compete with one another as product consumers and producers in the marketplace, they share a more common interest as employers with regard to the labor market. By this reasoning “pure” employer associations should be easiest to organize, mixed associations hardest (although with the greatest potential payoff), and trade associations in between.

Traxler argues that “interpreted as a problem of collective action (and not as a matter of fact), self-interested rationality can serve as the paradigm by which empirically to analyze individual intentions.”³⁷ While remaining agnostic about the validity of assuming actors’ utilitarian calculations, in other words, one may nonetheless use the paradigm of self-interested rationality as a heuristic model from which significant

³⁵ *Ibid.*: 207-8.

³⁶ Traxler, 1991, *op. cit.*: 30-1.

diversions become analytically and historically interesting – particularly, for Traxler, as far as businesses and employers are concerned. Thus, Olson’s evidence that businesses organize easily and successfully is more anecdotal than empirical, and his analysis overlooks the distinction between their *capacity* to organize and their *need* to do so. Offe and Wiesenenthal repeat this elision, part of their larger oversight in failing to allow for significant changes in employer collective action logics or institutional expressions.

By contrast to Offe and Wiesenenthal, Wolfgang Streeck has emphasized the comparatively greater difficulty of organizing employer interests than worker interests – particularly, in the context of the corporatist bargaining arrangements of social democratic or Keynesian welfare democracies.³⁸ Like them, and unlike most analysts of corporatism, Streeck recognizes a power imbalance between the two groups.³⁹ Under corporatist bargaining conditions, this unequal structural power would ultimately undermine the legitimacy of both specific bargains and the bargaining system as a whole. This reasoning, Streeck argues, poses the following paradoxical questions: “Should it not . . . in principle be possible to increase the *symmetry*, and thereby the *legitimacy*, and as a consequence the *efficiency*, of the ‘bargained economy’ by strengthening the organization of capitalists?”⁴⁰

³⁷ *Ibid.*: 33.

³⁸ W. Streeck, 1992. “Interest Heterogeneity and Organizing Capacity: Two Logics of Collective Action?” Chapter 4, *Social Institutions and Economic Performance: Studies of Industrial Relations in Advanced Capitalist Economies*. London: Sage: 76-104.

³⁹ Offe and Wiesenenthal’s argument suggests to Streeck that “the *structural power* of the capitalist class, expressed in its ability to pursue important objectives through *individual action* in the market, translate[s] into *political power* through an absence of *organizational power* at the level of *collective action*.” *Ibid.*: 77; emphases in draft prepared for the *Forschungsschwerpunkt Arbeitsmarkt und Beschäftigung* (Labor Market and Employment Research Unit) of the Wissenschaftszentrum Berlin, 1989.

⁴⁰ *Ibid.*: 78.

Whether or not this may be the case, Streeck's empirical research finds business associations to be more numerous – and by implication, more difficult to organize – than labor unions.⁴¹ This calculation changes if trade associations are distinguished from peak or “mixed” associations. As Traxler shows, peak associations comprise a significantly larger number of affiliates than the number of unions belonging to corresponding union confederations.⁴² Thus, employers would appear to exhibit a higher degree of “associability,” or ease of joining an association, than employees.

At the same time, however, Traxler finds that peak employer associations exhibit a lower degree of “governability” (*i.e.*, capacity for collective associational action and agreement enforcement) than unions because of their higher degree of individual competitiveness. This increased competitiveness is itself a consequence of the superior resources at the disposal of firms, especially large firms, compared with those commanded by individual union members. Such firms will typically prefer to go it alone than to be bound by collective agreements.⁴³

The question of which forms of capitalist collective action associations pursue in addressing different challenges, and to what degree of success, is further refined by John Bowman, with reference to both early twentieth-century coal companies in the United States and contemporary Norwegian employers.⁴⁴ In both cases patterns of labor

⁴¹ Philippe Schmitter and Wolfgang Streeck, 1981. “The Organization of Business Interests: A Research Design to Study the Associative Action of Business in Advanced Industrial Societies of Western Europe.” IIM Discussion Paper, IIM and LPM 81-13, Wissenschaftszentrum Berlin.

⁴² Traxler, 1991: *op. cit.*: 41.

⁴³ *Ibid.*: 42 ff.

⁴⁴ John Bowman, 1989. *Capitalist Collective Action: Competition, Cooperation and Conflict in the Coal Industry* (Cambridge: Cambridge University Press), and *idem.*, 1998. “Achieving Capitalist Solidarity: Collective Action Among Norwegian Employers.” *Politics and Society*, Vol. 26 No. 3, September 1998: 303-336.

organization were critical in influencing employers' strategies, but to very different ends. In the United States, large coal company employers (in the context of a comparatively labor-repressive, unskilled sector) could encourage miner unionization as a means of putting competitive pressure upon their smaller rivals. Differences in firm size and cost structure rendered "solidaristic union-busting" impossible. Norwegian employers, employing freer workers in a tighter labor market, faced challenges at least as daunting: despite enjoying high levels of associational membership recruitment, members were constantly tempted to break from wage-restraint agreements.

1.2.2 *Summary of critiques*

While clearly conflicting in a number of areas, these different perspectives on the comparative capacities of class organization may be synthesized to an extent. All the authors challenge Offe and Wiesenenthal's basic assumption regarding the superior capitalist capacity for organization. For Roy and Parker-Gwin, the "dialogical" challenges facing capitalists in some contexts are as formidable as those facing workers; in those instances capitalists enjoy no *a priori* advantage over workers. Streeck, Traxler, and Bowman all employ detailed empirical tests to demonstrate that at the level of trade associations (and even at the labor market level, in Bowman's view), employers do indeed face similar organizational challenges.

Of the four critiques, Traxler concurs most closely with Offe and Wiesenenthal about the superiority of capitalists' *initial* organizing advantage. His emphasis upon resources as "the mediating link between interests and collective action," necessary both for identifying interests as well as realizing them, might appear to underscore capitalist

advantage. However, Traxler understands resources as being distributed both within *and* across classes.⁴⁵ In addition, Traxler expands upon Streeck's paradox that organizing employers implies "disciplining" them, by elaborating upon the organizational difficulties posed by employer peak associations, mixed associations, trade and "pure" employer associations. This theme finds an example in Bowman's account of how the Norwegian peak association, in order to maintain its advantages of comprehensiveness, must strive to pacify and cajole recalcitrant (potential) defectors from collective agreements.

What remains unclear from these critiques, however, is whether or to what extent the other advantages enjoyed by business over labor in democratic capitalist state relations analyzed by Offe and Wiesensthal still significantly apply in the various contexts the other authors analyze. These additional advantages, as we have seen, include the greater array of sources of business power, its commanding power throughout the production process, greater material security, greater claims to generality of interests, and greater ease with which its interests are legitimated. Further, although Streeck may be correct in deducing a disciplining effect of employer organizations upon their members *over time* (an effect borne out by these analyses), he does not explain what *initial* utility these organizations held for their members.

Streeck's critique, in particular (in common with Offe and Wiesensthal's rational choice institutionalism) takes institutional arrangements for granted, without exploring the nature and dynamics of their origins. Traxler does address this deficit in passing by suggesting that in sectors with a large number of competing firms, failed attempts at

⁴⁵ This formulation interestingly parallels the mediating role *identity* plays in Roy and Parker-Gwin's account between interests and action – suggesting that identity should be understood as inseparable from its material, cultural, and ideological resources.

establishing cartels and syndicates give way to a “standardization of wages and working time by multi-firm bargaining.” This standardization through bargaining provided employers with an indirect means of regulating price competition. Union enforcement of collective bargaining agreements arguably spurred not only their own institutional growth, but also the growth of employer associations.⁴⁶

But this account does not suffice on its own, for it neglects questions of the timing of democratization and the importance of large, more monopolized industries in establishing peak employer associations. In the next section, this chapter argues that an account of employer association origins will also suggest changes in the relative structural advantages of employers and employees -- particularly, at the levels “above” (national and international) and “below” (firm and workplace) that of the association. A fuller historical account can better address the question of whether organizational gains of one collective actor necessarily imply losses for the other, or whether these differing processes are largely autonomous from each other.

Finally, by considering these and other cases in temporal and geographical clusters – from the origins of the modern trust in the United States (Roy and Parker-Gwin, Bowman), to interwar and postwar Europe (Offe and Wiesenthal), to several postwar and contemporary European countries (Bowman, Traxler, Streeck) – it is possible to sketch the outlines of a broader “two logics” perspective. Roy and Parker-Gwin correctly identify modern corporations as the final employer solution to the free rider problem associated more often with employees. At this limiting extreme, worker identity is most clearly separate from that of its monopolized corporate employer, which

⁴⁶ Traxler, 1991: *op. cit.*: 44.

simultaneously obliterates competing institutions of employer collective action. Where worker identity most overlaps with worker organization, free riding is far less of a concern.

The corporate forms discussed by the other authors, in a principally European context, differ considerably from the completely merged corporation of the turn-of-the-century U.S. trusts; institutions of employer and employee collective action thus assume a commensurately greater importance. It is among these organizations that Streeck's "disciplining" of employers, who are compelled by higher levels of associability to join organizations, engenders potentially greater problems of governability, in Traxler's terms, in either the trade or even (in the Norwegian case) employment markets.

Variables either latent or missing entirely from these analyses are the degree of a country's economic openness and the effects that openness has upon employer associations. The evident increase in economic liberalization from the 1950s to the 1980s among the smaller European states accompanied greater degrees of organization among employers and employees, as part of the general trend toward democratic corporatism in these states.⁴⁷ Conversely, these trends are least evident in the United States, with France, Germany and Japan as intermediary cases.

There further appears to be a secular tendency toward a growing complexity of institutional, regulatory, and governance regulations and attendant coordination problems accompanying increasing trade liberalization.⁴⁸ As employers are compelled to advocate

⁴⁷ Peter Katzenstein, 1986. *Small States in World Markets: Industrial Policy in Europe*. Ithaca: Cornell University Press: 80-135.

⁴⁸ See Stephen Vogel, 1996. *Freer Markets, More Rules: Regulatory Reform in Advanced Industrial Countries*. Ithaca: Cornell University Press.

liberalization of trade, therefore, they encounter ever-greater challenges in achieving goals collectively and increasing imperatives to act collectively in order to realize these goals. Workers, by contrast, do not face comparable organizational challenges in this new institutional context, for reasons examined in greater detail below.

1.3 *Worker collective action*

Just as employers are presented with distinctive organizational problems in different institutional contexts, so workers are confronted with multiple contexts, each with a different set of challenges and each requiring different institutional responses. The configuration of institutional response changes, moreover, from one political context to the next.

The respective failures of German and South African unions to counter authoritarian threats, for example, underscored the necessity for continued collective action in three distinct arenas: the workplace, the community, and the union itself. In these contexts, as elsewhere, organizing the *workplace* entails negotiating and contesting the labor process: influencing decisions affecting the division of labor, managerial prerogative, and work tempo, duration, and conditions. Making claims about spheres of competence, skills, evaluations of quality, and even market-directed and product-based decisions all fall under this rubric of collective action challenges. Organizing the *community*, by contrast, implies a collective negotiation of the terms by which households are reproduced. This involves not only the reforming of collective norms affecting the division of labor within the household, but also the provision of housing itself, as well as

food, clothing, services, care for children, the sick and elderly, and other immediate necessities. In some cases, community organizing also means attempting to shape levels and quality of local employment.

Finally, *union* organizing – in addition to collective bargaining – involves forging solidaristic organizational identities across disparate workplaces, building and sustaining organizations at the local, regional, and national (occasionally, international) levels, strengthening ties with other unions through confederations or alliances, and lobbying parties and state agencies. After the protracted crisis of the Great Depression in the 1930s dramatically revealed the limits of minimalist state approaches to economic policy, state intervention and macroeconomic planning commanded a central place in the repertoire of policy responses. In some cases, at least, unions lobbied party allies and governments not only to promote a living wage, but also to mitigate chronic underemployment and competition for work.

Referring to networks of communicative cooperation in which unions (among other associations) are embedded, Offe describes their role as “two-way transmission belts,” transmitting not just their constituency’s demands to others, but also serving in a “hegemonic” role “to educate, discipline, and exert a formative influence upon their constituency members.”⁴⁹ This “second-order” organizing role decisively shapes activities in the other two spheres of labor organizing, particularly under the conditions of backward statehood.

⁴⁹ Claus Offe, 1999. “The German Welfare State: Principles, Performance, Prospects,” in John S. Brady, Beverly Crawford, and Sarah Elise Wiliarty, eds., 1999. *The Postwar Transformation of Germany: Democracy, Prosperity, and Nationhood*. Ann Arbor: University of Michigan Press: 202-224; p. 211.

For this reason, this study focuses on the organizing and institutionalization of unions and their confederations in this embedded “labor movement” context. Indeed, confederations may serve as well to “organize the organizers” in that they can promote coordination among members, different member unions, and different geographical areas. As such, confederations’ organizational strategy toward members is very different from that of their counterparts, peak employer associations, as elaborated below.

1.4 *Employer collective action under backwardness*

Like unions and labor movements, employers typically strive to organize the workplace – but with an eye to imposing discipline and authority – and also to organize communities paternalistically, albeit with an overall cost reduction never far from the agenda. Their principal difference, of course, lies in being primarily responsible for corporate profitability and survival. While employer associations’ role regarding members is also hegemonic, educational, and influential, it carries an additional ideological burden: associations must “advertise” their interests to other parties and the state. In the importance of this role, however, they further resemble their union confederation counterparts in that this ideological role grows in importance under backward conditions.

Employers and their associations differ markedly from their employee counterparts in their strategies toward organizing their respective markets. For example, John Bowman has drawn attention to the multiple conflicts employers often engage in with each other; indeed, these often dwarf the better-known conflicts with employees. Short of liquidation and outright merger, firms are often obliged to engage in informal

agreement or formal organization. Bowman distinguishes between external and internal mechanisms for cooperation.⁵⁰ The latter include cartels, directly and indirectly interlocking directorates, joint ventures, and associations (including trade, employer, and “mixed” or general associations). Combinations of these strategies abound, varying according to (or despite) a firm’s legal environment. External mechanisms include banks,⁵¹ with an overall interest in minimizing competition among clients and maximizing profits, forms of labor organization (for which employer organization is the unintended byproduct), and state regulation.

Latecomer states are also usually “outsourcing” states with diminished regulatory capacity, for which independent central banks (until very recently) represent a highly unusual institutional development. They prefer delegative actions to supervisory ones in order to preserve and enhance their stability. Under these conditions, the only other external mechanisms have been labor relations agreements. Yet these, too, are typically infrequent and comparatively recent phenomena in latecomer contexts. The reason, initial and transient advantages from labor scarcities notwithstanding, is that employers enjoy early organizational advantages over employees. These advantages derive from employers’ close relation with leading economic sectors, whose disproportionate influence upon the national economy is characteristic of latecomer states. As I argue below, such advantages in fact help employers to develop more rapidly *internal*, rather than *external*, mechanisms of organization – above all, the employers’ association.

⁵⁰ John Bowman. 1989, *op. cit.*: 45 ff.

⁵¹ Given the difficulty in determining boundaries between corporations and banks, with the latter often effectively “endogenous” to the former, the designation of banks as external enforcers is problematic.

The leading economic sectors of latecomer states command a national importance at the moment of their insertion into the world economy, one greater than that of their pioneer counterparts. Such sectors attract disproportionate state resources and political power. Yet the tendency to put most of the state economy's eggs into one sectoral basket comes with all the risks of any monocrop economy, and sectors tend to be particularly crisis prone. The politics of crisis and decline in latecomer countries' dominant economic sectors spur employers in these sectors to organize and seek state protection.

In so doing, however, employer associations are often compelled to organize employer interests as a whole from their newfound position of national prominence. Structural changes that redistribute the rewards of employment, investment, and even (indeed, especially) citizenship are arguably more pronounced in declining than expanding industries. Declining sectors are therefore central to state transformation. Given the greater degree of such dislocation faced by leading sectors in comparatively backward states, both the interest group pressure and state response (not least, state repression) are likely to be more pronounced and transparent in these contexts than in their pioneer counterparts. The ways in which these sectors' associations institutionalize and interact decisively shape national politics as a whole.

1.5 *Democracy versus democratization*

Despite the considerable diversity among these cases of collective action institutions and dynamics, they all share with Offe and Wiesenenthal an implicitly assumed context of full democratization. While this assumption is historically problematic in at least some cases,⁵² it is indicative of a larger dimension in which the critiques are incommensurate with Offe and Wiesenenthal's analysis.

This is the case not only because the idea of full democracy assumes that liberal norms finally have been realized, and therefore accepts the "end of history" thesis;⁵³ relatedly, it presupposes a fundamentally reproductive character of institutions. People engage in institutions by the book, by precedent, by the rules – without questioning or rethinking the origins and nature of these precedents. The concept of *democratization*, by contrast, focuses upon institutional formation as a creative and improvisatory act. When political challenges constantly present themselves, opinions about them cannot simply be *re-presented* but must be constantly rethought and reworked. Even the act of institutional imitation also entails a dimension of spontaneous creativity. In this distinction, democracy may be thought of as emphasizing "government of the people by the parties,"

⁵² This is most notably the case for Roy and Parker-Gwin, when they fail to take note of the functional disenfranchisement of African American men in the post-Reconstruction era, when Jim Crow adumbrated other, scarcely less severe forms of disenfranchisement among working-class whites both in and outside of the South. See Frances Fox Piven and Richard Cloward, 1992. *Why Americans Don't Vote*. New York: Pantheon.

⁵³ Frances Fukuyama, 1992. *The End of History and the Last Man*. New York: Free Press.

and democratization as “government of the people, by the people, for the people,” combining legal precedent with institutional (re-)design.

Actors in politically and economically liberalizing contexts under backwardness are presented with an array of possibilities for institutional creativity as well as creative imitation and appropriation. For workers, these challenges are indeed daunting; but their solution always entails a redefinition of the meaning of “labor power.” The putative and deceptive fungibility of “abstract labor” is thereby eroded. This erosion, or slippage, in labor power commodification makes the task of organizing production more difficult for employers – at precisely the moment that their competitive pressures intensify. It is at this moment that the falsehood of an immutable and absolute advantage of “employer logics of collective action” over their employee counterparts becomes dramatically revealed.

To the extent that two distinct “logics” between employers and workers can be discerned theoretically and historically, then, when placed in the context of a transforming and integrating international political economy, previous employer advantage – especially in latecomer contexts – tends to be reversed. While the various critiques discussed above describe aspects of this phenomenon, none captures its dynamic entirely. The fault among the various “two logics” critiques, in fact, may be traced to the historical framework of the original. Explaining why this is the case requires a closer look at Offe and Wiesenenthal’s essay.

The historical framework of analysis has immediate and apparent bearing upon an identification of actors and interests; shifts in timeframe necessitate shifts in perspective. Given their scattered references to the Federal Republic and to West Germany, whose

existence is precisely delimited by the period 1949-1989, Offe and Wiesenenthal appear to place their analysis firmly in the post-war era in several passages. They justify their intervention, however, in the tradition of sociological critique, from which they draw an absolute distinction with the normative political theory characteristic of the era before democratization and equality among citizens. This earlier era's *goal* of "the institutionalization of bourgeois freedom and equality" has "not, in fact, led to anything approaching *actual* equality." Where the earlier era's conflict was one of "norm vs. norm," since "inequality was itself *institutionalized* by explicit privilege," the current conflict lies in the ambiguous zone between facts and norms.⁵⁴ As such, it should have as its beginning the founding of the Weimar Republic in the German context, since this marks the advent of universal franchise.

Yet Weimar, and indeed the Federal Republic after it, was marked by a number of legal, institutional and constitutional inconsistencies diverging from absolutely equal treatment of all citizens. Like earlier "privileges and hierarchies of feudal society," these inconsistencies require not the critical sociological method, but merely an examination of "legal codes and statutes" regulating them. Nor is this problem limited to the German case. In other words, far from serving as a heuristic device promoting analytical clarity, the stark line Offe and Wiesenenthal wish to draw between the eras of principled inequality and principled equality obfuscates the distinction between *democracy* (as achieved reality) and *democratization* (as political process).

Even if democratization is understood as the (highly contested) means by which the end result of a widespread, consensual internalization of the "rules of the game" –

⁵⁴ *Op. cit.*: 171.

“democracy” – is reached, two observations are in order. First, this process of democratization is more protracted in late democratizers than in their earlier democratizing counterparts, raising doubts about the inclusion of (West) Germany among the latter, as implied by Germany’s designation as an “advanced capitalist democracy.” Second, among late democratizers, the very *distinction* between democracy and democratization tends to become effaced, and therefore increasingly problematic.⁵⁵ Such late democratizers, or post-liberal states, exist in the liminal space between “the ‘feudal’ error of ‘false differentiation’ and . . . the ‘liberal’ error of ‘false identity’” overlooked by Offe and Wiesenenthal.⁵⁶

This oversight is revealed in the scattered historical references the authors make to their subject matter. For example, they argue that

in *all* capitalist countries, the historical sequence is this: the first step is the ‘liquidation’ of the means of production of small commodity producers and the merging of these into capitalist industrial firms; the second step is the defensive association of workers; and the third is associational efforts that are now made on the part of capitalist firms who, in addition to their continued merging of capital, enter into formal organizations in order to promote some of their collective interests.⁵⁷

Clearly, such is not the case for all capitalist countries. Many German employer associations, for example, predate their union counterparts; and in many late industrializers, unions predate the “liquidation of small commodity producers” – for example, the miners’ unions predated the end of the “diggers’ democracy” era of South African diamond

⁵⁵ This difference is observable in the name of Germany’s “ersatz” constitution, the *Grundgesetz*, or Basic Law, so named – in deliberate contradistinction to *Verfassungsgesetz*, or Constitution – because its enactment marked the occasion of West Germany’s partition from East Germany. At the time, it was felt, an imminent reunification would mark the appropriate occasion to determine the true “constitution” of Germany. By contrast, the stability – if not stagnation – of the U.S. Constitution may be measured by the fact that there were half as many amendments to it in the twentieth century as in the nineteenth (and less than half as many enacted in the second half of the twentieth century compared to 1900-1950).

⁵⁶ *Op. cit.*: 174. One may go so far as to speculate that a difficulty in recognizing and appreciating this liminal condition is a characteristic of living in post-liberal states.

⁵⁷ *Ibid.*: 178; emphasis added.

mining.⁵⁸ This sequential generalization might become more plausible with reference to capitalist development *on a world scale*, but this framework is precluded by analysis referring to “all capitalist countries.”

More significantly, the conclusions the authors draw from this historical assumption are also contestable. Their first conclusion – that these “two types of organization . . . emerge at distinctly different points in the history of class struggle, which can be analyzed as a sequence of strategic steps taken by the two sides” – is by itself valid in some cases. But it overlooks the possibility of their simultaneous emergence – prompted more by transnational factors than by response to domestic adversaries. Even in cases where organizational development is sequential and endogenous, the authors risk misidentifying the actual sequence. Their step-by-step model fails to integrate historical-institutional variables and thereby fails to consider democratization as a process.

Their second conclusion – that “capital has at its command three different forms of collective action to define and defend its interests, [whereas] labor has only one” – is even more open to question, as is its corollary, that unions “are, therefore, confronted with the task of organizing the entire spectrum of needs that people have when they are employed as wage workers.”⁵⁹ Even if this statement were to refer to a time after unions were formed but before the advent of (modern) welfare state measures – rather than to the “Keynesian welfare state” contemporary era – it would certainly be contestable on historical grounds. Such organizations as cooperative societies, community banks, and

⁵⁸ Indeed, it will be shown in Chapter 3 that the need to pacify the workforce had as its institutional prerequisite the establishment of South Africa’s oldest employer association, the Chamber of Mines, itself predating (and in fact precipitating) the founding of the Union of South Africa.

political parties typically accompanied union activity; and the early paternalistic-patriarchal impulses of employers (not least in Germany) intervened to “share” the task of “organizing the entire spectrum” of their employees’ needs as an inoculation against more radical demands.

The contradiction between situating their analysis *after* the achievement of *democracy*, rather than *within the process of democratization*, however, is most apparent with Offe and Wiesensthal’s reference to works councils. In their view, German works councils represent “the most advanced instance of a development that can also be observed in other West European countries,” namely, the “ ‘juridification’ (*Verrechtlichung*) of industrial and class relations.” They define this as the transformation of organization-based conflict into “a conflict based on *legal entitlement* to participation.” Although admittedly advantageous “for the defense of workers’ interests, the reverse side of the coin of ‘juridification’ is clearly the uncoupling of representation and activation of interests.” This is the case, they argue, because

the more interest representation is assigned to either state agencies or works councils (which are not allowed to initiate strikes), the less room there remains for struggles that involve the activity of those whose interests are represented. As a consequence, the dialogical pattern of collective action is made “unnecessary” and is discouraged in the course of the long-term transformation of industrial relations from associated into legally constituted forms of interest representation [in which] legal statutes replace organized activity.⁶⁰

A possibility the authors do not consider is that instead, legal statutes *displace* organized activity onto other arenas. Where dialogical consensus is facilitated through legal and institutional innovation, unionists may shift their attention to more problematic frontiers of collective action. Indeed, there is evidence to suggest that such institutional

⁵⁹ *Op. cit.*: 178-9.

⁶⁰ *Ibid.*: 210-1.

innovations as works councils can *magnify* over time the scope and effects of dialogical collective action.⁶¹

The authors observe, but do not explain, the phenomenon of German works councils being more legally articulated than most of their West European counterparts. Yet the reason in large measure derives from Germany's experience with authoritarianism and fascism, an experience not shared by most of its Western neighbors.⁶² Late democratization arguably shifts the analytical and praxis-oriented focus from a context of *democracy* – where workers take for granted their past achievements in the manner Offe and Wiesenbath bemoan – to one of *democratization*, where process is privileged over past achievements. A corollary to this shift is a shift from representation at the national level to local participation in governance, such as at the shop floor level in works councils. While the authors implicitly privilege the “normal” European labor movement “pattern of a division of labor between unions and socialist parties”⁶³ with an emphasis upon the importance of parties, the analysis below will explore the thesis that a structural *diminution* of political parties' importance yields hidden advantages for comparatively backward labor movements.

If correct, this thesis not only would require from the “two logics” perspective a basic reassessment of German works councils as a resource of employee strength; it would require, further, a broader reassessment of the dynamics of capitalist power in

⁶¹ This is a central conclusion of Kathleen Thelen, 1991. *A Union of Parts: Labor Politics in Postwar Germany*. Ithaca: Cornell University Press.

⁶² Austria probably comes closest in historical experience and works council practice. The comparative absence of protracted mobilization among workers in quasi-fascist Spain and Portugal may explain their less organized workplace presence.

⁶³ *Op. cit.*: 189.

different contexts over time – a reassessment that begins with a reappraisal of Gerschenkron's "advantages of backwardness."

1.6 *Comparative advantages of backwardness*

The historical framework suggested by Gerschenkron's "advantages of backwardness" thesis and elaborated by Jürgen Kocka⁶⁴ provides a useful context in which to analyze the "logics of collective action" of employer associations and union federations in developed and developing contexts alike. In Gerschenkron's account, geographical distance (European countries' distance eastward from England) corresponds with gradations of ever-increasing political-economic distance. By way of compensation, latecomer countries' industrialization increasingly entails institutional substitution and innovation. Gerschenkron's example of banking and the provision of capital is illustrative. French state-supported but privately owned banks compensated for an absence of English-style entrepreneurial demand and supply in the early nineteenth century. The German banking role in the mid-nineteenth century extended even further, serving as an instrument of socializing industrial risk across the economy; and in late-imperial and early revolutionary Russia, the state itself provided the "missing prerequisites" of autonomous market demand and the supply of private capital and skilled labor.

The "latecomer" and "logics" perspectives are largely complementary. Whereas the former places the dilemmas of political-economic development in a historical and

⁶⁴ Jürgen Kocka, 1999. "Entrepreneurship in a Latecomer Country: The German Case," in *Industrial Culture and Bourgeois Society: Business, Labor and Bureaucracy in Modern Germany*. New York: Berghahn.

geographical context, its state-centric perspective largely ignores competing interests within a given society. Collective action theory, by contrast, articulates the pursuit and transformation of these interests over time but is historically under-specified – to the point that interests are sometimes assumed to be unchanging across space and time. A backwardness perspective has the further advantage of an implicit context of global capitalist development, a whole that defines, and is defined by, such component parts as nations, regions, economic sectors, employers, and social movements. It facilitates distinctions between transnational and national groups and phenomena.

It also permits comparison, not only between the earliest industrializers (Britain, the United States) and their immediate successors (such as Germany), but also between one latecomer and another, by using “different degrees of backwardness and different pre-industrial traditions as the starting points and main criteria of comparison.” In this manner the political economies of Germany, a late “first wave” industrializer, and South Africa, a comparatively early “second wave” industrializer, may be compared along several disparate variables.⁶⁵

If it is to avoid the theoretical pitfalls of functionalist or stage theories that assume even change across a given society from one predetermined stage to the next, a fuller account of backwardness should include several disparate factors: corporate and sectoral development, worker and employer collective action, timing of democratization, and

⁶⁵ Kocka, for example, cites “a fast-growing investment ratio, massive investments in the industrial sector, continuous, self-propelling growth of the GNP (in absolute terms and per capita, in spite of a growing population), and the development of the factory system based on a quickly developing technology” as among the major indices of industrialization. The onset of this process situates a country within a global pattern, which lists countries according to their initial phase of industrialization. Kocka, *ibid.*: 83.

patterns of foreign influence.⁶⁶ Their inclusion requires explanations of the ways in which “regional, sectoral and socio-economic class interests are mobilized and organized . . . at the national level”⁶⁷ and are facilitated or hindered by such factors as social homogeneity, ideology, and political coalitions. Patterns of mobilizing, in turn, imply a variable capacity of states to promote growth strategies.⁶⁸

Such evaluations are thus temporally as well as geographically and culturally contingent. Just as the idea of “backwardness” should not be understood in normative or pejorative terms, so the idea of “advantages” must necessarily imply conditional and contingent possibilities for advancement, rather than an inevitable “progress.” It is also important to distinguish between technical, measurable advancement and subjective, historically bounded understandings of progress on the part of political actors of a given period (including their future goals, contemporaneous impressions, and retrospective assessments). The latter, subjective, category is of greatest importance in describing the formation of collective interests and identities.

⁶⁶ Richard Tilly, for example, rejects Gerschenkron’s emphasis upon the presumed necessity for “big spurt” growth, instead viewing growth over the long run with pre-industrial roots; he also argues for an expansion of the meaning of development beyond increases in industrial growth, output and employment to those of general human welfare. Richard Tilly, 1989. “German Industrialization and Gerschenkronian Backwardness,” *Revista di Storia Economica*, New Series VI (2): 139-64.

⁶⁷ *Ibid.*: 160.

⁶⁸ Relatedly, Gerschenkron’s link between “state ideology” and growth is attenuated by contending ideological interests that change over time. Thus, the protectionism of Friedrich List vied for dominance in Germany with liberal advocacy of free trade and the socialism of the SPD and its allied labor movement. Their rough correlates in South Africa, in the same order, are Afrikaner Christian nationalism (and the later and more marginal Pan-African nationalism), “English” liberalism, and ANC and SACP-allied socialism. In both countries, these movements rose and subsided, allied and were co-opted and repressed, joined government or opposition, depending on the period in question.

1.6.1 *Backwardness and labor organization*

Cui bono remains a key question regarding advantages of backwardness: whether the advantage is enjoyed by employers over either their forerunner counterparts or their domestic interlocutor opponents, organized labor (or vice-versa). All actors in backward contexts for whom dialogical consensus is paramount face the problem of determining the correct sequence between consensus formation and state transformation, a problem whose complexity has only increased with time. To be sure, the means by which these strategic determinations are to be achieved – their requisite state and social transformations – vary according to context.

Moreover, any such progress that has been made toward an understanding of these transformations has involved a clarification of those means that are *insufficient* to this end. This is at once the most promising and problematic theoretical area for backward labor movements: with each successive era of industrialization and political struggle, the potential to learn from preceding examples increases. Such is the perspective of Trotsky's theory of the labor movement's "advantage of backwardness," which suggests that backward capitalist relations engender a more advanced revolutionary consciousness among the backward country's core workforce, compared with that of its advanced capitalist counterparts.⁶⁹ The opposing perspective argues that backward movements are

⁶⁹ See Leon Trotsky, 1962. *Problems and Prospects*, G. Breitman *et al.*, eds. New York: Merit; and the discussion in Baruch Knei-Paz, 1977. *The Social and Political Thought of Leon Trotsky*. Oxford: Oxford University Press, pp. 89 ff. and 580 ff. A similar conclusion regarding the superior efficacy of "social movement unionism" in such backward states as Brazil and South Africa, compared with their more developed counterparts, is reached by Gay Seidman, 1994. *Manufacturing Militance: Workers' Movements in Brazil and South Africa, 1970-1985*. Berkeley: University of California Press.

more likely to be blinded to their own experience by the dazzling example of foreign theoretical models – to be inclined to act according to a page-worn script, rather than to improvise. Even seemingly indigenous traditions may, through theoretical reification, soon become alienated from their original circumstances.⁷⁰

Both perspectives, however, arguably lay too much emphasis upon ideological content and too little on organizational context. As we have seen, the activity and process of collective action is progressively simplified for workers in contrast to their employers. This apparent contradiction is resolved through reference to the role Gerschenkron identifies for the state in providing an ideological basis that allows backward states to catch up. In a liberalizing global economy, states increasingly *outsource* this role to employers. As “Americanization,” this outsourcing can take several forms: through the local activities of U.S. multinational branches; through military, diplomatic, and cultural coordination and exchange; and increasingly, through the mass consumption of U.S. cultural goods. In effect, labor movement organizations

⁷⁰ Thus, in 1848 the German Communist League, composed of itinerant journeymen workers and émigrés, was based in Paris, Zurich, and London and oriented its political compass more toward those Western points than any within the German states. Four decades later, the German Social Democratic Party’s 1891 Erfurt Program derived its political program less from an analysis of concrete local struggles than a more abstract belief in an imminent general collapse of capitalism. See Jürgen Kocka, 1986. “Problems of Working Class Formation in Germany: the Early Years, 1800–1875,” 332, in Ira Katznelson and Aristide Zolberg, eds., 1986. *Working Class Formation: Nineteenth Century Patterns in Western Europe and the United States*. Princeton: Princeton UP: 279–351, and Mary Nolan, “Economic Crisis, State Policy, and Working Class Formation in Germany, 1870–1900,” in Katznelson and Zolberg, eds., *ibid.*, 352–393; 388 ff.

Transnational émigré roots, of a similar lineage, also inform the development of South African leftist politics: the South African Communist Party (SACP) was founded in 1921 from a merger with an older socialist party co-founded by Eleanor Marx Aveling. In 1928, at Moscow’s dictate, it adopted the slogan “independent South African native republic” – for the first time privileging race over class. It thereby caused immense consternation among labor organizers who had been assiduously (if also mistakenly) pursuing the reverse formulation: cf. L. Thompson, 1995: 177. As the largest South African left-wing party after the ANC until its banning in 1959 (after which it took the underground name CPSA), the SACP continued a non-class strategy based on the idea of a “two-stage revolution,” in which a workers’ revolution would be deferred until after the achievement of a “bourgeois-nationalist” revolution. It maintained this policy even after its unbanning in 1990.

are compelled to yield this ideological prerogative – and that of governing the economy more generally – to their employer interlocutors in exchange for a corresponding simplification of collective action challenges.

This is not to suggest, however, that ideological conundrums are limited to the economic sphere for worker organizations. Certainly, race is among the most important factors in forming and defining concepts of collective interest and identity. Understood as “the only international status group category,” it is among the most significant causes and consequences of backwardness, affecting transnational and local patterns of mobilization among employers and employees and decisively shaping the identities and interests of both. Along with racism – “the act of maintaining the existing international social structure”⁷¹ – race is a phenomenon that played a significant role both prior to and during the transnational embedding of national labor movements. It acts as an absolute cleavage between and within white and non-white worlds, nations, and political arenas, and as such would appear to impose an absolute limit to the “advantages of backwardness” framework – unless, that is, backward states are more favorably placed to overcome the burden of race. Certainly, race as status confers no advantages to individuals excluded from the pale of whiteness.

Given the highly uneven ways in which race – to take a prominent example – affects worker and employer mobilization, the importance of this distinction should be self-evident. However, Gerschenkron fails to distinguish adequately among the hurdles

⁷¹ Immanuel Wallerstein, in Immanuel Wallerstein and Etienne Balibar, eds., 1991. *Race, Nation, Class: Ambiguous Identities*. New York: Verso: 199.

facing, respectively, corporate, working class, and state actors under conditions of backwardness. While these overlap and in several areas, converge, they are not identical.

States alone must simultaneously combine the imperatives of accumulation, maintaining “law and order,” and legitimation under capitalism. For corporations accumulation subsumes legitimation, and the labor process itself is the primary means of workforce discipline. Advertising, branding, and an array of public relations techniques may enhance corporate legitimation (and the growth of advertising throughout the twentieth century would suggest that such techniques are increasingly important), but profitability remains paramount. Only states can provide the legal and administrative framework necessary to guarantee contracts, an education system to supply a growing demand for skilled labor, a transport infrastructure, and a military and police presence, even if employers under backwardness typically must take a proactive role in suggesting specific policies to meet those various ends. Finally, while corporations may collectively slow the growth of state institutions, capacities, and functions, they cannot reverse this growth or restrict it permanently. State actors, by contrast, can actively promote the organization or disorganization of capitalist collective action.

Gerschenkron stressed economic and technological backwardness and the burdens these place upon state structures in their efforts to overcome them, yet he tended to neglect dimensions of political backwardness, such as a given state’s responsiveness to worker demands for levels of social welfare and political liberties comparable to those achieved elsewhere. For labor movements these typically include rights to strike and organize and wage and benefit parity across a sector, industry, or nation as a whole.

The timing and form of accommodation of these demands are, if anything, more important to backward states than they are to their predecessors.⁷² This may be seen with reference to the three-fold organizational challenge that all labor movements face. First, they constantly struggle against *exploitation* (the extraction of surplus labor), a condition that is general to all workers. Second, they must resist *domination*, which varies according to workplace conditions but always depends upon control over the division of labor – especially, between intellectual and manual labor. Finally, they must engage in *competition* for work, the exigencies of which depend upon the general and specific levels of unemployment in the labor market.⁷³ At the same time, it is characteristic of underdeveloped economic contexts that structural unemployment should appear as a permanent, pervasive problem, overlapping with and mutually reinforcing workplace domination. Gains in state-secured benefits become all the more valuable as a consequence.

Two other organizational strategies are available for countering labor's organizational straits, independent of state action. First, high rates of industrial unionism are often the best means of countering workplace domination, and to a lesser extent, generalized exploitation, but have no intrinsic bearing on questions of aggregate

⁷² In an earlier work, Gerschenkron identifies the Junkers as the chief obstacle to democratic consolidation in Weimar Germany, particularly in the areas of army, bureaucracy, and land reform in the East. The last area is arguably the most important since it not only weeds out the current generation of anti-democrats, but also robs them of the soil in which future generations would crop up. But it proved impossible precisely because those who would benefit most immediately from such a reform – the small-holding and landless agricultural workers – were in the weakest position to press for their demands, often lacking the franchise and racially excluded from *Deutschtum*. Gerschenkron recognized the problem, but not the possibility that these workers' mobilization could contribute to its solution. See Alexander Gerschenkron, 1942. *Bread and Democracy in Germany*. Berkeley: University of California Press.

⁷³ Etienne Balibar, "From Class Struggle to Classless Struggle?" in Wallerstein and Balibar, eds., 1991, *op. cit.*: 161-2.

employment. Second, works councils may reduce the margin of error in the workplace and the firm by devolving managerial decision-making to the firm level, particularly among those firms requiring higher skills levels. Councils may thus simultaneously mitigate the division between intellectual and manual labor and increase the job security of employed workers.

The question remains, however, whether either workers' organizational *capacity* to institutionalize works councils or their political *opportunity* to do so increases in more late-industrializing or backward contexts. In this regard, the distinction between objective, synchronic understandings of lateness and subjective, diachronic definitions of backwardness discussed on page 7 above becomes salient. With reference to the examples at hand, Germany's timing of industrialization and even more, of its majority enfranchisement may better be termed *late* than *backward*, since its labor movement, education levels and welfare state provisions were all developed by international standards. South Africa's greater levels of political and economic inequality and international financial penetration suggest elements of backwardness together with a comparatively late industrialization.

Germany in this sense belongs in a category of late-imperial, non-liberal capitalist states such as Austria, Sweden and Japan, where institutional experiments in workplace democratization are most likely to prevail. South Africa belongs on the other side of the post-colonial divide with most other middle- and low-income states, where lateness and backward unevenness combine to militate against forms of codetermination and in favor of more broad-based forms of mobilization.

The clarity and durability of boundaries between core and periphery countries may also contribute to these differential outcomes regarding workplace democratization. In his survey of experiments in workers' control and self-management in an array of developed and developing contexts, Assef Bayat concludes that five varieties of worker participation may develop "under conditions of stable peripheral capitalism." They are as follows:

- (1) small-scale control in the informal sector;
- (2) profit-sharing and shared decision-making in an employee cooperative;
- (3) a demand for co-management in parastatal firms;
- (4) trade union participation in management at both the enterprise and national levels; and
- (5) plant-level unions' demands for participation and co-management, especially in newer globally competitive industries.

He argues pessimistically that the first option is unlikely and unfeasible; the second, and even more, the third, options tend to express legal ownership, rather than actual control; and the fourth "is likely to remain an elitist initiative, the prerogative of the union bureaucracy." Thus, if there is any chance at all that "changing economic conditions of the Third World . . . [might] offer conditions for a control-oriented strategy for labour," it rests increasingly on the fifth and final possibility.⁷⁴

"Employment" in the first category may be a growing phenomenon throughout the world, albeit an increasingly impoverished one. By contrast, in the decade or so since Bayat's assessment, the growth of structurally adjusted, neo-liberal privatization worldwide has made the second and third forms of employment increasingly rare.

⁷⁴ Assef Bayat, 1991. *Work, Politics and Power: an International Perspective on Workers' Control and Self-Management*. London: Zed Books: 172. While allowing for the importance of international campaigns of worker solidarity, Bayat nevertheless skeptically subordinates these to the importance of local initiatives and control.

For workers earning wages at or above the poverty line, then, the fourth and fifth cases would seem to represent the only significant alternatives. The fourth would require a union movement large and organized enough to coordinate national and local strategies of empowerment and press for full employment and job creation initiatives. The fifth implies the absence or impossibility of such a national movement. Instead, workers in this last category could use market-dictated conditions of competitiveness as a means of mitigating competition for work through challenges to managerial prerogatives.

A possibility that Bayat does not sufficiently consider is that unions, cooperatives and co-management could represent simultaneous and coordinated strategies of different sectors of the workforce. To be sure, workers in these contexts tend to be divided by economic sector; but this fragmentation, in weakening older institutions of coordination – such as political parties – may open up avenues for newer ones. Parties arguably hinder rather than promote innovative institutions. This possibility is explored below.

1.6.2 *Political parties and collective action in backward contexts*

Under comparatively backward, late-democratizing conditions, labor movements tend to experience a more rapid and decisive disenchantment with party allies, particularly as such parties find themselves obliged to become “catch-all” parties and to weaken or abandon their historic class identification. Offe and Wiesenenthal appear to regret this development, echoing Dahrendorf’s earlier pronouncement upon the weakness and fragility of postwar West German democracy.⁷⁵ They overlook the possibility that this development brings with it a relative degree of independence and autonomy from

⁷⁵ Ralf Dahrendorf, 1967. *Society and Democracy in Germany*. Stanford, CA: Hoover Institution Press.

party politics within union movements. In this regard, Offe and Wiesenthal are needlessly blinkered by a spatially and temporally narrow focus on the “normal” politics (as seen during periods of “normal” postwar economic growth) of advanced capitalist Keynesian welfare states.

Upon reflection, however, it becomes immediately apparent that the designation “normal” hardly applies to the twentieth-century politics of either the developed German or developing South African contexts. The stability of their respective employers’ associations, in particular, contrasts sharply with their radically protean shifts in population size, national borders, systems of government, and ideology (Germany), or franchise and citizenship distinctions, number and density of unions, and patterns of domestic protest (South Africa). In other words, “normal” politics implies, above all, a basic degree of domestic and international consensus about the meaning of nationhood that neither country enjoyed during most of the twentieth century.

Such consensus at the national level is typically assumed to have its most significant expression in the sphere of competitive party politics. This is particularly true among stalwarts of the social democratic ideal. In his major survey of advanced capitalist labor movements, Goran Therborn, for example, counters the prevailing leftish, party-oriented pessimism of the early 1980s by underscoring the achievement of left- and labor-aligned political parties in the preceding decades.⁷⁶ If Therborn’s emphasis upon the essential role of parties were justified, the centrality of party politics to labor

⁷⁶ G. Therborn, 1984. “The Prospects of Labour and the Transformation of Advanced Capitalism,” *New Left Review* I:145, May-June 1984: 5–38. Therborn allows that while “arguments could be used for and against the inclusion” of South Africa in the group of “advanced capitalist” states, together with twenty-three North American and West European states, Australia, New Zealand and Japan, he chooses to leave it out: fn. 2, p. 6.

movements would be bad news indeed for such abnormal cases as Germany and South Africa, where left or labor-aligned parties were in power for only about a dozen years during the entire twentieth century.

But there is an interesting subtext to Therborn's article that indicates a *secular decline* in the importance of allied parties for labor movements. Apart from some variation among these cases, periods of major left electoral growth, rather than their subsequent partial electoral setbacks, correlate far better with the rate of unionization.⁷⁷ Union growth, in other words, is more stable and continuous than party growth. As well as showing steady institutional growth, "it seems clear that the labour movement [became] *less* acquiescent and *more* radical and demanding" from the mid-1960s to the mid-1980s. Moreover, this was manifest in ways (such as union-party splits and wildcat strikes) that were increasingly independent of party politics, especially at the point of production.⁷⁸

Therborn thus concludes that "the dialectical unity of labor advances and defeats should not be sought at the electoral level, in the relationship between successful and failed electoral formulas;" rather, this "contradictory unity" is "one of broad, large-scale social trends and shifting political conjunctures. The major advances of labor belong to the former [trends], the defeats, as well as electoral victories, to the latter [conjunctures]."⁷⁹ These processes "have developed at their own pace, owing little directly to party or government designs. The resulting advances of labor have therefore

⁷⁷ Major left party defeats "have not been accompanied by commensurate trade-union decline." *Ibid.*: 9-10.

⁷⁸ These major changes – "second in importance only to the early achievements of the labor movement" – include "restrictions of managerial prerogative with regard to hiring and firing, work organization, and the forms and distribution of payment," a tightening of "occupational health and safety regulations" and a "significant extension" of trade union and works council rights. *Ibid.*: 15. (All italics as quoted in text).

largely escaped the schemas of political strategy and tactics.”⁸⁰ While starting from a premise that privileges party politics, Therborn’s article concludes with an almost diametrically opposed finding: that parties are, if not entirely irrelevant to labor-movement and left social-movement politics, then at best increasingly a distraction for them.

More boldly, Therborn argues that “the available evidence strongly suggests that the *rise of welfare state capitalism* is an irreversible development providing a fundamental basis for all future working-class struggles” that “cannot be undone by democratic means.” This tendency is distinguished by political rules and rights determining “a growing part of people’s incomes,” with the state’s “routine activities . . . increasingly devoted to regulation and provision of social security, health and social care, and education” and gauged by patterns of public expenditure and public employment.⁸¹

In virtually every case, Therborn concludes, “attacks upon the welfare state have been of marginal significance beside the preceding growth,” leading him to predict that “the basic trend is irreversible.”⁸² This may have been a rash prediction to make at the dawn of the Reagan-Thatcher counterrevolutions aimed squarely at the welfare state. In fact, this conclusion has been largely confirmed by empirical evidence from research over the past two decades.⁸³ It would appear that social democratic parties’ role has shifted

⁷⁹ *Ibid.*: 22.

⁸⁰ *Ibid.*: 25.

⁸¹ *Ibid.*: 25-6.

⁸² *Ibid.*: 29.

⁸³ “Once in place,” Paul Pierson concludes from his comprehensive survey, welfare state systems “may face incremental cutbacks, but they are notoriously resistant to radical reform.” Paul Pierson, 1996. “The New Politics of the Welfare State.” *World Politics*, 48, January 1996: 143-79.

from that of proactive policy innovator to one that defends and conserves welfare state gains.

Two of the most striking elements of Therborn's analysis, moreover, undermine his restriction of putatively distinct cases to the world of "advanced capitalist states." First, rather than using more traditional, absolute yardsticks of development typical of modernization theory – such as levels of literacy, infant mortality, high school completion, ownership of telephones and television per capita – he focuses upon *proportions* of state expenditure and household income. Second, and in parallel with his analytical shift away from traditional party politics, he contends that the new politics "now being fought out on a terrain largely shaped by the welfare state" is centered not on "a set of issues but [on] new *social forces*."⁸⁴ These include, "above all . . . the *public sector unions* and [forces in] the sphere of *socialized reproduction*," such as workers in such publicly funded areas as education, health, and care for children and the elderly.⁸⁵

For both issues of income proportion and related collective actors, the lower *absolute* levels of development and spending in "backward" states render conflicts around these issues more, not less, consequential and intense. Their salience certainly should not exclude states traditionally thought to be outside the "advanced capitalist" pale. On the contrary, there is much evidence to suggest that in some respects, welfare

⁸⁴ *Op. cit.*

⁸⁵ *Ibid.*: 33. Here Therborn echoes the path-breaking earlier essay by Claus Offe and Volker Ronge, 1975, "Theses on the theory of the state" arguing that major contemporary contradictions emerge in the processes of commodification and decommodification through which the competing state imperatives of private production, taxation, accumulation, and democratic legitimation are partly reconciled. Offe and Ronge understand contemporary conflicts "over the control of the organizations of social production that *serve* the commodity form without themselves being *part* of the commodity nexus" such as those in "schools, universities, prisons, military organizations, housing authorities and hospitals" to represent "the most advanced forms of erosion of the commodity form within capitalist exchange relationships themselves." In C. Offe, 1984. *Contradictions of the Welfare State*. Cambridge, MA: The MIT Press: 128.

state politics in those countries is more conflict-laden than that of their northern counterparts.⁸⁶ It is not so much the *constellation* of political forces and patterns of state regulation that differs in less-developed states as the *process* by which they arrived at this conjuncture with older democracies.

This is not the case, however, with reference to employers and their institutions of collective action. Their splintering and multiplication of interests across sectors and countries appears to have become more pronounced with time. Just as it has proven impossible to impose a single currency regime worldwide for any great length of time, so employers – within and across national and sectoral boundaries – find their supposedly homogeneous yet competing definitions of “value” increasingly difficult to reconcile. This fact as well signals an absolute limit to the power of “advantages of backwardness” as a heuristic framework, for reasons detailed below.

1.6.3 *Backwardness and employer organization*

Kocka’s work on the sociology of entrepreneurs suggests several advantages of the “advantages of backwardness” thesis for understanding German entrepreneurship in a comparative perspective. A range of factors affecting entrepreneurs⁸⁷ distinguishes

⁸⁶ For example, as dramatic as the issues of school desegregation and busing were in the United States from the 1950s to the 1970s, mobilization around those issues never approached that of the Soweto uprising in 1976 and the ensuing education crisis in the 1980s. This discrepancy may be seen as well in the relatively more advanced discussion in South Africa, at both the parliamentary and popular levels, of Basic Income Guarantee proposals, compared to what occurred in response to similar efforts in Germany – itself at the vanguard in the European context. For more detailed discussion, see Chapter 5, section 5.5.1, below.

⁸⁷ These include the “availability, recruitment, perceptions, preferences, attitudes, values, ideologies, behavior, and performance of entrepreneurs (and the structure of enterprise and its management).” Kocka *op. cit.*: 76.

latecomer countries from their immediate predecessors in several ways.⁸⁸ Explanations for a country's position in the international division of labor and for differences in timing, speed, and quality of the industrialization processes have the further advantage of drawing attention to pre- or proto-industrial political and cultural traditions of a latecomer that influence a "genetic pattern" of future development.⁸⁹

Kocka identifies several examples of such advantages of backwardness among German entrepreneurs. Compared with their Western European peers, they tended to have higher levels of formal education and were recruited from a broader range of social strata. These characteristics were shared with workers, in the sense that the German system of training – fostered by both employers and the state – promoted continual acquisition of skills, especially for workers in the manufacturing sector. Thus, both employers and employees could exploit and diffuse more rapidly the advantages of technological innovation. Other aspects of backwardness are ambiguous: industrial expansion was achieved more often at the altar than through hostile takeover.⁹⁰

⁸⁸ These include the development of an entrepreneurial class – in terms of recruitment, social origins, occupational background and regional mobility – which is a more dramatic development, and is more marked by discontinuity with the preindustrial period, among latecomers than it was in countries that industrialized earlier. Often accompanying this discontinuity, according to Gerschenkron, is a unifying ideology or collective spirit that enables industrialization – such as Saint-Simonianism in France, nationalism in Germany, and orthodox Marxism in Russia. Third, entrepreneurs and the state in such cases would successfully imitate or appropriate technology, institutions, and practices of more industrialized states – while avoiding their mistakes. Latecomers would emphasize formal education over on-the-job training, and spending rates and participation in higher education would be greater. Business and state figures in latecomer nations would be more directly involved in addressing such problems as capital and skilled-labor scarcity, low business morale, and public opinion (especially when manifest in anti-capitalist terms), and those states would be more characterized by a mixing of social, political and economic roles.

⁸⁹ This does not, however, imply the currently popular pessimistic connotations of "genetic determinism" regarding economic performance, since "what has been a liability first may become an asset later; relative backwardness may produce relative modernity." Kocka *op. cit.*: 78ff.

⁹⁰ "Stumm, Krupp, Hoesch, and Poensgen stand for complex and old bourgeois business dynasties, often interrelated, and quite similar to aristocratic dynasties in their marriage policies except that here it was not so much a matter of increasing their territories as of increasing businesses, enterprises, entrepreneurial skills, and capital." *Ibid.*: 78.

Indeed, this example of the pursuit of capitalism through non-capitalist means is indicative of a larger pattern in which decommodified or non-capitalist relations (whether precapitalist or state-directed) become a source of comparative advantage. Despite some regional variation, well into the nineteenth century, “German society never became a ‘business society,’ and the German political system was never a purely plutocratic system serving mainly the interests of the capitalist class.”⁹¹ Nowhere was this more apparent than in the “very remarkable” extent of paternalism, with its “emphasis on nonmarket devices in personnel management and in employer–labor relations,” together with “the early tendency toward large-scale organization, functional integration, and product diversification.”⁹² To be sure, such firm-level paternalism was consistent with, and reflected in, Bismarck’s national welfare programs, which were designed to inoculate the nation against socialist temptations. German employers thus benefited from the cost-intensive work of the construction of markets and development of technology performed by their pioneer counterparts, as well as from the repressive cooptation of their workers.

South Africa presents an apposite contrast. In the late–nineteenth- and early–twentieth-century mining industry, manager training and recruitment was global in scale, with managers coming not only from different parts of Europe and Australia, but above all, from the United States: many owner-managers like Cecil Rhodes were educated at Oxford and Cambridge, and manager-engineers trained at the Colorado and Columbia University mining schools. Further, to a greater extent than their German counterparts,

⁹¹ *Ibid.*: 82.

⁹² *Ibid.*: 94.

South African corporations tended, early on, toward large-scale vertical and horizontal integration.

Compared to the German mix of paternalistic and patriarchal-authoritarian, carrot-and-stick management, South African heavy industry was more nakedly capitalistic and exploitative. South African employers' use of "non-market devices" included, foremost, the compound system.⁹³ In this system of closed mining sites, the firm controlled access to personnel, housing, policing, justice, employment, and the sale and consumption of provisions. Combining a monopsony of labor purchase with a monopoly of consumption goods, mining compounds represented a degree of coercion and control unknown to Germany until the consolidation of the Third Reich.⁹⁴ Here, the advantages were entirely over the workforce, rather than over foreign or pioneer competitors.

This contrast, however, is more one of degree than of kind. The Kaiserreich and the Union of South Africa (both before and after its nominal independence from Britain), were imperial states characterized by extreme unevenness, with sectors ranging from labor-repressive agricultural areas to modern industrial heartlands and correspondingly uneven political rights among workers in those sectors.⁹⁵ More specifically, the pass system in South Africa, initially developed in colonial-era, slave-based agriculture and

⁹³ The genesis of the compound system is discussed in greater detail in Chapter 2.

⁹⁴ For German equivalents, see, above all, Ulrich Herbert, 1997. *Hitler's Foreign Workers: Enforced Foreign Labor in Germany Under the Third Reich*. New York: Cambridge University Press, *passim*.

⁹⁵ Arguably, Kocka's focus on manufacturing throughout his work tends to minimize the extent to which labor-repressive practices spread from one sector to another.

eventually extending across the economy,⁹⁶ existed along the same continuum of labor coercion as several measures introduced around the same time regarding Polish and other foreign workers in late imperial Germany.⁹⁷ In both countries, official coercion of labor had the effect of cementing and intensifying the popular discursive identification of these ethnically defined workers as racially inferior. In other words, backwardness could take more- or less-regressive forms in the same historical period, and at times, different levels existed simultaneously in the same country. Without further specification, it is deceptive, therefore, to claim that one country or period is more “modern” than the other.

By focusing on individual entrepreneurs and (to a lesser extent) the state, however, Kocka ignores the question of whether the growth and development of associations – entrepreneurs’ major form of state-directed collective action – may be seen as an “advantage of backwardness” as well. On the one hand, since latecomer entrepreneurs face a wider array of problems than their pioneer counterparts, reliance upon a wider array of functionally differentiated employer associations would seem to be the logical means of addressing these problems – particularly, as the former mediate employer interests with the state. On the other hand, more associations mean more obligations to both fellow capitalists and the state as owners leave the political-economic

⁹⁶ While mining and agriculture employed a larger proportion of the workforce in South Africa than in Germany, where light and heavy industry developed more prominently, both of these primary sectors faced multiple crises whose resolution could either favor or discriminate against the more skilled industrial sector.

⁹⁷ These include: the *Karenzzeit*, or closure period, which was introduced in the Junker estates in 1891 to compel foreign (Polish and Russian) agricultural workers to leave the country during the winter months; the *Inlandslegitimationszwang*, or compulsory service requiring a *Legitimationskarte* (domestic permit), introduced in the same region and sector in 1908 to prevent Polish agricultural workers from breaking contract; and the Army decree in August 1914 preventing Polish agricultural workers from returning home for the duration of World War I and extended in October 1914 to all Polish workers, including those in mining and industry. Herbert, 1997, *op. cit.*: 1-12.

state of nature to pursue common interests more effectively.⁹⁸ Both perspectives have validity; context is all-important in determining if and when associations facilitate or hinder individual or collective employer goals.

1.7 *Conclusion: an historical-institutionalist enrichment of the analytical model*

Offe and Wiesenenthal's thesis suffers both from a conflation of brief period of German history with a broader one and from limited applicability to other contexts.

Most historians might cast suspicion on all social science models designed to go great distances, preferring to cover familiar territory one step at a time, and on foot; this model would share the characteristic of social theories that, in Giovanni Sartori's phrase, "don't travel well." This chapter argues instead that the pattern of structural opportunism described by Offe and Wiesenenthal is one that may be strengthened analytically when divorced from the authors' assumptions regarding historical context and their insistence upon unchanging employer advantage. It is not clear, from their analysis, why this pattern should apply exclusively to advanced capitalist states after 1945. A Gerschenkronian framework suggests ways in which the absolute distinction between "advanced" and "developing" may be effaced, and structural opportunism contextualized with greater specificity. At the same time, however, the "advantages" of

⁹⁸ This moment among German employers may have occurred almost a millennium ago. During the Medieval period, the *Hansa*, an official, externally recognized association of guilds (thus, a prototypical "meta-association"), often replaced the secular power of realms or principalities, especially after the collapse of the Hohenstaufen empire in 1250, becoming the central locus of economic and trade lobbying. This would suggest both that a positive-sum relationship between employer associations and the state has developed very recently and that (to the extent that their modern counterparts retain a family resemblance with their venerable antecedents) such associations are an "advantage of backwardness" peculiar to European trading polities' cultural heritage and are therefore not readily reproducible elsewhere. Cf. S. Epstein, 1991. *Wage Labor and Guilds in Medieval Europe*. Chapel Hill: UNC Press: 134.

backwardness for employers and employees vary greatly: for example, what employers may gain in stability, they may lose in workplace control.

What the critics of the “two logics” model all underscore in different ways is that neither the exercise and expression, nor the content of power is to be confused with its institutional form. Their typology of institutional forms of collective action is generally more varied than Offe and Wiesenenthal had originally allowed for. Among workers, they include free and un-free unions, cooperatives, and works councils; among employers, different forms of association (peak, or encompassing; trade; “pure” employer; and mixed associations) pose different organizational challenges.

Unlike their critics, however, Offe and Wiesenenthal are correct to emphasize the basic power imbalances between employers and employees generated by capitalism at different levels of society; indeed, they probably underestimate these initial imbalances, because they account neither for differing access to citizenship, nor for geographies of race. If these and other influential factors (such as leading economic sector) are placed in a backwardness framework, they present a wider array of possibilities of employer–employee interaction than is accounted for by Offe and Wiesenenthal. The contingencies are greater than those elaborated in the authors’ five-stage model, even if the general movement they perceive from dialogical solidarity to individualized mediation through representative institutions is suggestive.

Two “prior” stages suggested by the cases at hand are the barring, or forestalling, of citizenship and its party-political expression to certain categories of workers and more fundamentally, the denial of their personhood. An analogous, if not prior, stage is the denial to women of the status of “worker” worthy of skills, wages and contractual

agreements. While those affected by such discrimination may total only a small percentage within the overall population, the effect is disproportionately widespread. Competitive advantages of such forms of backwardness with other countries diminish along with repression's effect on aggregate demand.

Moreover, the critical juncture that democratization presents in the modern era rapidly changes this calculus of advantage and disadvantage. Punctuated moments of institutional innovation and global economic competition transform the organizing landscape for workers by providing a broader scope of collective maneuver and a greater array of organizations. Employers find such critical junctures more daunting, locally and transnationally. Even where employer interests can be successfully harmonized under the firm hand of a global hegemon – as the example of the Americanization of employer interests in postwar Germany and South Africa might suggest – this success, too, comes at a price of subordination to the hegemon's currency regime, export preferences, or geo-strategic priorities, to name but a few possibilities.

Kathleen Thelen's recent assessment of historical institutionalist approaches to comparative politics, together with those of rational choice institutionalism, finds that the latter approach has identified the importance of coordination mechanisms that generate or sustain equilibria without adequately explaining institutional origins or institutional change.⁹⁹ She argues that historical institutionalism can provide superior unified explanations of origins and change by combining an isolation of critical junctures, for

⁹⁹ Kathleen Thelen, 1999. "Historical Institutionalism in Comparative Politics." *Annual Review of Political Science* 1999, 2: 369-404.

which issues of timing and sequencing of domestic and international events are paramount, with an identification of policy feedback mechanisms.¹⁰⁰

Offe and Wiesenenthal suggest that structural opportunism generates disequilibrium over the long term while constituting a series of equilibria in the shorter term. Following Thelen, this chapter argues that this “two logics” framework is typical of rational choice institutionalism in neglecting institutional origin and conflating reproduction with a shift in equilibrium. A Gerschenkronian framework is useful for identifying the origins of employer and employee institutions of collective action in backward contexts. Democratization provides the critical juncture in which these institutions interact and stabilize. But where Offe and Wiesenenthal emphasize the transience of collective action logics, this chapter highlights the cumulative context of institutional growth and complexity.

Within the broader context that the backwardness framework allows, it is possible to explore the following hypothesis suggested by Offe and Wiesenenthal’s fifth stage, where renewed struggle entails “a much broader range of political, legal, and institutional arrangements.” The competitive pressures facing firms in backward states have the contradictory effects of both suppressing workforce demands and bringing export challenges and the need for effective workplace governance closer together. Authoritarian states often attempt both goals at once, with varying degrees of success.

But with the onset of democratization, the dynamic changes. Peak employer associations become the main (sometimes, the only) institutional means of simultaneously addressing these often-divergent ends. The solutions that peak

associations adopt to thwart worker demands in one arena tend to have the contradictory effect of promoting other demands: for example, the subordination of citizenship rights increases pressure from demands for participation in the workplace. Workers, in turn, organize spheres of exclusion or exploitation, thereby challenging employers with such new institutional forms as industrial or general unions. While Offe and Wiesensthal see this process as essentially cyclical, this chapter argues that it proceeds cumulatively for workers, from exclusion to inclusion in a given arena.

Employers, for whom a secular increase in complexity of the production process means a growing difficulty in – as well as necessity for, pursuing collective goals collectively – do not share this cumulative institutional effect. For workers, by contrast, the development of new institutional tiers promotes a division of labor in realizing collective goals. Streeck suggests that under these circumstances, the weaker party can enjoy observing, from the shade as it were, the spectacle of its counterpart struggling with administrative overload. He terms this “the white man’s burden theory of collective action challenges.”¹⁰¹ The next two chapters demonstrate this phenomenon of divergence between employer and employee collective action, with particular reference to the leading economic sectors of Germany and South Africa from the turn of the twentieth century to the post-1945 period.

¹⁰⁰ *Ibid.*: 388.

¹⁰¹ *Op. cit.*, 1992: 101.

2.

Monopolization, Cartelization, Concentration

2.1 *Introduction*

Employers facing both high levels of competition within a given sector or product market as well as a workforce with basic freedom of movement and organization often inaugurate collective bargaining dynamics as a means of stabilizing labor costs. Workers typically respond by agreeing to the rules of bargaining and using these rules to further increase levels of organization as well as wages. Confronted with both higher wage costs and politically more powerful unions, employers may then organize further in sectoral or general associations, or alternatively, consolidate their firms' position through merger. When this process occurs in a country's leading economic sector, it is likely to shape decisively the nature of national industrial relations systems.

The dynamics change, however, when workers lack basic freedoms. Early restrictions on the freedom of mineworkers in the South African diamonds and German coal sectors retarded the corporate modernization in these and their larger, allied sectors, South African gold mining and German steel. Worse still for these cases, whereas in the United States, local and sectoral factors have been typically more decisive than national laws in shaping bargaining conditions, the anti-labor policies born of mining and metals in Germany and South Africa determined their national industrial relations systems.

This fact demonstrates the importance of distinguishing among the different varieties of "Americanization" discussed earlier. Three versions stand out. Americanized production *by example* implies an imitation or transfer of workplace technology and organization. *Socio-legal* Americanization refers to the transfer of legal

frameworks in which labor law and property rights are embedded. Finally, Americanization of *consumption* would mean the achievement in a non-U.S. context of a mass consumer market with the attendant heightened importance of advertising in shaping demand. Historically, U.S. trust law facilitated the rise of monopolized firms such as Ford; “Fordist” workplace organization, with continuous production broken down into a series of semi-skilled tasks, in turn made possible “Fordist” wages and mass consumption patterns.

The achievement of these three dimensions of “Americanization” in the United States within a generation provided a compelling picture for other countries to emulate.¹ It would prove impossible for any other country to achieve all three, however, and the pursuit of any one dimension would distort or negate the others. Americanization for latecomer states is thus an intrinsically Sisyphean endeavor. This is significant because, contrary to the “assumption that German and American capitalism diverged in the first half of [the twentieth] century in respect of certain important structural elements,” this divergence was already much in evidence by the late nineteenth century, soon after the unification of the German Reich.² This may be seen especially with reference to the organization of markets, patterns of domestic consumption, and the organization of employers and employees.

The appearance of socio-legal Americanization, however, masks factors inhibiting the development of Americanization’s other forms. Like the leading U.S. steel and oil

¹ On the impact of the vision of Americanization on interwar Germany, see Mary Nolan, 1991. *Visions of Modernity*. New York: Oxford University Press.

² V. R. Berghahn, 1986. *The Americanization of West German Industry*. New York: Cambridge University Press: 5.

trusts, for example, the largest mining and metals corporations in Germany and South Africa continued to be privately held, owner-controlled firms. Unlike the former, however, they depended upon non-market labor conditions with depressive effects on domestic consumption levels as a means of maintaining corporate control. Product-based cartels in the German steel sector served to retard the rationalization of firm ownership; labor-coercive cartels ensured South African mining profitability while retarding long-term political and economic development.

The consequences were dire enough for employees in these industries, but their effects were much more widespread. Both South African gold mining and Ruhr heavy industry held a position of paramount political importance for their respective countries throughout most of the twentieth century.³ This importance bestowed profoundly distorting effects throughout the economy as a whole. Labor-related political crises associated with these sectors coincided with the onset of national economic decline.⁴

A major reason for this is that in general, high wages and low workweek hours drive product innovation and firm reorganization. West Germany's "virtuous cycle" of increasing labor costs driving improvements in quality, which in turn improved market

³ The German steel sector remained one of prime national strategic importance from at least three decades before to a decade after the two World Wars, *i.e.*, roughly 1880-1960. Bernd Weisbrod remarks with reference to the Ruhr coal and steel sector, that "nowhere else was the organization of industrial relations so greatly changed by the effects of major changes in the political constellation; nowhere else were such changes in the political system so directly linked back to the corresponding reorientation of industrial relations as in Germany." Bernd Weisbrod, 1990. "Entrepreneurial Politics and Industrial Relations in Mining in the Ruhr Region: From Managerial Absolutism to Co-determination," in Gerald Feldman and Klaus Tenfelde, eds., 1990. *Workers, Owners and Politics in Coal Mining: An International Comparison of Industrial Relations*. New York: Berg: 118-202; p. 119. However, gold mining in South Africa retained a position of similarly strategic importance into the 1980s as the largest source of government revenue and thus constitutes a challenging counterexample to Weisbrod's claim.

⁴ For the first half of the twentieth century, these included, in South Africa, widespread strikes leading to the Rand Rebellion of 1922 and others immediately after World War II and in Germany, the post-World War I Rhine-Ruhr occupation and hyperinflation followed (after a brief interlude) by the Ruhr strike of 1928.

share, skills levels and job security,⁵ reversed the “vicious cycle” of the interwar period. Weimar Germany’s cartelization, exacerbated by postwar inflation, led to a combination of wage growth and political constraints on workers in the Ruhr, that in turn favored the development, but not the stable institutionalization, of industrial unionization, then works councils.

In South Africa, the vicious cycle of labor repression and economic stagnation revolved with greater stability but more widespread societal effects. Early monopolization in South African mining required increasingly illiberal political measures and persistent, long-term wage stagnation for its continuation, deterring stable unionization and in turn, diminishing the chances of either longer-term political stability or growing workplace participation.

The comparison of the dynamics of long-term industrial decline in Germany and South Africa further reveals their significant differences in timing and sequencing of sectoral concentration, pursuit of a global market, and growth of domestic consumer market size. In both cases, the growth of a domestic consumer market for these sectors’ products was severely retarded in relation to their concentration – even more so in South Africa than in Germany. An absence of competition in the wage and product markets of these sectors had the further effect of diminishing domestic demand.

Consumer market size is an important variable overlooked by those who assume that liberalized trade markets accompany domestic political liberalization. In fact, there is no regular correlation: in the post–World War II period, in particular, German

⁵ This theme informs much of the writing of Wolfgang Streeck; see, e.g., “Co-determination: After Four Decades,” in *idem.*, 1992. *Social Institutions and Economic Performance: Studies of Industrial Relations in Advanced Capitalist Economies*. London: Sage: 137–168.

protectionism accompanied political liberalization;⁶ conversely, South African economic liberalization accompanied (and in fact enabled) increased political repression.

In addition to market orientation and degree of liberalization, other factors certainly contributed to political repression and constraints on labor. The higher aggregate skills levels in metalworking compared to mining – while varying appreciably within each sector over time – contributed decisively to the superior power resources of metalworkers over their miner counterparts *within* the firm. Deskilled labor becomes compelled to seek comparable resources in the community, from party allies, or from the state, and becomes correspondingly more immune to paternalistic or (later) technocratic discourse about capital-labor “partnership.”

This chapter, which outlines the development of cartels and monopolization in these sectors, is divided into three parts. Section 2.2 distinguishes among different forms of ownership and control, showing not only that these are rooted in different legal and cultural notions of contractual obligation, but also that trusts had the practical effect of disorganizing coordination among both employers in the product market and workers in the political arena. Section 2.3 illustrates these differences with reference to the United States and German steel sectors. Section 2.4 sketches the cumulative effects of consolidation in the South African diamond and gold industries upon employment practice and collective action among employers in that country from the late nineteenth century to the apartheid era. A concentration of mine ownership combined with aspects

⁶ This is the thesis of Simon Reich, 1992. *Fruits of Fascism*. Ithaca: Cornell University Press. But Reich implicitly links political and economic “discrimination,” which the comparison here renders problematic.

of gold and diamond market structure led owners to devise the compound system of labor organization, which minimized miners' freedom of movement, freedom to negotiate wages, and their political rights and freedoms. At the same time, the compound system imposed upon employers a high degree of cooperation on minimizing wages and worker rights. Given the chronic skills shortage the country suffered from – a shortage only made worse by the compound system – this consensus about labor repressive measures proved particularly detrimental to industries outside of mining with higher skills needs such as manufacturing.

2.2 *Trusts vs. cartels in theory*

In the Anglo-American tradition, which privileges purely private ownership of property, corporate risk is confined to owners who in turn, bear no obligation to the public beyond the payment of wage contracts. Workers, in turn, bear no responsibility for the maintenance of the firm as a whole. Risk and responsibility are expanded to a wider social context in the European, and especially, German, legal tradition. This distinction informs the major difference between U.S. and German corporate law in the late nineteenth century: U.S. antitrust law actually forbade the socialization of risk through cartels, and workers there foreswore any responsibility for firm management. The development of eminent domain as a legal tool for spurring monopolization in the United States by the mid-nineteenth century, while undermining common-law norms, only

accentuated this difference.⁷ Imperial German law validated cartels instead, and German workers agitated for a greater role in firm governance. South African law, a hybrid of Roman-Dutch and British common law,⁸ neither prosecuted cartels, nor promoted worker responsibility and rights to participation.⁹

Yet while differing legal traditions may reflect the power dynamics in various national contexts, they never fully account for them.¹⁰ At best, the differences distinguishing the Roman-law legal environment constitute a necessary but insufficient condition for fostering workplace participation, for example.¹¹ In the Anglo-American legal tradition,¹² trust-like relationships are historically governed by contract-based approaches in civil law and property-based approaches in common law.¹³

⁷ Morton Horwitz, 1977. *The Transformation of American Law, 1780-1860*. Cambridge, MA: Harvard University Press.

⁸ In the view of Konrad Zweigert and Hein Kötz, "Roman law has shown greater vitality in South Africa than anywhere else in the world by surviving to the present day." See Konrad Zweigert and Hein Kötz, 1998. *Introduction to Comparative Law*. Oxford: Clarendon, 3rd Edition: 233.

⁹ Thus, even where the civil law heritage is given primacy, the law recognizes trusts in the terminology of *fidei commissum* (testamentary trust), *donatio pias causas* (charitable trust), etc. See Tony Honoré, 1992. *Honore's South African Law of Trusts*. (4th Edition); Zweigert and Kötz, *ibid.*: 233 ff.

¹⁰ In discussing variations in European rights to workplace participation, Streeck argues that "because of peculiarities of the British legal system, rights to collective bargaining in Britain were never safely enshrined in law. . . . In the Roman law systems of the Continent such rights became much more formally established. This protected them better against changes in political and market power – see the different impact of the changes of the 1980s on industrial relations in, for example, Britain and Germany." Clearly, however, this argument does not apply to the Roman law context of South Africa. See Wolfgang Streeck, 2001. "Citizenship under Regime Competition: The Case of the 'European Works Councils.'" In K. Eder and B. Giesen, eds. 2001. *European Citizenship Between National Legacies and Postnational Projects*. New York: Oxford University Press. 276 pp.: 122–158; 150, n. 11.

¹¹ The reason for this is that the organization of the "collective corporate individual," or trust, is historically more feasible than its "collective worker individual" counterpart – "one big union." Indeed, the prior organization of trusts makes even industrial unionism that much more unlikely. As intermediary organizational forms, by contrast, "oligopolies" of capital (cartels) and labor (industrial or general unions) share a greater elective affinity.

¹² Cf. Vernon Palmer, 1992. *The Paths to Privity: The History of Third Party Beneficiary Contracts in English Law*. San Francisco: Austin & Winfield: 250 pp.

More decisive in shaping employment rights and influencing the differing postures toward trusts and cartelization is the specific pattern in which each country's dominant economic sector evolved. Thus, the rise of steel in Germany coincided with its nationally strategic importance for rail, manufacturing and armaments, enabling steel magnates to lobby successfully for favorable national policies with the advent of political unification and global recession. The South African War of 1899-1902, fought over the control of gold holdings, spurred the unification of South Africa, as well as further concentration of gold and diamond ownership. Although German steel enjoyed a more substantial domestic market than South African gold, the latter's almost limitless international market dwarfed that of German steel, giving South African mining magnates an even stronger position *vis à vis* the state than their German steel baron counterparts.

At the same time, however, gold producers were much more dependent upon the international gold and financial markets. German cartels enabled employers to pursue long-term employment strategies while forestalling union influence among the workforce; South African mining magnates relied instead on shorter-term contracts with a much more widely recruited labor force as a means of evading formal and informal worker resistance. In essence, German steel was "too protected" from, and South African mining "too exposed" to, international markets. This chapter further argues that the timing of a sector's insertion into the global economy affects the domestic balance of power decisively.

¹³ See Helmut Coing, 1989. *Europäisches Privatrecht*. Munich: Beck. 2 v.: 426 ff.; María Elena Sánchez Jordán and Antonio Gambaro, eds., 2002. *Land law in comparative perspective*. Boston: Kluwer Law International; and Antonio Gambaro *et al.*, 1993. *Propriété, Property, Eigentum*.

The divergence between U.S.-style trust law and German cartel law in the late nineteenth century stands in sharp contrast to the striking parallels, from the 1880s to at least the 1930s, between the U.S. and German steel industries at the plant level, in terms of their forms of work organization, changes in division of labor and authority structure, and their forms of workplace conflict. In the sphere of the workplace, at least, an argument can be made for the Americanization of German steel.¹⁴ Differences in capitalist organization between the two countries therefore become manifest much more at the political level, in forms of contestation and collective action beyond the shop floor among employees, and in the institutional development of employers' organizations.

The practical effects of German and American divergence can be seen in the diverging developments of their respective steel sectors of the late nineteenth and early twentieth centuries. German coal and steel cartelization accompanied geographical concentration of production processes rather than ownership structures; in the United States, the opposite pattern emerged, with ownership concentrating over a far more diffuse geography of production.

The U.S. industry also enjoyed a far larger domestic market, meaning that it enjoyed commensurately greater economies of scale. U.S. workers experienced a tradeoff of higher wages with fewer official claims to managerial input, even if in practice, the skills demanded by the production process in both countries conferred on both workforces a high level of de facto control, especially after World War I. A greater separation of U.S. coal mining from steel ownership, compared with the Ruhr firms,

¹⁴ This is a central argument, elaborated in exhaustive detail, of Thomas Welskopp, 1994. *Arbeit und Macht im Huttenwerk*. Berlin: Duncker & Humboldt.

meant not only greater efficiency for U.S. firms, but also fewer solidaristic ties between workers in the two U.S. sectors. These differences together constitute major factors in the failure of three attempts of “Americanization” of German industry after World War II: the imposition of U.S.-style collective bargaining; the deconcentration and decartelization of Ruhr steel firms; and the attempted veto of codetermination practices.

While acknowledging the importance of the internal sphere of production,¹⁵ this chapter argues that a consequence of the highly engaged and organized employer-state relations characteristic of late industrializers is employers’ greater capacity to ignore or forestall formal employee demands within and beyond the workplace. The cost of doing so, however – in terms of both political stability and economic innovation – increases with each year in which informal worker pressure finds no legal or political expression. Having captured the leading employers’ association, Ruhr coal and steel barons were able to veto works councils, and then the democratic welfare state.

The hybrid form of South African law parallels the ways in which South African industry combined the most regressive aspects of U.S. and German industrial relations. Like the U.S. monopolies, the large South African mining concerns could fire workers at will without paternalistic concern for workers’ well-being or for political fallout. Also

¹⁵ To be sure, the scholarship of Chandler and his followers, from which this chapter draws in its comparison of steel industries, tends to focus too exclusively upon questions of market share and production scale, to the neglect of internal firm dynamics. As Christian Kleinschmidt and Thomas Welskopp have argued, this perspective acknowledges only external market pressures as encroaching upon management’s discretionary behavior and is blind to the ways in which this behavior is encroached upon by the *internal* context of the firm. Markets are valorized, abstracted, separated from “production,” and made deterministic. A modern Weberian – that is, decentralized, multidivisional, manager-controlled – corporation is seen as the “inevitable” outcome of corporate modernization. By making “agency” the sole preserve of upper management, this scholarship fails to explain how the transformation of specific market imperatives into concrete organizational structures actually occurs. Christian Kleinschmidt and Thomas Welskopp, 1993. “Zu viel ‘Scale’ zu wenig ‘Scope.’ Eine Auseinandersetzung mit Alfred D. Chandlers Analyse der deutschen Eisen- und Stahlindustrie in der Zwischenkriegszeit.” *Jahrbuch für Wirtschaftsgeschichte* 1993, 2. 251-297: 293 ff.

like the U.S. concerns, South African mining came to be dominated by a single, family-controlled company – Anglo American Corporation. This domination had the similar effect as well of retarding the development of strong, national “peak” employers’ associations in the model of the BDA or BDI; instead, the South African Chamber of Mines was able to marginalize any competing sectoral interests. Anglo American’s national presence was if anything greater in South Africa than that of its U.S. counterparts like U.S. Steel and Standard Oil, since it never faced even the moderate levels of state regulation and oversight practiced in the United States. This absence of South African legislative activity against either trusts or cartels meant that as in (in fact, to a greater extent than) Germany, cartels could set prices (as in the diamond market) and impose labor repressive measure throughout a sector, and later, throughout the nation.

South Africa’s goldmining randlords could prevent effective freedom of association of their African workforce as a prelude to more sweeping rollbacks of political freedom. Yet this made the introduction of technical training and skills promotion increasingly difficult in the longer term and, more important, increased political risk for the employer class as a whole. As Dick Goss, Managing Director of South African Breweries, Ltd., belatedly observed during that country’s escalating political conflict in 1981, “I think that at this point in time, managements in this country have got to get it right, because if they get it wrong the first time up then they really will have a problem which is going to be extremely difficult to resolve.”¹⁶ This cautiously proactive stance undoubtedly would have helped to reduce industrial and political conflict

¹⁶ David Yudelman, 1983. *The Emergence of Modern South Africa: State, Capital, and the Incorporation of Organized Labor on the South African Gold Fields, 1902-1939*. London: Greenwood Press: 3.

in both contexts – if it had been adopted early enough. Among managers in interwar Germany and in South Africa in the 1940s and 50s, however, such warnings – rare enough to begin with – went entirely unheeded. They had already “gotten it wrong” the first time.

2.3 *Trusts vs. cartels in practice: U.S. and German steel*

In the early- to mid-nineteenth century, the U.S. economy expanded rapidly under conditions of import-substitution industrialization *avant la lettre*, giving rise to the world’s first mass consumer market. This period thus witnessed the first transition from mostly entrepreneur-led to consumer-driven industrialization.¹⁷ In the era of German unification toward the late nineteenth century, the United States and Germany pursued divergent regulatory paths, with lasting effects. In *Scale and Scope*, Alfred Chandler argues that the potential cost advantages of *scale* and *scope* are fully realized only by means of a constant flow of materials through the factory. He defines *scale* as the operation size necessary to reach the lowest cost per unit, and *scope* as joint production economies whereby a range of products are manufactured from similar raw materials in the same production unit, and by means of the same intermediate processes.¹⁸ During the second industrial revolution, the combined advantages of *scale* and *scope* were realized most fully in the formation of trusts in the United States and cartels in Germany.

¹⁷ This transition would not occur in Germany, or most of the rest of Europe, until after World War II. See, *i.a.*, Michael Wildt, 1994. *Am Beginn der 'Konsumgesellschaft': Mangelersfahrung, Lebenshaltung, Wolstandhoffnung in Westdeutschland in der fünfziger Jahren*. Hamburg: Ergebnisse Verlag. 396 pp.

¹⁸ “The two decisive figures in determining costs and profits were (and still are) rated capacity and throughput, or the amount actually processed within a specified time period.” Alfred Chandler, 1990. *Scale and Scope*: Cambridge: Harvard University Press: 24.

The archetypal example of the former is the Standard Oil Trust, established in 1882 out of the Standard Oil Alliance, a federation of forty companies tied to John D. Rockefeller's Standard Oil Company through the interchange of stock and other financial devices. Since the company already had a monopoly, with Alliance members producing 90 percent of America's output of kerosene, Rockefeller established the Standard Oil Trust to rationalize the industry by reorganizing the processes of production and coordinating the flow of materials. The trust's three refineries thereby achieved an output totaling a quarter of the world's kerosene production.¹⁹

Trusts, legally incorporated as holding companies after 1889, came to replace the previously widespread cartels in the United States toward the end of the nineteenth century.²⁰ In contrast to legal practice in Germany and elsewhere in continental Europe, U.S. courts of law did not uphold enforcement mechanisms preventing secret rebates, price-cutting or falsification of books among manufacturers, or manufacturer and wholesaler associations. Laws that did do so were weak, at best. They became further weakened by legislation that was unique to the United States before World War II: the Sherman Antitrust Act of 1890. Even if, as Chandler asserts, the act was "more an expression of fundamental American values than the result of pressure groups at work," it

¹⁹ *Ibid.*, 24-5. The fact that refined petroleum products were "by far" the nation's largest nonagricultural export at this time – with two-thirds of kerosene production exported – would suggest that (America's place behind Britain in international trade notwithstanding) the barrier to cartelization of producer-nation dependence on export earnings was insignificant in this instance. This is also the case for German steel and South African diamonds in the late nineteenth to early twentieth centuries. These examples further suggest that to the extent this barrier is currently operative, developing nations in the post World War II era face qualitatively greater export challenges than comparatively backward countries did at the turn of the century.

²⁰ In sectors such as the hardware industry, among hundreds of others, "more than fifty trade associations managed cartels for as many product lines." *Ibid.*: 72.

nonetheless redefined the continuing interrelationships between the new enterprises within a single industry.²¹

Notwithstanding its name, its effect was to streamline the process of trust formation, and in so doing, reduce the viability of cartels. General incorporation laws, enacted first in New Jersey and following the example of Standard Oil, authorized the formation of nationally operating holding companies that could hold stock of existing corporations chartered in any state. The laws thereby had the effect of centralizing legal control of these constituent firms in a board of directors with legally enforceable decision-making power.²² They thereby enabled the rationalization and centralization of the administrations of the constituent companies. Previously, this had been impossible to achieve within any given trade association, since “members were rarely willing or able to vote to shut down their own plants, to enlarge those of others, or to build factories in which they had no direct interest.”²³

Divergent developments had taken place in Germany a generation earlier. The free incorporation law, enacted on the eve of unification in 1870, required of all *Aktiengesellschaften* (AGs), or joint stock companies, the establishment of both an executive board of management (*Vorstand*) and a supervisory board (*Aufsichtsrat*). Put into effect during an economic boom, the law was designed to rein in the dominant managerial powers of the owners, concentrated in the *Vorstand*. Following the recession of the mid-1870s, the powers of the *Aufsichtsrat* were increased, and its members (elected by shareholders) were empowered in 1884 to appoint members of the *Vorstand* – powers

²¹ *Ibid.*

²² *Ibid.*: 73.

²³ *Ibid.*

they retain to this day. German banks also increased their presence in major German businesses during the recession, both by serving as *Aufsichtsrat* members (with a close supervisory role over investments) and through issuing and trading firm securities, providing firms with long-term credits, and voting through bearer shares.²⁴ Bearer shares became an extremely popular means among owners to render hostile takeovers – and thus, U.S.-style “trustification” – virtually impossible.

At the same time, German cartels developed more extensively, and with a wider array of capabilities, than their counterparts in the United States or elsewhere. In addition to promoting production and sales quotas, and thereby mitigating business cycle extremes, they helped to stabilize profits, reduce competition, and manage the marketing of a given industrial sector’s firms. Germany’s integrated combines were far from competition proof – members of even strong, stable cartels still “haggled over quota shares, chased after productive efficiency, and attempted to reduce transaction costs” arising from their cartels themselves.²⁵ But since they faced smaller market shares than U.S. oligopolies and trusts, they required a greater degree of vertical integration and a more extensive product line in order to survive.²⁶

Where they had once been seen only as necessary emergency measures for managing the effects of the worldwide recession of the 1870s (to which newly unified Germany was much more vulnerable than either Britain or the United States), cartels were

²⁴ The last, a form of proxy voting rights, was established by a financial consortium led by Deutsche Bank and the financial house Delbrück Leo & Co. to facilitate the flotation of the General Electric Company, *Allgemeine Elektrische Gesellschaft* (AEG) in 1887. See Manfred Pohl, 1988. *Emil Rathenau und die AEG*. Berlin: AEG Aktiengesellschaft: 65-77.

²⁵ Jeffrey Fear, “German Capitalism,” in Thomas McCraw, ed., 1997. *Creating Modern Capitalism*. Cambridge, MA: Harvard University Press: 149.

²⁶ *Ibid.*: 148.

legitimized in Germany after the economic revival of the 1890s was well underway. The *Reichsgericht*, or Imperial Supreme Court, argued in its decision of February 4th, 1897,

If the price of products of a given trade sinks too deeply such that the healthy operation of the trade is made impossible or endangered, then the resulting crisis would be ruinous not only for the individual, but also for the economy in general. It is therefore in the interests of the whole that inappropriately low prices do not continue to exist in a branch of industry. . . . [The cartel contract] does not violate the principle of freedom of trade, insofar as the interests of the whole should be safeguarded against the self-interest of the individual A contract of such sort can therefore only be objected to . . . if it is obviously intended to bring about an actual monopoly and the usurious exploitation of the consumer, or if such consequences actually are achieved through the contractual agreement and institution.²⁷

At the precise time that this decision was written, the U.S. Sherman Antitrust Act came to effectively ban not trusts so much as cartels. The law was concerned less with “trusts of production” than with “trusts of distribution”: as long as consumer prices remained low, and consumer access to products remained unhindered, sectoral concentration was allowed to proceed virtually unabated.

The Sherman Act served an additional purpose that the German cartel ruling did not (and did not need to) – namely, to discipline the U.S. labor movement. Well into the post–World War I period, it was invoked to declare strikes illegal and arrest strike leaders.²⁸ In part for this reason, German Social Democratic Party members and unionists looked on cartels as the lesser of two evils, “a ‘dike’ against further trustification,” which

²⁷ *Ibid.*: 149.

²⁸ Sherman Act anti-union activity momentarily increased the allure of shop committees and workers' councils within the trade union left (particularly, after the Russian Revolution), but without lasting impact. See, for example, David Montgomery, 1987. *The Fall of the House of Labor*. New York: Cambridge University Press, p. 402. In solidarity with the railway wildcat strikes of April 1920, waterfront workers in New York issued leaflets declaring: “**Form Transport Workers' Committees in all your shops and docks.** Link them up into local, district and national councils, to take over the management of the industry. Agitate for One Big Union and Shop Committees and Workers' Councils in all the industries. Make it a single **revolutionary** organization, prepared to fight for the overthrow of the rule of the bosses – the millionaires of Wall Street.” (Emphasis in original).

would lead inevitably to “the ‘unbelievably ruthless’ American practice of ‘throwing workers into the streets.’ ”²⁹

After the 1878 Anti-Socialist Laws banning unions and the SDP were lifted in 1890, most German workers could legally organize and had a party of their own, with the notable exception of Ruhr miners and steel workers. However, all workers remained excluded from firm management and national government (until after World War I) and had no access to a mass consumer market. U.S. workers, by contrast, lacked party and management representation but increasingly enjoyed the fruits of a mass consumer market. As the German economist Moritz J. Bonn observed in 1930, the American entrepreneur could

earn as much as he likes, provided that those through whom he makes his money also benefit from it. . . . The authoritarian German capitalism and heavy industry in particular has never allowed others to share in their earnings. Obsessed by technically perfectly correct organizational ideas, it has tried to achieve the removal of all technically dispensable intermediate links. As a result not only the ranks of those who wish to earn a share have been thinned, but also the number of those . . . who [favor] the continuation [of capitalism]. Capitalism in America is certainly not superior ethically to that in Germany. It is merely much more clever economically.³⁰

Recourse to labor-repressive measures was not the only reason U.S. trusts were able to thrive in a largely union-free environment; they also appeared to favor – and indeed, through novel advertising techniques massively extended – a mass consumer market. Confronted with generally higher international competition, German firms relied more heavily on the state for protection while facing greater conflict with other sectoral interests.

²⁹ Robert Liefmann, 1910. *Kartelle und Trusts und die Weiterbildung der volkswirtschaftlichen Organisation*; quoted in Fear, *op. cit.*: 150.

³⁰ M. J. Bonn, 1930. *Das Schicksal des deutschen Kapitalismus*. Berlin: 46 ff.; quoted in Berghahn, 1986, *op. cit.*: 30.

The combination of these factors is illustrated well by the case of the German steel industry. After steel cartels failed to give way to monopolistic trusts, they deployed political power as a means of forestalling, vetoing, and finally openly attacking the nascent Weimar democracy and its welfare provisions. Instead of the higher profits to owners and (presumably) higher wages to employees that would have accrued under more monopolized conditions, German steel's lower profit margins led owners to pursue intensification of production, and their workers to fight for a shorter work week. Accordingly, both sides perceived their interests in a zero-sum relationship, in contrast to the "win-win" ideology governing American productivism.

2.3.1 *Steel cartels in Germany: I. From Kaiserreich to Stunde Null, 1871–1945*

M. J. Bonn rightly privileged heavy industry as archetypal of authoritarian, patriarchal corporations whose "smokestack baron" owners jealously guarded against all forms of outside influence, claim, or control over their latter-day industrialized medieval fortresses, which were dotted over the Rhine and Ruhr valleys. Almost alone among major German corporations, their immense capital requirements outstripped any single bank's capacity to meet them, which (together with their earnings) enabled owners to evade banking control more than most of their counterparts outside of heavy industry were able to do.

On the eve of German unification, the region had almost all the necessary ingredients for a thriving steel sector. These included coal (about forty to fifty workable coal seams about 0.60 to 2.00 meters thick, ranging from very flat to very steep formation, and mined at an average depth of 500 to 700 meters); a centuries-old tradition

of metalworking; and significant deposits of iron ore, particularly, after 1879, which saw the development of the Thomas-Gilchrist process enabling use of lower grades.³¹

Only one factor was lacking: a large and skilled labor pool. Whereas Westphalia was formerly primarily agricultural, the Ruhr industries were to give rise to Germany's largest conurbation by the beginning of the twentieth century, and the region came to have the greatest proportion of immigrants—mostly Poles and East Europeans by origin.³² As is widely documented, the combination of authoritarian workplace treatment and dangerous, difficult, and grueling work conditions for steelworkers and (especially) coal miners, together with the more generalized political repression of Catholicism and socialism, led to an intense loyalty of workers to their co-workers, organizations, and communities.³³

In a rather different way, adversity helped shape the cohesiveness of the manager-owners of the Ruhr firms as well, and to a much more pronounced national effect. Five economic and political crises – the Depression of 1873-1886, World War I, the Ruhr Occupation and attendant hyperinflation, and the Great Depression of 1929 – brought

³¹ Industry survey, n.d., VSt. 4136. The Reich's holdings of iron ore were substantially increased after the Franco-Prussian War in 1871, when Alsace-Lorraine's Minnrite ore mines were taken over by Germany.

³² On the growth of the Ruhr immigrant population in the late nineteenth and twentieth centuries, see Klaus J. Bade, ed. 1987. *Population, Labour, and Migration in Nineteenth- and Twentieth-Century Germany*. New York: Berg; Christoph Klessman, 1978. *Polnische Bergarbeiter im Ruhrgebiet 1870-1945*. Göttingen; J. Kulczycki, 1998. "Working-Class Nationalism among Polish Migrants in the Ruhr Region" in Ray Taras, ed. *National identities and 'ethnic' minorities in Eastern Europe*. London: Macmillan; Kulczycki, J. 1994. *The Foreign Worker and the German Labor Movement: Xenophobia and Solidarity in the Coal Fields of the Ruhr, 1871-1914*. Oxford: Berg. 297 pp.; and Günter Thieme and Hans Dieter Laux. 1996. "Between Integration and Marginalization: Foreign Population in the Ruhr Conurbation" in Curtis Roseman, Günter Thieme, and Hans Dieter Laux, eds. 1996. *EthniCity: Geographic Perspectives on Ethnic Change in Modern Cities*. Rowman & Littlefield Publishers, Inc. 342 pp.

³³ Barrington Moore, 1978. *Injustice: the Social Bases of Obedience and Revolt*. White Plains, NY: M.E. Sharpe.

with them successive waves of rationalization within the industry and a growing reliance upon the state and parastatal associations to solve problems industry was unable to address alone. Even before these crises struck, the German industry faced disadvantages of scale, compared to its U.S. counterpart: a smaller German rail network meant lower demand, sharply reduced even further after the onset of economic crisis in 1873.

Firms compensated by developing a wider range of products, including manufactured final products – for example, Krupp’s armaments production and the machines produced by Gütthoffnungshütte (hereafter, GHH) and Oberschlesische Eisenbahn-Bedarfs-AG.³⁴ Additionally, these firms used an array of employer associations to press for specific business interests, as well as more general anti-socialist ones, in various state chambers.

Indeed, one consequence of the great extent of corporate cross-holdings was that the associations were more successful in presenting particular interests as general ones in the Reichstag – gaining national-level protection and a repressive, militantly anti-Socialist policy toward organized labor – than in agreeing among themselves about more purely sectoral issues. The pig iron syndicate, for example, endured ineffectually for about two decades before dissolving, along with all the other regional associations (except for the Upper Silesia Pig Syndicate), in 1908.³⁵ Similarly, the Steel Works Association, after abandoning a joint marketing plan for some products in 1907, gave up on pricing and output schedules in these same products by 1912, influencing less than one third of steel

³⁴ Chandler, *op. cit.*: 492.

³⁵ Feldman, 1977: 30.

industry production: the “famed Association had become a ‘torso.’”³⁶ The association’s achievements, in fact, were largely negative, preventing nationwide mergers and thus, industry-wide rationalization of facilities and services.

Compared to the U.S. steel industry before World War I, no major plant closings, construction, or expansion occurred in the Ruhr; nor could Ruhr firms achieve the level of corporate rationalization that even Siemens and AEG achieved after their 1904-05 mergers with other firms.³⁷ August Thyssen’s optimistic pronouncement, in a 1902 letter to Carl Klönne – that for Germany, “the time of syndicates [*i.e.*, cartels] is passed, and we must move on to the time of trusts” – was at least twenty years too early.³⁸

Coal and steel cartelization served to promote geographical concentration of production processes rather than ownership structures. As firms sought to achieve independence from cartel agreements (especially production quotas) they pursued vertical mergers. Thus, steel firms acquired their own coal firms in order to evade coal syndicate dictates. Conversely, GBAG, a large coal producer, became a top steel producer before World War I in order to assure a downstream outlet for its output; and steel product manufacturers, such as Mannesmann, bought out smaller steel firms so as to avoid steel cartel prices. In most cases, these acquisitions were geographically clustered, emphasizing unhindered throughput: the prewar German steel industry’s vertical integration enabled firms to reduce transaction costs more than production costs.³⁹ This

³⁶ *Ibid.*: 33.

³⁷ Chandler, *op. cit.*: 494.

³⁸ Treue, *Feuer verloschen Nie*: 140; quoted in Fear, 1997: 195.

³⁹ Chandler, *op. cit.*: 495.

concentration of production had the further effect of promoting concentration of worker housing, neighborhoods, and communities.⁴⁰

More than their U.S. counterparts, the founding families of all the top firms (including Krupp, Thyssen, Mannesmann, Stumm, Klöckner, and Stinnes) retained decisive control over their enterprises in the 1920s, with the assistance of a much larger segment of upper-level management known as *Leitende Angestellte* (roughly, “leading white collar workers”).⁴¹ Company policies of a markedly conservative/reactionary hue became stabilized and entrenched within and across generations as a result. The leading steel families of 1950 were almost identical with those of 1900, and they retained their controlling position in employer associations such as the BDI.⁴²

Chandler observes that in 1900, the degree of concentration of German steel compared to that of the United States, stood as follows:⁴³

Table 1: Combined steel output of two largest national firms, 1900

	Primary steel products	Rails
United States	35%	45%
Germany	18.5%	<20%

⁴⁰ Susan Hilger, 1998. “Welfare Policy in German Big Business after the First World War: Vereinigte Stahlwerke AG, 1926-1933.” *Business History*, Vol. 40, No. 1 (January 1998): 50-76.

⁴¹ The *Leitende Angestellte* were led by an increasingly powerful *Generaldirektor*, or general director, such as Paul Reusch, the manager of the GHH and Haniel works, Albert Vögler of Deutsch-Luxemburgische Bergwerks-Hütten AG, Johann Hasslacher of Rheinstahlwerke, and the elder and younger Springorums of Hoesch. Chandler, *op. cit.*: 491.

⁴² “The network of power and influence which resulted from this structure was reinforced by manifold cross-connections and cross-representations between the various pressure groups and between the supervisory boards of individual companies. . . . In short, we are dealing with a relatively small circle of people.” Berghahn, 1986, *op. cit.*: 7.

⁴³ Chandler, *op. cit.* The two largest U.S. firms in 1900 were Carnegie Steel and Federal Steel; in Germany, Krupp and Deutsch-Luxembourg.

By 1911, the asset structure – following Carnegie and Federal’s merger into U.S. Steel and Thyssen’s establishment of AGHütt, a joint-stock ironworks, and the Gewerkschaft Deutscher Kaiser group (GDK) – had been concentrated further. In 1915, Thyssen began a short-lived experiment in managerial reorganization as an Interessengemeinschaft (IG), or “community of interest” in the manner of IG Farben. This phase soon came to nothing.

Table 2: 1911⁴⁴

		Assets (millions of US\$)	work-force	worker productivity (assets/worker)
United States	U.S. Steel	\$1,050.25	196,888	\$5,334
	Republic	39.22	11,588	3,385
	Bethlehem	44.06	11,802	3,734
	TOTAL:	1,133.53	220,278	Average: 4,151
	Thyssen (incl. GDK)	55.18	32,155	1,715
	Krupp	47.23	61,453	769
	Phoenix	33.43	38,041	879
Germany	GHH	18.88	25,251	748
	TOTAL:	154.72	156,900	Average: 1,028

In 1926, following the economic turbulence of 1921-24, however, Vereinigte Stahl (United Steel; hereafter, VSt.) emerged as Germany’s first corporation resembling a U.S. steel trust, with the mergers of Rheinelbe Union (itself the merger of Deutsch-Luxembourg, Gelsenkirchener Bergwerks AG, and Bochumer Verein), Phoenix,

⁴⁴ Fear, *op. cit.*, p. 223-4; the figures cited on p. 223 are overstated by a factor of 1,000, due, perhaps, to a confusion regarding European decimalization, indicated by a comma, with the U.S. convention, indicated by a period.

Rheinstahl, and Thyssen. Table 3 indicates the degree to which its new total assets had risen in little more than a decade.

Table 3: Company concentration of steel firm assets, in billions of dollars:⁴⁵

		1913	1924	1926
United States	U.S. Steel	\$1.105	1.862	2.019
	Bethlehem	0.057	0.585	0.642
	TOTAL:	1.162	2.447	2.661
	Thyssen (incl. GDK)	0.180	0.136	0.358 ⁴⁶
Germany	Krupp	0.140	0.088	(NA)
	TOTAL:	0.320	0.224	(NA)

The effects of hyperinflation distort the German figures after 1923 but show a similar trend from 1913 to 1926, with both countries' top firms doubling their combined assets. Importantly, however, this similarity obscures differences in productivity levels. These differences, in turn, reflect a basic failure of VSt. to rationalize its managerial structures and operations. While VSt.'s share of the German market fell just short of U.S. Steel's domination of the U.S. market, the German company never came close to attaining the overall productive efficiency and profits of its U.S. counterpart and model. This was typical of the German industry as a whole, both before World War I (figures for 1911, table 2), and after (figures for 1925-26, table 4):

⁴⁵ Total gross fixed assets, adjusted for write-downs. Source for U.S. figures: G. Schroeder, 1952. *The Growth of Major Steel Companies, 1900-1950*. Baltimore: The Johns Hopkins University Studies in Historical and Political Science, Series LXX, No. 2. 244 pp: 216-7. For German figures: Fear, *op. cit.*, p. 207-227.

⁴⁶ This figure is for V.St.

Table 4: Production, wage and employment figures, 1925-26⁴⁷

		Coal	Coke	Pig Iron	Bessemer Steel	Rolling/ Finished Products	Average Salary/ Wage	Total employment
United States	U.S. Steel	32.0	16.6	15.0	19.2	13.5	7,678	249,833
	Bethlehem	6.4	4.5	4.1	5.4	3.9	7,531	60,098
Germany	V.St.	22.9	6.8	4.8	4.9	3.6	2,241	208,546

A major reason for this discrepancy was the German firms' comparatively greater holdings in a much more inefficient coal industry. As Table 4 indicates, while the average annual wage was nearly 3.5 times higher at the U.S. firms, worker productivity (annual revenue per worker) at VSt. was less than half that of Bethlehem, and less than a third that of U.S. Steel. Similarly, while coal production was roughly similar (despite disadvantageous German coal quality and mining conditions), VSt. achieved less than half the output of coke, a third of pig iron, a third of U.S. Steel's steel, rolled and finished product rate, and a quarter of Bethlehem's rate for pig iron, steel, and rolled and finished products. The rationalization drive, intensifying in the mid-1920s, was clearly reaching absolute limits in comparison to the "glistening American example."⁴⁸

⁴⁷ Fear, *op. cit.*: 224. Production figures in millions of tons; rolling and finished product figures include internal consumption within a firm; average salaries and wages are in Reichmarks per worker per year.

⁴⁸ Cf. A. Reckendrees, "Die Vereinigte Stahlwerke AG 1926-1933 und 'das glänzende Beispiel Amerika.'" *Zeitschrift für Unternehmensgeschichte* 41:2. 1996: 159-186. While Reckendrees is correct in observing the crucial difference in strategies of workforce consumption promotion between U.S. Steel and VSt., he overstates other managerial similarities of the two, claiming VSt. to be a successful example of "Americanization."

2.3.2 II. West German steel cartelization and concentration after 1945

As the following analysis shows, German steel concentration reached U.S. levels only after the political importance of steel (and coal, even more so) had diminished. While Thyssen remained closely held among family members until the 1970s, it had diversified to such an extent by that time that steel making was no longer its primary concern. Not coincidentally, the interruption in ownership patterns and trends toward concentration occurred during Allied Occupation of western Germany. As elaborated in Chapter 5, this gap allowed a crucial “breathing space” in which worker participation in company management could become successfully established.

Distinctions between German and U.S. understandings of monopolization, cartelization, and concentration are not only of analytical and historical interest: particularly in this post World War II period of military occupation, they were to have great practical consequences. The belief – maintained by the German left throughout the period of Nazi rule and long thereafter – that the Ruhr industries were crucial to Hitler’s rise to power,⁴⁹ and that their secret and illegal rearmament program explained most of Germany’s economic recovery by the mid-1930s, enjoyed widespread currency among the Allies and broader public opinion after the war.⁵⁰ Although Allies attempts at deconcentration of Ruhr steel failed, they nonetheless left important lasting legacies.

⁴⁹ This belief was popularized to a great extent by Fritz Thyssen’s ghost-written memoir, *I Paid Hitler* (1941), esp. Section II, ch. 5, “My Personal and Financial Relations with the Nazi Party”; on the work’s spurious nature, see Henry A. Turner, Jr., 1969. “Big Business and the Rise of Hitler.” *The American Historical Review*, Vol. 75, No. 1 (Oct. 1969): 55-70; p. 59, n. 12. See also F. Neumann, 1941: 298 ff.

⁵⁰ *Steel* magazine (115:54, Nov. 27, 1944) quoted a report from the U.S. Senate Subcommittee on War Mobilization claiming that industrialists “used the cartel system as a part of a conspiracy for world domination.” U.S. firms, fearing German competition, “entered into a truce with the foreign cartellists. They gave up foreign markets in exchange for protection. Using their cartel affiliates or subsidiaries, German industrialists built up a network which impaired the production of other nations, obtained sources of foreign exchange for Germany, gathered economic intelligence and spread Nazi propaganda.”

In his communication of December 1948 to Garland S. Ferguson, of the Federal Trade Commission in Washington, DC, Hans-Gunther Sohl, board member of VSt., made comparisons of industrial scale between the two countries' steel sectors the basis of his plea to the American commissioner that he advise against deconcentration – a viewpoint held “uniformly by the old combines.”⁵¹ The negotiations on this issue would, he argued, “not only be in the interests of Germany but at the same time contribute to international cooperation and last but not least mean reduced charges for the American tax-payer.”

Claiming that all coal and steel cartels that had engaged in fixing “prices, terms and quotas were dissolved immediately after the war ended” – thus, rendering de-cartelization unnecessary – Sohl insisted that Ruhr steel combines “owe their existence not to political considerations, but . . . have organically grown as a result of economic and technical necessity.” Specifically, given the obstacles of comparatively high coal extraction, ore working, and ore concentration costs, and an unusually heavy dependence on foreign ore supplies, steel combines – principally, VSt., Krupp, GHH, Hoesch, Klöckner and Mannesmann – needed to be organized according to the principle of *Verbundwirtschaft* (compound organization).⁵²

⁵¹ See Sohl's letter from his offices in Düsseldorf dated January 6th, 1949, in VSt. 4136.

⁵²*Ibid.* According to Sohl, some principal elements include the following: “the energy obtained at the blast furnace plant in the shape of electricity and steam is conducted to the coal mine and to the steel works. The blast furnace gas obtained at the blast furnace plant is used for the under-firing of the coke oven batteries whereas the richer coke oven gas is delivered to the steel plant and the manufacturing departments. The production schedules of the individual blast furnace and steel plants are coordinated with the result that . . . the liquid pig iron is conveyed to the appropriate rolling mill in the shape of hot ingots. Essential production and operating groups are connected with each other according to local requirements by means of common coke oven plants for various blast furnace plants or mines, common blast furnaces for various steel plants, common water systems, ore dressing plants, electricity generating plants, railway systems, harbors, slag utilization plants etc.”

Table 5: Further concentration of U.S. and German coal and steel output, millions of tons:

		Coal		Primary steel products
United States	U.S. Steel	1925	32	19
		1938 ⁵³	N/A	29
Germany	V.St.	1927	23	4.9
		1938	27	8.5
	Ruhr total ⁵⁴	1938	36	12
	Germany	1938	175	25

As Table 5 indicates, whereas VSt. never reached even half the aggregate levels of steel production achieved by its U.S. counterpart (and in fact equaled that of the third largest U.S. steel trust, Republic Steel Trust Corp.) by the late 1930s, it did achieve 70 percent of Ruhr steel production and more than three quarters of coal production. Although VSt. never represented more than 35 percent of German ingot production and 15 percent of German coal production, it was by far the largest of the producers – comprising about 50 percent and 20 percent, respectively – of Ruhr production of coal and steel, as a whole. The other combines were considerably smaller; none of them exceeded one fifth of the VSt. production level.

In absolute figures, the 1938 ingot production of VSt. AG amounted to 8.5 million tons, and coal production to 27 million tons. This represented a reduction in VSt.'s share

⁵³ U.S. figures from Schroeder, *op. cit.*: 216, and Fear, *op. cit.*

⁵⁴ These figures exclude about 3 million tons of unfinished steel products and 13 million tons of iron; those for Germany, as a whole, are thus approximations. See N.J.G. Pounds, 1952. *The Ruhr. A Study in Historical and Economic Geography*, London: 19.

of total German steel production: first, because VSt. streamlined its management in 1934 by establishing several fully owned subsidiaries and later, because the Nazi government had already pursued policies discriminating against VSt. in favor of Krupp and the state-established Hermann Goering Works. On the basis of this information, Sohl's claim to Ferguson that "the establishing of the Ruhr combines did not hinder free competition at all, neither among integrated companies nor between the latter and other independent companies" is thus highly deceptive and disingenuous.⁵⁵

Sohl's implication that no significant concentration of ownership or production among Ruhr firms was, as he knew, greatly exaggerated. Contrary to popular opinion about the extent of damage to plants and capital in the Ruhr, Allied bombings did not offset the expansion of capacity and plant modernization that had accelerated during the war. Those plants that had been badly damaged, or disassembled during occupation, replaced open hearth with basic oxygen furnaces, reducing required heating time from six hours to forty minutes. The obsessive rationalization drive undertaken by the steel firms, leading to ever-increasing spare capacity, came back to haunt the owners with a vengeance.

The Iron and Steel Economic Group (*Wirtschaftsvereinigung*) attempted to resolve this multiple crisis on October 12th, 1949 – less than a year after Sohl's plea to Ferguson – with an unusually well-attended meeting at the Eisenhüttenhaus of board

⁵⁵ Sohl also obfuscates the question of concentrated ownership of individual combines by arguing that "two thirds of the shares of VSt., all of them enjoying equal voting power, were held by people holding an average number of only 2 or 3 shares – that is, by men of the street. About 25% of the shares formerly held by Dr. Fritz Thyssen were disowned [sic] by Hitler in favour of the Prussian State." *Ibid.* Of course, effective control could be maintained, in Germany as in the United States, with considerably fewer than a third of all shares – provided that no one else could own as many. The expropriation of 25 percent of Thyssen's shares still left him with 25 percent of *all* shares.

members of the leading Ruhr steel firms.⁵⁶ Chairing the meeting and co-representing Thyssen's Rheinhausen Works, Herr Fugmann argued that the compounded crisis in ownership and production had worsened in late 1949. Therefore, any productivity gains (with crude steel up 28 percent, and rolled steel up 33 percent – to 10 million tons – for the first eight months of the year) were more than offset by a lack of coordination among the firms, the *Länder* banks, and government officials. The crisis of overproduction, with deliveries exceeding orders received by more than 50 percent, threatened basic prices and income streams, so that Thyssen, for example, could continue production levels for at most one month.

⁵⁶ In attendance were board members Beckhäuser and Todsén for Dortmund Hoerder Steel Union; Enzmann for Maximilians Steel Group; Genz, Heemeyer, Hille for Georgsmarien Works; Rohde and Weth for Haspe Works; Elshoff, Roeser and Schäfer for Hörde Works; Eppner, Ginkel, and Knapp for Hucklingen Works; Dänemark, Meyer, and Möllenberg for Ilsede-Peine Works; Bruns and Strohmenger for Oberhausen Works; Fugmann, Vorwerk, Zimbehl, and Stroux for Rheinhausen Works; Goergen and Skrentny for Ruhrort-Meiderich Works; Dudziak, Hennecke, and Janaschek, for Union Steelworks; Berndsen, Gubitz, and Harr from the Dortmund Westphalia Works. Representatives of the Bochumer Verein Works alone were unable to attend. The meeting was chaired by Fugmann, with guest attendance by Minister Solveen, from the Economics Ministry; Ahrens, Salewski, and Henseler representing the Iron and Steel Economic Group; and M. C. Müller, Monden, Martin, Raschbichler, Schäfer, and Wiemann, for the Iron and Steel research division (Fachstelle Stahl und Eisen, or FSE). (Krupp: WA77v1334).

The only antidote, he argued, was a (presumably, temporary) cut in steel production by one third across the board.⁵⁷ After others urged caution against layoffs, which could only exacerbate codetermination demands, a reduction of 10 percent was agreed upon. Like most of the Ruhr's rated steel capacity, the time-honored practice of "haggling over quotas" had survived the war unscathed.

The overriding concern of Sohl and his colleagues during this phase of Allied Occupation was that – from a purely “economic and technical point of view” –

the new groups of plants should be set up vertically like the old combines, as a matter of fact the former “compound organization” between coal mining, coke oven plant, blast furnace and steel plant including the various stages of manufacture should be maintained. The size of the new groups should not underlie any formal restrictions by means of stipulating maximum figures regarding staff and production; the size of the single groups should rather be chosen exclusively according to economical and technical requirements. This would [imply] that the often-discussed maximum ingot steel production of 1 million tons yearly might have to be exceeded considerably in some cases.

Indeed, Allied policy seemed to the industrialists dangerously analogous to a 1948 trade-union memorandum recommending the merger of all disintegrated iron- and steel-producing works into a *Norddeutsche Eisen- und Stahlleitung* (North German Iron and Steel Concern). Such a merger, Sohl claimed, would represent a “striving for the socialization of [the] coal mining and steel industry as a precursor of a state monopoly” and “would be in strictest opposition to the principles of U.S. Anti-Trust Legislation whereas ... this danger does not exist at all with the old combines.”⁵⁸

⁵⁷ Interestingly, Economics Minister Solveen and M. C. Müller of the Iron and Steel Research division (FSE) partially contradicted Fugmann's dire picture: Solveen pointed out that the vehicle and shipping industry orders were favorable and could further expand; and Müller concurred, arguing that for the first time in industry history, an upswing in orders had to come “necessarily from the consumer-side,” but as long as they expected a decline in prices, consumers would delay purchases indefinitely. Anticipating the ECSC, Müller argued that the need for production limitations was greater among the other European countries participating in the Marshall Plan, since Germany was uniquely restrained by the Ruhr Control Authority, whose “production and price controls could serve as a model for an international authority.” *Ibid.*

⁵⁸ Sohl, *op. cit.*

In any event, the modest measures of deconcentration eventually carried out by the Allies proved cosmetic and fleeting. Most restrictions on the industrialists were lifted within a decade, and by the late 1950s, most deconcentrated holdings had returned to their prewar ownership patterns.⁵⁹ For example, although VSt. was taken by the Allies into trusteeship, then divided into twenty-three separate companies with shares divided among Thyssen's heirs, the Thyssen family soon regained control of the major components of the old VSt. portfolio.⁶⁰

Through generous state credits that the industrialists had demanded since 1946, Thyssen (and the other major steel producers) made major new plant investments, and with feigned reluctance, acquiesced to the *démontage* of the older and more damaged works.⁶¹ By 1966-67, August-Thyssen-Hütte AG (or ATH) controlled, under a single firm, all of the major firms previously owned by Thyssen (including GDK, AGHütt, and Thyssen & Co.), finally reversing Allied deconcentration. The company produced 8.6

⁵⁹ As Isabel Warner concludes: while the United States sought the liberalization of "the internal structure of the industry," more broadly, "they wished to integrate West Germany in a European framework so that its economic potential might act as a motor for European productivity, while simultaneously securing it for the Western defense effort." Having bided their time, with Adenauer's assistance, the steel barons could quietly reclaim their holdings in apparent harmony with these geo-strategic ends. "By December 1957 the *Volkswirt* was able to proclaim: 'With the exception of the Vereinigte Stahlwerke [largely replaced by Thyssen], all the concerns have now returned – more or less intact'; . . . by 1958, . . . there were again eight concerns dominating the West German steel industry, which controlled 79 percent of the Ruhr's pig iron production, 75 percent of its steel production, 60 percent of its rolled steel production and 33 percent of its coal production." By separating coal from steel ownership – their only successful intended legacy in this area – the Allies did these firms an immense, if unintended and unforeseen, favor, as coal was a few short years from the verge of massive, loss-making obsolescence. See Isabel Warner, 1995. *Steel and Sovereignty: The Deconcentration of the West German Steel Industry, 1949-1954*. Mainz: Verlag Philipp von Zabern.

⁶⁰ By 1955 this included the Rheinische Röhrenwerke AG (formerly Thyssen & Co.), Hüttenwerke Phoenix AG (formerly AGHütt), Deutsche Edelstahlwerke (formerly Krefelder Stahlwerke), Handelsunion AG (a union of the former trading companies for Thyssen and VSt.), and the former August-Thyssen-Hütte, rechristened August-Thyssen-Hütte AG.

⁶¹ Gabrielle Müller-List, 1990. *Neubeginn bei Eisen und Stahl im Ruhrgebiet*. Düsseldorf: Droste Verlag: 93 ff.

million tons of steel that year, the largest total for a European company and fourth largest in the world, and was the third largest company in West Germany after Volkswagen and Siemens.⁶²

2.4 *The Rise of the Diamond and Gold Industries in South Africa*

While work in the Ruhr steel mills and coal mines was always hard, dangerous, grimy, and exhausting, gold mining on the South African Rand was much more so. And while heavy industry marked the character of the Ruhr in its politics and social life, from the Kaiserreich to the present, gold has had an arguably even greater impact on the Rand and on South Africa as a whole. A Rand miner's complaint at the turn of the twentieth century, if addressed to a wider audience including migrant workers from all over central and southern Africa, would ring true a century later:

[Johannesburg] is a city of unbridled squander and unfathomable squalor. Living is more costly than one's wildest dreams. All the necessities of life are impudently dear. Miners of England and Australia, however poor may be your lot, however dark your present prospects, let no man tempt you to South Africa with tales of the wages that are paid upon the Rand! The wages are high indeed, but the price the workers pay for them is paid in suffering and blood.⁶³

The reasons for this squander and squalor, however, are not unique to South Africa, but explain similar characteristics everywhere in the world economy that precious gems and metals are mined:

Countries producing gold and silver were almost always primitive Strange towns sprang up, . . . [where] the cost of living was ridiculous even for the rich. . . . Neither the miner, nor even the mine-owner could earn a living here, only the merchant who advanced minted coin, rations, and the mercury the mines needed – and who quietly collected his due in metal. . . .

⁶² Helmut Uebbing, 1991. *Wege und Wegmarken: 100 Jahre Thyssen 1891-1991*. Thyssen AG, Duisburg (Berlin: Siedler, 1991) 348pp.: 48 ff.

⁶³ Ambrose Pratt, 1913. *The Real South Africa*, quoted in Charles van Onselen, 1982. *Studies in the Social History of the Witwatersrand 1886-1914: New Nineveh*. London: Longman: vi.

How could things have been otherwise? In the division of labor, *on a world scale*, the trade of miner was the lot of the most wretched and deprived of men. The stakes were too high for the mighty of the world, whoever and wherever they might be, not to make their presence heavily felt. For the same reasons they did not let prospecting for diamonds and precious stones out of their clutches either. . . . If a mining enterprise was set up with any degree of independence (as in medieval Europe) one could be sure that it would be taken over sooner or later by some ring of merchants. The mining world foreshadowed the industrial world with its proletariat.⁶⁴

While Braudel's description of a "strange town" refers to Potosí in Bolivia, it could as well describe Kimberley or Johannesburg, as Pratt's observations illustrate. And although neither Potosí nor Buenos Aires, nor indeed any other South American metropolis, became a mining-based financial center of Johannesburg's stature, Braudel's larger point holds true for South Africa as well. The political and military struggle over the mines gave rise to South Africa as a modern political entity and occasioned its nominal independence from Britain while binding it more closely to a sphere of informal influence and control. For it was not the ownership of diamond or gold mines *per se* that empowered capitalists, shaped their logic of collective action and determined their place in the global economy, nor was it the proximate working conditions in diamond or gold mines, bad though they inevitably were, that determined the depth and extent of miners' exploitation.

Rather, it was the particular role played by diamonds, and even more by gold, in the global economy that both unleashed the frenzied exploitation of these resources in South Africa and simultaneously contained the scope of their local use and development. Diamonds provided unparalleled profit margins, and gold, unparalleled world markets, so that their combined ownership placed transnational industrialists in a position of immense power, and their workers (and even the South African state) in a proportionately weaker

⁶⁴ Fernand Braudel, 1982. *The Wheels of Commerce*. S. Reynolds, trans. London: William Collins Sons & Co. Ltd. 670 pp.: 197-8; emphasis in original.

position. If the mining world foreshadowed the industrial world in South Africa, its effects were to prove highly contradictory. It gave rise, on the one hand, to one of the most organized and powerful capitalist sectors in the world, with one of the most nationally dominant corporations, and on the other, to a progressively weakened working class. The result has been an economy whose dominant “minerals industrial complex” has stifled the emergence of an independently owned manufacturing sector up to the present.⁶⁵

The fact that the discovery and mining of diamonds on a large scale preceded gold mining had important geological causes, as well as significant economic and political consequences. Southern Africa’s insertion within the modern world economy began with Vasco de Gama’s explorations to the region in the late fifteenth century and continued with the wool export markets (and to a lesser extent, copper mining) in the early nineteenth century, which brought with them South Africa’s first rail network. But it was not until the discovery of spectacularly large diamond deposits in 1867 that industrial capital formation increased at a rapid rate. Just as this rate appeared to flag in the face of the global recession of the late 1870s to early 1880s, it revived to new heights in 1886 with the discovery of the world’s most extensive gold deposits along the Rand hills curving north of the Vaal River.⁶⁶

⁶⁵ On the continued dominance of the “minerals industrial complex” upon the South African economy, see Ben Fine and Zavareh Rustomjee, 1996. *The Political Economy of South Africa: From Gold Mining to Minerals Industrial Complex*. Boulder: Westview. 278 pp.

⁶⁶ “Rand” is Afrikaans for “ridge” of mountains, and designates both (in uppercase) the metropolis following the crescent of hills extending from the region south of Johannesburg north to the executive capital, Pretoria, and (in lowercase) the country’s unit of currency.

It was not only the immense extent of these mineral holdings, nor even the machinery, expertise and labor needed for their extraction demanded at the time, but also the timing and sequence of their discovery that shaped corporate South Africa, as a whole, up to the present. These effects took two principal institutional forms: the marriage of controlling gold and diamond interests in the form of the Anglo American Corporation (and its subsequent subsidiary diamond cartel, the Diamond Corporation) and the reconciliation and promotion of mining interests in southern Africa in its employer association, the Chamber of Mines – the oldest, largest and most powerful in southern Africa.

As the following sections indicate, while Anglo American's expansion in gold mining became a crucial means whereby it could stabilize this diamond cartel on a global level, profits from its diamond selling monopoly facilitated its further consolidation, first, in gold mining, and later, in several branches of South African manufacturing. The repressive labor practices with which Anglo secured its rise to corporate hegemony, however, ultimately became fetters constraining its further growth, and its country's further development.

2.4.1 *I. The South African diamond industry, 1867-1917:
from “Diggers’ Democracy” to fragile monopolization*

“ ‘Man cannot move mountains’ – not, that is, without first ‘floating a bond issue.’ ”⁶⁷

The discovery in 1867 of diamonds in the borderlands of the Cape and Free State colonies led to an unprecedented in-migration to the area centering on the settlement incorporated as Kimberley. By 1872, it comprised more than 50,000 inhabitants – becoming the second most populous urban area in southern Africa after Cape Town.⁶⁸ In this brief period, a “diggers’ democracy” held sway, during which the number of small holdings worked in teams of three to five diggers and owned by a wide array of small holders including European settlers, Afrikaners, and even some Africans, grew from 1,700 to almost 3,600. Some plots were as small as seven by thirty feet. Wages rose and fluctuated without regulation, giving rise to the first major labor shortages the region had ever known. By the end of 1871, the Cape had displaced Brazil as the world’s largest diamond producer, and within a year, four major diamondiferous volcanic “pipes” discovered in the Kimberley area – the Dutoitspan, Bultfontein, De Beers and Kimberley Mines – were producing more than six times Brazil’s total output.⁶⁹

Given the entirely elastic nature of demand in this pre-industrial diamond market and its complete lack of regulation both within southern Africa and around the world, a crash in prices resulting from oversupply remained a constant threat and recurrent reality.

⁶⁷ Isaiah Bowman, 1934. *Geography in Relation to the Social Sciences*; quoted in N. Smith, 1984. *Uneven Development: Nature, Capital, and the Production of Space*. Oxford: Blackwell: 61.

⁶⁸ Leonard Thompson, 1995. *A History of South Africa*. New Haven: Yale U.P.: 115 ff; Duncan Innes, 1984. *Anglo American and the Rise of Modern South Africa*. London: Heinemann: 22 ff.

⁶⁹ Innes, *op. cit.*: 23.

Compounding difficulties for mine owners, the overwhelmingly African workers grew more forceful as wages rose, were free to desert contracts in search of better ones, and used earnings to develop a stronger, increasingly profit-oriented independent farming economy.

Over the following decade, the colonial state addressed the problem of labor shortage by imposing “hut” (*i.e.*, household) and poll taxes on Africans and forcibly removing them from their land. When this combination of measures proved insufficient, Africans’ freedom of movement and contract was progressively circumscribed by means of pass laws, dating from the early colonial period and strengthened and enforced with growing vigilance. They not only forbade African employment and residence in any area not registered on the employment “pass,” but also served as a means of depressing wages, since new employers often refused to pay rates higher than those listed on the pass by previous employers. Also in this period, white miners and owners forced those few Africans with independent mine holdings off their property in this period without compensation, and often forced them to return to the same, expropriated mine plots as workers. This overall pattern accelerated over the next half century, leading to the complete destruction of the African peasantry and expanding employers’ control over Africans’ freedom of movement and wages, even before the first apartheid legislation was introduced.

In the 1870s and 1880s, however, although such measures could fitfully address the ever-growing need for labor, they could not solve the problem of unregulated markets and prices. Many of the smaller mine owners went bankrupt; by 1881, the number of

claims declined from almost 3,600 to 71.⁷⁰ With this rationalization came widespread mechanization, allowing intensive digging below 100 feet. To finance the steep increase in capital expenditure, mine owners formed joint stock companies, twelve of which dominated diamond production until 1886, when the price bubble burst and depression set in. Further ownership consolidation was the immediate response: all the companies working the De Beers mine were bought out within a year by the De Beers Company under the chairmanship of Cecil John Rhodes. The crisis further enabled the De Beers Company, backed by the Rothschild Group's financing, to buy out its largest competitor, the Kimberley Mine in 1888, putting De Beers for the first time in a position to attempt total control over diamond sales. But while market prices remained depressed, the only way for the larger companies to revive profits was to take over and shut down mines, firing massive numbers of workers. Of the 37 percent laid off within three years, more than 90 percent were Africans, whose wages declined by 50 percent over this period.⁷¹

While the continuing consolidation of mining ownership and control meant periodic sacking of a large number of miners, something transpired at the turn of the century that was far worse for African workers, and workers more generally, whose legacy was to continue for more than a century. It was the solution that the consolidated mining companies arrived at in an attempt to solve worker desertion and freedom of movement: the compound system.

⁷⁰ *Ibid.*: 31ff.

The closed compound system, modeled as it was around the principles of convict labour, ensured the total isolation of African workers from all forms of social contact beyond the mines. Consequently, it prevented the workers from negotiating with different employers above their wages; it prevented, or at any rate substantially reduced, the possibilities for desertion; it increased the efficiency of the workers by regimenting them even during non-working hours and by controlling their alcohol intake, thereby preventing loss of work-time caused by excessive drinking; and, finally, it provided a new source of revenue for capitalists since workers were forced to spend their wages on food and supplies sold by company-owned stores.⁷²

The compound system remained the exclusive means of organizing non-white labor on the mines until the abandonment of influx control by the Nationalist Party government in the mid-1980s. Even then, in the context of a general shortage of housing, it remained the only option for most miners well into the 1990s; as we will see, housing became a major political flashpoint for precisely this reason immediately after the unbanning of the ANC in 1990.

Indeed, as the diamond market stabilized under the effective control of ever fewer conglomerates, so the compound system grew, extending beyond diamond mines to include coal, copper, and most prominently, gold. The risks of an uncertain diamond market were such, however, that stabilization could not be financed on the basis of the industry's internal holdings alone.

Despite a centralization of production, effective cartelization initially proved to be extremely difficult. In 1873, under Rhodes's prompting as De Beers Chair, diamond merchants established the first Diamond Syndicate to promote a parallel centralization of marketing and sales. The initial success the syndicate enjoyed during Rhodes's lifetime was undermined first by the establishment of an independent mine, the Premier Co., in the neighboring Transvaal Republic in 1902 (the year of Rhodes's death), then more

⁷¹ *Ibid.*: 33.

⁷² *Ibid.*: 37.

ominously, by the founding of a competing, consolidated cartel, the Diamond Regie, in German South West Africa in 1908. De Beers turned to the newly established South African government for assistance in negotiating a settlement among these three major producers, whose quota system was finally agreed upon in August 1914. Within a week, World War I had erupted, and the agreement collapsed.

Three years later, however, the war created an opportunity for the mining companies to scramble for control of German mining interests, in anticipation of German defeat. Anglo American Corporation's ultimate success in controlling these interests and taking over its erstwhile rival De Beers was dependent upon its fortuitous ascendancy in gold mining.⁷³

2.4.2 II. South Africa's Golden Rule: the Second Image of Value Reversed

Gold? . . .
 Much of this will make black, white; foul, fair;
 Wrong, right; base, noble; old, young; coward, valiant.
 . . . This yellow slave
 Will . . . place thieves,
 And give them title, knee and approbation,
 With senators on the bench .
 Shakespeare, *Timon of Athens*, IV, iii.

Gold has held a social power and allure in many societies since Shakespeare's day, if not Timon's. In addition to earning knighthoods for base thieves like Rhodes, the exploitation of South African gold in large measure made Africans black and Europeans white: that is, it recreated and strengthened an international division of labor based on race that cut through South African society. Gold's preeminence as a unit of universal value, as well as a bearer of universal exchange, was standardized and secured within the

⁷³ See *ibid.*: 87 ff.

global capitalist economy, particularly, after Britain's adoption of the gold standard in 1821.⁷⁴ This move, expressing and consolidating the British Empire's position of global economic hegemony over the following century, was soon followed by the introduction of gold coins throughout the Empire.

The South African colonies were no exception, and gold coins were standard currency in the Cape and Natal even before the discovery of gold in the neighboring independent South African Republic and Orange Free State. If production for use is historically and normatively the first "image" of value, and for exchange the second, then production at the behest of international exchange over and above that of local or national need or use may be termed "the second image of value reversed."⁷⁵ As such, it is simply the most concentrated economic expression of imperial rule.

At the incorporation of Anglo American Corporation's predecessor, Consolidated Gold Fields, in 1897, all of the then-premium Rand holdings had been claimed. Ironically, its latecomer status meant that the new company was forced to explore the gold fields of the East Rand, where the gold deposits tended to be deeper. It succeeded in controlling the land where the deposits were located by 1916, but needed foreign financing in order to exploit the deposits fully. Consolidated's director, Ernest Oppenheimer, sought out U.S. financing, which had proven crucial to the early

⁷⁴ The gold standard provided Britain with consistently low real rates of interest; its importance in this regard for modernizing the British state and maintaining its military superiority over its competitors is underscored in Barry Eichengreen and Marc Flandreau, eds., 1997. *The Gold Standard in Theory and History*. New York: Routledge, 340 pp.

⁷⁵ Following Peter Gourevitch's seminal article, "The second image reversed: international sources of domestic politics." *International Organization* 32, 4, Autumn 1978: 881-912.

consolidation of the diamond industry, thanks to the backing of J. P. Morgan & Co.; the new corporate entity was thus named Anglo American Corporation.

The fields, and most mines on them, proved to be so fabulously rich, however, that Anglo's profits enabled it to own or control the majority of the Rand production within two years of the start of excavations, in 1918. In 1919, the eleven mines on the East Rand (out of fifty on the Rand as a whole) produced 27 percent of the industry's crushed ore but almost 70 percent of its dividends. For seventy years, uninterrupted, Anglo would maintain its dominant position among gold producers, nationally and worldwide.

Gold mining – until the late 1880s a negligible industry in southern Africa – provided diamond magnates with an effective long-term solution to the inherent instability of the diamond market. While it was more expensive, on average, to produce a troy ounce of gold than to extract a single diamond carat, gold trumped all other precious commodities for one reason: the Bank of England was the buyer of both first and last resort. This meant that at least, until the abandonment of the gold standard after 1932, the market for gold production was unlimited. The well-founded fears of oversupply that plagued the diamond industry did not apply to gold.

The concerns of gold mining were of a different nature. Whereas the diamondiferous pipes in Kimberley were mined to a depth of about 700 feet (and a perimeter of a mile in length), it was clear to geologists, by the turn of the twentieth century, that the Rand gold veins extended far deeper than that and that some of the deepest mines had the richest yields. For the most part, however, the ore tended to be of a very low grade, so that gold extraction required far more capital expenditure than it had

done in other gold-producing regions – or for that matter, in the diamond industry or any other mining endeavor the world had witnessed. Once the fixed cost of shaft, machines and refining was paid, mine owners could turn to only one source of variable capital in their drive to maximize profits: labor.⁷⁶

After Anglo American bought the ling shares of De Beers in 1929, thereby consolidating control of the diamond and gold industries under one firm, the extension of the “reserve system” political economy on a national scale became complete. Diamonds provided an unsteady but potentially immense source of domestic financing, and gold, a limitless export market. In times of global economic recession or uncertainty, gold provided one of the most stable sources of income of any sector; in global boom times, diamond sales soared. If South Africa’s mines had yielded only gold and not diamonds, the presence of foreign banking and finance undoubtedly would have been greater, bringing with it the risk of a dilution of ownership. If the wealth stemming from gold had not materialized on such a scale, the chances of consolidating the diamond cartel within South Africa would have been slim and domestic agricultural and manufacturing interests would have strengthened *vis à vis* finance.

⁷⁶ The South African gold industry eclipsed and caused the immediate demise of its Brazilian counterpart by 1890, as South Africa’s diamond industry had done a generation earlier. The twenty-year period in which South Africa largely “liberated” Brazil from dependence on a mining economy, 1870–1890, coincides with the decline and demise of slavery in Brazil.

2.4.3 *III. Cartel consolidation: diamonds and gold, 1917 to 1987.*

Once Anglo had absorbed the threat that German diamonds had posed, it made sure to centralize marketing, sales and distribution so as to strengthen and extend monopolization on a world scale. To this end, and with considerable foresight, Oppenheimer established the Central Selling Organization (CSO) in London in 1920. At the time of his death in 1957, other African, Siberian and Australian mines increased output and South African production waned; by 1960, South Africa's total fell below one fifth of world production, and by 1990, less than one tenth of all diamonds were mined in South Africa.⁷⁷ But production was of secondary importance to the control over pricing, purchasing and stockpiling that the CSO exercised so completely.

To be sure, De Beers bought controlling shares of foreign diamond mining companies whenever possible; but mere ownership proved a less effective strategy of market control than that provided by the CSO's control over distribution, marketing and exchange. Even when faced with major threats of defection – such as that of Israeli dealers in the mid-1970s, President Mobutu of Zaire in 1981-83, and even periodic attempts by South Africa's arch-ideological (if not economic) foe, the Soviet Union, to flood the market in the 1970s and 1980s⁷⁸ – through a combination of sanctions and market manipulation, the CSO triumphed over its rivals.

⁷⁷ Deborah Spar, 1994. *The Cooperative Edge: The Internal Politics of International Cartels*. Ithaca: Cornell University Press: ch. 2, "The Power to Persuade and the Success of the International Diamond Cartel," p. 53. Spar analyzes the gold and diamond cartels separately, without making any connections linking the viability of both through the fulcrum of Anglo-American/De Beers; a truly formidable "cooperative edge" thereby eludes her.

⁷⁸ *Ibid.*: 58-72.

After the United States partially abandoned the gold standard in 1934, depreciating the dollar against gold from about \$20 to \$35 an ounce, South Africa increasingly faced a contradiction central to its social structure of accumulation. Gold was essential to the stability of the international financial order; but international efforts at promoting this stability typically destabilized the social base of South Africa's domestic production. The United States designed the postwar Bretton Woods international financial order, placing the gold-aligned dollar at the center of the international currency system, with the aim of stabilizing currency exchange rates and promoting the outflow of dollar balances from participating countries by means of their competition for gold holdings. The system's stability was predicated upon a continuous U.S. trade surplus and a volume of international trade below the total value of aggregate gold holdings.

The first condition was broken in the late 1950s, and the second by the late 1960s. U.S. gold holdings fell from more than \$22 billion in 1950 to below the minimum safety level of \$10 billion in 1971. After failing to stabilize world gold prices, the United States first partially de-monetized gold in 1968 by establishing dual exchange rates: central banks, as the largest holders of gold, would trade at a fixed minimum price of \$35 per ounce, and privately owned or newly minted gold could be traded freely. In 1971, it abandoned fixed exchange rates altogether, thereby ending the Bretton Woods system.⁷⁹

These changes dramatically destabilized the South African economy. At first, in 1969, its gold and foreign exchange reserves soared to \$1.7 billion, more than doubling

⁷⁹ See Barry Eichengreen, 1992. *Golden Fetters: the Gold Standard and the Great Depression, 1919-1939*. New York: Oxford University Press; Hull, *op. cit.*: 178-9; 261 ff.

the level of only six years earlier. The international market for gold sales boomed, and the government began marketing gold Krugerrand coins. But South African attempts to alleviate balance-of-payments constraints could not hope to compete with U.S. attempts to do the same. When *Fortune* magazine announced in 1972 that South Africa was a “gold mine” for foreign investors,⁸⁰ U.S. investments were flooding in: exports more than tripled in value – from \$401 million in 1966 to \$1.3 billion in 1975 – and U.S. FDI (excluding third-country investment) increased from 14 percent to 20 percent over the same period, amounting to \$1.5 billion in 1974.⁸¹ Foreseen by economist Shiela van der Horst, more than three decades earlier, in a path-breaking work, the constraints on economic growth from intensified current account deficits and their implications for cultivating skilled labor were now unavoidable.⁸²

The South African state and major corporate interests faced two options: to radically improve the education and training of the domestic population, or to

⁸⁰ It glowed, “capital is not threatened by political instability or nationalization. Labor is cheap, the market is booming, the currency hard and convertible. Such are the market’s attractions that 292 American corporations and subsidiaries have established subsidiaries or affiliates there. Their combined direct investment is close to \$900 million, and their returns on that investment have been romping home at something like 19 percent a year, after taxes.” J. Blashill, 1972. “The Proper Role of US Corporations in South Africa,” *Fortune*, July 1972: 49.

⁸¹ Hull, *op. cit.*: 263-4.

⁸² Cf. Shiela van der Horst, 1942. *Native Labour in South Africa*. London: Oxford University Press. Recognizing that South Africa’s competitive position depended ultimately upon its skilled manufacturing base, she predicted that the color bar would prove fatal. Van der Horst dismissed the argument that discriminatory measures favoring whites “create employment for Europeans and thereby add to national productivity by assisting the development of unused resources,” maintaining, “If they have any such effect it is offset because these measures prevent the development and full use of one of South Africa’s greatest resources, the labour of her Native population. Moreover, they raise costs and the South African economy is especially vulnerable to cost-raising devices on account of its exceptional dependence upon exports. . . . On this account cost-raising devices are particularly dangerous” (p. 324). She concluded, decades ahead of her time, “Are not all such restrictive measures short-sighted? They involve the creation and maintenance in South Africa of a caste system dependent upon authoritarian action [and] . . . maintained only by the exercise of force. It is a highly unstable condition, promising racial and social strife” (p. 325).

significantly increase the immigration rates of skilled workers. In a departure from “pure” white supremacy, the Nationalist Party regime was reluctant to pursue the open-door policy to skilled whites from anywhere in the world that Australia and New Zealand had followed from the 1950s to the 1970s, out of fear of diluting an already embattled Afrikaner cultural presence.

At the same time, government response to domestic protest led to an increase, rather than relaxation, of restrictions placed on movement and on contract and residency rights of the disenfranchised population. After the Sharpeville massacre of 1960, South Africa faced its first major foreign capital flight, amounting to more than £81 million, or R248 million, a ten-fold increase over the total from the previous three years. From January 1960 to June 1961, gold and foreign exchange reserves fell by more than half – from R315 million to R142 million.⁸³

At the end of this period, the government prevented non-residents from repatriating proceeds of securities sold in South Africa, and residents from remitting funds abroad, as well as imposing other capital controls. Besides banning the ANC and the Pan Africanist Congress (PAC), it began a practice to which it returned at various times over the next thirty years: the detention of suspects (over time, numbering in the thousands) without trial – many, for several months on end.⁸⁴ International isolation increased when South Africa became a republic and left the British Commonwealth. These measures brought international condemnation of the regime to a new level, adding

⁸³ Competing for leadership of anti-apartheid demonstrations with the ANC, its new rival, the Pan Africanist Congress (PAC), organized an anti-pass demonstration at Sharpeville township upon which police opened fire, killing 69 and injuring 180 on March 18th, 1960—many of them shot in the back while fleeing the scene. See T.R.H. Davenport, 1988. *South Africa: A Modern History*. Bergville: Southern Book Publishers: 394 ff.

political precariousness to an already major degree of financial fluctuation. South Africa's earlier posture of using economic openness to ward off political liberalization came to undermine the basis of such economic liberalization.

Short-term financial relief came from two sources: domestically generated loans, with Anglo taking the lead, and foreign banks. In 1961 Anglo's Rand Selection Corporation raised a private loan of £30 million (R95 million), and De Beers purchased over R40 million of government stocks over the following decade. The same year, Barclay's Bank, based in Britain but with major ties to Anglo American, guaranteed Anglo a \$30 million loan, and Chase Manhattan loaned the government an initial \$10 million, before forming an international consortium to lend an additional \$150 million.⁸⁵ Whereas the foreign sources were vulnerable to foreign political contingency and whim, Anglo's finances depended ultimately upon its ability to transcend its mining roots and expand decisively into the manufacturing and industrial sectors. An assessment of its success in this regard requires a review of its continued expansion in the South African economy and overseas.

⁸⁴ *Ibid.*: 396.

⁸⁵ Anthony Sampson, 1987. *Black and Gold: Tycoons, Revolutionaries and Apartheid*. London: Hodder & Stoughton: 87.

2.4.4 *Anglo's industrial expansion*

After achieving a cartel in global diamond sales through the CSO and a leading position in gold production, Ernest Oppenheimer established in 1935 the private holding company from which control of an expanding industrial empire would continue to be maintained—E. Oppenheimer and Son (EOS). EOS maintained direct control over Anglo and De Beers Consolidated Mines and through them, a vast and growing array of subsidiaries. These are financed through the group's Bermuda-based international investment company, Minorco. Like his father before him, Harry Oppenheimer enjoyed veto and initiative power on the fifteen-member Anglo executive committee and exercised it from the 1950s until his retirement in the early 1980s.⁸⁶ Upon Ernest's death in 1957, EOS controlled 40 percent of South African gold production, 80 percent of world diamond production, most of South African coal production and almost 20 percent of world copper production. Mining income still vastly outweighed all other sources combined.

This would change in the 1960s, when Anglo's industrial investments increased by nearly 500 percent, to R290 million, coordinated through its newly established Anglo-American Industrial Corporation (AMIC). Initially, most of this expansion into industry was in upstream mining-related products: electric, hydraulic and mechanical engineering equipment, following the purchase of African Explosive and Chemical Industries (AECI) from De Beers and Imperial Chemical Industries (ICI) in 1929 and the Boart International

⁸⁶ D. Pallister, S. Stewart, and I. Lepper, 1987. *South Africa Inc.: The Oppenheimer Empire*. London: Simon and Schuster: 16 ff.

mining drills company in the 1930s. This was followed by expansion into the metals industry – first, with the establishment of Highveld Steel and Vanadium Corporation, in 1963, still the largest steel producer in Africa;⁸⁷ then, in 1964, with the purchase of Scaw Metals corporation, which specialized in high-end manufactured metal goods. Other new expansions or purchases include one of the country's top three construction companies, LTA; the Mondi Valley Paper Company (in 1967); major stakes in Ford and Chrysler motor manufacturers; and several other mining-related concerns.⁸⁸

Services, food, property and finance became major areas of acquisition or minority control in the 1970s and 1980s with the addition of the Premier Group food company and South African Breweries (SAB, today the world's second-largest beverages concern); Anglo American Properties Ltd.; Barclays National Bank (renamed First National Bank), then the largest commercial bank; Southern Life Association, the fourth largest life insurance company; Johannesburg Consolidated Investment (JCI); and the leading national media companies, to name a few. Along with holdings in North and South America as well as Europe, it is estimated that in 1987 EOS controlled a multinational conglomerate employing 800,000 worldwide with assets in the billions of dollars. At the time it was perhaps the twenty-fifth largest corporation in the world – ahead of ITT, Siemens, and Nissan.⁸⁹ Directly or indirectly, Oppenheimer controlled about 80 percent of all shares traded on the Johannesburg Stock Exchange. No United States, German or indeed European, individual or company ever exercised anything close

⁸⁷ On Highveldt's failure to establish shopfloor stability and consensus during democratization, see ch. 6.

⁸⁸ Pallister *et al.*, *op. cit.*: 7 ff.

⁸⁹ *Ibid.*: 5.

to this degree of domestic control and influence.

But was it enough? Notwithstanding Anglo's dominant position, it was ultimately powerless to insulate South Africa from its increasing vulnerability to domestic opposition and foreign financial instability. While the transition to universal franchise was to take two more painful decades after the free exchange rate-induced economic boom, it was, by that time, clear to state mandarins that the days of Grand Apartheid were numbered. Gold's price spike above \$1,000 per ounce, following the Iranian Revolution and the Soviet invasion of Afghanistan, proved to be a fleeting Indian summer before a protracted price fall, and it remains the record high.⁹⁰

The state's dependence upon U.S. bank-guaranteed short-term loans as a means of easing the balance of payments constraints became even more apparent a decade later when these banks, following the lead of Chase Manhattan, declined to renew the loans for the first time in August 1985.⁹¹ A month later, Anglo Chairman Gavin Relly and several other captains of industry met formally with ANC representatives for the first time in Uganda, in their most open departure to date with official South African government policy.⁹² This meeting marks the beginning of a coordinated phase of negotiated political settlement, culminating in Nelson Mandela's election almost a decade later.

⁹⁰ *Ibid.*: 122. Three years later, the rand fell to five per US dollar; since democratization, it has hovered at around seven to eight per dollar.

⁹¹ Robert Price argues that these "financial" sanctions were the only ones with any real effect upon South African economic performance throughout the sanctions era. See Robert Price, 1991 *The Apartheid State in Crisis*. Berkeley: University of California Press: pp. 226 ff.

⁹² D. Pallister, S. Stewart, and I. Lepper, *op. cit.*: 185 ff.

2.5 Conclusion

“When I say control I don’t necessarily mean 51 per cent.” Harry Oppenheimer.⁹³

The fact that Anglo American Corporation began its monopolization drive earlier and with more success than VSt. had done in Germany mitigated the effects of other constraints on Anglo’s corporate structure in the short term. In the longer term, however, Germany’s transition from Weimar’s heavy industry dominance to the post-1945 “auto-industrial age” was arguably facilitated by Ruhr steel’s failed monopolization.

On the basis of evidence from the two cases examined thus far, together with tangential reference to U.S. experience, the following preliminary conclusions may be reached. Most obviously, the dynamics of concentration and monopolization vary widely according to context. The stability of German cartels before World War II contrasts with the weakness of their American counterparts; the concomitant “failure” of German steel firms to monopolize effectively until after steel production had lost most of its political significance presents a mirror image of early U.S. steel monopolization. *Pace* Chandler (but not the evidence he presents that runs contrary to his argument), there exists no inherent tendency toward product monopolization, dilution, or concentration of corporate ownership, or for that matter, firm specialization or diversification.

Notwithstanding the disruptions accompanying the two World Wars, the German steel industry presents a picture of remarkably stable cartelization during the first half of the twentieth century. Unlike its U.S. counterpart, which was dominated unambiguously by a leading producer from the 1920s onwards, the Ruhr firms depended upon a carefully tended division of market share, product lines, and a largely unanimous labor policy in

⁹³ *Financial Mail*, Special Survey, “Inside the Anglo Power House,” 14 July 1969.

order to resist increasing concentration and rationalization of ownership. Vereinigte Stahl's attempts at ownership and production rationalization in the 1920s, like that of its predecessor Thyssen a decade earlier, failed even before the Great Depression. While the Nazis imposed a rationalization, of sorts, through brute force, upon various segments of German society, such as the unions, the army, and the "racial hygiene" of German society as a whole, they left much of Ruhr industry's ownership structure largely untouched.

In one crucial regard, however, Thyssen/Vereinigte Stahl did contribute decisively to the successful rationalization of Ruhr industry after 1945. One of its leading middle managers, Heinrich Dinkelbach, understood better than most of his contemporaries how hobbled and distorted the industry's rationalization had become; unlike virtually all of them, he perceived Allied occupation to be an opportunity to bring about a more effective rationalization. Supported early and enthusiastically by Gen. William Harris-Burland, Dinkelbach would use the Westzone's North German Iron and Steel Control (NGISC), as a means to this end.⁹⁴

⁹⁴ Surprisingly, given the importance of his intervention at this stage, no full-length study of Dinkelbach's role exists. Many studies of the postwar period have overlooked his significance entirely (e.g., John Gillingham, 1991. *Coal, Steel, and the Rebirth of Europe*. New York: Cambridge University Press).

Of lower-middle class origin, and an early Nazi party member, Dinkelbach nonetheless maintained an engineer's technocratic common sense in the face of Ruhr tradition and Nazi ideology and was seen as a traitor to his industry and class after the war for serving as key aide to Harris-Burland in the NGISC. In many ways, his importance to the reorganization of German steel parallels that of Jean Monnet for the birth of the European Coal and Steel Community (ECSC) shortly thereafter. Indeed, without Dinkelbach's efforts, it is unlikely that Monnet would have succeeded.

See *Internationales Biographisches Archiv* 26/1955: June 20th, 1955; Thomas Lux, 1993. "Heinrich Dinkelbach: vom Lehrling zum Generaldirektor; eine amerikanische Karriere." In *900 Jahre Mülheim an der Ruhr*. Mülheim 1993: 569-587; Müller-List, 1990, *op. cit.*; and Uebbing, 1991, *op. cit.*

The pronounced economic expansion in West Germany accompanied the reorganization of the Ruhr, and undoubtedly, the increased U.S. demand for steel spurred by the Korean War in 1950 facilitated the terms of this reorganization. It is only after German economic liberalization in the 1950s, however, that production of most steel products became concentrated in two firms, which in turn, diversified to such an extent that by the late 1970s, steel accounted for a minor share of turnover and profits.

While there is no apparent relation between any pattern of monopolization (or its absence) and political liberalization, one may conclude more tentatively that a key variable in this connection is aggregate domestic consumption. Specifically, as the size and rate of growth of the domestic market for a given product or sector increases in relation to that sector's rate of domestic or international monopolization, so the scope of labor freedom and political liberalization increases. A converse diminution or stagnation in domestic consumption would correlate with increased authoritarianism. In Germany after 1945, companies emerging from the "second industrial revolution" provided mass consumables typical of Fordism for the first time.

More directly, however, both cases show that employers concentrated in important, if declining, industries become more tempted to resort to industry-wide or state measures to promote labor-repressive measures. As chapter 3 shows in greater detail, Ruhr steel and Rand mining both used their respective employers association to foster an anti-union consensus among a vocal minority within the association, then impose this consensus first upon their industry, then upon the country as a whole.

Like the U.S. steel industry, South African diamond and gold mining were effectively monopolized by the end of World War I; if anything, with the integration of the two minerals under Anglo control, the reach of its global markets extended further than that of most U.S. corporations. Unlike the U.S. context, however, South African industry and the state were the only significant consumers for its major products, retarding the growth of a mass domestic market. Indeed, the South African state was devoted to maintaining labor quiescence, and without a significant domestic market for most of its products, Anglo and the rest of the mining sector changed and diversified almost entirely in response to real and potential threats that (at least until the early 1970s) originated internationally. A continued reliance upon gold and initially, a mostly foreign-born mining workforce, led both Anglo and South Africa to erode their national skills and mass-market base.

It could be argued, following Braudel, that the “value dimension” of the commodities produced dictated the most significant divergence of outcomes between steel-producing corporations and countries and those producing gold and gems. Gold’s fixed price and the unlimited demand for it compelled the Randlords to exploit cheap labor, notably, through a reserve system of permanently fluctuating, disenfranchised migrants. More significantly, the mine owners’ immense profits and power within and beyond South Africa, would deter state actors – let alone any single corporation – from pursuing import substitution industrialization as a primary, rather than complementary, economic strategy.

Yet this argument is overly deterministic. Just as Thyssen could have emerged as the unambiguous industry leader more decisively and a generation earlier than it did, so

could Anglo have more forcefully promoted – rather than resisted – the rights and skills base of its disenfranchised work force. Explanations of both outcomes must go beyond the level of the individual firm or sector and examine the dynamics of the leading employer associations to which they belong, and upon which they rely for achieving industry consensus and state representation. The conflicts among these associations, their workforce and the state over labor, trade and development policies shaped the outcome of economic developments for decades to come.

3.

The Development of German and South African Employers' Associations3.1 *Introduction*

While patterns of monopoly or cartel development in U.S., German, and South African contexts diverge, the overall landscape of sectoral ownership presents at best a very crude picture of how owners and employers organize and articulate economic interests in the political sphere. A further dimension of this process, particularly with regard to the formulation of labor market interests and trade union relations, is to be found through an examination of employer associations. Here, the striking parallels are between Germany and South Africa, whose associations developed a powerful and organized role earlier and more decisively than their counterparts in the United States. Indeed, the success with which individual U.S. corporations were able to lobby state and federal government largely obviated their need for associations to develop to the same extent, so that to this day, there are arguably no true U.S. counterparts.

Another and related similarity between German and South African federations is the degree to which – in the first half of the twentieth century, at least, and in South Africa's case, for a considerably longer period – a geographically concentrated dominant sector was able to successfully claim to represent the interests of national industry as a whole. The story of organized business interests in Germany from the *Kaiserreich* to the *Bundesrepublik* was to a large extent the story of the *Bundesverband der Deutschen Industrie* (BDI) and its predecessors, all centered on Ruhr industry. To an even greater extent, the same may be said of the Witwatersrand-based Chamber of Mines with

reference to organized South African interests. More than mere mouthpieces, these institutions were crucial for the formation of consensus on policies of national interest.

At the same time, they served to amplify the minority interests of, respectively, the Ruhr coal and steel firms and the large gold mining groups (Anglo in particular) on the Rand out of proportion to their total assets, employment, or net income. In different ways, the same “outsider” sectors in both countries – chemicals and auto manufacture based in south-western Germany and the Eastern Cape, clothing and textiles in Saxony and the Western Cape, and more widely distributed light manufacturing and construction – all received proportionately less representation as a result. This was the case despite these sectors’ greater combined value and despite – or rather because of – their divergent labor policy interests.

Section 3.2 examines the evolution of these employer associations in the context of contending areas of economic interest from the late nineteenth century to the post-1945 period. Section 3.3 shows how specific interests came to dominate these national associations from the 1920s, when comprehensive labor legislation became law for the first time in both countries, to the 1950s, when the Cold War divided Germany geographically and South Africa internally. These leading employers’ associations, far from merely reflecting the will of either the government or of the biggest corporate chiefs, constitute autonomous actors in their own right, with lasting political effects within their broader social context. The argument is that, just as backward conditions enabled these sectors to pursue their specific economic interests through the state, so in turn were they able to convert their specific, antagonistic labor market goals into national policy – to the detriment not only of their employees, but of their counterparts in other industries.

3.2 “Close-working communities of interest”: I. German employers’ associations, from Kaiserreich to postwar reconstruction

Germany’s *Interessenverbände*, or associations, whether a sign of employer strength or weakness, have enjoyed a historical and political prominence that is remarkable by international standards. Born of both the long-standing organizational imperative in the face of chronic state weakness and the unfavorable position held by the Kaiserreich in the global economy of the 1870s, these associations increased the density of financial and industrial networks to an unusual degree. The more successful *Interessenverbände* appear throughout modern German history as rocks of permanence in a swirling sea of historical change.

Beneath this mask of stability, however, contradictory and conflicted interests vied for preeminence within associations and across regions. Tariffs presented one major division of interests. In June 1873 the Reichstag passed a law promoted by agrarian and business interests that called for the phased elimination of iron, textile and related tariffs by 1877. In response, several associations were formed – first to protect existing tariffs, and then to expand the range of instruments of protection.

The pioneer and model for these associations was established in the wake of unification in 1871 to address increased textile and iron competition and a temporary coal shortage, with the inclusion of Alsace-Lorraine. Its famous name – the *Verein zur Wahrung der gemeinsamen wirtschaftlichen Interessen für Rheinland und Westfalen* (“Society for the Preservation of Common Economic Interests of Rhineland-Westphalia”), or as Bismarck dubbed it, the *Langnam-Verein* (“Long-Name Society”) –

belied the particular and proximate nature of the interests it promoted, indicative of the tendency of associations to disguise their particular interests as general ones.

Evidently, the Long-Name Society's mere assertion of common interests in its title was not enough. As interests became more precisely defined in the newly expanded nation, associations proliferated. In November 1873, the *Verein deutscher Eisen- und Stahl-Industrieller* combined a number of regional organizations to represent 214 iron and steel concerns nationally; regionally, the Ruhr barons founded the *Nordwestliche Gruppe* in 1874. Later, most of the largest firms, including twenty-nine firms controlling three quarters of steel production, joined the *Stahlwerkverband* (Steel Works Association), established in 1904. Most had been members of the *Rhein-Westfalen Kohlen Syndicat* (Rhine-Westphalian Coal Syndicate – most coal production was controlled directly or indirectly by steel firms), established in 1893, and the Pig Iron Syndicate (1896).¹

An increase in strike activity at the turn of the century (most pronounced in the low-wage sectors of textiles and mining) provoked employers to establish specifically labor-related associations dedicated to breaking strikes and forestalling unionization, consolidated in 1913 into the *Vereinigung der deutschen Arbeitgeberverbände* (Union of German Employers Associations, or VdA). Among VdA members, Ruhr employers constituted a disproportionate number.²

As with the *Langnamverein*, these steel industrialists established a disproportionate influence within the *Centralverband Deutscher Industrieller*, or

¹ Chandler, *op. cit.*: 492.

² Braunthal, *op. cit.*: 8.

Association of German Industrialists, formed in January 1876. The CDI had been dedicated to an increase of industry tariffs and was the first and most successful organization to lobby not only the Reichstag, but also civil servants previously loyal to the aristocracy; its efforts were rewarded with Bismarck's protective tariff policy of 1879. In addition, no other industry had contributed as many presidents to the CDI as Ruhr steel.³ But by 1919, when it was incorporated with the League of Industrialists and the Chemical Association and renamed the *Reichsverband der Deutschen Industrie* (RDI; predecessor to the BDI, founded in 1949), its representation of coal and steel had dwindled, so that the RDI and the *Langnamverein* represented antagonistic interests.⁴ The occupation of the Ruhr also began in 1919, further weakening coal and steel dominance within the RDI.⁵

The Ruhr barons responded with a two-pronged strategy: they maintained a presence within the RDI strong enough to veto consensus on more progressive policies, such as those advocated by the chemical, electrical and engineering industries, but weak enough to disguise responsibility for such unpopular compromises as the Dawes Plan.⁶

³ This outcome was strengthened by the defection in 1883 of the chemical industry, which remained without affiliation until the First World War, as well as that of *Bund der Industriellen* (Industrialists' League), founded in 1895 and supported by non-Ruhr manufacturing interests such as Saxon industrialist Gustav Stresemann. Cf. Braunthal 1965: 6.

⁴ Gordon Craig, *op. cit.*: 86; see also Gerald D. Feldman and Ulrich Nocken, 1975. "Trade Associations and Economic Power: Interest Group Development in the German Iron and Steel and Machine Building Industries, 1900-1933," *Business History Review*, XLIX (1975): 413-45.

⁵ In this section I follow the argument of Bernd Weisbrod, 1978. *Schwerindustrie in der Weimarer Republik: Interessenpolitik zwischen Stabilisierung und Krise* (Wuppertal): 364 ff.; and *idem.*, 1979. "Economic power and political stability reconsidered: heavy industry in Weimar Germany," *Social History*, 4 (2): 241-63.

At the same time, they used the *Langnamverein* to publicly attack the most objectionable RDI policies; in 1925, GHH head Paul Reusch went so far as to advocate an “economic dictatorship” excluding the Social Democratic Party and its union allies and bringing back “yellow” company unions as a means of restoring economic “discipline” – a goal achieved five years later. Most contemporary observers dismissed such sentiments as extreme. Rudolf Hilferding, the leading architect of SPD economic policy, had brashly proclaimed the stability of “organized capitalism” based on class compromise at this time and dismissed the Nazi threat. Ten years later, he paid for his misplaced optimism with his life.

Over-capacity continued to haunt German heavy industry in the period after World War I, although it was initially disguised by political upheaval, Ruhr military occupation, and hyperinflation. Once the state achieved currency stability it became painfully clear that addressing over-capacity through further rationalization and concentration worsened the profit squeeze in a “planned economy of the planless.”⁷ In other words, a combination of blinkered calculations of interest and a roughly equal balance of sectoral forces within Weimar industry meant that different factions were strong enough to veto others’ proposals but too weak to successfully promulgate their own on the basis of minimal consensus.

⁶ The Dawes Plan was presented in 1924 to the Reparations Commission of the Allied nations, and adopted shortly thereafter. Entrusted with finding a solution for the collection of the German reparations debt, set at almost 20 billion marks, the Dawes Plan designated the sources for the reparation money and provided that the Ruhr area would be evacuated by Allied occupation troops, that reparation payment would begin at 1 billion marks for the first year and rise over a period of four years to 2.5 billion marks per year, and that the German Reichsbank would be reorganized under Allied supervision.

⁷ M. J. Bonn, *op. cit.*: 125.

Despite employer claims to the contrary,⁸ wages remained remarkably stable at one third of general steel industry costs throughout the 1920s. Unions responded to the economic turbulence less with demands for real wage increases (which in the event were not met) than with demands for a reduction in overall hours worked.

Particularly because of the great savings presented by maintaining continuous throughput in the steel making process, the length of the working day became the major area of employer-employee conflict. Unions pointed to the dramatic increase in accidents and death associated with twelve-hour shifts and demanded the eight-hour day promised by the 1918 Stinnes-Legien *Zentralarbeitsgemeinschaft* (central labor society, or ZAG). Employers evaded this demand first with temporizing reference to the inflation and hyper-inflation of the early 1920s, then with an outright assault on legal provisions for the eight-hour day. After initial exclusions eroding the eight-hour day were expanded, *Reichsarbeitsminister* Heinrich Brauns attempted in July 1927 to salvage his credibility with the unions by promising to decree the eight-hour day in the steel industry, effective January 1928. This gave employers plenty of time to organize a “capital strike,” pooling funds to arrange for the shutdown of plants should the July 1927 decree go into effect. Brauns reacted by eviscerating his own decree in December 1927 and retaining the twelve-hour day for most workers.

But when Brauns’ SPD successor, Rudolph Wissell, attempted to impose a state-mandated wage increase of 2 to 4 percent the following year, the Ruhr employers responded by locking out almost 250,000 workers rather than with their threatened capital

⁸ G. D. Feldman also reproduces this claim regarding high Ruhr wages, in his otherwise magisterial *The Great Disorder: Politics, Economics, and Society in the German Inflation, 1914-1924*. New York: Oxford University Press. 1,011 pp.

strike. In so doing, they rejected not only the wage increase, but also the government authority to set it. The courts preserved the principle of arbitration, while ultimately siding with the employers regarding the lockout. On the international front, as well as rejecting the Young Plan,⁹ the Ruhr industrialists helped to establish an international steel cartel over the objections of firms that were domestic steel consumers within the RDI. At the same time, they insisted upon fiscal stringency at home – to debilitating effect, since mass unemployment sharply increased in 1929-30, with no improvement in sight. Budget negotiations around this issue collapsed in 1931, bringing down the government of Chancellor Brüning and drawing the Ruhr barons closer to Hitler.¹⁰

The Nazi regime banned Weimar employer associations and replaced them (after feeble attempts at resistance by Krupp) with the state-directed *Betriebsführer* (Firm Leader) association.¹¹ While enhancing the already high organizational level of employers' associations, the Nazi regime had the further effect of radically destabilizing

⁹ The Young Plan – which set the total reparations at \$26.35 billion to be paid over a period of 58.5 years – was adopted by the Allied Powers in 1930 to supersede the Dawes Plan (see fn. 6, above). Designed to provide a definite settlement stipulating the exact extent of German obligations and to reduce the payments appreciably, the Young Plan divided the annual payment, set at about \$473 million, into two tranches— one third of the sum an unconditional part () and a postponable part (the remainder). The annuities were to be raised through a transportation tax and from the budget. No sooner had the plan gone into effect than Germany felt the full impact of economic depression, and a moratorium was called for the fiscal year 1931–32. Hitler defaulted on the unpaid reparations debt soon after coming to power. After Germany's defeat in World War II, an international conference decided in 1953 that Germany would pay the remaining debt only after the country was reunified. In fact, West Germany paid off the principal ahead of schedule, by 1980; then in 1995, after reunification, the new German government announced it would resume payments of the interest. *The Columbia Encyclopedia*, 6th ed., 2002. New York: Columbia University Press.

¹⁰ Weisbrod, 1979: *op. cit.*, 256 ff.: "It was precisely the fact that the social democrats tolerated Brüning that made it impossible for heavy industry to do so. Signs of concession towards the unions that moderate industrial leaders showed in the debate over the forty-hour week were successfully warded off by a general attack on the system of collective bargaining on the part of heavy industry" (p. 261).

¹¹ On the question of whether the RDI and its members disproportionately supported Hitler's rise to power, Braunthal writes: "Although a minority were responsible for direct aid, the great majority supported conservative and often reactionary forces, with another minority backing liberal forces. ... Hitler ... would most probably have achieved power even without the help of the industrialists" (1965: 17). This assessment is broadly echoed by H. A. Turner, 1985.

their formal relationship with government. The relationship between the RDI and the Reichstag had been somewhat analogous to that between lobbyists and U.S. congressional committees: they vet and formulate legislation before it is passed (with at most, minor modifications) in the larger assembly of elected representatives.¹² In fact, industrialists rarely constituted more than 10 to 15 percent of Reichstag members, and even then did so under various party affiliations.¹³

Under Hitler, the *Führerprinzip* became entrenched at all levels of society. Smaller businessmen felt more constrained from differing with their conglomerate counterparts (and were even more constrained from resisting hostile takeovers). At the same time, different sectors of business, increasingly wary of the arbitrariness of Nazi rule, came to identify with each other much more closely.

The initial adversity of Allied occupation facing industrialists in the immediate postwar period – including Nuremberg Trial prosecution, de-Nazification, threats of deconcentration and démontage (i.e., the Allied removal of plant and equipment for their own use) – maintained, and even increased, their intense loyalty and mutual identification. Constitutionalism and Allied occupation denied employers the power to veto democratic institutions after 1945; in fact, several prominent Ruhr industrialists were imprisoned briefly during occupation. In other respects, however, the *Führungsverbände* (the leading or “meta” employers’ associations) – born of late-nineteenth century

¹² But while lobbyists represent only their clients’ interests, the BDI typically represents the interests of its largest members. As Berghahn remarks, smaller firms served the role of “ventriloquists” (i.e., ventriloquists’ dummies) of larger firms’ interests, including during so-called “grass-roots revolts” (1986, *op. cit.*: 7).

¹³ Braunthal, *op. cit.*: 7.

economic adversity and fostered by Weimar economic and political instability and the growing powerlessness and destruction under the Nazis – emerged from World War II “bloody, but unbowed,” and more organized than ever.

It is their capacity to harmonize their specific interests and represent them as national ones that gave this class of German employers’ associations, the *Führungsverbände* their singular power. Throughout modern German history, these associations have been the primary institutional means and expression of interest articulation at the national level. The associations’ postwar comparative advantage – being “certainly... more effective and better organized than their British or American counterparts”¹⁴ – arguably may be extended to include the first half of the twentieth century as well.

In part, this effectiveness may have resulted from a more articulated division of labor. In addition to the CDI/BDI were two other functionally distinct associations. After the VdA was renamed the *Bundesvereinigung deutscher Arbeitgeberverbände* (BdA) in 1950, it continued to focus specifically on labor issues. The second was the *Deutscher Industrie- und Handelstag* (DIHT), or Congress of German Industry and Trade, which served, and serves, as the elected forum in which business representatives meet to discuss issues of mutual interest.¹⁵

Yet with the division of Germany, the economic center of gravity shifted north and west, back to the original stronghold of the Long Name Society. Berlin was isolated;

¹⁴ Berghahn, *op. cit.*: 6.

¹⁵ Also in the postwar period, the smaller and weaker *Arbeitsgemeinschaft Selbständiger Unternehmer* (ASU), Association of Self-employed Entrepreneurs, represents small business interests.

the Saxon manufacturing strongholds were lost to East Germany and Soviet démontage, leaving their counterparts in Bavaria and southwestern Germany without allies from other regions. The British and U.S. occupying governments privileged the Westzone as the economic heart of Europe, to be kept in private hands and out of Soviet ones at all costs. Steel interests most heavily concentrated on the North Rhine and Ruhr thus became among the earliest, and remained among the most powerful organized interests, from the founding of West Germany to at least, the 1960s. The marginalization of other, potentially competing regional and sectoral business interests was a key factor contributing to the particular crystallization of German industrial relations institutions after 1945.¹⁶

3.3.1 II. *The Development of South African Employer Associations*

Like their German counterparts, South African employer associations began in the late nineteenth century and expanded rapidly. Unlike their German counterparts, however, the South African associations consolidated into peak associations much later – largely, because the country’s quasi-colonial status, together with the economic predominance of the gold producers, muted the protectionism-versus-free-trade debates that spurred associational growth in Germany. These debates, moreover, were always inseparable from the context of social and political divisions in the region. Straddling the

¹⁶ Even within contiguous West Germany, Bavaria and Baden-Württemberg both had claim to equal or greater economic importance; they were nonetheless obliged to follow the Ruhr’s lead on matters of national policy, including (prominently) codetermination. On the lesser importance of codetermination for these other regions, see Gary Herrigel, 1996. *Industrial Constructions: the Sources of German Industrial Power*. New York: Cambridge University Press. 480 pp., esp. chapter 5. Herrigel’s persuasive argument that Germany has always had multiple sources of industrial vitality and correspondingly, multiple mediations between industry and politics, anticipates that codetermination as a national model for industrial relations must increasingly come under strain.

major division between colonizer and colonized, the Afrikaner settler communities defined themselves against both indigenous African society and the British Empire; they formed a *demos* before becoming a nation. Afrikaners viewed class politics as an intrinsically “English” import (in the political, more than the linguistic, sense), just as Africans came to view class in intrinsically racial terms. Big business, its interests and organizations, for both communities, therefore, was always already alien and imperial.

The Chamber of Mines, founded in 1887, established its hegemony among South African employers before the founding of the Union of South Africa, playing a major role in the British declaration of war against the Afrikaner republics. It would be only a slight exaggeration to claim for the Chamber the leading role in promoting the new South African state. From 1910 to 1948, its political interests were so consonant with those of Jan Smuts’ South African Party and its successor, the United Party (the two most prominent “English” parties in this period) that it almost never needed to make public representations to the government, much less express disagreement publicly.

Its position of strength among associations of owners and industrialists went unchallenged until the interwar period, when manufacturers began to agitate for more skilled labor, and to this end, for a more liberal policy toward the free movement, education and training of workers restricted by the color bar. Manufacturers based in downstream mining industries (building supplies, wood and paper products, clothing and textiles, etc.), as well as those in electronics and light industry, formed this group's core.¹⁷

Afrikaner business interests in the 1930s and 1940s associated with the Broederbond,¹⁸ responding to both severe economic hardship during the Great Depression and widespread discrimination from economically more powerful "English" employers, organized as a separate business faction and began to make organizational demands upon the state. Afrikaner employers sought not only to unite and harmonize different sectoral interests among the Afrikaner business community, but also to incorporate Afrikaner labor interests (with an association of separate Afrikaner unions) as well. With few exceptions, ethnic identification trumped class interests among Afrikaners in the interwar

¹⁷ These sectoral divisions also corresponded to an extent with geographical ones. For most of its existence, the Chamber of Mines was concerned exclusively with rand-based corporations. Its first incarnation, as the Chamber of Mines of Johannesburg, was founded in 1887, one year after gold was discovered on the Langlaagte farm. With each name change, the Chamber's geographic scope widened, from the Witwatersrand Chamber of Mines (1889 to 1896), to the Chamber of Mines of the South African Republic (1897 to 1901), to the Transvaal Chamber of Mines (1902 to 1952), to the Transvaal and Orange Free State Chamber of Mines (1953 to 1967). Only in 1968, when it formally expanded in recognition of major coal mining in Natal, as well as the much older diamond mines of the Cape Province, did it attain its current name, the Chamber of Mines of South Africa. Although these latter two mining areas were represented by individual companies on the Chamber before the 1960s, its center of gravity always was (and remains) in Johannesburg, Transvaal (now Gauteng). Conversely, agricultural, trade and manufacturing interests have retained greater weight in the Cape and Natal provinces (now Northern Cape, Western Cape and Eastern Cape provinces and KwaZulu-Natal).

¹⁸ Literally, "band of brothers," the Broederbond was the most extensive and important Afrikaner secret society. On the origins and rise of the Broederbond, see Ian Wilkins and Hans Strydom, 1979. *The Super-Afrikaners*. Johannesburg: Jonathan Ball, 458 pp., esp. Parts I and II, 35-340.

and postwar periods. For this reason, Afrikaner business always maintained an official position in favor of the color bar, in line with its party ally, the National Party, and was never in a position to develop a strategic alliance with (English) manufacturing against the Chamber of Mines. This major division among its primary opponents assured the Chamber's continued political and strategic preeminence.

Even within the Chamber, however, cooperation on production quotas and the labor supply did not come easily. Although mining firms had contractual agreements to respect the compound system, the temptation (in the case of larger firms) – or necessity (in the case of smaller ones) – of short-term profits meant that firms often competed behind the scenes with favorable offers of wages, hours and conditions, such as payment of goods. Even after World War I, mining houses disagreed on several substantial policy issues, including contract length, wage scales, and selling strategies.¹⁹

The biggest issue facing employers was the chronic shortage of skilled labor and the appropriate measures to address it. Although periodically discussed before World War II, the issue was muted during the Depression of the late 1920s and early 1930s, which began earlier than in the industrialized North. Although it was partly alleviated through the abandonment of the gold standard, the Depression still led to rapid increases in urbanization and urban unemployment. Wartime mobilization of armed white (and a far smaller proportion of unarmed black) soldiers increased the opportunities for, and presence of, black workers and women in mining and manufacturing to unprecedented levels. Demobilization led to their retrenchment, but shortly thereafter a surge in postwar

¹⁹ This was due in part to a comparative lack of concentrated ownership within the industry at this time. Approximately six hundred firms were established over the first forty-five years of Rand gold mining, and as late as 1932, as many as fifty-seven remained.

growth created even greater demand. The South African Federated Chamber of Industries (FCI), the leading manufacturers' association, led the demand for increased political rights for blacks – short of equal franchise rights – and an elimination of the color bar.

3.3.2 *Manufacturing, mining and labor law*

From the colonial era and the founding of the Boer republics to the Labor Relations Act of 1996, successive administrations in South Africa were challenged by two contradictory impulses. While consistently denying native or “non-European” workers the political and organizing rights that accompany enfranchisement, South African governments nonetheless were compelled to regulate and discipline these workers. Resort to slaves, mostly imported from Indonesia and Malaysia, as well as from South Asia, western Africa, Angola and Mozambique, had satisfied most labor needs in the Cape colony for almost two centuries.²⁰ After 1834, when slavery was banned throughout the British Empire (which by then included the Cape and Natal colonies), master-servant law replaced master-slave law.

For the next seventy-five years, however, the governments within pre-Union South Africa lacked the administrative infrastructure with which to promulgate and enforce such law consistently.²¹ At the same time, moreover, most of the non-settler population had access to arable land that constituted a major source of survival and resistance. With the unification of South Africa in 1910 and the enactment of the Land

²⁰ Nigel Worden, 1984. *Slavery in Dutch South Africa*. Cambridge: Cambridge University Press.

²¹ Marian Lacey, 1981. *Working for Boroko: The Origins of a Coercive Labour System in South Africa*. Johannesburg: Ravan. 422 pp.

Act of 1913, which confined the indigenous population to about 10 percent of the new state's land, the groundwork for enforceable labor law was largely established.²²

Even before the declaration of Union – in fact, scarcely a year after cessation of South African War-related hostilities in 1902 – conferences were convened to address the problem most vexing to employers great and small: the inadequate supply of cheap labor. First, members of the Inter-Colonial Customs Conference of March 1903, and then the Transvaal Labour Commission of November 1903 devoted themselves to the issue. The latter found that the shortage of workers, estimated at 129,000, “is due first and foremost to the fact that the African native tribes are, for the most part, primitive pastoral or agricultural communities who possess exceptional facilities for the regular and full supply of their animal wants.”²³ The mines required, in a word, a proletariat.²⁴

²² While the hut tax and the mass expulsion from free-holding plots following the 1913 Land Act were state instruments necessary to achieve proletarianization, Spar's contention that being “bound by custom to their land and their own occupations, most of the blacks had little interest in working in the mines and no real incentive to do so” is greatly mistaken. Spar, *op. cit.*: 148. Rather, several African rural areas benefited concretely from miners' cash and cattle advances before 1910. See Alan Jeeves, 1985. *Migrant Labour in South Africa's Mining Economy: The Struggle for the Gold Mines' Labour Supply, 1890-1920*. Montreal: McGill-Queen's University Press. 323 pp.

²³ This finding would seem to contradict the adopted recommendation of the March Conference to open up “new sources of supply north of the Zambezi,” *i.e.*, north of South African and Rhodesian territory. The difference, however, lay less in the northern Africans' lack of agricultural talents than in their lack of land on which to exercise these talents. The same uprooted condition made the prospect, endorsed on the recommendation of the Chamber of Mines at the same Conference, of importing tens of thousands of Chinese workers on the mines, so attractive. After almost 100,000 were imported, however, their resistance to harsh discipline underground, combined with widespread revulsion toward the alien workforce among the settler population, led to the repatriation of the Chinese without a renewal of contracts, and renewed efforts at turning the local African population into a landless mining proletariat. See Adam Ashforth, 1990. *The Politics of Official Discourse in Twentieth-Century South Africa*. New York: Oxford University Press: 24-5.

²⁴ As was the case with German paternalism, South African employers' subordination of worker demands took the form of decommodifying the reproduction of labor. Adam Ashforth observes that “understandings of meaning of the individual ownership of productive property in the cultures of capitalist civilizations are indivisible from conceptions of rationality and responsibility underpinning the right to speak for oneself which is the constitutive basis of politics.” Precisely for this reason, individual title to land ownership would “automatically . . . raise the question of allowing individual rights of citizenship within the state.” *Ibid.*: 45.

The problem facing the new state, and the Chamber in particular, was that since the 1850s, a property-based non-racial franchise had existed in the culturally dominant and (until the turn of the century) most populous province of the Cape. Typically well-educated and highly literate men who would be denied the franchise in the other provinces could exercise considerable political power both in and beyond the Cape.

The Cape franchise, together with disenfranchised members of the educated élite and soldiers of the Empire, posed a threat to the overriding plan of land appropriation and pre-emptive disenfranchisement. They proved to be major stumbling blocks in the drive to equate the categories “African” or “Black” with that of worker. For this reason, the 1905 South African Native Affairs Commission Report recommended the establishment of a Native Affairs Department whose “European” commissioner would have the sole power to recognize tribal chiefs and those aspects of “Native Law” beneficial to the state. The Native Affairs Department alone would mediate questions of land ownership, making it “a state within a state.”²⁵ The last remaining vestiges of full citizenship among Africans were eventually subordinated to the status of “native subject,” then removed altogether.

This early legislation was periodically elaborated upon by Parliament in the decades before National Party apartheid legislation. Prominent examples of “paleo-apartheid” legislation include the Native (Urban Areas) Act of 1923, controlling the “influx” of Africans into towns and cities and segregating residential neighborhoods in these urban areas; the Industrial Conciliation Act of 1924, codifying arbitration procedures while excluding “Natives” from the category of “employee,” so as to deny

²⁵ *Ibid.*: 43.

them the right to strike; the 1925 Wages Act, establishing government-determined wages across industries while excluding from coverage domestic workers and farm workers (the largest groups of low-paid African workers, and those entirely subject to the whims of their employers); the 1926 Amendment of the 1911 Works and Mines Act, extending the “Colour Bar” as a means of entrenching job reservation; and the 1932 Native Service Contract Act, extending master-servant law to rural squatters and farm workers, thus, tying them to low-paying farm labor.²⁶

Although Smuts’ government was replaced by a Pact government uniting the (white unions–allied) Labour Party with the Afrikaner Nationalist Party in 1924, legislation before and after 1924 shows remarkable continuity in its drive to restrict the freedom of movement and political scope of maneuver of African workers while excluding them from legal and political categories, rights and processes. The one piece of legislation to which the Chamber of Mines objected during this period was the 1926 Amendment, which sought to favor skilled and semi-skilled white workers over equally-skilled, but lower-paid black workers. The grounds of the Chamber’s objection, of course, were cost rather than racial equality.

Finally, in the late 1940s and 1950s, the Nationalist Party was able to pursue more radically segregationist policies with the ostensible purpose of constructing (putatively) separate and independent polities, the Bantustans. In 1953 it drafted the Native Labour (Settlement of Disputes) Act, reviving the wartime strike ban against African unions and extending it to include penalties for any expression of sympathy or support for African

²⁶ Sheridan Johns III, 1972. *Protest and Hope, 1882-1934*: 146 ff. Volume I of T. Karis and G. Carter, eds., 1972. *From Protest to Challenge: A Documentary History of African Politics in South Africa, 1882-1964*. Stanford: Hoover Institution Press.

strikes by any other individual or group (including registered, *i.e.*, state-recognized, unions). Its aim, Labour Minister Ben Schoeman stated bluntly, was “to bleed African unions to death.”²⁷ More specifically, it was to bleed to death the only major African union at the time, the African Miners’ Union (AMU), founded in 1941. The AMU’s 1946 strike, with roughly 75,000 strikers, was the country’s largest ever to date. Although it lasted only five days and affected only about half of all Rand mines, it provoked a massive police response: over 1,000 miners were arrested, 1,250 injured, and at least thirteen killed.²⁸

Given the overwhelming support such legislation received within parliament, it is remarkable that any significant segment of white opinion should oppose the drive to further impoverish the African working class. More remarkably, the opposition came less from within parliament than within business – its emerging manufacturing sector. Its clearest expression was within South Africa’s largest manufacturing employers’ association, the South African Federation of Industries (or SAFI). Founded in 1917, by the late 1950s it had become a major presence among employers, with more than 50 sponsor and 150 associate member companies (including South African-based foreign affiliates) and over 130,000 employees. While these included some domestic and foreign-affiliate giants such as AECL, Anglo Transvaal Industries, Ford, GM, Goodyear and Iscor, most of the companies were medium- to small-sized, and thus particularly vulnerable to labor supply issues.

²⁷ Thomas Karis and Gail Gerhart, 1977. *Challenge and Violence, 1953-1964*: 53-54; 110. Volume III of T. Karis and G. Carter, eds., *ibid.*

²⁸ Peter Alexander, 2000. *Workers, War and the Origins of Apartheid: Labour and Politics in South Africa 1939-1948*. Oxford: James Currey: 103.

Politically, the decade of 1950s in South Africa was a one of contending nationalisms: in particular, Afrikaner nationalism, as articulated by the victorious Nationalist Party, and African nationalism, represented by the previously quiescent African National Congress (ANC). The two provoked each other in a growing cycle of mutual radicalization, albeit one where the government took the lead. From the banning of the Communist Party under the Suppression of Communism Act in 1950 until its own banning in 1960, the ANC took the lead in mobilizing the populace against the pass system, the Population Registration Act (classifying all residents permanently by race), and the Group Areas Act (classifying all urban areas by race and function).

In legislative terms, the tension between a government based on individual rights and one based on state-sanctioned racial (and later ethnic) estates appeared to be resolved decisively in favor of the latter system.²⁹ A gaping chasm opened up, however, between legislation and implementation. The Tomlinson Commission of 1952 showed that the fiscal and territorial requirements for the creation of viable self-governing “homelands” was on a scale far greater than anything the Nationalists were willing to contemplate, or indeed greater than was economically feasible.

In his 1959 Convention Address, Cape-based manufacturer and SAFI President C. S. Marx expressed unambiguous alarm at these developments. Citing an absolute decline of 4 percent in workforce productivity during the 1950s – in stark contrast to U.S., British and German increases of 13 to 26 percent over the same period – Marx offered a number of causes: the “very gradual” expansion of the domestic market being insufficient to “justify the capital expenditure which has been made”; tariff protection that was “too little

²⁹ Thomas Karis, 1973. *Hope and Challenge, 1935-52*: 403 ff. Volume II of Karis and Carter, eds. *Ibid.*

and too late”; and “the threat of job reservation and the enforced splitting of trade unions along racial lines,” among others. The chronic uncertainties facing management had “to a considerable degree. . . been replaced by some melancholy certainties” such as the certainty that “the inter-racial labour structure upon which industry in South Africa is based is going to be tampered with”; that the State will be unwilling to “reinforce the economy by actively infusing into it European settlers with skill and capital”; and that terms of external trade would worsen.³⁰

But it was the question of a chronic skills shortage to which Marx and his immediate successors repeatedly returned. He observed that the migrant labor influx control system had the primary effect of creating labor shortages, and that promotion of Bantustans “surely depends upon the availability of a much greater volume of resources than the Union has today,” a goal undermined by the other apartheid measures.

More boldly for a leading industrialist of the time, he argued that not only does increased productivity normally lead to increased wages, but that “increases in wages in turn stimulate the search for measures and methods which increase productivity.” Thus, the British, U.S. and German productivity increases could be explained with reference to their setting wages for unskilled workers at 76 to 88 percent of those of skilled workers, compared to 20 percent in South Africa.³¹

The closest government ally of SAFI, the Board of Trade and Industries Chairman A. J. Norval, echoed this theme. Arguing that since the stunted domestic market “must be attributed very largely to the lack of the necessary purchasing power” and that

³⁰ C. S. Marx, 1959. “Address to Convention 1959 By the President.” *South African Federated Chamber of Industries 42nd Annual Report*. Johannesburg: Charter House: 13.

³¹ *Ibid.*: 14.

“national economic salvation” must be sought in the development of a local market for local manufacturing goods, he concluded that it was “of the utmost importance that the largest possible home market be developed, which can only be done by creating additional purchasing power within the country, and only as a secondary consideration should we look to export markets.” In case this argument in favor of increasing black wages was not clear enough, Norval concluded, countering the argument for suppressing independent unions and worker activity with the observation that “crime, communism and ill-health are bred in poverty and in squalid living conditions.”³² Economic nationalism, in other words, would have to trump Afrikaner nationalism.

A statistical analysis of apprenticeships registered with the Department of Labour from 1951 to 1961 underscored the skills shortage, which was exacerbated by a job reservation system that reserved for whites jobs they did not want. For example, it revealed a growing exodus of white workers from the building trades. Similarly, in the mid-1960s, mining employers contemplated for the first time an extension of supervisory functions to African “boss boys” (*i.e.*, disciplinary supervisors of African work crews) in response to a white miner vacancy rate of 5 percent. Surveys by the South African Employers’ Consultative Committee on Labour Affairs between 1969 and 1971 further revealed that major skills shortages, often in excess of 10 percent, had spread to the furniture, motor, metal, clothing and construction sectors.³³ Yet in contrast to the interwar period, when job reservation requirements were relaxed or dispensed with by

³² A. J. Norval, 1959. “Co-ordinated Planning,” In *Ibid.*: 25.

³³ Owen Crankshaw, 1997. *Race, Class and the Changing Division of Labour Under Apartheid*. New York: Routledge: 42 ff.

industry with little government oversight, in the 1960s and 70s the government increasingly enforced them.

The triumph of the South African Chamber of Mines over the Chamber of Industries provides an ironic departure from the post-1945 trend observed by Charles Maier toward a new emphasis upon “productivity” over the previous buzzword of “efficiency.”³⁴ For the mine owners, “efficiency” meant maintaining the lowest wages possible, which alone (in their view) could increase gold “productivity.” Responding to arguments in favor of labor and wage liberalization, such as those of Marx and Norval, Chamber of Mines President C. B. Anderson pointed to the gold industry as the country’s largest, generating almost half of its export income, and warned that “sectional interests” should not “jeopardize the economy as a whole. Efficiency must be our aim and whatever is done to boost the production of anything without this object must be to our ultimate detriment.”³⁵ The Chamber’s priority of low wages over higher productivity per worker continued to be national policy, and the Chamber of Industries became quiescent over the issue throughout the 1960s and 70s. Africans’ real mining wages actually experienced a continuous *decline* over more than sixty years—from 1911 until 1973.³⁶ This represented an even more extreme case of wage repression than workers in Ruhr

³⁴ Charles Maier, 1987, *op. cit.*: 53.

³⁵ C. B. Anderson, 1960. “The Relationship between Mining and Secondary Industry in the South African Economy.” *South African Federated Chamber of Industries 43rd Annual Report*. Johannesburg: Charter House: 36.

³⁶ Frank Wilson, 1972. *Labour in the South African Gold Mines 1911-1969*. Cambridge: Cambridge University Press: 1-11; and *idem.*, 1975. *Labour on the South African Gold Mines*. Johannesburg: SPROCAS.

industries had experienced: real wages in the Ruhr did not regain their higher levels from the late 1920s until the 1960s.³⁷

3.4 Conclusion

“All . . . peculiarities of Western capitalism have derived their significance in the last analysis only from their association with the capitalistic organization of labour. . . . Exact calculation – the basis of everything else – is only possible on a basis of free labour.”³⁸

From 1919 to 1948, the leading German and South African employers' associations were effectively deployed by their more labor-repressive members in order to trump the interests of their more progressive counterparts in manufacturing industries requiring a more skilled workforce. This capacity extended to the ability of the mining and metals interests to veto democracy itself. In the Weberian sense implied in the quotation above, labor repression undermined the basis of capitalism's efficacy and logic.

Rather than argue that labor repression is therefore not typically “Western,” however, the evidence from this chapter suggests that it is a likely occurrence where employer interests become monolithically defined by dominant sectoral interests. This dominance is itself a common attribute of comparatively backward political economies,

³⁷ See Werner Abelshauser, 1986. *Wirtschaftsgeschichte der Bundesrepublik Deutschland (1945-1980)*. Frankfurt am Main: Suhrkamp. 186 pp. The duration of this wage stagnation was probably greater than that of any other European counterpart.

³⁸ Max Weber, [1905] 1958. *The Protestant Ethic and the Spirit of Capitalism*. Talcott Parsons, trans. New York: Charles Scribner's Sons. 292 pp.: 22.

where modernization in some areas – such as technical organization of the workplace – comes at the expense of political and economic liberalization in other areas.

This is nicely illustrated by the dynamics of rationalization in the respective dominant sectors in question. Both the Rand and Ruhr industries pursued autarchic consolidation, in which state support in eliminating competition played a key role. In the Ruhr, vertical and horizontal integration led to, in Robert Brady's words, "a gradual arrogation of national economic power and control to the expanding group [where] the tendency during the post-war [*i.e.*, World War I] period has been to combine coal mining, coking, by-products utilization (heavy chemicals and gas), iron smelting, steel production, production of machinery, and electric power systems into close working communities of interest (*Interessengemeinschaften*)."³⁹

An American contemporary of Brady's, Henry Clay, admired the "Group" system⁴⁰ – South Africa's answer to the *Interessengemeinschaft* – as "a working model of a 'rationalized' industry which, by achieving "the close cooperation of the whole industry . . . has substituted for the blind selection by competition of the fittest to survive, a conscious and deliberate choice of methods, equipment, areas and personnel on the basis of an extremely detailed comparative study of results."⁴¹ Indeed, if anything, Rand mining achieved the ideal of the *Interessengemeinschaft* more nearly than did Ruhr steel,

³⁹ Robert A. Brady, 1933. *The Rationalization Movement in German Industry; a Study in the Evolution of Economic Planning*. Berkeley: University of California Press: 60.

⁴⁰ Under this system, a central financial house "administers companies, . . . provides them with a full range of technical and administrative services, and is able to assist them in finding capital for expansion and development." D. Pallister *et al.*, 1987. *South Africa Inc.: The Oppenheimer Empire*. London: Simon and Schuster: 6.

⁴¹ S. H. Frankel, 1938. *Capital Investment in Africa*. London: Oxford University Press.

facing a lesser challenge from organized labor, fewer competitors in influencing state policy among other employers, and (until the 1950s) a more favorable national and international economic environment.

German steel employers were more constricted in their economic context, since they depended upon state resources – in the form of tariffs, rail, and armaments contracts – for their survival. The value of German steel was determined more by the state than the market. By contrast, just as the identities of individual South African managers and employers tended to be more foreign or transnational than national, so the very forces shaping the value of South African minerals and metals were located in leading financial metropolises of the North, outside the country. In the case of gold, value was imprinted with those of the global economy as a whole – not so much subject to market forces as a market force in its own right.

Backwardness thus expresses several dimensions of unevenness and diminished autonomy. If the prime beneficiary of the gold standard was imperial Britain, it imposed costs on other national economies that became critical during the recession of the 1870s and 1880s and proved intolerable during the Depression of the 1930s. Seeking relief from these pressures, Ruhr steel's state protection and employer association politics in turn imposed disproportionate burdens upon other industrial and regional interests. These effects were repeated in South Africa's enfeebled autonomy from the Chamber of Mines, which effectively dictated national labor, tariff, and currency policy, to the detriment of manufacturing, agriculture and above all, South Africa's black majority workers.

To be sure, important differences distinguish the RDI and the Chamber of Mines. While the Chamber did not speak for South African industry as a whole in the manner

that the RDI credibly harmonized nationwide business interests, it had a far greater role in determining employment policy. This area in Germany became the separate purview of the VdA and after 1945, the BdA.

Differing strategies toward labor informed differences in the organization of sectors. More overtly labor-repressive policies facilitated a greater degree of monopolization in South African mining than in German coal and steel. In contrast to the South African pattern among mining firms, oligopolization in the German steel sector – although one of the most heavily capitalized and strategically important sectors of the pre–World War II economy – did not proceed far with geographic expansion, and even less through expansion into other sectors. Instead, oligopolistic firms intensified their concentration in the Ruhr, accelerated the rationalization of the production process and the workforce, and, finally, having increased repression of workers over a period of years, succeeded in banning unions and escalating reliance upon slave labor during the war.

By contrast, the South African mining industry's stability derived in large part from its capacity to draw upon a seemingly endless supply of migrant labor from across southern Africa and to expand its base within the country to other regions and sectors. The peculiarities of German political economy are not confined to the dynamics of its steel industry; but it is clearly a mistake to view cartelization as merely a "backward" phase en route to modernized monopolization. The South African case shows that vertically and horizontally organized monopolies such as Anglo-American are able not only to coexist with, but even to strengthen, cartels such as the CSO. A small domestic market and high levels of monopolization also characterized the South African mining industry in the early to mid-twentieth century. Given the greater extent to which this

sector dominated the economy, however, it is not surprising that the political ascendancy of the Chamber of Mines as leading employers' association should have been earlier, less contested and more decisive than was the RDI's experience in Germany.

At the same time, the leading mining conglomerate's name seems over-determined. Anglo American was born of both British imperialism and American capital, intensifying a long-standing presence of U.S. products and managers in South Africa, and by the 1980s, it had become the largest foreign corporate presence in the United States.

In the postwar period, U.S. foreign direct investment assumed a proportionately greater presence in South Africa than its already substantial level in Germany. As discussed in the next chapter, the differing posture of U.S. policy toward Germany and South Africa after 1945, both political and economic, accentuates the differences in these countries' developmental paths and the role of labor law in mediating these developments.

4.

Labor Law Failure and Union Response

4.1 *Introduction*

If backwardness presents employers with the (initial) luxury of conflating their particular business interests with those of employer associations to which they belong, their labor movement counterparts face the contrasting dilemma of needing to organize in multiple arenas – the workplace, the political sphere, and in union structures – without being able to rely upon the resources of any one sphere. For the German and South African labor movements throughout much of the twentieth century, a major consequence of this dilemma is that no clear priority emerged among the contending imperatives of workplace and community organization, the securing of strike and unionization rights, and political party participation. The divisions ensuing from this dilemma greatly facilitated the rise of authoritarianism.

This is partly because labor movements suddenly experience a marked increase in organizing and bargaining rights, welfare advocacy, and participation in government, all in a highly compressed time span. Without sufficient networks of solidarity within the workplace or community, or with other segments of the workforce, workers become tempted to rely upon labor law or government allies to realize their demands. Yet such external resources as legal reform and parliamentary advocacy without these networks of solidarity usually prove illusory.

This formula of subordinating solidarity to the state seems to be the essence of Offe and Wiesenenthal's thesis of structural opportunism. Yet even under these specific conditions,

Offe and Wiesenthal's thesis is misdirected. Although workers became increasingly reliant upon state support at precisely the moment that the state's ability to provide such support dwindles, they did not do so passively. Indeed, as this chapter illustrates with reference to the breakdown of labor law norms in both countries, workers accompanied this reliance with increases in strike and protest levels. Employers – the dominant power of the period in question – were moreover primarily responsible for contributing to the breakdown in labor law norms, and by extension, democratic norms, through their opportunistic intransigence toward negotiation with workers.

Backwardness presents labor movements with specific obstacles as well as specific opportunities. Whereas backward conditions imposed on employers the task – “outsourced” by the state – of unifying and homogenizing the workforce, employers instead exploited racial divisions within the workforce for short-term gain, as section 4.5 shows. Labor movements and their allies were therefore left the arduous task of achieving social integration across racial and ethnic lines.

Another major problem for both labor movements was the absence of reliable social-democratic partners in office. Chapter 5 will demonstrate that without strong party allies, employees become obliged – however reluctantly – to rely upon workplace or community resources. Such networks of solidarity further assist these movements in pursuing ethnic integration. Collective employee action in a post-authoritarian phase then builds upon these solidaristic networks to present farther-reaching demands.

In passing through three distinct phases – from turn-of-the-century exclusion to anti-statist syndicalism in the post-World War I period, then to state wage-setting dependency in the interwar period – both countries appear to conform to the first three

phases of structural opportunism described by Offe and Wiesensthal. They move from initially militant and localized conflict to a mixture of conflict and accommodation, to state recognition, validation, then acquiescence of unions. In both cases, the political instability of this third phase gives way to the authoritarian banning of unions and strikes.

If some basic pattern of opportunism confronts most backward labor movements in an identifiably similar fashion, however, these movements draw upon their own unique resources and circumstances in overcoming this pattern. Indeed, the barriers that are associated with a movement's backwardness – prominently, for the cases at hand, South African colonial racism¹ and German patriarchal absolutism – can become sites of contestation and further mobilization. Though resembling class relations in their promotion of social hierarchies, these barriers are separate from, and often in conflict with, the former. The reproduction of class relations is most effectively achieved when the relationship between worker and employer appears to take the form of voluntary

¹ While a racist emphasis upon difference and superiority characterized Afrikaner discourse from the seventeenth to the nineteenth centuries, its more universalized expression, assuming a hierarchy of various peoples of the world, was a uniquely British contribution to South African racist discourse. Thus, accounts of South African history portraying Afrikaners as more backward, and the British more "liberal" and "enlightened," are blind to this crucial analytical dimension. Indeed, until the first years of the Union, the term "race" was typically reserved for distinguishing Briton from Boer, excluding Africans altogether. In the following two decades, "European" was a more common denominator of both groups than "white," which became preferable after the assertion of Afrikaner nationalism in the 1920s and 30s. Before then, "Afrikaner" (Afrikaans for "African") was the defiant identity by which the settlers set themselves apart from the British (and also the Dutch and other Europeans).

Subsequently, apartheid theorists sought to displace the implicit legitimacy of the terms "African" and (more commonly) "native" with "Bantu," an Nguni word meaning "the people." With the passage of the Group Areas Act in 1950, "white" replaced "European" in state discourse, and the whitening of Afrikaner hybridity became complete with the designation of "Colored/Mixed Race"; "Indians" – those with South Asian ancestry – were subsequently termed members of the "Asian" race. See *i.a.* John Cell, 1982. *The Highest Stage of White Supremacy: the Origins of Segregation in South Africa and the American South*. New York: Cambridge; Saul Dubow, 1989. *Racial Segregation and the Origins of Apartheid in South Africa*. Oxford: Macmillan. On the continuity of racist discourse and practice from the British-dominated period to the apartheid era proper, see Pierre van den Berghe, 1965. *South Africa: A Study in Conflict*. Berkeley: University of California Press.

Any use of the any of the above racial terms in the text here refers either to state-imputed or self-imputed identity, or both, rather than a naturalized or presumed ontology.

exchange in the context of a “free” market. By contrast, racial, ethnic or estate-based barriers impede the fluid transformation of contractual and voluntary employment into workplace domination.² These barriers, in turn, serve to promote worker identities and struggles “before” or “beyond” the workplace.

Backwardness is also related to the structure of union organization. Britain’s position as capitalist pioneer state afforded its unions the initial luxury of not needing to merge;³ but this luxury later became an inability to merge.⁴ Both the German and South African labor movements were denied this luxury, and succeeded at critical junctures of their development in unifying for broad-based economic and political gains. While union mergers often facilitate the bargaining process itself, they also may enable labor movements to better pursue political goals and further develop a wider array of functionally differentiated institutions. Thus, whereas T. H. Marshall saw collective bargaining as an *extension* of civil rights that transferred “an important process from the

² Cf. Anthony Giddens, 1972. *The Class Structure of Advanced Societies*. New York: Harper and Row.

³ For example, at the dawn of the twentieth century, the “formation of general textile workers’ unions, such as were common elsewhere, could hardly have been envisaged in Britain, where cotton had long been organized on its own.” Conversely, the “weakness of craft unionism in metals, and the foresight of the continental pioneers of industrial unionism, based on a combination of feeble unions and radical ideology, is demonstrated by the eventual success of continental metalworkers’ unions in organizing the motor industry.” Eric Hobsbawm, “The ‘New Unionism’ Reconsidered,” in Hans Mommsen and H.-G. Husung, eds., 1985. *The Development of Trade Unionism in Great Britain and Germany, 1880-1914*. London: Allen & Unwin, p. 24-25.

⁴ Jeremy Waddington, 1995. *The Politics of Bargaining: The Merger Process and British Trade Union Structural Development 1892–1987*. London: Mansell. 254 pp.: 213. In his discussion of the British union merger process from the late-nineteenth to the late-twentieth centuries, Waddington argues that “the effects of employers’ and state policies coupled to inter-union tensions precluded the adoption of a unified principle of organization.” He frames these effects in the context of the two Kondratieff waves of 1892-1939 and 1948 to the 1990s. This framing arguably gives too much salience to macroeconomic trends, and too little to conjunctures in political development. The Kondratieff waves suggest conditioning factors, at best; their limited utility is shown by the “countercyclical” examples discussed here.

political to the civil sphere,” creating “a *secondary* system of industrial citizenship, parallel with and supplementary to the system of political citizenship,”⁵ industrial citizenship can, and in both Germany and South Africa did, precede civil rights. Indeed, far from being merely supplementary, it may be the crucial *precondition* for the continued exercise and expansion of political citizenship.

The labor movements of Germany and South Africa shared a common condition of “defensive opportunism.” From this shared starting-point, however, they embarked on two distinct post-authoritarian paths. These are provisionally termed “contained engagement” (Germany), where Ruhr-specific struggles yield firm governance structures applied nationally to the rump West German state; and “excluded evasion” (South Africa), in which a transnational workforce and its union structures respond to state exclusion with community struggles. Each pathway entails the development of a characteristic firm governance structure: the German works council, and the South African shop stewards’ committee.⁶

This chapter will focus on the obstacles posed by backwardness and on the way in which they led to different forms of structural opportunism. In chapter 5, I will

⁵ T.H. Marshall, 1964. *Class, Citizenship and Social Development*. Garden City, NY: Doubleday: 93-4; emphasis added. The path-dependent teleology is implied as well, from a rational-choice perspective, by Adam Przeworski and John Sprague, 1991. *Paper Stones*; and Adam Przeworski, 1986. *Capitalism and Social Democracy*. New York: Cambridge University Press.

⁶ As chapter 5 details, German “unity” unionism contributed to neutral councils without official union affiliation, elected by all employees, union and non-union alike; South African shop steward’s committees, by contrast, are openly partisan, representing only union members in a given firm, to the exclusion of rival unions and the unorganized. Germany’s union-affiliated shop stewards, the *Vertrauensleute*, competed with works councilors for workplace influence, but ultimately ceded to them a dominant role. Conversely to German works councils, South Africa’s workplace forums have not taken root, with shopstewards continuing to play a dominant role. Indeed, the respective dominant labor confederation’s official publication name reflects this difference: the DGB’s *Die Mitbestimmung*, and Cosatu’s *The Shop Steward*.

demonstrate the way in which backwardness provided the conditions supporting distinctive patterns of post-authoritarian labor mobilization in both countries—a mobilization in which labor played a major role in expanding the domain of democracy.

Section 4.2 examines the early history of codetermination in Germany. It suggests that while workers did turn to the state to protect their position, the ultimate failure of legally mandated worker representation in German firms was not the product of a decline in worker mobilization (as Offe and Wieselth's model would indicate), but rather the result of a widespread employer intransigence that exploited divisions within the labor movement. Section 4.3 focuses on South Africa, where the search for state guarantees of the labor market position of workers took the form of the racist privileging of "whiteness." The racialized character of the divisions within the German and South African labor movements are described in sections 4.4 and 4.5.

Offe and Wieselth posit a tradeoff between *organization* and *mobilization*. Relying on labor law to protect their organizational gains, labor movements supposedly allow their capacity to mobilize workers to atrophy. This chapter argues to the contrary that this tradeoff exists only to the extent that labor law fails to promote any further social integration of a given workforce. The German and South African cases show that when labor law fails to promote organizational unity across social barriers, Offe and Wieselth's trade-off between quantitative organization and mobilization holds. But when labor law succeeds in promoting organizational unity across racial or other lines that divide workers, it can promote both organization and mobilization.

4.2 *The comparative development of German and South African labor movements: From labor exclusion to ambiguous inclusion*

From the turn of the twentieth century to the onset of the Great Depression, the transition from exclusive to inclusive unionism in both Germany and South Africa was thwarted by both anti-state worker radicalism, and even more, by anti-worker state intransigence. In the period after World War I both of these labor movements were incorporated into national government and national-level decision-making, albeit on an uneven and unsustainable basis. The discursive terms in which workers articulated struggles for autonomy and inclusion, however, were very different.

As detailed below, “codetermination” in the German context implied inclusion within the zone of managerial competence and authority on an equal basis for workers.⁷ The closest parallel in the South African context, with a more recent lineage, was the idea of “civilized” (i.e., European) labor, wages, and treatment. A product of British imperial ideology, appeals to “civilized” status was the currency in which workers from Britain and other parts of the Empire expressed white supremacist entitlement before the discourse of “whiteness” became universal.

⁷ The idea of representation in the body politic by estates, elaborated in Aquinian theology, had its antecedents throughout Europe. Its practice became widespread during the advent of capitalism in the thirteenth century, and was replaced only unevenly by absolutist rule from the sixteenth to eighteenth centuries. It is perhaps no accident that such state corporatism should enjoy its strongest revival in those European countries where a centralized absolutist state was weakest or nonexistent, above all in Italy and Germany.

4.3 *German codetermination: from uncertain birth to certain demise*

Werner Plumpe observes sardonically that codetermination has been the favored stepchild of each of Germany's failed revolutions, starting with that of 1848. Despite this fact, and despite the term's ideological plasticity, its concrete achievement has been much rarer. The persistence of codetermination at the discursive level throughout late nineteenth- and early twentieth-century Germany, when industrial conflict was escalating, stood in contrast to its concrete realization. In part, this may be attributed to the paradox Plumpe identifies, "observable in organizations and elsewhere, that precisely when cooperation appears most important, it is psychologically most improbable."⁸

At one level, this improbability derived from corporatist assumptions themselves. Carl Landauer observes the interesting contradiction among nineteenth century German Romanticist advocates of state corporatism (echoed by their twentieth century counterparts): despite being ardent Idealists and anti-materialists, their belief in representation based on material (profession-based, if decreasingly hereditary-based) estate left no room for representation based on ideas.⁹ Their economic functionalism could not conceive of class or estate traitors among parliamentary representatives. More specific to the interwar German context, however, parties were incapable of cooperating on agendas of reform.¹⁰

⁸ Werner Plumpe, 1999. *Betriebliche Mitbestimmung in der Weimarer Republik. Fallstudien zum Ruhrbergbau und zur Chemischen Industrie*. Munich: Oldenbourg, p. 26.

⁹ Carl Landauer, 1983. *Corporate State Ideologies: Historical Roots and Philosophical Origins*. Berkeley: Institute of International Studies, University of California, Berkeley: 13.

¹⁰ As Ernst Fraenkel despaired on the eve of Weimar's collapse in 1932, "If the current Reichstag were able to accomplish constitutional reform, such reform would be superfluous. Its necessity derives rather from the fact that it is impossible for this Reichstag to carry out constitutional reform." Ernst Fraenkel, 1968. "Verfassungsreform und Sozialdemokratie," in *Zur Soziologie der Klassenjustiz*. Darmstadt, p. 102.

Given the strong interventionist measures the state had taken in promoting industrialization, union leaders felt that they had little choice but to address common problems through state intervention. Codetermination before 1918 became the discursive field in which the vision of state-directed control over the economy was articulated. World War I provided German corporatist practice with its major impetus. The military and industry were forced to grant representative rights to unions in 1916 with the *Hilfdienstgesetz* (Auxiliary Service Law), when hopes for an early victory had vanished.¹⁰

Just as the coal and steel sector developed cartels and associations earlier and more extensive than any other sector of the German economy, legislated codetermination developed first in this sector before being applied throughout Germany. Not only were the coal and steel sectors of highest strategic importance to the German state as the main source of energy, military supplies, and infrastructural material; this importance afforded coal and steel employers a greater degree of intransigent opposition to workforce demands. It was this employer opposition, not the “structurally opportunist” privileging by workers of organization over mobilization, that is the main cause for the failure of Weimar-era codetermination, as the following pages will demonstrate.

4.3.1 *Codetermination in theory and practice, 1916-1934.*

¹⁰ The law recognized bargaining rights and minimum wages in coal and steel for the first time. In that year, Wichard von Moellendorff, advisor to Social Democratic Minister of Economics Rudolf Wissell, published *Deutsche Gemeinwirtschaft*. This pamphlet, together with that of his postwar economics ministry colleague Walter Rathenau (*Der neue Staat* 1919), was among the first to try to marry representative democracy to corporatist organization, rather than replace the organs of the former with those of the latter. Both works envisioned parliament in a supervisory role over an officially organized and sanctioned parliament of industry, labor and commerce (*Fachparlament*), constituting a corporatist *Fachstaat*.

Moellendorff and Rathenau advocated a continuation of wartime tripartism in contrast to more conservative nationalists who favored a return to the more anti-labor *status quo ante*, and other liberal industrialists who recognized labor rights but wanted a minimal state role in their regulation. Instead, an advisory (and thus not strictly corporatist) version of this body was established by the SPD-led parliament called the Economic State Council (*Reichswirtschaftsrat*).

I. Labor courts and national labor law reform

The basic dilemma facing German unions after 1916 and even more after 1918 was whether to concentrate upon workplace organization or national legislation to pursue gains in wages, hours and conditions. Partisanship exacerbated this dilemma and led to unbridgeable rifts within the unions themselves.¹¹ While significant, such antagonisms at the national and party-political levels might have been manageable if responsive and effective works councils had transformed shop floor relations and brought real gains in wages and conditions. Functioning works councils would have served as an effective counterweight to party dissensus and disarray. Instead, this disarray exacerbated works councilors' adversities on the shop floor, which in turn increased their reliance upon party and legal mechanisms for their basic survival. In short, it was difficult for councilors to live with the left-wing parties in the interwar period, but it proved impossible to live without them.

Chapter 2 demonstrated that the main reason for employers' rejection of state bargaining and arbitration mechanisms was a fatal intersection of the steel barons' effective power – within the RDI and associated employers' associations – to veto union rights and social welfare provisions, together with structural overcapacity in the steel sector. This hostility also cut off the main extra-legal channel for realizing labor movement gains at the workplace – the works council. Such hostile influence extended beyond the steel sector, however, to encourage similar employer intransigence among

¹¹ ADGB leaders were compelled by the SPD in office to adopt the latter option, at least initially; but their difficulty in doing so was compounded by legal ambiguity in the distinction between local and national; by state fiscal and monetary crises compounded by inflation and hyperinflation; and by criticism of the SPD from the left by the Independent Social Democrats, and subsequently the Communists.

more “modern” sectors such as chemicals, for example.¹³ In other words, the fault of industrial relations collapse lies less with labor law itself, or even the proximate conditions of the Great Depression, but rather with fundamentally uncooperative employers. The Weimar judicial officials who decided labor law cases in turn mirrored employers’ hostility toward workers and their representatives. This is hardly coincidental, since both groups came from the same bourgeois social strata that were historically antagonistic to democratic practice. Between them, these groups blocked the main avenues of address – the firm, and the courts – through which workers could pursue their interests.

Despite the relatively late achievement of basic labor-associated liberties, German labor law emerged in a context of highly developed state and legal theory. It thus began at a level of great sophistication beyond that of comparatively crude collective bargaining restricted to wages and conditions. The Stinnes-Legien Agreement of October 22nd, 1918, for example, contained provisions for employers to recognize only independent unions, to cease anti-union activity and cooperate with them on an industry-wide basis, and to fix working conditions by means of wage contracts. Further, this agreement contained provisions for the eventual introduction of the eight-hour workday and the establishment

¹³ It could be argued that, as a highly skilled “labor aristocracy,” steel workers were in an unusually strong position to press their demands for work time reduction, while neglecting (or being unable to address) the problem of structural overcapacity in steel. The works councils, in this view, as effective amplifiers of shop-floor strength, would assist the former but not the latter ends. This thesis is undermined by a closer examination of two other important and highly cartelized sectors, chemicals and coal mining. Like steel manufacture, the chemicals industry is characterized in the interwar period as today by an array of highly skilled, complex and interlocking production tasks. Unlike steel, these jobs do not tax the physical strength and safety of workers at the same level, and historically were not so closely associated with punitive or labor repressive managerial tactics. Danger, difficulty, and punishment-centered labor discipline all characterize coal mining in this period as well – and most mines were owned and operated by steel companies anxious to maintain a steady supply for the steel mills – but mining was deemed less skilled and commanded considerably lower wages and qualifications than the other two sectors. Neither skills level, nor sector, nor individual owner profile may be attributed to the failure of codetermination, but rather a more pervasive hostility among employers across these sectors rendered the participatory institutions unworkable. See Werner Plumpe, 1999, *op. cit.*: 400 ff.

of Works Committees in firms with more than fifty employees, as well as of an arbitration system for the settlement of industrial disputes. In return for these guarantees, unions promised to suspend all demands for a nationalization program. The agreement used the language of consensus and the “surpassing” of class conflict under the aegis of a *Zentralarbeitsgemeinschaft* (centralized works community, or ZAG), and notwithstanding changing realities on the shop floor, this discourse of consensus held sway for the following six years and informed employers’ promotion of a *Werksgemeinschaft* (factory community; see section 4.3.3 below).

This agreement represented the beginning, not the end, of labor-related institutional innovation;¹⁴ and such “post-liberal” innovations were all the more necessary in the face of party-political weakness.¹⁵ Hugo Sinzheimer is the towering theoretical pioneer of the field, and his influence was to extend far beyond the German context. His authorship of Article 165 of the Weimar Constitution – articulating the basic rights of workers to free expression and participation – represented the culmination of almost a decade of theoretical development. Central to his philosophy was the importance of a legally articulated sphere of social and labor rights to complement political rights as drafted in a constitution. Yet the reach of this constitution was far from complete. The legal sphere in

¹⁴ By comparison, the comparable provisions were secured almost two decades later in the United States by the Wagner Act of 1935, whose basic components were restricted under the Taft-Hartley Act of 1947 and have yet to be surpassed by further legislation.

¹⁵ Franz Neumann, “The Change in the Function of the Law.” *Zeitschrift für Sozialforschung*, 6, no. 3 (1937); in W. Scheuerman, 1996: ch. 4, p. 101-141: 123. For Neumann, this loss of national unity accompanying the ZAG meant not only “the end of bolshevism but also meant the end of the possibility of any kind of socialism.” *Ibid.*

which Sinzheimer and his colleagues developed labor law was, during Weimar and earlier, a highly uneven constellation of only loosely imbricated jurisdictions.¹⁶

Among the consequences of this unevenness is the fact that before any court hears a case, it must first determine whether it has proper jurisdiction over that case; to such determinations belonged “the most difficult problems of German law.”¹⁷ Labor law during the Weimar period was among the worst areas in this regard, since labor law disputes were “to a considerable extent . . . struggle[s] between private law and public law, veiled under a mask of disputes over jurisdictional and procedural problems.” These disputes had the effect of challenging the legitimacy and capacity of the state as a whole. Such dissensus was further magnified by a number of particularities of German labor law.¹⁸

¹⁶ Where U.S. Constitutional law is characterized by a unified, hierarchical and concentric series of integrated legal domains at the national, state and local levels, German law “recognized co-existent ‘highest’ courts but no universal Supreme Court in the American sense” and distinguished fundamentally between private law courts, presiding over questions of private and criminal law, and public law “administrative” courts. Each type “represents an independent system with its own courts of appeal and review instances.” As such, the German legal system was among the least rationalized aspects of the unified German state in the late nineteenth and early twentieth centuries. Ernst Fraenkel, 1946. “The Labor Courts in the German Judicial System,” p. 4; introductory chapter to *German Labor Courts* by Frieda Wunderlich. Chapel Hill: The University of North Carolina Press, pp. 3-20.

¹⁷ *Ibid.*: 6.

¹⁸ Among the most prominent of these is the provision that “in labor cases, even in the highest court, laymen serve as associate judges, a legal rule unparalleled in the German court system,” whereby the lay judges are experts in the “laws of everyday life” and determine “questions of fact,” while collaborating with “learned” colleagues who determine “questions of law”—for both, questions of social justice and settlements based on voluntary agreement of the parties involved take precedence of questions of legal precedent. To be sure, lay judges in these cases are more likely to have working-class perspectives or work with working-class constituencies than their learned counterparts. In this regard, they serve the democratic social function of American juries or attorneys. Fraenkel observes that “the central figure in all German trial court proceedings is not the attorney but the judge,” so that from “a sociological point of view, American law must be characterized as ‘attorney law,’ German law as ‘judge law.’” *Ibid.*: 12.

German judges were and are in many ways subordinate to the state bureaucracy, and the popularity and legitimacy of this heritage of state absolutism may be seen in the fact that labor and other progressive forces within the Weimar Republic looked on the labor court statute as one of the proudest achievements of German democracy, [while] the Hitler regime did not substantially alter the German labor court statute of 1926 but rather borrowed some of its most characteristic provisions for his general law of civil procedure.¹⁹

The perception among much of the working class of Hitler's policies as more conservative than radical may explain why most did not grasp the magnitude of the threat Hitler presented. Labor law's juridical crisis in fact preceded Hitler's rise: it could not surmount the vicious cycle of the unions' increasing reliance upon court arbitration weakening the independent democratic sources of labor strength (especially, strike activity) and in turn leading to yet greater reliance upon court arbitration – whose decisions were increasingly anti-labor. This vicious cycle is further reflected in shop floor industrial conflicts.

4.3.2 *Codetermination in theory and practice: II. Firm-level works councils, 1916-34*

The 1920 Works Councils Act (*Betriebsratsgesetz*), mandating the establishment of employee-elected councils in all workplaces of more than 50 employees, suggested an autonomous, firm-level alternative to the labor courts as a mechanism for the settlement of work disputes. This law required companies to have an elected committee, the works council, which was to act as the voice of employee interests. Paragraph 70 of the Act further provided for one or two of the work councilors to sit on the company's Supervisory Board. A response to the perceived threat of the Russian soviets, and more immediately to the abortive Workers and Soldiers Councils (*Arbeiter- und Soldatenräte*) movement, the legislation made official and extended the provisional councils in the coal and steel industries established in the *Hilfdienstgesetz* of 1916. While the councils provided an

¹⁹ *Ibid.*: 13.

important means of democratic expression and practice, the worker representatives on the supervisory board served as mere window-dressing with no real power.

Ruhr mining industrial relations development from 1916-1934 evolved in two phases. The first represented an upswing in worker power and economic conditions, from the 1916 Law (continuing through the November 1918 Revolution and the 1920 Works Councils Law), up to hyperinflation and the Ruhr occupation of 1923. The second phase constituted a downswing in worker fortunes, from the aftermath of monetary stabilization in 1924 to the beginning of mass layoffs in 1927-8, whose polarization of conflict ended only with the Nazi ban on unions and strikes in 1934. This pattern can be seen at the levels of both industry-wide collective bargaining and shop-floor works council politics.

Over both phases, the wild economic fluctuation tended to favor employer over employee bargaining power; whatever gains workers made could not be sustained in downturns. In general, the upswing from 1916 to 1923 – characterized by both labor and supplies shortages – favored workers. The 1916 Law, while radically curtailing freedom of movement, legalized unions nationally for the first time and legislated blue- and white-collar workers' committees in firms with more than fifty employees. On the Ruhr, it provided mine workers the political space to agitate for control over shift length and structures of pit authority.²⁰ The conditions of total war and total mobilization meant that for the first time, miners in particular could exploit an absolute labor shortage.²¹

²⁰ While both unions and SPD officials greeted the 1916 Law either coolly or with outright rejection, its popularity in their eyes increased with growing signs of alarm among employers, especially in the Ruhr; see Michael Schneider, 1989. *Kleine Geschichte der Gewerkschaften*. Bonn: Dietz, pp. 114 ff.

After the war, these advantages briefly persisted to the extent that some miners occupied their mines. However, the monetary stabilization that followed the 1923 hyperinflation strengthened managers' authority, enabling them to refuse to bargain with unions and councils, then accelerate workforce rationalization and retrenchment after 1926. Up to 1923, workers encountered favorable conditions for achieving their objectives of shorter working weeks and wage increases and presented considerable opposition to employers' efforts at implementing methods designed to enhance productivity and cost cutting.

As inflation kept market pressures in check during this period, employers devoted their energies to reaching compromises with the labor force designed to take advantage of the favorable economy. Nonetheless, intermittent economic downturns also gave employers the opportunity to force workers to accept changes in the working hour and wage system (albeit ones mitigated by workers' resistance during economic upturns).

The situation changed fundamentally after 1923, as the adjustment crisis forced the companies to increase productivity and reduce costs, and as company managers were, at the same time, given the opportunity to take advantage of labor market risk to achieve their objectives. Workers were forced to acquiesce to these rules, often in the wake of considerable conflict. Worse still from their perspective was the fact that they could no longer resist givebacks and fight for reduced working hours and higher wages, but had to

²¹ Worker occupation of pits at Hamborn in 1917 prompted owners to initiate a system of indirect, politically mediated tariff negotiations and increased the profile of councils as a means of addressing the conflict. The advantages of union recognition and (as yet unspecified) council rights were far greater for workers at the bottom of the skills hierarchy such as coal miners, women, foreign and under-age workers (all of whom participated in wildcat strikes in the winters of 1915-6 and 1916-17), than workers in the electrical and engineering industries, for example. See Plumpe, 1999, *op. cit.*

struggle to maintain basic income levels and hold on to jobs. They were thus also obliged to end resistance to performance-based wage systems, which they bitterly opposed.

In this context, managerial imposition of a *Werksgemeinschaftskonzept* ("Plant Community Concept") – akin to the contemporary notion of factory "teamwork," where everyone works for the good of the factory "community" – represented an attempt to regain workplace flexibility without having to make concessions to the workforce. This discourse of class harmony became a weapon of class conflict for employers. Ensuing economic crises only worsened this tendency.

For both the Leverkusen paint factories and Gelsenkirchen-based Bergwerks AG coal mine, for example, the management-labor impasse was the same, with management solely concerned with cost reduction and in regaining (global) market share, and the workers and their representatives seeking increased pay and workload reduction. Lingering prejudice against ethnically Polish workers in the mines, and confessional divisions more generally, tended to weaken labor's bargaining position in mining,²² whereas the generally higher skills level among paint factory workers improved their shopfloor bargaining position, translating into rudimentary codetermination practices that were entirely absent in mining.²³

Nonetheless, reducing the length of the working day and working week remained leading worker demands in both industries. Works councilors conveyed these demands to management knowing that managers were unlikely to take them seriously, and unions

²² J. Kulczycki, 1997. *The Polish Coal Miners' Union and the German Labor Movement in the Ruhr, 1902-1934: National and Social Solidarity*. New York: Berg: 159 ff.

²³ This discussion for the next five pages closely follows the concluding chapter of Plumpe, 1999, *op. cit.*

would not (or could not) always support rank-and-file strike votes that inevitably arose in the face of managerial intransigence.

In mining, the conflict became temporarily disguised by the British General Strike of 1926, which increased demand for German coal and consequently also improved the miners' bargaining position. The ensuing Ruhr mining strike came at the cost, however, of mass layoffs in 1927. Works councilors were then obliged by law to "manage the damage" and try to supervise the process of worker retrenchment, but the scale of layoffs soon overwhelmed all such attempts. The layoffs, together with the closing of marginal mines, had the intended effect of returning the mine firms to profitability, further encouraging an aggressive posture among management.

Consequently, the Mining Division of the VSt., which had already taken the leading position within the association of coal mines, took advantage of the Ruhr region iron and steel workers' strike of November 1928 to launch a fundamental attack on the collective bargaining system as well as further pursue cost-cutting and rationalization. Workers responded by giving communist candidates occasional majorities in works council elections in 1929. Global economic depression then buried the salience of codetermination for workers and management alike. The Reich government fundamentally undermined Weimar democracy's chances when it deposed the democratically elected provincial Social Democratic government of Prussia on July 20th, 1932, a year before Hitler became Chancellor.

Mirroring these shifts in the balance of relative class power were two phases in the movement for employee codetermination. Whereas many groups of workers between 1916 and 1923 embraced employee codetermination and viewed it as a basis of fundamental

change in the company, they took a more defensive posture after 1923, seeing codetermination more as protecting employee rights (if not jobs). Yet both its proactive and defensive promises failed to live up to reality.

During the offensive phase of employee action, the ability of the workers' representatives to take legal action was limited by both the scope of works council law and even more by the judicial capacity for and commitment to its enforcement. As a result, worker groups embroiled in more significant economic battles created other forms of representation that were not subject to legal requirements, nor, therefore, to the limitations on action imposed by the law. These legal limitations promoted negotiated compromises on wages and hours, which ruled out the unconditional realization of workers' demands in these areas.

During the defensive phase, the fact that employee codetermination was restricted to social issues protected works councils from failing when faced with the consequences of economic structural changes, especially during rationalization periods. Nonetheless, workers were disappointed by the restricted possibilities of employee codetermination – particularly, the inability of councils to participate in strikes – and expressed their dissatisfaction by voting for militant company representatives whose sole purpose was to use employee codetermination as a starting point for more far-reaching social changes.

Employers responded reactively to this pattern of worker behavior in councils. During the workers' offensive phase, the employers lobbied for strict compliance with the Works Councils Law and condemned efforts on the part of worker groups to use the law as an instrument. After the chaos of 1923–24, interest in the Works Councils Law declined and was only rekindled briefly during the apparent re-politicization of companies after

1929. Even this latter development did not apply to heavy industry, which consistently rejected the law, initially because of the possibility of using the law for political ends, and later because of its costly impact on the design of working hour and wage systems. The structural crisis brought on by overcapacity in coal and steel, which did not exist in other sectors of the German economy, played a central role in heavy industry's rejection of the Works Councils Law.

These patterns of offensive and defensive action were not limited to Ruhr coal, however. What is strikingly revealed by Plumpe's analysis, in fact, is that employer hostility also characterized more advanced, "modern" sectors like chemicals. Whereas Mining Division of the VSt. could be classified as a classically "authoritarian and rigid" business organization, the paint factories in Leverkusen took a more "technocratic-flexible" organizational form. While these two types of business organization responded differently to the economic flux of this period – the latter, technocratic-flexible, structure adjusted through internal differentiation, whereas the former, rigid organization responded by redoubling attempts to maintain organizational structures – neither response could promote self-perpetuating regimes of minimal trust and cooperation.²⁴

Plumpe concludes, "Ultimately, the collapse of industrial relations within companies after 1916 was closely linked to the loss of trust in the opposing side and in the rules of reciprocal communication." Far from structural opportunism lulling workers into

²⁴ In Leverkusen, management addressed early challenges through organizational adjustments and by integrating the new works constitution provisions into existing organizational structures by means of a new communication structure. In Ruhr coal mining, economic and political challenges did not lead to any organizational consequences for mining companies. Instead, force was used to preserve what were believed to be tried-and-true organizational forms, making non-hierarchical communication virtually impossible. The Leverkusen management proved to be open to change only to the extent permitted by market-driven limits. *Ibid.*: 434 ff.

a false sense of harmony with state and employer interests, it was the “behavioral opportunism” of both sides that destroyed trust, with increased demands for control based on self-determination. Employers expressed these demands for control by insisting upon higher productivity and more responsible worker behavior, while workers demanded higher wages and fewer working hours and sometimes suggested changes in the selling and pricing policies of individual dealers.

Together with trust between employer and employed, codetermination needed stable and predictable economic calculations and the differentiated company communication structures through which such calculations could be made and agreed upon. External legislative regulation would have been of little use to these ends. In Plumpe’s gloomy assessment, “this failure highlights the improbability of reasonable consensus *per se*.” His account presents too even a picture of culpability, however; in each of these contexts, employers retained the decisive balance of power and thus effective veto power as well.²⁵

In short, the democratically achieved gains of union organizing and strike rights, together with those of workplace codetermination rights, were fundamentally opposed and flouted by employers. Arguably the worst that can be said about employees, by contrast, is that they did not always take these rights seriously enough and for ideological reasons focused on a politics of contention to the exclusion of a politics of engagement. Clearly, employers could have done much more to cultivate a greater propensity toward

²⁵ He blames leftist agitation in particular for this “ubiquitous, politically and morally charged” mistrust. “The radically left-wing factions of the worker movement, in particular, used this mistrust to denounce any willingness to compromise on the part of employers (as ‘swindle’) and of workers (as ‘class betrayal’).” *Ibid.*: 438.

engagement among their employees. The same can be said of South African employers, who also actively exacerbated ethnic divisions in the workforce, as discussed below.

4.4 *South African labor law and unionization from 19th century origins to 1924*

White workers at the beginning of industrialization in South Africa bequeathed subsequent labor movement participants with a janus-faced legacy. On the one hand, they brought union structures and practices to South Africa from Britain; on the other, they infected these structures with British disdain for native workers. Labor unions and labor law were at one and the same time the keys to open the gate of economic and political empowerment, and the locks on this gate.

In contrast to its German counterpart, the Union of South Africa's labor movement in its infancy suffered not from "too many" contracts without actors to enforce them, but rather from "too few" that were too narrowly construed, excluding large segments of the workforce. Organized workers' belief that the badge of "Europeanness" (later supplanted no less problematically by "whiteness") could protect them from the ammunition of a competitive labor market was more readily disproven by brutal and swift state policy than dispensed with by this labor aristocracy. Indeed, this superstition became a cornerstone of apartheid stability. A racialized "opportunism" among South Africa's first unions coincided with that of their Weimar counterparts, but outlived periodic crises, lasting more than half a century rather than a mere dozen years.

Conforming to the patterns of unionization of more advanced capitalist states in North America and Europe, organized South African workers in the late nineteenth and early twentieth centuries belonged almost exclusively to craft unions, which sought to

maintain their wage levels and skills prerogatives by limiting the labor supply. Like their foreign counterparts, they were hostile or at best indifferent to the interests of unskilled workers. Unlike the former, however, South African craft unionism was to dominate organizing efforts until the Second World War – one to two decades longer than other countries with comparable unionization rates; and these unions retained a position of political and bargaining power for several decades into the apartheid era. The creation of industrial unionism, whose rallying cry was to organize the unorganized, proved a particularly difficult birth in South Africa.

It would be a mistake, however, to understand this difficulty as purely the consequence of racist and exclusive white working class interests and strategies and the political disenfranchisement of African workers who “remained rightless, powerless and ultra-cheap.”²⁶ These interests were rarely if ever monolithic: while most skilled workers in the first three decades of unionization were British, and thus without franchise rights, the enfranchised Afrikaner working class remained largely unskilled until the ascendancy of the Nationalist Party after World War II. And *pace* Frederick Johnstone, African workers were never entirely powerless: as will be shown below, they took what rights they had very seriously, constantly contesting repressive and unequal treatment when they could, and evading it when confrontation was not possible. Indeed, it was the very success of their engagement with the state that helped to precipitate the state’s transformation, albeit in ways they neither predicted nor preferred.

²⁶ Frederick Johnstone, 1976. *Class, Race and Gold: A Study of Class Relations and Racial Discrimination in South Africa*. London: Routledge & Kegan Paul: 172.

Trade unions were established in the states and provinces that were to constitute the Union, the two Boer republics of the Transvaal and Orange Free State, and the two British colonies of the Cape and Natal, prior to the establishment of both the Union of South Africa in 1910 and the major employers' associations such as the Chamber of Mines in 1889. In this imperial context, unions preceded both employer associations and the independent state. Chronic labor shortages enabled skilled immigrant workers to achieve gains in labor law greater than those enforced in Britain at the time. While forerunners of unions such as printers' societies were organized in the Cape as early as 1838, the first formal union, significantly, was a branch of a British union, the Amalgamated Society of Carpenters and Joiners, established on December 23rd, 1881 in the Cape Province. Natal's first union was the Durban Typographical Society founded in May 1888. Within a few years, several other Natal unions were founded and together formed southern Africa's first quasi-union federation, the Natal Labor Representative Committee, sending several representatives to the Natal parliament. While the Committee successfully pressed for forms of job reservation and labor regulation, it failed in lobbying against Natal's joining the Union of South Africa.

In fact, early labor organizing success (as well as African self-sufficiency in agriculture) prompted employers to resort to war to achieve state unification, and with it, the weakening of earlier labor gains at the provincial level, such as those in Natal. Until the first national legislation regulating conditions of labor by statute – the Factories Act and the Regulation of Wages, Apprentices and Improvers Act of 1918 – craft unions were the primary means of improving wages, working hours and conditions. These unions, in the absence of stronger state machinery, could successfully police the boundaries of both

skill and race. Whereas these unions successfully mounted at least thirteen major strikes in the decades before 1910, employers could attempt only three lock-outs, with generally less success.²⁷ It is also significant that the first recorded strike by a registered union, in 1884, concerned the protection of race privilege rather than wages or hours.²⁸

From the earliest days of gold mining, a legally and socially divided workforce pursued strikes and other forms of collective action in isolation, with virtually no coordination, organizational or informal, transcending presumed racial lines. African strikes were interspersed with those of white miners, but no joint strikes were attempted. An official pamphlet of the history of the union movement observes in 1939,

there has never yet been an effective test of the strike weapon – which in theory is that the workers should be able to withhold their labor longer than the capitalist can allow his mines and money to be idle – in South Africa, for we have always had politicians at the head of affairs who were only too prepared to do the shooting for the capitalists.²⁹

But this was true in the opposite sense as well: “the workers” never jointly withheld their labor. That this fact was not apparent to the South African Trades Union Council in 1939 portended an even worse future for organized labor than the defeats it had by then experienced.

Different repertoires of struggle and dissent varied, moreover, with the racial and linguistic divisions, opportunities, and customs among workers on the mines. For the migrant African worker, desertion remained the most effective means of opposing

²⁷ Nico Wiehahn, 1985. “Industrial relations in South Africa – a changing scene,” in D. J. van Vuuren *et al.*, eds., 1985. *Change in South Africa*. Pretoria: Butterworths: 173-4.

²⁸ “The white miners of Kimberley, who objected to being stripped and searched for illicit diamonds in the same manner as natives, came out on strike. There was shooting and blood flowed.” In “The Trade Union Movement in South Africa during the years following inception.” 1939. Issued by the National Joint Committee of the South African Trades and Labor Council and the Cape Province Federation of Labor Unions. Johannesburg: L. S. Gray & Co.: 4.

²⁹ *Ibid.*: 3.

coercion for many decades. Before the South African war, the independent republics and colonies lacked an adequate infrastructure of police, courts, jails, bureaucracy, and personnel to effectively regulate labor. The task was left largely to the Chamber of Mines.³⁰

During the first decade of gold mining, unions were able to successfully negotiate directly with the Transvaal parliament regarding a range of demands including mine regulations, workmen's compensation, job reservation, the eight-hour day, and prohibition of Sunday work. They also negotiated separate specific agreements with the Chamber of Mines. African miners, although discriminated against regarding job reservation, benefited from a comparatively weak industrial relations system (including pass laws and compound regulations) facing chronic labor shortages. Frustration at pass laws' lack of enforcement by the Afrikaner South African Republics led the Chamber to successfully petition the British state for war.³¹

The creation of an enforceable labor regime on the Rand was foremost among the tasks of the new South African state: in 1911 it passed the Mines and Works Act delineating underground production relations, and the Native Labor Regulation Act (NLRA). The NLRA centralized labor recruitment under the monopsonistic Director of a newly established Government Native Labor Bureau, thereby eliminating scores of independent contractors; expanded and formalized the pass system on a national basis; and supplanted the previous regulation of labor under the Master and Servant Act. Under

³⁰ Mine manager C. S. Goldmann recalled that in the 1890s, "in order to get a workable pass law at all the Chamber had to prepare it in every detail." Quoted in Shiela van der Horst, 1942. *Native Labor in South Africa*. London: Oxford University Press: 133.

³¹ Shula Marks and Stanley Trapido, 1981. "Lord Milner and the South African State," in Philip Bonner, ed.,

Clause 14, offenses including desertion, disobedience and accepting more than one advance from a labor recruiter were punishable by imprisonment with hard labor. Nor were compound managers – middle managers responsible for maintaining labor discipline – spared from the disciplinary framework. A Special Regulations clause stipulated that “every compound manager who fails or neglects . . . to maintain law and order in the compound under his charge . . . shall be guilty of an offense.”³²

Together with the Land Act of 1913, which removed access and title of Africans to more than 80% of the country’s land, these acts radically circumscribed African workers’ sphere of autonomy and movement. The new state’s attitude and actions regarding organized labor, foreign and domestic, was by contrast unambiguous. It is succinctly expressed by General J. C. Smuts in a speech in February 1914 denouncing a recent rail strike as a “syndicalist conspiracy,” a crisis whose magnitude was shown by the mobilization of “a larger military force than was mobilized by the late [*i.e.* Boer] Republics at the beginning of the late [1899-1902] war.”³³

Smuts and the government had reason for concern. White workers’ syndicalism drew on two mutually reinforcing sources of strength: their socially approved special treatment as whites, and a more general labor scarcity. The previous year, on July 4th 1913 the unionized work force called a surprise general strike, leading to rioting in central Johannesburg. Lacking a sufficient police presence, the government was forced to concede the strikers’ demands. The lesson was not lost on several thousand African

1981. *Working Papers in South African Studies*, v. 2. Johannesburg: Ravan: 65.

³² B. A. Wiggett, 1924. *The Native Labor Regulation Act (No. 15 of 1911)*. Cape Town: Juta: 41.

³³ Jan Smuts, 1914. “The Syndicalist Conspiracy in South Africa: a Scathing Indictment.” Cape Town: Cape Times Ltd. 30 pp: p. 3.

workers, who struck four days later. This time, troops used bayonets to drive the workers back to the compounds without a raise. The African workers responded by refusing to renew their contracts, leading to a decline in their numbers by over 25 percent from the peak of earlier in the year.³⁴ Labor discontent multiplied on both sides of the racial divide during World War I, intensifying during the post-war recession.³⁵

The 1922 Strike, or “Rand Rebellion,” demonstrated the lengths the South African state was prepared to go to in privileging capitalist accumulation over political legitimation. The government response, crushing the rebellion, although ostensibly aimed at job reservation for whites, affected the ability of all workers to resist retrenchments and owner prerogative. The strike demonstrates as well the absolute practical and ideological contradictions of white workers’ anti-statist syndicalism that nevertheless demanded state-guaranteed entitlement to the color bar’s surplus wages of whiteness.³⁶

Mine owners responded to the post-World War I recession with deep retrenchments of its total work force, wage cuts, and calls to end the “sentimental color bar” that would allow them to replace skilled white workers with lower-paid black counterparts. The Chamber of Mines announced an end to piecework and underground contracts for white workers in December 1921, and refused all calls for arbitration. Coal

³⁴ David Yudelman, 1984. *The Emergence of Modern South Africa: State, Capital and the Incorporation of Organized Labor on the South African Gold Fields, 1902-1939*. Cape Town: D. Philip: 97 ff.

³⁵ Strikes from 1900 to 1920 include a Rand carpenters strike at the end of the South African war in February 1902, shortly followed by tailors’ and mine workers’ strikes; a nation-wide rail strike in the same year, and again in 1914; miners’ strikes in 1907 and again in 1913; and even a police strike in the Cape in 1917, as well as the British Empire’s first bank clerk strike in Johannesburg in 1920, among three dozen other strikes in mostly skilled sectors during this period. Nico Wiehahn, *op. cit.*: 174.

³⁶ This section follows the excellent account reconstructed from the papers of one of the Rebellion’s close observers, the Welshman and CPSA executive member David Ivon Jones, in Baruch Hirson and Gwyn Williams, 1995. *The Delegate for Africa: David Ivon Jones, 1883-1924*. London: Core Publications: 223 ff.

miners were the first to strike on January 2nd, 1922; black coal miners, forbidden by the strike committee to join them, had no difficulty in maintaining the coal supply.

Gold miners, already radicalized by the state's deadly suppression of their 1913-4 strike, felt they had little to lose: most suffered from phthisis (referring to lung diseases such as silicosis), which brought on bloody coughing fits and shortened miners' working lives to perhaps ten years. Over the preceding decade, according to MP John Merriman, it had already taken the lives of over 100,000 African miners alone.³⁷

With little in the way of strike funds, unions had no autonomy for maintaining the strike, and there was little cross-union solidarity, even among whites: the typographical unions continued printing pro-government propaganda against the strike, and rail and harbor workers, fearful of losing their civil servant status with its no-strike clause, likewise desisted. Most support, ironically, came from middle class and professional whites on the Rand, and from white farmers who sent food; but even these sources of support dwindled after about a month. African leaders were unsurprisingly unsupportive of the strike;³⁸ and the CPSA condemned the strikers' racism, albeit in racist terms.³⁹

³⁷ White miners at strike meetings argued, "We have but a few years to live in any case; we may as well stop a bullet as linger in mortal disease." Referring to the 1899-1902 and 1914-18 wars, the Mayor of the East Rand city of Springs, Jack Cowan, declared at a February 5th City Hall rally, "There have been two wars in my lifetime, and I have fought in both . . . I am going to do a bit of fighting for myself this time. I have done enough for the other side. . . . when Smuts, the Prime Minister, is backing the Chamber of Mines to put the white standard of South Africa in the background and the Black standard in the foreground, . . . what is the difference between having to go down a hole to die or having to die fighting for a chance for your kiddies." *Ibid.*: 225.

³⁸ Kadalie, then Cape Town leader of the Industrial and Commercial Workers Union (ICU), siding with the Chamber of Mines, condemned the strikers' "attacks on non-Europeans, . . . blamed the colour bar for the trouble on the Rand, and demanded its abolition," and "called on non-whites to be loyal to the government, King, and country. On its side the government assured the country that the Africans had done nothing to cause trouble." *Ibid.*: 229.

Both Smuts and the Chamber of Mines refused to meet or negotiate with strike leaders, and by the second week of March declared Marshall Law and indiscriminately fired on and used planes to bomb strikers – the first instance in world history of a government’s aerial bombardment of its own civilian population – killing hundreds. The 1922 Strike collapsed, followed soon by Smuts’ government, replaced by a Pact Government between the Afrikaner-supported National Party and union-backed Labor Party in 1924. After more than two decades, the 1922 Rand Revolt ended an era of large-scale, racially exclusive strikes, without resolving the dilemmas it posed for organized labor and their left-wing allies.⁴⁰ Despite the Pact Government’s lip service to the Color Bar, the ratio of black to white miners increased dramatically in the late 1920s, with black miners promoted to new layers of semi-skilled work, albeit at much lower wage levels than their white counterparts had enjoyed.

When white workers evidently had so many more state resources to draw upon, it seems surprising that they should adopt a more radically anti-statist position at this time than their disenfranchised black counterparts did. Moderation from a position of

³⁹ The CPSA, responding to attacks on blacks and reports of mine officials arming black miners, issued pamphlets to strikers reading: “LEAVE THE KAFFIR [*sic*] ALONE! WORKERS, HANDS OFF THE BLACK WORKERS! It is not they who are your enemies, but the Chamber of Mines which exploits both them and you. Keep your attention fixed on defeating the Chamber: that is your only job in this strike.” *Ibid.*: 235-6. The CPSA’s confused racial discourse is further evident in a January 27th editorial in the *International*: “Fellow workers, ask yourself, am I really for the whites as whites – landlords, magnates, profiteers, exploiters and all – or am I rather for the workers as workers, white, brown, yellow, black and all – and against the capitalists as capitalists – THE ONLY REAL BLACK MAN?” *Ibid.*: 230. Most notoriously, the striking miners marched through Johannesburg under banners proclaiming, “Workers of the World, Unite and Fight for a White South Africa.” Hirson remarks that the banners have “haunted socialists in South Africa ever since.”

⁴⁰ Jones concluded of the Rebellion’s ignominious trajectory in 1924, just before his death, that “there is no room for a CP in white South Africa *except* as the watchdog of the native, as the promoters of rapprochement, watching *within* the broader organizations, for every opportunity to switch the white movement on right lines of this question and scotching every conspiracy to rouse race hatred and strike breaking of race against race.” *Ibid.*: 240 (emphasis in text).

weakness, however, yielded similarly dismal results, and black unionists' more moderate hopes for state recognition also came to nothing. The main achievement of the Pact Government, the 1924 Industrial Conciliation Act, for the first time established industrial councils comprising unions and employer associations who together would negotiate minimum wages and work conditions across entire industries. Employers could be fined and ordered to make back payments if they breached council agreements, and in sectors without industrial councils, unions could demand that the Minister of Labor set up a conciliation board in which employers had to participate. If employers failed to then reach an agreement, unions could strike without penalty or fear of being locked out.

However, only registered unions could participate, and the Act prevented most Africans from joining registered unions. They could form their own unions, but the state refused to recognize (and thus register) these organizations. Before the 1924 election, National Party leader J. B. M. Herzog solicited the support of the only major African union of the 1920s, the Industrial and Commercial Union of Africa (or ICU), sensing the dissatisfaction with Smuts of its leader, Clements Kadalie. But after the election, Herzog turned on Kadalie and the ICU. The ICU had by this time grown to include almost 100,000 members, making it the largest union in the country – on paper. But although its members paid what dues they could, the ICU lacked the infrastructure and personnel to organize members on a local basis. Especially difficult in this regard were the tenant farm workers, who made up most of the membership in 1927 but were the weakest, most dispersed and least paid segment of the workforce.⁴¹

⁴¹ Edward Roux, 1972. *Time Longer Than Rope*. Madison: University of Wisconsin Press.

These difficulties were compounded by the mandate to organize extremely diverse sectors and areas of the country, leading perhaps inevitably to ideological and leadership disputes. Kadalie expelled Communists from the union in the mid-1920s in an effort to garner respectability, and lost many effective organizers as a consequence. The ICU then splintered, with the defection of its Natal leader, A. W. G. Champion, who favored legal action over mass mobilization. Kadalie, for his part, relied first on national, then increasingly on weak and tenuous international recognition as a means of empowerment.⁴² Mistaking “numbers for strength,” according to Philip Bonner, the ICU was a protest movement more than a union. It could mobilize thousands of members to protest such unpopular laws as government control over municipal beer halls and the poll or “hut” tax levied only on Africans; both were boycotted, but the government easily crushed these protests.

African workers thus faced conditions of “structural opportunism” in the extreme. Bonner argues that with almost 400,000 Africans in commerce and industry in 1921, the new industrial sectors were the most promising ground for sustained and purposeful organizing, yet comparatively the most neglected by the ICU.⁴³ This sector could have given substance to the ICU’s major symbolic gains in introducing the idea of organizing to

⁴² “Organization – by which was meant expanding membership – seemed often to be an end in itself.” Champion’s “recourse to the courts [in] the short term . . . brought results, but in the long term . . . was easy enough to thwart by simple changes in the law.” The only outcome of Kadalie’s “appeal to the international labor movement . . . was the support of a small group of English socialists whose enthusiastic and high-minded interest and concern were matched by an almost total impotence.” P. L. Wickens, 1978. *The Industrial and Commercial Union of Africa*. Cape Town: Oxford University Press: 208 ff.

⁴³ Phillip Bonner, 1974. “The Decline and Fall of the ICU – A Case of Self-Destruction.” *South African Labor Bulletin* I, 6 (September-October 1974).

large, marginalized sectors of the workforce for the first time and pursuing a high level of national debate.

These shortcomings should not diminish, however, the true gains of the ICU. Above all, the ICU achieved “the welding together – however transiently and partially – of the Black and Coloured workers into a single movement, something the African National Congress and the African People’s Organization failed to achieve” and thereby initiating “the first genuinely popular movement among Blacks in South Africa.”⁴⁴ For the first time – indeed, for the only time over the next fifty years – this achievement helped push the Department of Labor policy “in the direction of acceptance of Blacks on equal terms in the White economy.”⁴⁵ Greater solidarity and coordination between South Africa’s organized and unorganized workers could have sustained and strengthened this legacy; instead, racial divisions deepened with an escalation of protest after 1945, as section 4.5.1 below recounts.

4.5 *Racial divisions among workers in the 1930s-40s: I. Germany*

The Nazi establishment of a “racial state” in Germany after 1933 affected workers and employers alike. Their associations were banned and their ranks purged of minority members. The onset of war brought about a further racialization of German society. The social classification system on which the imperial re-organization of Europe was to be

⁴⁴ P. L. Wickens, *op. cit.*: 209.

⁴⁵ In 1928 the Secretary of Labor wrote that to counter white fears “in regard to industrial matters with which alone my remarks are concerned – is by administrative methods to accept the Native – who *de facto* takes so large a share in our industries – as being there *de jure* and entitled to participate according to his standing and abilities in the protection and opportunities afforded by law to other workers.” *Ibid.*: 207-8.

based, with its concentric rings of industrialization and development, was mirrored by racial classification at home. Nazi ideologues designated Germans and their immediate Scandinavian and Dutch neighbors as the geographic and ideological center of their plan. These populations would be made full racial citizens of the Reich. Those in some areas of southern and east-central Europe would be accorded the status of semi-citizen; and residents of the mostly Slavic eastern European areas would be deemed non-citizens.

This three-tiered classification of citizenship rights not only disturbingly anticipates and parallels South African apartheid thinking in some important respects, it also constituted a major barrier to labor organization and mobilization after 1945. For both reasons, its effects during the Nazi period are reviewed below.

While it is important to distinguish between official Nazi policy and popular German attitudes toward race, this policy unquestionably had a racializing effect upon broad segments of the German public, including the industrial workforce. As the example of the Krupp steel works shows, an intensification of racial attitudes accompanied the increase in state violence toward both Germans and, especially, foreign workers, and that, as this violence escalated when Germany's military fate turned in 1942, it became more arbitrary in character.⁴⁶ At the same time, the state came to rely, sporadically but increasingly, upon foreign labor to meet war production needs. Before 1939, there was little need for employing foreign workers outside of agriculture, a sector which at this point required German workers for *Volk*-ideological reasons. Nazi ideology, and a large segment of popular opinion, abjured the use of German women in the workforce even

⁴⁶ This section draws on Ulrich Herbert, 1997. *Hitler's Foreign Workers: Enforced Foreign Labor in Germany under the Third Reich*. W. Templer, trans. New York: Cambridge University Press, especially chapter 7.

more, however, so that Polish workers as “spoils of war” were increasingly forced into agricultural labor upon the invasion of Poland in 1939, as they had been during World War I.⁴⁷

During the course of World War II, other categories of foreign workers were added as conflict and the number of belligerents grew. These may be grouped into three clusters, according to treatment. Most favored by the regime were Italian workers, as fellow fascists and Axis members; they were closely followed by western European POWs, mostly Dutch, Belgians and French, who lacked the Italians’ freedom of movement, but could still earn living wages, often equivalent to German workers. Worst off were the Slav POWs and civilians, especially Soviets, and (increasingly toward the end of the War) Jewish concentration camp prisoners, who were removed from camps on the request of industry and agriculture. While broad segments of the German population took umbrage to the bad attitude of Italian and west European workers, who expressed neither loyalty to the regime nor faced race-based terror on a daily basis, it was the Slavs and Jews who suffered continually from violence and mistreatment.

When military orders increased dramatically together with the conscription of German men from late 1941, Krupp requested ever-larger consignments of foreign workers. Under rapidly changing conditions, Krupp managers knew neither exactly how many workers they needed, nor how many they would be allocated. In contrast to the general public, industry managers showed a marked preference for west Europeans, who, they believed, worked harder than Germans but compared to Soviet workers, were

⁴⁷ *Ibid.*: 61 ff.

healthier, punished less and better fed. Managers, foremen, and work team leaders were in constant conflict with camp commanders and Nazi officials, who gave issues of security, cost and racial control priority over an effective and sufficiently fed workforce.

Other contradictions abounded. On the one hand, foreign workers provided German workers, especially young and unskilled men, with an unprecedented level of advancement and promotion. The Central Office of Reich Security (RSHA) decreed in December 1942 that since “foreign workers often comprise a majority of the workforce,” it was imperative that German workers supervise their inferiors, and managers ensure that the German worker had an easier time than a foreigner “to advance to a more skilled position in the firm as a result of training.”⁴⁸

With a growing absence of security personnel, German workers therefore were obliged to supervise increases in productivity. If they were too successful in this regard, however, they could make themselves redundant and be sent to the Eastern Front (as they knew only too well). Without being able to offer wage increases, they could either collaborate with their inferiors by increasing their food rations, allowing or aiding foot-dragging, etc., or resort to increased control and repression. Increasingly, German workers resorted to both reward and repression, as more and more “slabs of the massive edifice of foreigner deployment slowly slipped from the grasp of the authorities and developed a life of their own.”⁴⁹

The situation on the Ruhr mines was worse in this regard, since German miners enjoyed much more job security and faced little risk of being drafted; additionally, the

⁴⁸ *Ibid.*: 230.

⁴⁹ *Ibid.*: 222.

work regime was even harder and more dangerous, and required less cooperation among workers performing different tasks. The proportion of Soviet workers and Eastern POWs was higher than in the steel mills, and their mortality rates even greater, with more than a quarter dying of starvation and overwork.⁵⁰ Spontaneous grassroots reprisals by German workers against foreign workers, in mining and most other sectors, grew more frequent and intense as the Allied bombing campaign escalated. Beyond these acts, however, Herbert concludes that throughout Germany, “the essential underpinning of the Nazi system of forced labor for foreigners” was that “the practice of racism became a daily habit, part of everyday life, without individual Germans having to participate in active discrimination or oppression.” The “tacit acceptance of national and ‘racial’ inequality”⁵¹ was analogous in this respect to labor organization and everyday life under apartheid.

4.5.1 *Racial divisions among workers in the 1930s and 1940s: II. South Africa*

Crucial support for unregistered unions from the registered unions was at best lacking, with these increasingly conservative unions often openly opposing gains for African workers. And as with the ICU, regional differences made national unity difficult. In an effort to attain an encompassing federal union body, representatives of the Johannesburg-based Trade Union Congress (TUC) and the Cape Federation of Labor Unions (CFLU) convened in a Coordinating Committee in September 1927, but remained deadlocked over the question of whether to privilege national organizational unity (as favored by the TUC) or provincial infrastructure first (as favored by the CFLU).

⁵⁰ *Ibid.*: 239 ff.

⁵¹ *Ibid.*: 396.

A national organization, the South African Trades and Labor Council (SATALC) was ultimately formed in 1930. Its first conference in 1931, older, militant unionists sought the repeal of the Industrial Conciliation Act, arguing that it “had the effect of making the workers less militant.”⁵² The subsequent conference of 1932 provided ample evidence that unions grew increasingly to rely on the state rather than their own mobilization. Its major resolutions, for stiffer penalties against contract-breaking employers, extension of workmen’s compensation to include travel to and from work, and employment of at least one “White” worker for every eight “Non-Europeans,” were all state-directed; no strikes were planned or discussed.⁵³

One indication of the SATALC’s perception of distance between its interests and those of black workers excluded from joining its unions is its language in attacking contemporary attempts at establishing Afrikaner unions. It claimed that these were inspired by the “grant of £10,000” from an Afrikaner (and National Party member) capitalist “with the object of fostering the formation of racial trade unions.” In fact, the Broederbond focused in particular on the Mineworkers’ Union and its 22,000–strong working class membership, as a means of winning over four parliamentary seats on the rand that had been United Party strongholds. To this end it had ultimately secured a grant of more than £23,000 from the Pieter Neethling Fund. Despite losing the popular vote in 1948, the Nationalists’ investment paid off: “Where the Nationalists had only two Reef seats before the election, they now gained six. In all these constituencies the

⁵² “The Trade Union Movement in South Africa,” *op. cit.*: 9.

⁵³ *Ibid.*: 9.

mineworkers' vote was decisive. Those six constituencies brought the Nationalists to power."⁵⁴

The SATALC federation "feared that if the workers were divided into racial groups that unity which is the strength of the movement would be lost." But this unity was already lost when the SATALC leadership allied itself with the United Party, and by extension, with the Chamber of Mines. Accusing "the political bedfellows of the new movement" – that is, the Nationalists – of showing "signs of sympathy for the terrible new ideas of Germany," it argued that a "new danger" had now "come to Africa": the exploitation of the Afrikaner's "race pride." With ironically unintentional prescience, it warned that "a racial battle in the ranks of trade unionism . . . could only result in tragedy, in the division of the workers and the victory of the capitalist, whether he is Imperialist or South African."⁵⁵ Although capitalist hegemony was never challenged, the SATALC's failure to achieve greater non-racial unionism (upon its re-founding in 1954, it upheld the color bar and excluded African unions) undoubtedly contributed to the increased political repression of the 1950s and 60s.⁵⁶

With the demise of the ICU and growing segregated obsolescence of SATALC, by the 1940s only the Council of Non-European Trade Unions (CNETU) endured as a major avenue for African unionism in South Africa. Together with its major affiliate, the

⁵⁴ L. Naudé, 1967. *Dr. Albert Herzog, die Nasionale Party en die Mynwerkers*. Cape Town: 27; quoted in I. Wilkins and H. Strydom, *op. cit.*: 113.

⁵⁵ *Ibid.*: 13-14. This bilingual pamphlet seems directed mostly at an Afrikaans audience as a means of thwarting the threat of a separate federation, defensively claiming that the foreign origins of South African trade unionism are not inimical to Afrikaner values and culture.

⁵⁶ Ken Luckhardt and Brenda Wall, 1980. *Organize or Starve! The History of the South African Congress of Trade Unions*. New York: International Publishers: 86 ff.

African Mine Workers' Union (AMWU), it was founded in 1941 and based largely in the Witwatersrand. Although representing the largest segment of workers in the country's wealthiest and most important industry, itself concentrated in its largest urban area, CNETU and AMWU were isolated from the more established unions and political parties. Paralleling this political isolation, their members were physically and socially isolated from their families and communities.

Without these sources of external support, disenfranchised union members and the miners they tried to organize could not exert sufficient pressure to improve wages, hours, and work conditions. Both organizations were soon harassed out of existence or banned. But without this source of pressure from a group comprising between a fifth and a quarter of all wage earners in South Africa, the other more privileged employees could not contemplate successfully challenging employers or the state. Almost a quarter century would pass before manufacturing workers, largely outside of the Rand, made such an attempt.

4.6 *Conclusion*

The German and South African labor movements correspond poorly at best with the category of "national labor movement," if that term implies a movement extending throughout national borders that is politically and structurally harmonized and univocal: if, in other words, such a movement constitutes *an* actor. A narrative trope assuming that labor movements – in their union or party institutional forms – must play a vanguard role in bringing about democracy will, in the German and South African cases, assume a tragic cast. Against this assumption, this chapter shows that in both cases, labor movements were (and are) themselves arenas of contestation and ethnified class conflict.

At their moment of political inclusion after World War I, organized workers in the Rand and Ruhr industries confronted dysfunctional states and intransigent employers. The bloody defeats of the Workers' and Soldiers' Councils and the Rand Rebellion left a legacy of official inclusion of labor-allied parties in government (in the Pact government of South Africa and the Ebert inauguration of Weimar, respectively), together with continued marginalization of workers in the workplace (on a racial or sectoral basis). This marginalization soon undermined the credibility of labor movement party allies.

Rather than exemplify "dissociations of representation from struggle" in these cases, however, this pattern suggests a failure of coordination among different working class groups. In Germany, ideological (and to an extent, ethnic) divisions within working class politics inhibited mobilization across party lines to achieve common goals, whether at the national, industry, or workplace levels. Major reforms in labor law, allowing for free union organization, industry-wide bargaining, and workplace representation, coincided with the ascendancy of the SPD in parliament. The very multiplicity of these gains made coordination among them more difficult, and made employer opposition to them easier. In South Africa, racial divisions among employees became even easier for employers to exploit, and white mine workers in particular were complicit in marginalizing their black subordinates. If, in both cases, groups of workers could be accused of not representing a broad enough coalition of interests in their struggles, they could not be accused of substituting representation *for* struggle. The problem rather was an absence of sufficient dialogical coordination among autonomous groups.

The countries' respective authoritarian phases intensified significant, latent differences that were less apparent during their earlier development. Boundaries hardened

between a politically included, ethnically and racially defined, core workforce and an excluded, often migrant worker group denied fundamental rights. For this reason, the institutional development of labor movements must be viewed as occurring both within and outside of the bounds of citizenship.

Significantly, however, this process of separation occurred earlier and continued uninterrupted for a longer period in South Africa, whose political and legal framework remained throughout that of a *Rechtstaat* – i.e., one formally governed by rule of law norms – in which juridification was taken to absurd extremes with immense demographic implications.⁵⁷ A paradox of apartheid was that in its efforts to articulate an increasingly precise political space for the disenfranchised *outside of* its polity, the South African state circumscribed an arena for labor movement action *within* it. The Nazi state, by contrast, operated more by decree than by legal procedure. Its dependence on foreign labor was more extemporized than planned, accelerating only under wartime conditions. One postwar legacy of Nazism, therefore, may be seen in an intensification of employee demands for workplace rights, eventually superceding employee ties with community organization.

Finally, apartheid-designated differences among segments of the workforce had effects sharply contrasting with the Nazi valorization of a racialized *Volksgemeinschaft*,

⁵⁷ “There is no other country in the world whose urban industries, whether mining or manufacturing, have employed such a large proportion of oscillating migrants for so long a period of time.” Frank Wilson, 2001. “Minerals and Migrants: How the Mining Industry has Shaped South Africa.” *Dædalus*. Winter 2001: 99-121; 105.

radicalizing the ethnically-based *jus sanguinis* definition of citizenship established by the Reichstag in 1913.⁵⁸ As well as distinguishing between enfranchised “whites” and the disenfranchised, apartheid divided the latter between a “domestic” population denied the franchise but granted some union rights, and a “foreign” workforce denied both. It further divided this “foreign” workforce between workers from the “homelands” within the borders of the Union of South Africa, and those from other African states, who constituted a disproportionate number of miners on the Rand. These divisions had the cumulative and lasting effect of dividing workers organizationally, while uniting the disenfranchised within the political arena. The boundary between workplace and community became increasingly blurred throughout the apartheid era.

By contrast, Nazism’s abiding legacy for German labor movement institutions was “unity” (politically unaligned, non-sectarian) unionism, merging union structures not only within economic sector, but also across major ideological and confessional divides. Significantly, when recruited by firms in growing numbers from the late 1950s onwards, migrant workers from Mediterranean states enjoyed most of the same union and works council rights enjoyed by citizens, with the important exception of the right to engage in “political activity.” At the same time, workplace struggles increased in significance when unions became isolated from the parliamentary arena.

⁵⁸ In 1913, only the Social Democratic Party voted against this illiberal definition of citizenship, supported by the Liberal Party and conservative parties before and after the World Wars. When they first achieved coalition government without Liberal Party support, in 1998, they succeeded in supplanting it with the more liberal *jus soli* citizenship basis. In its letter, if not always in its execution, South African citizenship law for all its obvious flaws was more inclusive than its German counterpart until 1949, and more so between 1994 and 1998. Similarly to Germany, however, the South African liberal parties’ record on franchise extension was mediocre at best; by the time the Progressive Federal Party supported universal franchise in the late 1950s, it was a spent force.

These failed legacies nonetheless left a template for the more democratic inclusion of labor interests during the transition from authoritarian rule. The following chapter explores some of the reasons why this template could succeed in the later phase, avoiding the trap of structural opportunism.

Chapter 5

German and South African Codetermination: I. Revival and Containment?

5.1 *Introduction*

This chapter expands upon a dimension of chapter one's critique of Offe and Wiesenenthal: namely, their tacit assumption that social democratic parties should lead their trade union counterparts. This position makes it easy to find fault with the German labor movement for failing to conform to a "normal" West European trajectory, and as such, reproduces a broader tendency typical of *Sonderweg* literature that faults German society for insufficiently resembling its European counterparts. The chapter argues instead that in the face of considerable difficulties after 1945, West German unions successfully adjusted to a substantial degree of autonomy from their SPD counterpart; that this autonomy became of source of strength, not weakness; and that codetermination law and practice played a central role in the construction of this autonomy.

As in Germany, the separation of independent unions from party allies in South Africa came through the banning of oppositional parties and unions, as detailed in section 5.5. Chapter 6 will show how this repression of political parties enabled independent unions to develop broad-ranging community ties and oppose apartheid policy at the workplace, community, and national levels. While the leading union confederation remains formally allied to the ANC since the party's unbanning, since the mid-1990s it has shown a capacity to oppose its ally in office even greater than that of its German counterpart, the DGB.

This development points as well to differences in the types of advantages of backwardness the two countries enjoy over their respective pioneer counterparts.

Germany's advantages over its western European and U.S. counterparts have included a greater degree of union autonomy from party allies and a broader scope of workplace and firm-level participation rights. In South Africa, a similar union autonomy from parties has accompanied union participation in a much broader spectrum of oppositional politics. By subsuming wage negotiations to wider-ranging political demands, South African unions have succeeded to a greater extent than even their German counterparts in bridging the gap between the employed and the unemployed.

This difference can be traced in part to the differences between the countries' authoritarian regimes. The Nazis were able to ban opposing parties, unions, and works councils within a year after Hitler became Chancellor in 1933. The more procedural-minded Nationalist Party in South Africa took two years to ban the Communist Party, in 1950, and twelve years to ban the African Nationalist and Pan Africanist parties. Although no South African unions were formally banned in the same way, oppositional unionists were politically harassed and arrested to such an extent that independent unionism had virtually died out by the early 1960s, and for most of the 1950s and 1960s, government-sanctioned factory committees were the only workplace-level forums available for to most black workers. Cynically imposed by the state and unevenly organized, these committees were intended to narrow, rather than expand, the scope of worker participation in industry.

As repression was deepening in South Africa in this period, codetermination began to take root in Germany. Centered on the core mining and manufacturing industries, German codetermination was to provide a model for employee participation in firm governance in all sectors. As a model of employee participation, it differs from

traditional forms of collective bargaining in that not only unions, but also individuals are represented at the firm level. Individual firms, conversely, join larger employer bargaining units in contract negotiation. Whereas the 1951 Coal and Steel Codetermination Act provided for equal representation of employees and shareholders on corporate supervisory boards, however, the 1952 Works Councils Act allowed for only one-third worker representation at this level for all other industries.

German unionists clearly perceived this delimitation as a move not only to reduce worker participation levels in most industries, but also as a means of undermining unions. As in South Africa, employers and the state in 1950s Germany intended shop-floor-level participation of employees to be more of a substitution than a complement to union organization and thereby to marginalize labor's political voice. However, over time it served to strengthen core labor organizing for both. In Germany, unionists worked with councilors to strengthen their organizational presence. In South Africa, activists used apartheid-era shop-floor councils to promote independent unions.

Section 5.2 below discusses ways in which political backwardness in labor movements can be assessed, and how different forms of backwardness might inform specific advantages to these movements. It reviews the ways in which late political development may be measured in terms of both the social integration of workers into inclusive labor institutions and worker inclusion into the state system. While pioneer states such as Britain exemplify a high degree of both vectors of integration, this integration came at the expense of institutional integration at the general or industrial levels. Barriers to social and system integration are expressions of a state's backwardness, and there is often a trade-off between the two levels of integration, as the

European examples of Benelux, Switzerland, and Scandinavia illustrate. At the same time, however, cumulative and institutionalized resources of social integration can contribute toward not only higher levels of system *integration*, but also system *transformation*.

Section 5.3 below analyzes both the contrasts and the ironic parallels between the stabilization through repression of Grand Apartheid from the mid-1950s to the early 1970s and the stabilization of a two-tiered labor market in Germany during the same period. Institutionalization of industrial cooperation became a central concern for the respective governments and their Western allies in the decade after 1945, notwithstanding the opposing means of labor incorporation (in Germany) and labor exclusion (in South Africa).

Within the rubric of anticommunism, both sought a strict delimitation of the level and sphere of worker participation in economic decision-making. For the Allied Occupying government in western Germany, this meant vetoing the more ambitious codetermination measures sought by the SPD and the labor wing of the CDU, and above all, preventing any Soviet involvement in the Ruhr. For both the Smuts and Malan governments in South Africa, it meant maintaining a subordinate place for African workers, while eroding their bargaining power and political rights, and delimiting those of their more privileged and more unionized counterparts. Moreover, as section 5.4 illustrates, even within the most privileged sphere of codetermination – Ruhr coal and steel – early surveys showed that workers felt inadequately represented.

Nonetheless, in both cases, the groundwork for economic democratization had been prepared. In Germany, codetermination's institutionalization established the

principle that employees should have a significant voice in shaping the conditions and course of their working lives. More fundamentally, apartheid's central contradiction of legally denying the humanity of the very group upon which South Africa's economy and society depended irredeemably shattered the liberal illusion of a freely contracted wage labor. As a consequence, the co-determining of post-apartheid South Africa's social contract would be founded upon a radical revision of the place of organized work within a democratic order.

5.2 *Patterns of timing, cleavage, and incorporation*

Similar to the analysis of Offe and Wiesenenthal, Bernard Ebbinghaus' study of European labor movements emphasizes the path-dependent nature of labor movement development and (even more than Offe and Wiesenenthal) the importance of relations with allied, social democratic parties.¹ Unlike Offe and Wiesenenthal, however, Ebbinghaus also recognizes the importance of labor law and the durability of social divisions among workers.

Regarding legal variation and social division, German "unity" unionism (together with its Austrian counterpart) appears highly exceptional in a European context. To a great extent, German unions today are organized not only along industrial lines, but also across ideological and confessional divides. This is reflected in their low number and high membership: while more than fifty unions comprised the British Trades Union Congress in 2000, fewer than a dozen national unions made up its German counterpart, the DGB.

¹ Bernard Ebbinghaus, 1995. "Citizenship Rights, Cleavage Formation, and Party-Union Relations in Western Europe." *International Review of Social History* 40, Supplement 3 (1995).

In part, this singularity is a consequence of the comparative lateness by which German unions and their party allies achieved basic political and industrial relations rights. Political repression obliged both the SPD and ADGB (predecessor to the DGB) to focus on community solidarity and workplace organization. This is clearly delineated in the analysis of Ebbinghaus, which incorporates the idea of path-dependency in the study of European labor movements by using Stein Rokkan's cleavage analysis of party systems as a means of gauging different configurations of social and system integration. He thereby charts the ways in which different trajectories of the development of citizenship and collective rights delineate different opportunity structures of organized labor. The main factors in these trajectories include four institutional thresholds structuring the political integration of the working class:

- 1) *legitimation*: when formerly excluded social groups are granted the rights to assemble, to become organized and to express themselves in public;
- 2) *incorporation*: when these groups were allowed to participate in parliament (*i.e.*, at least 50% manhood suffrage);
- 3) *representation*: when a proportionality between electoral power and decision-making power was established; and
- 4) *executive power*: when social democratic/labor allied groups were able to participate in government.

Together with these thresholds, four others mark the development of industrial relations:

- 1) *coalition right*: when the right to form a coalition of labor was granted and no longer impeded;
- 2) *collective action*: when the right to strike was granted to all workers;
- 3) *bargaining*: when unions were recognized as collective bargaining partners by the state and by employers; and
- 4) *participation*: when unions became intermediary organizations involved in the formation and execution of social policy and economic management.²

² *Ibid.*: 59.

Although the heuristic value of this schematic framework has its limits,³ it presents an ideal-typical yardstick by which contrasting patterns of lateness may be measured. Thus in the case of Germany, the first two thresholds of political integration – legal party formation and participation in parliament – shortly preceded or coincided with the founding of the Kaiserreich in 1871 (albeit in a highly restricted form), whereas the latter two – proportionality and governance – arose only after World War I. Similarly, whereas state suspension of the right to form unions under the anti-Socialist laws was lifted in 1890, the remaining labor thresholds were not granted until the first Social Democratic government in 1918, with unions playing a moderate role in the formation of policy in 1920. Needless to say, those rights which had not been significantly eroded by the end of the Weimar Republic were eliminated upon Hitler's coming to power. The "continuous, unimpeded" exercise of labor rights therefore did not begin until 1949 in West Germany, and 1989 in eastern Germany.

South Africa, by comparison, shows later developments in most respects. Although a few labor-allied members participated in (provincial-level) parliament earlier than their German counterparts did, the first labor party was not founded until the decade following the Union of South Africa's founding in 1910. While the South African Labor Party first participated in government in 1924, not long after its German counterpart, significantly, the principle of proportionality was not established until the end of

³ In particular, stages may be misinterpreted to be inevitable, linear, teleological, and permanently surpassed. Political actors, moreover, may not value or even recognize the achievement of a given stage, and have altogether different priorities and goals. Ebbinghaus in fact observes that "the two processes were not always parallel and synchronic, thus opportunities for collective action were opened in one, while closed in the other channel" (*ibid.*) and rightly cautions that "these processes were often long-enduring, far from clear-cut, and ... sometimes reversed" and whose contingency and precariousness was demonstrated "when authoritarian regimes repealed fundamental rights with one stroke" (*Ibid.*: 60, n. 34).

apartheid seventy years later, in 1994.⁴ Similarly, rights to unionization, strike, and collective bargaining were not fully recognized by the state until 1981, with union participation in forming social and economic policy beginning shortly thereafter.

The gaps between the 1920s and 1950s in German labor movement history and between the 1920s and 1980s in the South African case suggest one measurement of lateness in political and economic development, and mark the countries' respective authoritarian phases when organizing proved most difficult. Like the analysis of Offe and Wiesensthal, however, Ebbinghaus' framework does not recognize important "advantages of lateness" for labor movements, such as their development of institutional resources that are independent of party politics. In fact, Ebbinghaus considers the patterns of developing relations between unions and social democratic/labor parties to be crucial, greatly exaggerating and distorting their actual importance.

Ebbinghaus poses such questions as, "Which came first, the party or the unions? Which organization created and supported the other? Was the party sufficiently strong and able to shape the development of the union movement, or was the reverse true or was neither the case?"⁵ Following Duverger, he distinguishes between two patterns. Externally founded parties or federations tend to be more centralized and hierarchical, with a strategy of consolidation that tends to be one of centripetal penetration. By contrast, internally founded groups – depending heavily on central leadership's authority

⁴ This was to prove fateful for the founding of apartheid, since the Nationalist Party won a bare majority of seats, but not a plurality of votes, upon coming to power in 1948. Thereafter, they gerrymandered electoral districts in such a way as to remain permanently in power until losing to the ANC in 1994.

⁵ Ebbinghaus, *Op. cit.*: 67.

and unity – consolidate a loose coalition of forces with a common ideology, from the “bottom up.”⁶

In general, he argues, a cadre party, as an internally legitimated center-led organization is “more likely to follow the rational calculations of its leadership” than a decentralized, federalized or social movement party.⁷ Nineteenth-century Germany presents the classic case of an externally legitimated, party-led labor movement, and a highly centralized penetrative union federation, the ADGB (*Algemeine Deutscher Gewerkschaftsbund*, or General Federation of German Unions, re-founded after World War II as the DGB). In Britain, the TUC not only long predated, but also precipitated, the organization of the Labor Party. Although the party was the creation of the unions, individual unions maintained considerable levels of sectoral fragmentation as well as autonomy from the TUC. In Germany, the SPD planned and organized the unions’ formation, and retained (a contested) political control over their activities up to the Eisenstadt Congress of 1906, when the unions declared their independence.

This independence had the effect, however, of strengthening the drive for unitary unionism, increasing the interpenetration of ADGB and SPD leaderships, and helping to shift the power balance between the party and the unions. Political backwardness thus

⁶ The implicit normative and teleological bias privileging comprehensive organization over institutional pluralism and party affiliation over party independence in his analysis is most explicit in Ebbinghaus’ discussion of the two other party/federation patterns in European experience, that of Norway and of France and Italy. In the Norwegian pattern, “the party preceded the unions, but was *not sufficiently centralized* to push the union movement towards centralization (the late-comer type). The pattern represents *incomplete* forms of party-led union centralization due to organization problems under late industrialization and *incomplete* national integration.” In both France and Italy, “party and unions develop independently, overlapping in activities and competing in working-class alliances (the peripheral type). These countries showed large regional disparities ... with belated, regionally imbalanced industrialization and entrenched agrarian regimes. They *failed* in a double sense: the union movement was not strong enough (or willing) to build a political organization of its own, nor was there a political party that molded union centralization.” *Ibid.*: 74 (emphasis added).

⁷ *Ibid.*: 68.

encouraged the strong degree of industrial unionism in Germany. Major strike defeats in the decade before World War I – especially in heavy industry, where union leaders failed to mobilize unorganized workers' support – led the leaders to strive for state guarantees rather than workplace codetermination, to secure the “common good.”⁸

However, German unity unionism in the interwar period, as with several other European labor parties and movements, confronted three basic political cleavages: capital versus labor, church versus state, and revolution versus reform. Again, and relatedly, Britain and Germany present strong contrasts. While both witnessed the formation of a social democratic party distinct from an older liberal counterpart around the turn of the century, the German labor movement had to contend with divisions among Catholic or Christian Democratic unions and parties on the one hand, and Communist ones on the other. No such sectarian or confessional tendency gained a lasting foothold in Britain.⁹

Combining the dimensions of integration and cleavage, Ebbinghaus arrives at five “ideal-typical clusters” of national union systems in Western Europe. He argues that these clusters have remained fairly stable in the postwar period, despite Europe-wide trends of secularization, party de-alignment and radicalization, and despite some labor movements' earlier movement among several “clusters.” They are as follows:

⁸ Hans Mommsen, 1980. *Klassenkampf oder Mitbestimmung. Zum Problem der Kontrolle wirtschaftlicher Macht in der Weimarer Republik*. Frankfurt: 17 ff.

⁹Ebbinghaus, *Op. cit.*: 75ff.

- 1) *laborist unionism* (as in Great Britain and Ireland), in which early and gradual political and corporate integration of the working class contributes to a less centralized and weaker federation, and more numerous and autonomous unions;
- 2) *solidaristic unionism* (as found in Norway and Sweden), where delayed political integration of the working class forces socialist political parties to mobilize resources for suffrage reform and subordinate an incipient union movement to the primacy of political unionism. Socialist class ideology “further reinforced the building of centralized industrial unions, while the counter-mobilization of employers bolstered the need for open cartel and solidaristic strategies.” In those countries where cross-cutting cleavages intervene, working class fragmentation limits the socialist party capacity for alliances and electoral success;
- 3) *segmented pluralism*, in which the church-state cleavage cross-cut the labor-capital cleavage, leading to a “stalemate” of separate union federations and parties; in the case of interwar Germany and Austria, this stalemate was fundamentally unstable, whereas in Belgium, the Netherlands and Switzerland, it is preserved and institutionalized in “a complex system of pillarized accommodation” in which “no party can substantially alter the power balance between the pillars;”
- 4) *polarized pluralism*, typified by France and Italy, arises when the revolution-reform cleavage emerges as a response to the incomplete institutionalization of labor-capital and church-state cleavages. The revolutionary impulse was strengthened when “employer intransigence and partial exclusion from political integration reduced the possibility of achieving improvements by economic means. In countries where the party-union linkage was incomplete, political fractionalism was common and syndicalism claimed union independence, unionism thus became a political affair;” and finally,
- 5) “*unity*” *unionism*, best typified by Germany and Austria, “the deliberate post-war attempt to encompass political and social cleavages in an all-encompassing unitary union movement.”¹⁰

Such “cluster stasis” has been bolstered not only by the premium the DGB has placed on independence of affiliation, but also by limited SPD electoral success at the national level and a high degree of electoral pluralism among works councils. Each of these institutional effects serves to reinforce the union federation’s unity, autonomy and neutrality. Precisely this autonomy from formal party politics, however, opened the way

¹⁰ Whereas elsewhere, unity pacts broke down with the deepening of Cold War domestic conflicts, they reemerged to some extent in the Netherlands and Italy in the 1970’s. *Ibid.*: 83-4.

to forms of labor movement stabilization that circumvented the supposed "opportunism" of the Weimar era and earlier.

South African unionism presents a more dynamic picture in which no single "cluster" pattern has stabilized. Formal unionism began in nineteenth century South Africa as a British import, so it shared a (not surprisingly) similar sectional unionist identity. The South African unions soon became increasingly confrontational with the new South African state, moving towards a racialized class unionism before, during and immediately after World War I. In parallel with this development, independent African unionism rapidly grew, excluded by the act of the earlier unions' government inclusion in 1924. The parallel structures led to a polarized pluralist labor movement, with very few instances of cooperation and coordination. Apartheid era policies only increased societal polarization, within and beyond the labor movement. Upon the banning of the African parties and then their unions, the last vestiges of sectional unionism lost all independence from the mid-1960s to early 1970s. This "dissociation of representation from struggle," far from resulting from an over-reliance upon labor law, however, was the consequence of too few legal protections covering too few workers.

If the postwar German case shows a dissociation of party representation from labor movement struggle, however, the South African one is much more radical. Here, the very terms of wage labor proletarianization have been permanently altered. Instead of the wage contract representing the primary focus of labor struggles, the organization of state economic activity itself becomes the object of strikes and demonstrations that transcend boundaries between organized and unorganized, middle class and poor, male and female spheres, even paid (formal sector) and unpaid (household and informal

sector). As detailed further in chapter 6, the terms of South African labor movement contestation are no less fundamental than a rejection of the framework of “wage slavery” itself.

5.3 *Cold War stabilizations: codetermination and apartheid, 1945-1967.*

Chapter 1 detailed how Offe and Wiesenenthal’s theory posits a general law of employee organizational disadvantage, in which the juridification exemplified by codetermination results from labor’s opportunism. The historical recounting of codetermination’s adoption below discusses several reasons why this reading of German history is mistaken. The authors discount entirely the international dimensions of the battle over codetermination; they give insufficient weight to the structural weakness of German labor after Nazism and the marginalization of its SPD party allies; and their model does not account for the rapid and significant shifts in fortune between employers and employees.

Finally, their model cannot account for the fear and mistrust codetermination and its incremental legal extension throughout the 1950s to 1970s provoked among employers. If business leaders understand their “monological” interests so well, then can they have mistaken the (allegedly) debilitating effects of codetermination for labor so completely? In fact, for all its initial shortcomings, over time codetermination showed employees the advantages of firm-level participation and provided them with an additional mechanism for deepening democracy in an important sphere of their lives. Moreover, the sphere of codetermination representation shows a steady increase of firms

covered from the 1950s until reunification. As the perception of these advantages grew, so did their sphere of application.

Far from having been a programmatic triumph of the German labor movement immediately after World War II, however, codetermination arose from Allied imperatives during the Occupation. In the standard postwar account, the mining and metalworking unions, through strikes and demonstrations, forced coal and steel codetermination upon ambivalent Allies and Bundestag representatives, and hostile employers.¹¹ The Cold War is then largely blamed for the 1952 law's weakened form of codetermination. Some have gone as far as to suggest that Allied interference thwarted the adoption of a form of democratic socialism in postwar Germany.¹²

This view has been substantially revised more recently, with an emphasis upon the diminishing sphere of union activity after 1945.¹³ Whereas the constraints placed upon

¹¹ For the classic statement, see Theo Pirker, 1960. *Die blinde Macht: die Gewerkschaftsbewegung in Westdeutschland*. München: Mercator Verlag; for a critique, see Horst Thum, 1982. *Mitbestimmung in der Montanindustrie: der Mythos vom Sieg der Gewerkschaften*. Stuttgart: Deutsche Verlags-Anstalt. 162 pp.

¹² For typical examples of the left-wing critique of codetermination, see Richard Detje *et al.*, 1982. *Von der Westzone zum Kalten Krieg: Restauration und Gewerkschaftspolitik im Nachkriegsdeutschland*. Hamburg: VSA-Verlag. 222 pp.; Eberhard Schmidt, 1970. *Die verhinderte Neuordnung 1945 bis 1952*. Frankfurt a.M.: Europäische Verlagsanstalt. 240 pp.; and Pirker, *ibid.* This assessment is not limited to left-wing historians, however; see also Charles Maier, 1987, *op. cit.*: 125 ff.

¹³ For a revisionist historical interpretation that stresses a distinction between the unions' very impressive and swift reconstruction of their *base, structure and membership* – during which ideological differences were reconciled – and their far less unified political *program* as manifest in the failure of codetermination at the party level, see Gloria Müller, 1987, 1991; Gabriele Müller-List, ed., 1984. *Montanmitbestimmung: das Gesetz über die Mitbestimmung der Arbeitnehmer in den Aufsichtsräten und Vorständen der Unternehmen des Bergbaus und der Eisen und Stahl erzeugenden Industrie vom 21. Mai 1951*. Düsseldorf: Droste; Werner Plumpe, 1986 and *idem.* in Steven Tolliday and Jonathan Zeitlin, eds., 1991. *The Power to Manage? Employers and Industrial Relations in Comparative-historical Perspective*. New York: Routledge. 352 pp.; for an overview, see Karl Lauschke in Jan-Pieter Barbian and Ludger Heid, eds., 1997. *Die Entdeckung des Ruhrgebiets: das Ruhrgebiet in Nordrhein-Westfalen, 1946-1996*. Essen: Klartext. On the broader postwar political context, see Andrei Markovits, 1986. *The politics of the West German Trade Unions: Strategies of Class and Interest Representation in Growth and Crisis*. New York: Cambridge University Press, 1986; S. Mielke, 1990; and W. Plumpe, 1987 and *idem.* in Boverman *et al.*, 1996.

unions in this period have been examined in considerable detail, less attention has been given to precisely which constraints Ruhr employers and their associations faced, explaining why they should reconcile themselves to aspects of codetermination that they so vociferously rejected during Weimar. While “Americanization” explains the change of style (if not fundamental belief) among some industrialists, this view overlooks the role played by precisely those traditions in heavy industry that were least “Americanized.” By placing the concern for firm management autonomy above all others in the face of mounting challenges – just as they had done during Weimar – Ruhr employers in the postwar period were forced to break with Weimar precedent in allowing a significant worker presence within management structures.¹⁴ In essence, they found that union allies proved indispensable in curtailing the more ambitious and far-reaching Allied plans for the reorganization of Ruhr industry.

British plans, although sketchy and often contradictory in details, nonetheless fundamentally were geared toward the twin imperatives of occupying at minimum cost and, from late 1946, circumscribing Soviet influence/interference in, the British zone. Coal, far from being merely a commodity or a vital wartime resource, had now become the vital ingredient for national survival and reconstruction. The Spring 1945 directive to the CCG/BE (Coal Control Group) provided for maximum freedom of unions and employer associations within occupation constraints and private collective bargaining instead of wage controls. But in practice, unions were given little room for maneuver, especially in 1945-6. After rejecting plans for a unified national union structure, the

¹⁴ This section follows the arguments of Werner Plumpe in Tolliday and Zeitlin, eds., 1991, *op. cit.*

British fostered employer/employee cooperation as a means to solidifying the foreign policy goal of isolating Soviet influence.

Because of major internal disagreements following the confiscation of coal mines and iron and steel works, the Allied Control Council could agree only on the Works Council Law of April 1946, which stipulated that rights of works councils result from management and work-force negotiations. The previous summer, the British Labor Cabinet endorsed “nationalization” of Ruhr industry, and in August 1946, Ernest Bevin announced socialization of Ruhr iron and steel industries. Far from full socialization, in fact, after January 1947, this took the form of deconcentration (*Entflechtung*) of the steel cartels, under the aegis of the newly-formed North German Iron and Steel Control. By March 1947, the first deconcentrated plants were established with parity codetermination (equal worker-management board representation), with one representative of the North German Iron and Steel Control as chairman of the board, together with the new board position of Labor Director (*Arbeitsdirektor*). Works councils’ rights were a separate issue from this legislation, to be determined at a later date.

Most observers and many subsequent analysts viewed these moves as being part of the new Labor Government’s plans for a comprehensive restructuring of the German economy, only thwarted by American Cold War imperatives.¹⁵ This view is mistaken. The British prevented full socialization of German coal in 1948; their priorities of minimizing occupation costs and maximizing economic control motivated their

¹⁵ e.g., Eberhard Schmidt, *op. cit.*

confiscation of coal and steel holdings. Socialization was proposed only to forestall Soviet meddling; once this danger receded, the plan was abandoned in the fall of 1946.¹⁶

Nor was the introduction of parity-codetermination in any way directed at the pacification of the unions, to compensate them for vetoed socialization.¹⁷ Socialization was never a real possibility, even if the political stability of early 1946 had persisted. Instead, employers feared that the April 1946 Works Council Law meant the permanent establishment of economic codetermination and “Economic Democracy.” Their growing intransigence, combined with a worsening supply situation, enabled the (up to then quiescent) Communists to exploit the unrest. The SPD had made a rhetorical commitment to the April 1946 Law and could not back down without major loss of face. The British viewed the works councils as Communist strongholds, and so sought to strengthen the unions at the councils’ expense, under the proposal of W. R. Luce, Manpower Division head of the Westzone’s Coal Control Group.¹⁸ The adoption of parity co-determination was to be only temporary, only long enough to undercut council influence until a policy of internal company relations could be established.

Unions saw their own unification across ideological divisions as essential not only for the realization of *Wirtschaftsdemokratie*, but also for the unification of employers’ associations and trade associations. Unions valued employer unification for providing a stable bargaining interlocutor. Social Democrats supported unions’ aims of promoting

¹⁶ “The nationalization of heavy industry, though official policy, amounted to little more than an attempt to head off domestic critics; never, certainly, would the British seriously encourage German efforts to socialize production. ... Like the United States and France, the British opposed every attempt of the USSR to gain influence in West German coal and steel.” Gillingham, 1991: 127.

¹⁷ This is the argument by Frank Deppe *et al.* 1969, *Kritik der Mitbestimmung; Partnerschaft oder Klassenkampf?* Frankfurt am Main: Suhrkamp: p. 58 ff.

¹⁸ Müller 1987: 146ff; 197ff.

firm-level codetermination in theory, but were too cautious to pursue them; Communists therefore pursued them in order to make political capital out of the struggle, although they constituted Social- and Christian- democrat union aims. The result was a permanent schism between the SPD and KPD.¹⁹

But this split was forestalled by Ruhr employer intransigence against a unified employer association (with the larger, more autonomous firms particularly opposed) and parity codetermination. The more the occupying powers intervened to resolve conflicts, the more the industry's intransigence seriously restricted its scope of maneuver.²⁰ Confiscation, decartelization, threats of socialization and the introduction of codetermination – as well as the separation of the coal mines from steel firms – were all major threats to the firms' political and economic power. They also faced serious internal economic crises: they lost the ore fields of the former Eastern territories, Alsace/Lorraine and the Saar, and were cut off from importation from abroad; they had strict production quotas; and they were discriminated against in coal allocation. They also faced losses totaling several hundred million Reichmarks.

Only out of dire need to secure labor cooperation in managing the fiscal crisis and opposing decartelization and *démontage* did the major steel barons publicly support the

¹⁹ The KPD/SPD differences which led to their split (and eventual KPD banning) in the Westzone had no real ideological basis; rather, they resulted from power struggles within the SPD, between the Westzone faction led by Kurt Schumacher, and the Berlin office led by Otto Grotewohl. Given the greater balance of the parties in Berlin, Grotewohl favored close cooperation between the two; Schumacher opposed cooperation as a means of marginalizing Grotewohl (and not the other way round). The programs of all major union factions – SPD, KPD, and Christian Democrat – included nationalization/socialization of the major firms and banks, economic planning and control, codetermination at all levels of the economy. These were abandoned only in the face of Marshall Plan aid and government policies favoring higher productivity over structural reform, a position which marginalized the Communists. See Schmidt, *op. cit.*: 114 ff.

²⁰ On the view that U.S. influence was mostly negative – in vetoing first *antifas*, then codetermination measures passed at the provincial level – see W. Jacoby, “-ization as negation?” in V. Berghahn, ed., n.d.

principle of codetermination.²¹ Thus their proposal conformed with but did not exceed the Harris-Burland (British controller of iron and steel works) proposals of 1946-7. Unions rejected the offer as not going far enough.²²

With the division of Germany a *fait accompli* the Allies presented to the Soviets to cement their exclusion from the Ruhr,²³ however, both the Communists and Social Democrats felt increasingly marginalized politically, while employers within the newly-reconstituted BDI became increasingly assertive. Had these conditions prevailed, it is questionable whether parity codetermination would have survived even within the coal and steel sectors. Yet with the outbreak of the Korean War, the American Military Governor, General Lucius Clay, conveyed to Adenauer the imperative of maximizing both industrial peace and steel production. Adenauer, ably assisted by Harris-Burland's appointee Heinrich Dinkelbach (former *Leitende Angestellter* of VSt.), brought the steel barons round to a (provisional) acceptance of parity codetermination.

Clearly, then, although the postwar union leadership was able to seize the opportunity to press for coal and steel codetermination, the enabling circumstances were highly contingent on several domestic and international factors that changed rapidly and (for the most part) unfavorably to German unions. In this sense, they did not substantially "codetermine" codetermination.

Moreover, the equal input within firm governance that the actual rules of codetermination supposedly established was, in fact, lacking, as the case of Mannesmann

²¹ Potthoff, 1957. *Der Kampf um die Montan-Mitbestimmung*. Köln: Bund-Verlag, 150 pp.: 45ff.

²² Michael Schneider, 1991, *op. cit.*: 287 ff.

²³ Carolyn Eisenberg, 1996. *Drawing the Line: the American Decision to Divide Germany, 1944-1949*. New York: Cambridge University Press. 522 pp.

steel works discussed below makes clear. However, these shortcomings were not so great that the principle of firm-level governance would collapse. Rather – once unionists’ utopian dreams of complete transformation through codetermination were abandoned – they could better focus on its true inherent potential.

5.4 *German codetermination in the 1950s: new rules of the old game*

A weakness of critiques of “juridification” of industrial relations and related assumptions about the dissociation of representation from struggle is that they focus exclusively on the macro-social level. By neglecting the micro-political level of the shop-floor, analyses such as Offe and Wiesenenthal’s overlook a significant sphere of conflict and contestation.

German labor quiescence in the 1950s is attributable not only (or even primarily) to nascent Cold War restrictions sharpened by Germany’s division. For the first time, the firm itself had become a compelling arena for specific strategies of organization. In prescribing delimited rules of governance, codetermination played a key role in this process for employees; but learning these “new rules” of the old game of industrial conflict imposed a steep learning curve for unionists and works councilors.

In his study of codetermination dynamics, Walther Müller-Jentsch emphasizes the importance of externally imposed political compromises in fostering bargaining consensus.²⁴ In the immediate postwar period, these “learning processes” occurred by

²⁴ “The area of codetermination authority over staff and working conditions presupposes the wider achievement of compromise that is itself a result of organizational learning processes. In the early years of the autonomous collective bargaining, external institutions still frequently imposed these compromises. Both sides first had to learn *the rules of the game* and, through the differentiation of roles and structures, institutionalize them in their organizations for negotiations purposes.” Walther Müller-Jentsch, 1993. “Organization und Mitbestimmung. Evolution einer diffizilen Synthese” in *Profitable Ethik – effiziente Kultur*. Essen: 257.

necessity under duress. Typical of the reception that codetermination proposals enjoyed among Ruhr employers was Mannesmann Director Wilhelm Zangen's remark,

I wish to offer anew bewilderment with reference to the position . . . that a brand-new, wondrous idea emanates again from Germany, the cradle of the Marxist socialism and communism—namely the idea of co-determination of workers—that should prove as suitable as the first two ideas.²⁵

Such duress, strikingly absent during the Weimar period, meant after 1945 prison terms for the Ruhr barons, an increasingly unfavorable political climate for unions, and Occupation government for both. These political conditions, external to the firm, set the parameters of internal firm relations and brought the two bargaining sides closer together. Indeed, the very limits of what one side was able to impose on the other under these “rules of the game” both were defined by, and reflected in, the types of interchanges between management and councils.²⁶

Several studies in the 1950s sought to measure the effects of works council legislation upon factory organization, as well as assess worker attitudes to work, management, authority and the postwar society more generally. In 1954, the Institute for Social Research in Frankfurt, recently returned from exile in the United States, conducted one such study of over a thousand workers in five factories of the Mannesmann steel works in the Ruhr. Called *Betriebsklima*, or social atmosphere of the firm, it was sponsored by Mannesmann in an effort to understand worker motivation and improve work organization and performance. This sponsorship may have played a role in the study's pro-management bias – notwithstanding survey director Theodor Adorno's

²⁵ Internal firm memo dated April 28th, 1950 in response to a *New York Times* article on codetermination. M21552 (n.p.). Zangen's hostility to codetermination did not abate over time: in September 1956, he pursued lengthy legal challenges attempt to exempt the Mannesmann tubings AG division from Montan codetermination. See the internal memo dated September 26th, 1956 in M21551.

²⁶ See Lauschke, 1996, *op. cit.*

dedication of the study “to the Mannesmann workers” – suggested by its omission of more political lines of inquiry.²⁷

The Institute’s researchers assessed survey results indirectly through inference, producing different results from the ones respondents gave to directly posed questions. Where answers to direct questions suggested that the most important factors for workers were pay, then job security and work recognition, the researchers found job satisfaction to be most highly correlated with job security, with pay coming in fourth. With foremen and white collar workers over-represented by the sample surveyed, when queried as to who best represented their interests, about a third named the works council, and almost another third named the foreman or (union-allied) shop steward.²⁸

Most workers were unaware of their legal entitlement to worker participation; when asked which areas employees *should* have a say in, 59 percent mentioned pay, 36 percent mentioned social questions, and only 26 percent mentioned work-related issues. Yet large numbers complained of speed-ups, overtime and Sunday work, and production targets, *i.e.*, the very issues works councils were supposed to address. Indirectly, the

²⁷ See Rolf Wiggershaus, 1994. *The Frankfurt School: Its History, Theories and Political Significance*. Cambridge, MA: The MIT Press: 479 ff. One passage for discussion that was included in a preliminary study read, “Just think back to 1945. What were things like? It was us, the workers, who rebuilt everything. The bosses had their hands tied. A lot of them were being held in camps or were banned for other reasons. The workers got things going on their own. And that proves we’re capable of participating in management – that proves it’s good for the economy when workers have a say and can give their advice. That’s why we want workers’ participation now.” Certainly, the Mannesmann “boss” had his hands tied. Its Chairman, Wilhelm Zangen, had been the Nazi regime’s *Wehrwirtschaftsführer*, or War Economy Leader, for which the Allies imprisoned him briefly. Mannesmann made an odd match for the Marxist-oriented Institute, since it had been a founding member of the Anti-Bolshevik League and an early financial supporter of the Nazi Party.

²⁸ *Ibid.*: 483.

report concluded that in workplaces characterized by expressions of apathy, ignorance of rights, and lack of control, “fundamentally democratic conditions are not present.”²⁹

With the onset of the Cold War and the loss of (heavily socialist and overwhelmingly Protestant) eastern Germany, the DGB was unable to convert whatever moral advantage it may have enjoyed into an SPD parliamentary majority; indeed, to the extent that SPD chief Schumacher (who had been imprisoned during most of Nazi rule) called for ex-Nazis to be brought to justice, he probably lost further votes for his party.³⁰ Workers and their leaders, bitterly disappointed at their loss of opportunity in national politics, were therefore compelled increasingly to focus upon the firm as an arena for realizing gains.

The idea that legislation could achieve at a stroke of the pen what workplace and community struggle had not done, and further that the legislation of equal representation of labor and capital would lead to an equalization of their power relations, lies at the heart of the “false promise of codetermination.”³¹ As Karl Lauschke observes of the postwar climate in Germany:

Parity codetermination was judged by political standards that overtaxed its actual possibilities and exaggerated what it could achieve in practice. Its ability to transform the partly converging, partly diverging interests of workers and employers that their existence presupposes into a harmonious, conflict-free unit, . . . is as negligible as its ability to eliminate power from the conditions of the market economy or protect businesses from rivals, economic fluctuations or crises, let alone change the entire capitalistic system.³²

²⁹ Theodor Adorno and Walter Dirks, 1955. *Betriebsklima*. Frankfurter Beiträge zur Soziologie. Frankfurt a. M.: Europäische Verlagsanstalt: 16.

³⁰ On the political parties' record on coming to terms with Nazism after WW II, see Jeffrey Herf, 1997. *Divided Memory: the Nazi Past in the Two Germanys*. Cambridge, MA: Harvard University Press, 1997. 527 pp.: ch. 4.

³¹ Alfred Thimm, 1980. *The False Promise of Codetermination: The Changing Nature of European Workers' Participation*. Lexington, MA: DC Heath & Co. 301 pp.

³² K. Lauschke, 1997, in Barbian and Heid, eds., 1997, *op. cit.*: 175.

Precisely because of these restricted possibilities, in fact, the demand for codetermination at the level of the firm was not a priority of the DGB in the late 1940's. But this sense of defeatism and the (understandable) emphasis unionists placed upon nationalization and national-level structures and reforms blinded them to the potential for more modest changes in employer-employee relations. This had the consequence that, by the mid-1950s, "in the realm of day-to-day changes in the businesses, only the entrepreneurs always in the end seemed to be able to push changes through, since they had the corresponding power" to do so.³³ This was indeed a far cry from the immediate postwar period, when the works councilors found themselves (almost by default) with a near-monopoly on community legitimacy.³⁴

In 1955, a leading steel baron, Gutehoffnungshütte Chairman Hermann Reusch, publicly complained that parity codetermination was a "brutal extortion" by unions of the owners at a time when the owners "were not sufficiently organized" to oppose it, and demanded that it be scrapped.³⁵ The remark not only set off a wave of strikes and protests by the unions, and caused most other leading steel magnates to distance

³³ *Ibid.*

³⁴ As James Diskant (1989) describes in the case of Dortmund, after the "antifas" (spontaneous anti-fascist groups that briefly took over local government) were banned, "local activists turned increasingly to the works councils that they had . . . reformed in April 1945 in the city's mines and mills. . . . The councils' reformation coincided with British interest in finding ways to stabilize production in both mines and mills" (p. 533). Initially, at least, the British were in no position to limit the scope of works council activity, since "the role of councilors in both industries as community leaders was increasingly established, due not only to their own efforts, but also to the inability of the British and German civil service to solve the food crisis in general and the distribution system in particular" (p. 556).

³⁵ See U. Borsdorf, " 'Die Belegschaft des Hüttenwerkes scheint geschlossen in den Betten zu liegen'. Ein Streik für die Montanmitbestimmung" in L. Niethammer *et al.*, eds., 1984: 196-200.

themselves from Reusch's position; it also prompted a series of academic and trade investigations into the actual state of codetermination.³⁶

Shop stewards had also begun to explore the potential for maneuver that their positions conferred upon them. The result was that

regulations of numerous problems, that earlier were handled uniformly across larger parts of the economy or at the level of whole industries, were transferred into the businesses more and more, and in view of this, the unions also concerned themselves in a more dedicated fashion with operational processes. They began to explore more closely the "political area of the work" and the test more exactly the possibilities of its formation. . . . Businesses came to be understood as complex social structures, whose outer conditions are set aside, but in which internal workings are nevertheless autonomous. . . . constructing within themselves differentiated and structured social areas, in which protagonists – in a game, as it were – move and negotiate, pursuing their different (power) resources and coalescing together in prosecution of their respective interests, intriguing against others, fighting or forming compromises and in this way hitting upon new social arrangements.³⁷

These new social arrangements brought with them, after several years of sorting out and "negotiated negotiations," a "humanized" work climate founded upon improved mutual understanding. Admittedly, the work conditions could hardly deteriorate from the dictatorial level prevailing before, even for German workers (and both predating and outliving the Third Reich).³⁸ But the improvement was something remarked upon by workers and management alike.³⁹ From then onwards, rather than oppose sub-parity

³⁶ In addition to Adorno and Dirks, 1955, *op. cit.*, see S. Braun (1955) and T. Pirker *et al.*, 1955. *Arbeiter, Management, Mitbestimmung. Eine industriesoziologische Untersuchung der Struktur, der Organisation und des Verhaltens der Arbeiterbelegschaften in Werken der deutschen Eisen- und Stahlindustrie, für die das Mitbestimmungsgesetz gilt.* Stuttgart: Ring-Verlag. 686 pp.

³⁷ Lauschke, 1997, *op. cit.* 176.

³⁸ For example, in the memory of a works engineer: "earlier it was quite simple: there was one complete authority, there was no one to challenge him. . . . our old boss, who died during the last war, always wandered around with the cane, and if a worker did something stupid or fooled around, then he received a drubbing." Otto Neuloh, 1960. *Der neue Betriebsstil; Untersuchungen über Wirklichkeit und Wirkungen der Mitbestimmung.* Tübingen: Mohr, 398 pp.: 95 ff.

³⁹ An old hammer works worker summarized: "earlier it was like we were in army barracks; today, we have new masters. We have built the business together and the tone has changed through co-determination." According to another: "one can speak today with the superiors; that was rarely possible earlier. The relationship has become more comradely." Similarly, an older blast furnace-worker recounted: "the general atmosphere has become freer, one can say what one thinks. We are, in a word, more *mensch* today than before." *Ibid.*: 185 ff.

codetermination, unions came increasingly to work within it, while seeking its extension to parity levels throughout the economy. For example, IG Metall initially sought to organize parallel shop stewards' committees for each works council, but eventually contented itself with using shop stewards to place union members within the works council, broadly promoting union aims.⁴⁰

Furthermore, just as parity codetermination began in the coal and steel sectors, so "pattern bargaining" emerged in this period with the metalworkers' union IG Metall taking the lead. As the largest and one of the best-organized unions, IG Metall could set a standard in wage gains and improved conditions that other unions would then aspire to in their negotiations. The overall effect was one of broadening gains for organized workers throughout the economy, while increasing the predictability of bargaining trends.

Thus while the German labor movement began the 1950s in a divided national and ideological context and weakened by Cold War antagonisms, they managed to build upon a platform of codetermination gains in the coal and steel industries and slowly extend them to other sectors and levels of competence and representation. South Africa presents almost the mirror opposite picture, with a steady erosion of both workplace and political rights. There, the Cold War context meant the disenfranchisement of the majority of South Africa's workers.

⁴⁰ See Thelen, 1991: 78; and Streeck, 1984: 28 ff.

5.5 *South Africa, from protest to repression: 1955-1968*

In contrast to the German pattern for the 1950s and 1960s, South African unionism progressed from suffering the ambiguous exclusion of non-citizens to witnessing their outright repression. Here, “dissociation of representation from struggle” took the dire form of existing unions failing to both support others struggling for state recognition, and failing to organize unorganized striking workers. Even so, this South African episode does not entirely confirm Offe and Wiesenthal’s theory, since – as was the case in Weimar Germany – hostile employers and the state, rather than existing unions, proved to be the main impediment to adequate worker representation.

Following an amendment to the Wage Act in 1955 preventing African unions from petitioning the Wage Board, the conservative Trades Union Council of South Africa (TUCSA) expelled African member unions. In response, fourteen registered unions broke away from TUCSA to form SACTU. Within months, SACTU openly affiliated with the embattled ANC.

An amendment to the Industrial Conciliation Act in 1956 reaffirmed that Africans were not “employees” and thus were excluded from collective bargaining, and by extension, from “racially mixed” unions. A SACTU policy document from 1957 called on its registered unions to deregister: in effect, to deny the state power to delimit union activity. Arguing that official recognition had “incapacitated” both registered and unregistered unions, whose strategy had “gradually shifted from the shop and factory-floor to the trade union office,” the document urged unions to rely on “the militant factory unit” over the law, to foster the “development of leadership in the factories” and “the

necessary theoretical education” to equip this leadership “for independent struggle.”⁴¹

But with only 30-40,000 members in perhaps 34 unions, SACTU affiliates felt too weak to de-register, and decided against the move.⁴²

Instead, SACTU pursued a strategy that came to characterize the most visible and successful labor and community protests thirty years later – the stayaway, where whole communities rather than specific firm or sectoral workforces boycotted work for a specified period. Although the 1957 one pound strike, which demanded a minimum wage of one pound per day, was initiated only in factories where SACTU had a presence, its success was much more widespread. It mobilized between 70 and 80 percent of all African workers – male and female, regardless of sector – in Johannesburg and Port Elizabeth.

This manifest success not only drew thousands of new members to SACTU; it also commanded the attention of the ANC, which ordered SACTU to repeat the stayaway in 1958, including the anti-elections slogan, “the Nats must go.” In comparison to the success of the “one pound” strike, this latter attempt was a failure, leading ANC President Albert Luthuli to remark that “the African people did not measure up to [our] call.” More plausibly, the African people saw a daily one-pound wage more in their interests than the vagaries of an electoral politics in which they had no voice. Facing increasing pressure from intransigent employers who brought out police to bloodily suppress strikes, and an ANC leadership more concerned with opposing the Nationalist

⁴¹ R. Lambert, 1983. “SACTU and the Industrial Conciliation Act,” *South African Labor Bulletin* VIII, 6 (June 1983).

⁴² Karis and Carter, eds., v. 3, 1978, *op. cit.*: 53 ff.

Party than with building trade union structures, SACTU went into decline, even before its banning in the mid-1960s.⁴³

For almost a decade, independent unionism representing most disenfranchised workers vanished from South Africa, while the Nationalist government's suppression of political opponents became increasingly violent, involving the banning, imprisonment, torture and murder of countless activists. Unlike most other Third World dictatorships, this repression was carried out in the guise of a rule-of-law state, leading one scholar to conclude at the time that "although [t]he apartheid system has been viewed as simply the most outdated relic of a dying colonialism, . . . it is possibly one of the most advanced and effective patterns of rational, oligarchic domination."⁴⁴

Even so, cracks in the edifice widened; even under Grand Apartheid, gaps in labor law allowed for room for maneuver. The one legal venue in which disenfranchised workers could be represented in this period were the state-sanctioned shop stewards committees. By providing a forum for employee wage petitions, they became a Trojan horse for union organizing independent from state control. Although their scope of rights was far narrower, these committees fulfilled a role very similar to that of West Germany's sub-parity codetermination and works councils in the same period. Employers and the state in both cases sought to use these institutions to weaken workers' independent political voice. Rather than formal representation serving to *undermine* struggle, however, in both cases it served as a *platform* for further struggle. In this sense,

⁴³ For assessments of African labor movements and politics in the early to mid twentieth century, see John Lewis, 1990; M. Lipton (1986); T. Lodge (1983); and Shula Marks and Richard Rathbone, eds., 1982. *Industrialization and Social Change in South Africa: African Class Formation, Culture, and Consciousness, 1870-1930*. New York: Longman, 1982. 383 pp.

codetermination and workplace participation rights enjoyed a new lease on life in both contexts. Their successful institutionalization, however, depended on an array of additional factors. These include levels of employer organization, rates of employee participation and unionization, and larger contexts of national, economic, and global stabilization. The fate of codetermination in both countries in light of these additional factors is discussed in the final chapter.

⁴⁴ Heribert Adam, 1971. *Modernizing Racial Domination*. Berkeley: University of California Press: 16.

Chapter 6

German and South African Codetermination: II. Victory and Obsolescence?

6.1 *Introduction*

In different ways – through militant “evasion” (South Africa) and militant “adherence” (Germany), as elaborated below – labor movements have eluded the pitfalls of structural opportunism in the contemporary era that were predicted by Offe and Wiesenenthal. These authors concluded their essay by predicting that this structural opportunism would prove to be a transient phenomenon. If it can be eluded entirely in some national contexts, the question becomes, is the ensuing phenomenon capable of some more equal pattern of stabilization? Can something resembling codetermination persist under such circumstances? This chapter reviews developments from the late 1960s to the present, in an attempt to answer such questions.

The local patterns of industrial relations stabilization in Germany and South Africa diverged sharply in the 1940s and 1950s, but thereafter display some surprising parallels. In the late 1960s and early 1970s, both labor movements faced major challenges from marginalized groups and rank-and-file workers. Strikes and demonstrations in the late 1970s and 1980s increased in scale, while shifting in focus from wage-driven concerns to meta-bargaining demands. In the 1990s, the degree of class organization in both cases weakened, especially among employers, even as both countries turned to tripartite forums for a resolution of protracted economic woes.

Despite erosions in organizational capacity on both sides, the growing disorganization benefits employees more than employers for several reasons. Unions do

not suffer unduly from wildcat strikes, which often significantly disrupt production; employer associations, more than unions, are prone to “wildcat cooperation” (*i.e.*, employer defection from maximum wage offers), even when unemployment is widespread; and under democratization, unions appear better situated to proactively address structural unemployment.

To be sure, some significant differences distinguish the cases during and after the Cold War. Whereas the extension of codetermination norms throughout the economy became the focus of most German unions from the 1960s to the 1980s, the independent unions in South Africa used their new workplace leverage to promote community linkages and press for increasingly militant political demands. Despite South African unionists’ subsequent and conscious emulation of the German model in the 1990s, their experience has shown that if anything, the strategy of “militant evasion” has proven even more effective in promoting broad-based working class demands than their German counterparts’ strategy of “militant engagement.”

Indeed, South Africa’s failure to reproduce the industrial relations conditions of West Germany of the 1950s instead may adumbrate many of the challenges confronting unified Germany – and employers in particular – at the turn of the twenty-first century. These include an inability to significantly reduce unemployment, a prevailing politics of budgetary austerity and minimal growth, and diminishing levels of employer organization.

If South Africa’s more characteristically “developing” southern context is one of a more politicized public sector with increasingly militant public sector unions, German unions’ *adherence* to collective bargaining in the face of employer defection has become

a major source of conflict. In both cases, however, unions and their allies are increasingly proactive in demanding economic organization and especially increased levels of employment from their “superiors” (employers and the state), who face growing pressure to deliver.

Section 6.2 demonstrates how – despite the differing meanings and effects of codetermination – labor relations in the two countries display further parallel developments. Wildcat strikes in both countries contributed to a more inclusive revision of industrial relations legislation in the mid- to late-1970s, while at the same time accompanying a sharp reduction in the migrant labor force. These changes brought concerted labor organizing among the non-citizen workforce, and renewed attention on the extension of labor organizing rights in both contexts, with the 1976 Codetermination Act in Germany and the 1979 Wiehahn report in South Africa. This situation lasted until the fall of the Berlin Wall, ushering reunification in Germany and a negotiated transition to post-apartheid democracy in South Africa.

Since the 1990s, as section 6.3 discusses, both countries’ industrial relations systems have moved toward tripartism, without however yielding concrete, cooperative results. The German “Alliance for Jobs,” inaugurated in the face of record-high unemployment and negligible growth, has proven to be more a platform for unions to proactively address unemployment. Similar unemployment levels in South Africa have worked against the institutionalization of industrial cooperation while increasing protest against economic policy. Finally, as elaborated in section 6.4, these trends suggest a growing tendency of unions to address common issues of structural unemployment through ways that are by no means confined to collective bargaining norms.

6.2 *Revolts of the rank-and-file, 1968-1976: the extension of German codetermination*

Although works councils elections in the Ruhr during the 1950s and early 1960s were often vigorously contested, and councilors continued to express latent and overt opposition to management, union-organized strike activity dipped to levels not seen since the *Kaiserreich*. Similarly, wages had not regained levels achieved during the Weimar period. A significant element underwriting this dimension of the *Wirtschaftswunder* (“economic miracle”) was the dramatic increase in the *Gastarbeiter* (“Guestworker”) program, through which thousands of temporary workers were imported from the southern European and eastern Mediterranean countries. Union acquiescence to employers’ reliance on this program entailed the risk that an apartheid-style dual labor market could appear. In this situation, privileged citizens had full organizing and strike rights, but increasingly saw no reason to exercise them, and a marginalized and easily controllable temporary workforce increasingly became the norm in the lowest-paid sectors. Nonetheless, it was precisely because of this marginal position that migrant workers took works councils and workplace rights so seriously. In so doing, they revealed hidden potential in codetermination as a system of interest representation.

Indeed, the period of labor quiescence came to an abrupt end with a wave of broad-based wildcat strikes of the late 1960s.¹ Foreign workers were disproportionately represented in this strike wave. In its wake, the DGB investigated the situation of foreign workers in the unions for the first time and recommended that local unions prepare this

¹ Significantly, the lowest-paid and youngest members of the workforce participated disproportionately to these strikes, and their demands for absolute wage increases rather than percentage gains reflect this station. See Markovits, 1986: ch. 4; Thelen, *ibid.*; and Schneider, 1991, *op. cit.*

workforce for greater works council participation. It argued that major obstacles to integration lay with employer or local authority discrimination, and not with the unions themselves.²

At this time, while foreign workers had as a group almost the same level of unionization as German citizens (about 30 percent), and the total foreign population was 10 percent of the West German population, only 1.5 percent of works councilors were foreigners. The percentage of foreigners occupying official positions within the DGB was even lower. While foreign workers showed considerable eagerness to join unions, these unions were distinctly reluctant to include foreigners in positions of authority at anywhere close to comparable levels.³

Indeed, one study of Turkish workers employed in large West Berlin firms found that despite little prior history of union involvement, they showed higher levels of union membership and placed greater emphasis on the role of unions as defenders of worker rights rather than mere bargaining agents compared with their German co-workers. This was ironic, since although more than half of these Turkish workers knew of the existence of works councils in their firm, more than three-quarters were unaware of the union representatives (*Vertrauensleute*, or shop steward). While about 40 percent thought that unions were impartial toward German and foreign workers, 60 percent felt that the unions discriminated against their interests.

² DGB, 1972. "Die deutschen Gewerkschaften und die ausländischen Arbeitnehmer." *Gewerkschaftsspiegel* 1/72.

³ M. Kempe and E. Knebel, 1978. "Integration of Turkish Workers into Union Activities." In B. Wilpert, A. Kudat and Y. Ozman, eds. 1978. *Workers' Participation in an Internationalized Economy*. Kent, Ohio: Kent State University Press: 97-108.

A disposition toward union activism is all the more surprising in the case of Turkish workers, the largest group of foreign workers in Germany. In common with other *Gastarbeiter* nationalities, more than a third of Turkish workers in their teens and twenties stated an intention to return to their home country.⁴ After 1973, however, when the *Gastarbeiter* program was curtailed, government and industry could no longer plan on saved labor expenses based on transient male workers housed in primitive hostels. “Guest” workers preferred increasingly to stay in Germany, and bring their families to stay with them. Yet for the following two decades, these workers (some second and even third-generation “native” born Germans) would be denied franchise rights, and correspondingly value workplace rights all the more. Despite resistance on the part of native workers,⁵ foreign workers slowly made inroads into workplace participation as works councils’ institutionalization became the norm.

Hermann Kotthoff finds that the extension and strengthening of the 1952 Codetermination law in 1972 led to an increase over time in workplace participation and management.⁶ Within a year after the amendment, the results were solidly negative: only a third of workplaces surveyed had established effective councils, whereas in the rest they were poor to negligible. Fifteen years later, however, Kotthoff returned to these locations

⁴ Klaus Schweikert, 1982. *Vocational Training of Young Migrants in the Federal Republic of Germany*. Berlin: CEDEFOP. 172 pp.

⁵ An independent study at this time found that more than a third of DGB works councilors had little awareness of the needs of foreign workers. The councilors maintained that they (as “native” Germans) could represent foreign workers as well as these workers’ fellow countrymen could, so that the election of foreigners to council positions was unnecessary. Maria Borris, 1973. *Ausländische Arbeiter in einer Großstadt*. Frankfurt: Europäische Verlagsanstalt. 317 pp.

⁶ Hermann Kotthoff, 1981. *Betriebsräte und betriebliche Herrschaft. Eine Typologie von Partizipationsmustern im Industriebetrieb*. Frankfurt. *Idem.*, 1994. *Betriebsräte und Bürgerstatus: Wandel und Kontinuität betrieblicher Mitbestimmung*. Munich: Rainer Hampp. 346 pp.

and found the reverse was true: more than two thirds had effective works councils, with measurable improvements in most of the remainder. Significantly, these results were collected during what was then the worst recession Germany had experienced in decades. These findings are reinforced by those of Birgit Mahnkopf (see 1991; 1994; and Mahnkopf and Altvater, 1995), who finds that it is less economic conditions than workforce awareness that is decisive in promoting works council effectiveness. This effectiveness in turn is largely dependent upon unions' strategy and capacity towards and involvement in works councils, and their awareness of barriers different group of employees face within and beyond the shop-floor.

Table 1: Results of works council elections, 1975-1998 (in %)⁷

Year		1975	1984	1994	1998
Turn-out	Blue-collar workers	82.6	82.6	78.8	64.6
	White-collar workers	72.7	82.5	76.6	68.4
Union affiliation: DGB (<i>Deutscher Gewerkschaftsbund</i>) Federation of German Unions	Works councilors	67.9	63.9	66.7	61.9
	Chairs	78.8	75.1	74.7	73.2
DAG (<i>Deutsche Angestellten-gewerkschaft</i>) German Salaried Employees' Union	Works councilors	10.4	8.9	4.3	3.2
	Chairs	2.6	6.8	4.5	3.0
CGB (<i>Christliche Gewerkschaftsbund</i>) Christian Federation of Trade Unions	Works councilors	2.6	0.8	1.6	0.5
	Chairs	0.0	0.1	0.2	0.4
ULA (<i>Union der leitenden Angestellten</i>) Confederation of Executives	Works councilors	-	0.3	0.0	0.1
	Chairs	-	0.0	0.1	0.0
Other	Works councilors	1.6	0.7	0.9	1.0
	Chairs	0.6	0.9	0.7	1.5
Non-union	Works councilors	17.5	25.4	26.5	33.3
	Chairs	1.5	17.0	19.8	21.9

Until reunification, levels of works council participation remained steady or increased slightly. Table 1 shows that in 1998 the level of employee acceptance of works councilors as their representatives, and of the council system as a whole, remains high, with turnout declining only slightly from pre-unification highs. The DGB remained by

⁷ IW-Gewerkschaftsreport 3/98.

far the most influential trade union confederation, with 62% of works councilors and 73% of works council chairs affiliated to its member unions. However, the results also confirm the trend away from union towards non-union representation within works councils.⁸ Ironically, in their advocacy of firm-level codetermination, the DGB unions may have become victims of their own success. A growing employee preference for non-union representatives on works councils (in 1998, one third of all councilors and slightly more than one fifth of council chairs) suggests that employee interests have become more complex and less easily aggregated.

6.2.1 *Revolts of the unrepresented rank-and-file, 1968-1976: The rebirth of independent unionism in South Africa*

Two events in the early 1970s spurred the revival of independent unionism in South Africa, first in manufacturing, then in mining. In the manufacturing sector, first in the greater Durban area in Natal province, then throughout the country, African workers engaged in spontaneous strikes for higher pay.⁹ A constellation of factors conspired to make conditions for a revival of independent unionism in Durban particularly auspicious. The greater Durban area's light manufacturing industries were geographically concentrated but with diffuse ownership scattered among several dozen mostly small- to

⁸ Much of the decline may be attributed to problems with reunification. In post-reunification eastern Germany, for example, male councilors assisted in downsizing the welfare, service and textile sectors in which women's employment had been concentrated. See Brigitte Mahnkopf, 1994. "Ex Oriente Risk: The Impact of Unification on the 'German Model' of Industrial Relations". *International Journal of Political Economy* 24:2 : 39-72.

⁹ See Johann Maree, ed., 1987. *The Independent Trade Unions 1974-1984*. Johannesburg: Ravan: 355 pp.; Steven Friedman, 1987. *Building Tomorrow Today: African Workers in Trade Unions 1970-1984*. Johannesburg: Ravan: 505 pp.; and Gay Seidman, 1994, *op. cit.*: 172 ff.

medium-sized firms. Dockworkers were able to capitalize on Durban's importance as a major port. The workforce was overwhelmingly ethnically Zulu, and the "homeland" of KwaZulu bordered on greater Durban; workers' social ties and lines of communication were therefore strong and not beset with factional conflict.

Finally, organizers could use government-sanctioned shop steward committees, which had rights of assembly and managerial consultation, to organize union meetings and strikes. Since the initial worker demands during the 1973 strike wave concentrated almost exclusively on wage increases (in fact, Natal wage levels were among the lowest in the country), they were thus perceived as "apolitical" and harder for authorities to refuse; in fact they met with widespread public sympathy, even among whites.

None of these conditions pertained to Rand mining, so it is hardly surprising that this sector was one of the last holdouts against the independent union movement, and only started organizing African member unions a decade later.¹⁰ Less than a year after the explosion of strikes and union organizing in Durban, however, South African mining suffered two immense exogenous shocks. Throughout the 1950s and 1960s, the Chamber of Mines assiduously recruited miners from the borderland states (especially Lesotho, Mozambique and Swaziland) and further afield from Zambia, Angola and Malawi. For many years, Malawi was second only to Mozambique as a country of origin for miners on the Rand, including those from South Africa (whether residing in the "homelands" or

¹⁰ On the Rand, mines were scattered over an area stretching over a hundred miles, but ownership was concentrated among five giant mining houses. The promotion of "faction fights" and ethnic rivalry was a staple divide-and-rule strategy among mine owners, and these disputes among a highly ethnically and nationally diverse workforce persisted throughout the 1970s and 1980s. As migrant workers, miners were isolated not only from each other, but also from their families and communities, often for months and sometimes years at a time: their "dual existences" were in this regard particularly pronounced. Both mine owners and workers well understood the ease with which union organizing could be tainted with the brush of political agitation, with organizers swiftly deported without pay. See Dunbar Moody, 1991.

not). The Chamber had a preference for “foreign” migrant workers because of their lower cost of living, and greater social isolation and political pliancy.

In April 1974, this came to a sudden end, when a planeload of Malawian miners returning home from the mines crashed in Botswana, killing all on board. Malawian President Hastings Banda, one of the Nationalist Party governments’ staunchest allies in postcolonial Africa, immediately announced that all mining recruitment in Malawi would be terminated and no worker’s contract renewed. A source of 30 percent of all miners – reaching more than 120,000 after more than 30 years of recruitment – almost dried up overnight.¹¹

Within weeks, the second blow to the mining houses occurred. A military coup in Portugal brought about the collapse of that country’s five-centuries-old empire, enabling the Mozambican liberation movement Frelimo’s political ascendancy. Frelimo followed Banda in declaring an end to Mozambican labor on the Mines – at that time, more than 100,000 workers, or more than 25 per cent of all migrant workers on the Rand. Facing a potential loss of more than 50 percent of its workforce, the Chamber of Mines was forced to conclude that only a substantial wage increase would attract more black South Africans to the mines. Since the Chamber had paid African miners as little as 34 cents for a more than twelve-hour shift as late as 1969, there was considerable room for improvement in

¹¹ Of all African regimes of the period, only Banda could have attempted, let alone succeeded with such a bold move, in terminating his country’s biggest foreign currency earner and largest non-agricultural employer. This was because Banda’s authoritarian grip on power was total, and his Stasi-like network of government informers and spies more extensive than any other regime in the region. At the same time, an unusually large proportion of the population consisted of independent, small-holding peasants who could absorb this huge loss of employment and revenue.

this regard. Between 1975 and 1984, black South African employment in mining rose by almost 300 percent, from 87,000 to 333,000 workers.¹²

With an increasing domestic presence, increasing wages, rising gold price, and above all an increasingly militant political climate, African mineworkers were at last in a position to successfully unionize. The National Union of Mineworks (NUM) became the country's second largest union (after the National Union of Metalworkers, or NUMSA) soon after its founding in the early 1980s. Finally, the big mining companies were forced to recognize a fully unionized workforce and begin collective bargaining in good faith. By this stage, however, the advantages that these companies could have secured from collective bargaining in terms of promoting political stability were completely squandered. The government's imposition of States of Emergency of the mid 1980s, accompanied by the detention and imprisonment of thousands of political suspects without trial, not only completely discredited apartheid throughout the world, but also had the effect of only broadening the level of domestic opposition and radicalizing this opposition's demands.

6.3 *South African government, business, and labor tripartism, 1977-1998*

The government's pattern of responding too little, too late continued throughout the transition period in South Africa until the watershed 1994 elections. As soon as government and business would propose a forum for negotiation, counterproposals from opposition unions and their allies would transcend this agenda. This dynamic explains

¹² Wilson, 2001, *op. cit.*: 109-110. Union organization in all sectors increased even more sharply over the same period for this group, from 20,000 to more than 700,000 workers; see MacShane *et al.*, 1984, *op. cit.*

both the rapid development of tripartism during the transition period, and the incapacity of these bodies to successfully channel widespread discontent. Further – despite many predictions to the contrary – this trend has continued into the post-apartheid era.

After the organizational successes of the “independent” unions from 1973 to 1979¹³ the Nationalist Party government was forced to grant them a degree of legitimacy. It did so as a means of stemming their growing political influence, particularly after these unions increasingly assumed the political activities of student and community groups that were banned after the 1976-7 Soweto uprising.¹⁴ The 1979 Wiehahn Report therefore recommended permitting these unions to organize and register. While still facing considerable levels of political harassment – union organizer Neil Aggett had died in prison after police interrogation and torture in 1982 – unions could increasingly use the political space for organizing as a means for mobilizing a broader segment of the community for more widespread demands. This phenomenon came to be known as “social movement unionism.”¹⁵

A less remarked-upon consequence of the growth of “social movement unionism” in the 1980s was the increased organizational rationalization and unity of the trade union movement itself. For the first time in South African history, most formal sector workers

¹³ On the origins and rebirth of the independent trade unions, see *The South African Labor Bulletin* v. 17, no. 3 (1993) *passim*; on their patterns of organization in the 1970's and early 1980's, see Friedman, 1987; J. Maree, 1987; and MacShane *et al.*, *ibid.*

¹⁴ On the changing tactics and strategies of opposition protest in the 1970's and 1980's, see Anthony Marx, 1992, ch. 3 and 4.

¹⁵ On the concept of social movement unionism, See Webster in Frankel *et al.*, eds., 1988; Seidman, 1994, *op. cit.*: 197 ff.

belonged to an industrial union, and most of these unions belonged to the Cosatu (Congress of South African Trade Unions) federation. Thus the number of opposition unions, in their adoption of industrial over craft principles of organization, declined from more than 50 in 1979 to less than 20 in 1989, even as total membership grew tenfold. By the mid-1990s, a dozen unions comprised 80 percent of union membership.¹⁶

During the government-imposed states of emergency, the question of union-party allegiances that had plagued SACTU's short existence was revived with increased urgency. Community struggles around rent, transport and schooling boycotts, and against forced evictions, among others, seemed to demand action beyond the factory floor, even if such activity came with increased political risks. Typically, those most experienced in organizing labor campaigns had the skills to apply to these diverse contexts as well; but too much involvement would come at the expense of further labor organizing gains, at a time when union organizing was one of the few expressions of oppositional politics not expressly banned by the authorities.

This tradition played a part in enabling first Fosatu (the Federation of South African Trade Unions, predecessor in the early 1980's to Cosatu) then Cosatu to overcome the craft fragmentation of the South African labor movement to a far greater extent than has occurred in Britain, while simultaneously providing an organizational base for the labor movement's democratic allies. In his keynote address to the third Fosatu Congress of 1982, Fosatu President Joe Foster made explicit the need to provide a structure in which the labor movement could mount community-based struggles:

¹⁶ For a discussion and figures, see G. Kraak (1993), p. 194-205; and J. Baskin (1996), ch. 2.

Giving leadership to the working class requires an organizational base. Without this base, then the poverty and the lack of education, information and time that workers are struggling against will be the very factors which will force workers to surrender leadership of the community to other strata in society. Our aim is to use the strength of factory-based organization to allow workers to play an effective role in the community Without this base, it is more likely that we will destroy a clear worker identity since workers will be entirely swamped by the powerful tradition of popular politics . . .

An equally decisive issue at the time, as Foster emphasized, was the question of party alignment: "All communities are composed of different interest groups ... Under the surface of unity community politics is partisan and divided. Fosatu cannot possibly ally itself to all political groups that are contending in this arena. Neither can it ally itself with particular groups. Both paths will destroy the unity of its own worker organization."¹⁷

Initially, Cosatu, founded in 1985, maintained its predecessors' political non-alignment. As with SACTU before it, however, Cosatu soon found itself compelled to help lead and coordinate the large-scale anti-apartheid campaigns, under the umbrella organization of the United Democratic Front, or UDF.¹⁸ Unlike SACTU's situation of the 1950s, however, this time Cosatu did not face conflicting mandates from the ANC, now driven into exile or imprisoned. Despite disagreements between Cosatu and the National Council of Trade Unions (Nactu), founded the following year, arduous internal negotiations enabled both federations to contribute to founding of the Mass Democratic

¹⁷ Kraak, *ibid.*: 221.

¹⁸ See Jeremy Seekings, 2000. *The United Democratic Front*; and Ineke van Kessel, 2001. "Beyond Our Wildest Dreams": *The United Democratic Front and the Transformation of South Africa*. Charlottesville: University Press of Virginia. 367 pp.

Movement in the late 1980s—the broadest front of anti-apartheid opposition ever organized.¹⁹

In early 1990, President De Klerk was obliged to respond by unbanning opposition parties and organizations, and promising the release of all political prisoners. The period of pre-electoral negotiations from 1990 to 1994 laid the groundwork for the establishment of tripartism in South Africa. The 1991 Laboria Minute established the principles of the 1991 Labor Relations Amendment Act. This Act represented the first national labor legislation whose formulation included the participation of the major labor federations (Cosatu and NACTU) as well as major employers' associations (including the South African Consultative Committee on Labor Affairs, or SACCOLA). It also was the first to enshrine the principle of joint, national-level cooperation of these bodies.²⁰

The following year, labor legislation was extended to previously excluded farmworkers, domestic workers and public employees, and the National Manpower Commission (NMC) was reconstructed as a continuous forum for equal representation of business, labor and the state. Representatives from these interest groups also met to discuss wider macroeconomic issues in the National Economic Forum (NEF), which after the election in 1994 was merged with the NMC to form the National Economic

¹⁹ With its cooperation with the UDF, which had close ties with the ANC in exile, Cosatu officially adopted the ANC's Freedom Charter within a year of its founding; this document's expression of nonracialism was rejected by the Black-Consciousness-aligned NACTU. But the government-imposed States of Emergency forced the federations into closer cooperation, culminating in joint opposition to the National Labor Relations Amendment Act in 1988 and a joint summit in 1989. The Conference for a Democratic Future in late 1989, up to that point the largest and most inclusive grouping of anti-regime organizations, caused a split within NACTU, with some affiliates participating, others abstaining, and NACTU Secretary General Phiroshaw Camay resigning as a consequence. It is fair to say, however, that throughout the 1980s, unionists in both federations emphasized the need for a strong, autonomous workers' movement, sensitive to cultural differences among members, and suspicious of a middle-class populism that ignored working-class realities. See Denis MacShane, Martin Plaut, and David Ward, 1984. *Power: Black Workers, Their Unions, and the Struggle for Freedom in South Africa*. Nottingham, England: Spokesman: 142-66.

Development and Labor Council (Nedlac) in 1995, which also contains a chamber devoted to community development.

Because Nationalist Party hardliners kept in doubt the very principle of a universal franchise from the late 1980s until shortly before the 1994 election, Cosatu deemed it necessary not only to align itself with the ANC, but also to subordinate its particular constituency interests as well as its personnel and organizational structures to secure an ANC victory. For a short period, its organizational autonomy suffered as a consequence. Most of its top leadership either became ANC members of parliament, or accepted portfolio assignments. Cosatu reiterated its loyalty to the ANC during the 1999 elections, for which an outcome of ANC predominance was much more predictable than in 1994, and more important, in which the constitutional rights were firmly entrenched.

By this time, however, the older concern for political independence has since resurfaced within Cosatu.²¹ After 1994, the union movements' syndicalist partisans found themselves increasingly at odds with the ANC's national-level strategies and emphasis. At the same time, Cosatu and its affiliates suffer from a phenomenon exactly the opposite of Michel's so-called "iron law of oligarchy." With government and (especially) private sector wages so much higher than those earned by union officials, and with a new non-racial order presenting unprecedented opportunities for previously excluded black employees, an entire generation of union leaders has jumped ship. By some estimates,

²⁰ See the discussion in the *South African Labor Bulletin* (1991), v. 15, no. 7, *passim*.

²¹ Thus former Cosatu member Sakhela Buhlungu argues that "no union has been able to maintain a strong alliance on the basis of equality with the ruling party for any length of time" (see Sakhela Buhlungu, 1997: 74), whereas then-Secretary General Sam Shilowa retorts that Cosatu still has a constructive role to play in alliance with the ANC, and ending the alliance would "hand over the ANC to conservative forces." See Sam Shilowa, 1997: 70.

almost all of South Africa's top 100 corporations have at least one former intransigent foe of apartheid as its in-house "labor relations expert."²²

Nonetheless, the "struggle generation" in Cosatu and their supporters, together with the other labor federations, helped to shape both the constitution and some specific provisions of the 1995 Labor Relations Act. They succeeded in mitigating employer hostility to centralized bargaining, establishing the right to picket as well as the constitutional right to strike (whereas employers' "right" to lock out striking workers was ultimately not included in the constitution, and had been considerably circumscribed), as well as protecting sectoral bargaining, closed shop agreements, and the principle of workplace representation.²³ The overall picture compared with German labor law is one of less developed workplace rights, but more robust organizing and strike rights. These differences clearly bear on the two labor movements' differing strategies of collective action.

One consequence of this divergence in South Africa is the absence of any institutionalized "responsibility" among trade union representatives, their members or the workforce as a whole for the profitability of the enterprise. This is arguably a further advantage deriving from South Africa's backwardness relative to Germany. The incapacity of employers to induce shop-floor cooperation among the workforce obliges them to concede basic macroeconomic demands at the national level. At the same time,

²² This assessment was made by a current Cosatu leader in an interview on July 20th, 2000. See also Sakhela Buhlungu, 2000. "A question of power: Co-determination and trade union capacity," in Glenn Adler, ed., 2000. *Engaging the State and Business: The Labor Movement and Co-determination in Contemporary South Africa*. Johannesburg: Witwatersrand University Press: 178-199.

²³ Those commentators emphasizing labor gains include Maree, 1998: 46 ff.; Baskin, 1996: ch. 6; and Adler and Webster, 1995.

with no formal responsibility for shop-floor governance, unions are freer to pursue alliances with groups outside the formal sector of the economy.

Strikingly, however, these differing strategies yield similar results in some crucial respects, as the subsequent sections illustrate. For both labor movements, individual unions or confederations could take actions on behalf of a much larger segment of the workforce – or even, the unemployed. The norms of collective bargaining in the context of complex economic interrelationships tend to make strikes easier for unions in both contexts, and lockouts for employers more difficult. And whereas at the height of the Cold War, employers could claim to represent society's general interest, this advantage is now increasingly ceded to unions.

6.3.1 *German and South African councils, shop-steward committees and workplace forums in comparative perspective*

In the post-Cold War era, German and South African union confederations have developed increasing autonomy not only from the sphere of party politics but also in national-level wage bargaining. While these arenas have become correspondingly more important for employers and their associations, the latter face increasing difficulty in organizing their membership. Unions in both countries are able to use their continuing strength in the workplace as a base for launching proactive campaigns addressing such broad macroeconomic areas as workweek reduction and employment creation.

This development represents a considerable change from earlier assumptions and practices. For the DGB, parity codetermination was the ideal for much of the Cold War, and it single-mindedly fought for its extension while ignoring arguably more pressing

organizational challenges. In obsessively opposing codetermination extension, the BDI has been little different.²⁴ No less single-mindedly, Cosatu pursued its alliance with the ruling ANC (together with its withered SACP figleaf) immediately before and after the 1994 elections,²⁵ using Nedlac as a forum in the years following to debate contemporary economic policy. Given Cosatu's growing distance from party allies, however, further labor gains are at least as likely to come at the firm-level as through parliament. It is at this level that each country's federation shows its particular strengths and weaknesses most clearly.

Although union densities of the two countries are roughly comparable,²⁶ German works councils have, not surprisingly, a stronger organizational presence than South Africa's newly established workplace forums. While only 35 percent of German establishments that could have a works council do have one, in the mid-1990s these

²⁴ On BDI opposition to the extension of codetermination in the early 1970s, see Berghahn, 1986, *op. cit.*: conclusion. Its position then was barely different from that of BDA President Walter Raymond when he declared in 1952 that "the advocates of economic democracy seek, in the last analysis, the same goal as do the Marxists, upon whom the former rely. . . . But in contrast to Marx they do not want to achieve the immediate freeing of the working class through the risky method of 'expropriating the expropriators,' that is, through socialization, but the end goal of socialism is to be preceded by the unobtrusive and safe method of penetrating the economy by means of codetermination." See Walter Raymond, 1953. "Die freie Wirtschaft in den Stürmen unserer Zeit," *Jahresbericht der BDA*, 1. November 1951– 30. November 1952. Bergisch Gladbach: Joh. Heider, 1953: 247-8.

²⁵ Whereas the SACP leadership in the late 1980s and early 1990s had a disproportionate number of union leaders, with the 1994 elections many of its most prominent members also joined the ANC government. SACP central committee members holding portfolios include: trade and industry minister Alec Erwin; public service and administration minister Geraldine Fraser-Moleketi; public enterprises minister Jeff Radebe; minister for water and forestry Ronnie Kasrils; minister for provincial and local government Sydney Mufamadi; and minister for the Office of the President Essop Pahad. Three of the SACP's top office bearers – party chairperson Charles Nqakula (who is also Mbeki's parliamentary counselor), deputy chairperson Fraser-Moleketi and deputy general secretary Jeremy Cronin – became ANC MPs.

²⁶ As with unemployment figures, union density statistics are politicized and vary according to definition. In South Africa, the rate among total employed excluding agricultural and domestic workers in 2000 was slightly more than 40 percent; including these sectors, around 30 percent; and among all 15 to 65 year olds, about 20-25 percent. In Germany, roughly comparable figures are 34 percent, 25 percent, and (including non-citizen residents, 15 to 65 years old) 20 percent. See Baskin, 1996: 24 ff. for RSA figures; and Leminsky, 1998: 213 and 273, for German figures, as well as Table 4, below.

covered about 70 percent of the eligible work force.²⁷ Not included are firms of fewer than 100 (usually, fewer than 50) employees. Unions and employers (or their associations) set agreements for an entire sector, covering all employees in that sector, unionized or not (thereby rendering the need for a closed shop superfluous). These agreements set a base pay and regulate benefits, working conditions, training, promotion, pensions etc. The details for each shop-floor are worked out in the works councils. The state is thereby excluded from interference in collective bargaining, apart from setting minimal pay and conditions requirements (which are too low to be broken), and exempting certain public employees and situations of “national emergency.” All agreements are legally enforceable, and may be taken to the highest authority, the German Federal Court, if necessary.²⁸

The most important enforcement mechanism, however, is firm membership in the employer association that negotiates baseline wages and conditions. Only member firms are bound to the contracts that the employers’ associations conclude with the unions at the industry level. As we shall see, the inability to meet contractual terms has become a major incentive for (especially smaller) firms to opt out of these associations; larger firms become harder pressed to create incentives persuading their smaller counterparts to stay.

Since works councilors in Germany, as representatives of all wage earners and salaried employees, are required in this capacity to be independent of unions and political parties, unions deploy their own body of shop stewards, the *Vertrauensleutekörper*, to

²⁷ Walther Müller-Jentsch, 1995. “Germany – from Collective Voice to Co-Management,” in Joel Rogers and Wolfgang Streeck., eds., 1995. *Works Councils*. Chicago: University of Chicago Press: 56.

²⁸ Müller-Jentsch, 1995, *ibid.*; H. Porschlegel, 1991: 4-5.

recruit members, distribute information, and work with works councilors. Unlike works councilors, they may organize and participate in strikes. Whereas in the early 1950s, unions initially viewed works councils as a threat to their own power base and influence, they soon learned to take advantage of the councils as organizing tools. Although some competition continued into the 1970's in some sectors (notably metalworking), "today it is no longer control but support of council activities that unions expect from *Vertrauensleute*."²⁹

Additionally, the presence of worker representatives on German firm supervisory boards, which manage the firms' day-to-day operations, had the tendency – at least, until the 1990s – to mitigate the adversarialism more typical of South African industrial relations. This representation takes four levels of strength:

- 1) parity representation in the *Montan* industries, covering about 45 firms with a total of 500,000 employees, in which employees elect half the board of supervisors, who in turn elect the figure of Labor Director to the executive board of management – an office unique to parity codetermination³⁰;
- 2) subparity codetermination under the 1976 *Mitbestimmungsgesetz* for all firms with 2,000 or more employees (i.e., more than 500 firms employing about 4.5 million people); the same arrangement as above, except that an additional supervisory board member, the chair, is appointed by shareholders; one employee representative is chosen by upper-level management; and there is no Labor Director;
- 3) one-third supervisory board codetermination for firms of 500-2,000 employees under the *Betriebsverfassungsgesetz* of 1952 (modified in 1972), covering about 1,500 firms with a total of about a million employees; and
- 4) no supervisory board representation for firms with fewer than 500 employees, who may nonetheless petition for the establishment of a works council. Statistics are least reliable for this category, but it is thought to be the fastest growing, covering a majority of all workplaces which employ in total more than ten million workers, of whom about 40 percent have representative works councils.

²⁹ One study, for example, found that 20 percent of councilors in a given sector had primary (de facto) loyalty to the main sectoral union, about 50 percent viewed the interests of (and their loyalty to) the entire firm workforce and management to be equal to those of the union, and about 30 percent saw the firm as their primary interest and sought union assistance in securing this interest. Müller-Jentsch: *ibid.*: 64-65.

³⁰ On the genesis and early function of the position of the Labor Director, see Karl Lauschke, "Mitbestimmungseliten in der Eisen- und Stahlindustrie – das Beispiel der Arbeitsdirektoren," in R. Bovermann et al., eds., 1997: 320-335.

Even in the case of the fourth, weakest level of codetermination, in which there is no supervisory board representation, works councils have clearly defined rights to information including firm profits and executive pay rates that do not exist for their South African counterparts, known as workplace forums.³¹

Chapter 5 of the LRA stipulates that unions may create workplace forums in workplaces with more than 100 employees. Like works councils, they are elected shopfloor bodies that work with management on a host of day-to-day concerns. Former Cosatu officer Jeremy Baskin (1996) argues that

the success of the forums is central to the LRA. The hope is that they may be able to build on the existing culture of workplace negotiations and shop-floor interactions, thereby instituting consultation and participation as one of South Africa's competitive advantages. The fear is that they may be unworkable in most companies. . . . Many unionists, and most companies, see the forums as a threat.³²

Correspondingly, however, shop stewards – when maintaining their political independence – tend to command the loyalty of their union's rank-and-file, and like *Vertrauensleute* (and unlike German councilors) may engage freely in political or strike activity.

South African unions have yet to embrace the principle of the workplace forum, let alone devise a strategy for staffing them, despite their potential importance. A major detraction of workplace forums in the eyes of trade union members is that they enjoy few

³¹ The Report to the Executive Committee of Nedlac of 1995 states that

An employer shall not be required to disclose information subject to the provisions of § 16 (4): 2.1 which, if confidential, and which, if disclosed, may cause prejudice to an employee (based on the constitutional right to privacy) and 2.4 which, if confidential, and which, if disclosed, may cause "substantial harm" to the employer.

Such restrictions can deny unions access to company profit and pay information. Cf. Nedlac, 1995: 3-4.

³² Jeremy Baskin, ed., 1996. *Against the Current: Labor and Economic Policy in South Africa*. Randburg: Ravan.: 110.

distinct powers. As Glenn Adler, one of the staunchest supporters of the Forums readily admits, workplace forums are not truly codetermination institutions, in the sense of being “a strong statute-based system of collective interest representation and participation at the workplace.” As of 1998, only six forums had been established in the entire country; of these, half were cancelled by the same unions that initiated their establishment in the first place. While employers must provide reasons for overriding the forum’s objections about a particular policy decision, “decision-making power rests with the employer.”³³

Another major weakness of the forums is that they were conceived as a “second channel” institution, focusing on issues of workplace communication separate from those of wages and working conditions, which were to remain the purview of unions. Without real power, such institutions were seen by unions as being capable of weakening their bargaining position. This view was reinforced by “a tendency of the South African left to interpret codetermination in terms of the German model with which many are uncomfortable.”³⁴

This may be also due to the fact that, with regard to strike law and lockout rights, the German law appears far worse for workers. While a contract is in effect, German unions may not strike and employers may not lock out employees. Workers usually need a 75 percent favorable strike ballot in order to proceed with a strike. They may receive no unemployment benefits while on strike; all political and sympathy strikes are illegal; and “warning strikes” are allowed only under some circumstances between contract periods,

³³ Glenn Adler, ed., 2000. *Engaging the State and Business: The Labor Movement and Co-determination in Contemporary South Africa*. Johannesburg: Witwatersrand University Press. 258 pp.: 3-4.

³⁴ *Ibid.* :5.

while employers need only meet conditions of “social adequacy” to engage in lock-outs during these periods. In comparison with EU law and legal norms elsewhere in Europe, the German restrictions appear severe. Indeed, any harmonization of such law on a Europe-wide basis is very likely to work in favor of German unions since it would provide for more liberal strike provisions.³⁵

The South African Constitutional Court (that country’s highest court) by contrast has made barriers to striking much lower, ruling recently that lockouts are unconstitutional. Although workers in essential services and those disputing unfair dismissals and retrenchment are prohibited from striking, Baskin observes, “for most employees, and for most collective bargaining issues, workers can strike without fear of dismissal provided they follow fairly simple procedures. The sympathy strike is now explicitly recognized and is, potentially, a very powerful union weapon. And socio-economic strikes – stayaways – are recognized for the first time.”³⁶

Not surprisingly, therefore, strikes have remained a popular means of achieving shop-floor recognition and organization. They do not always strengthen union structures,

³⁵ On February 3rd 1998, the 40-nation Council of Europe’s Committee of Ministers recommended that the German Government change its restrictive legal provisions on industrial action. The recommendation (No. RChS(98)2), agreed by an absolute majority of two-thirds of the Council of Europe’s members, finds that the German legislation on strikes does not conform with Article 6, para. 4 of the Council’s European Social Charter. Although there is no specific law on strikes in Germany, the basic right to take industrial action is based on the guarantee of freedom of association in the Basic Law (*Grundgesetz*). Its interpretation has evolved almost entirely on the basis of court judgments. During the past decades, the Federal Labor Court (*Bundesarbeitsgericht*) has created several restrictions on the possibilities to take industrial action. To be valid, a strike must be conducted by a trade union; pursue an aim that can be regulated by collective agreement; and its basis must follow the *ultima ratio* principle, i.e. all other avenues must be exhausted first. Neither “wildcat strikes” which nor protests or solidarity strikes are covered by law.

The Council of Europe’s Committee of Independent Experts has argued that the European Social Charter allows no preconditions or restrictions on the right to strike (with the exception of those restrictions which might arise out of a collective agreement) including strikes not aimed at achieving a collective agreement or not called or endorsed by a trade union.

³⁶ Baskin, *op. cit.* :112.

however. Where shopstewards were once the most visible workplace foes of apartheid, after 1994 they found themselves increasingly caught between a disconnected and disillusioned workforce, a distant (or rapidly changing) union leadership and an unsympathetic management. The recent study by Karl von Holdt of the Highveldt Steel and Vanadium mill bears out this picture of growing shop-floor discontent, focusing especially upon the post-1990 period.³⁷ Von Holdt finds that far from mitigating the culture of adversarialism inculcated by apartheid, democratization has intensified it. Whereas before, the firm's shopstewards could successfully channel sentiments of opposition, now, workers vent their frustration directly at management and even (should they prove insufficiently responsive) at the shopstewards themselves.

Von Holdt's findings echo his previous analysis of the sit-in of the Eastern Cape Mercedes factory, with the difference that in this case, shopstewards led rather than opposed this protest. He quotes the chairman of Mercedes South Africa, Christoph Köpke, lamenting that "we [the management] have had a factory with worker control since 1987. Supervisors used to clock in and then lock themselves into their offices for the whole day. They didn't dare go out on assembly lines." When the auto workers donated unpaid overtime toward building favored local son Nelson Mandela a top-end Mercedes upon his release from prison, Köpke marveled: "that car came off the line with *nine* faults. In this company cars don't come off the line with less than 68 faults. In Germany, about 13 faults. Normally it takes fourteen days to build that car [model]—Mandela's car was built in four days!"

³⁷ In E. Webster and G. Adler, *op. cit.*: 1999.

The Mercedes workers thereby (perhaps inadvertently) demonstrated not only the extent to which they controlled the day-to-day production process, but also their potentially superlative levels of efficiency when given the proper incentives. Von Holdt, although editor at the time of the Cosatu-friendly *South African Labor Bulletin*, derided this supposed show of indiscipline, calling it “factory tribalism.” The sit-in upset the metalworking union’s plans to pursue centralized bargaining throughout the auto sector, to combat poor contracts at the weaker plants.³⁸

Yet even – or especially – in the Eastern Cape, a stronghold of anti-corporatist syndicalism, workplace forums as institutions fostering “firm egoism” as well as legitimacy in the eyes of the workforce, have yet to become established. There, as elsewhere, since unions alone have the power to initiate forums, they have no incentive to do so, even within a corporation as steeped in the values of consensual codetermination as Mercedes AG. On the contrary, rank-and-file members retain a strong incentive in keeping their shop steward representatives accountable to their own wishes and priorities.

Granting worker representatives a substantial degree of power in managing corporations may be the necessary, if possibly insufficient, condition for South African employers to succeed in reducing workplace adversarialism. The presence of representatives on the supervisory boards in Germany arguably further deepens channels of information (going in both directions, from and to the staff) and fosters a culture of trust and cooperation that has led to coordinated decision-making on a range of firm issues without parallel in other countries. Some research has even concluded that both

³⁸ Karl von Holdt, 1990. “The Mercedes Sleep-in,” *South African Labor Bulletin* 15:4, November 1990: 38-9.

the maximized flow of information within a firm, as well as its concomitant increase in trust has been a decisive factor in German firms' increased efficiency and profitability. Whether or not this is the case, employees are expressing a growing preference for fewer hours rather than more pay, so profitability is less of a concern for them than their employers.

What seems clear, however, is that while this unusually strong degree of consensual relations typifies a shrinking number of large firms within Germany, the transfer of this political culture to the rest of Europe (or even to eastern Germany) – let alone to South Africa – will not occur in the short term. Indeed, if anything, increased competition within the European Union is weakening the coordinates of codetermination consensus within Germany.³⁹ This trend is more to the detriment of employers and their associations, however, than of their union counterparts.

6.3.2 *Future industrial relations trends: increasing exit and voice, diminishing loyalty*

If West Germany in the 1950s presented a picture of “corporatism in waiting,” reunited Germany in the 1990s and beyond appears more like one of “tripartism at unions' convenience.” This trend shows the great distance German unions have come in developing a more autonomous, proactive politics. Ironically, whereas full employment in the late 1950s and early 1960s accompanied a much more cautious stance among unions regarding their expression of independent political positions, the economic hardships following increased global competition, reunification, and the advent of Euro-

³⁹ See Wolfgang Streeck, 1999. “Social Citizenship under Regime Competition: The Case of the ‘European Works Councils’” in *idem. Korporatismus in Deutschland*. New York: Campus: 124-158.

era austerity have only emboldened unions in their articulation of national policy positions.

Many analysts of German industrial relations over the past decade have pointed to three aspects of globalization in particular that have served to weaken the German model after reunification: the broadening of the European Union market under Maastricht in 1992, the establishment of fiscal austerity under the Euro regime after 2000, and increased international competition under WTO-led tariff reduction regimes, especially from Asian countries.⁴⁰ More recently, Kathleen Thelen and Ikuo Kume have persuasively argued that to the contrary, it is the very success of this model (and, with reference to Japan, its Japanese counterpart) that has internally generated destabilizing counter-forces.⁴¹ Given “employers’ heightened dependence on stable and predictable relations with labor at the plant level, in the context of tightly coupled production networks and the demands of producing at high quality on a just-in-time basis,” employers are, they argue

if anything more dependent than ever on the shop-floor peace and predictability that these institutions have traditionally generated. . . . [C]urrent strains in both countries emanate less from an all-out frontal attack on the part of employers against the traditional system than its partial and declining coverage. . . . [There remains a] substantial core of workers (Japan) and firms (Germany) for whom traditional industrial relations arrangements apply and indeed where, if anything, employers seek to intensify their cooperation with labor within the prevailing structure However, the effect of such efforts has in fact been quite destabilizing to the system as a whole because the intensification of cooperation within a stable “core” in both cases has been closely – and causally – linked to the exclusion of a growing number of firms and workers from traditional protections.⁴²

⁴⁰ See Streeck, 1997. “The German Model: Does It Exist? Can It Survive?” in Crouch and Streeck, eds., 1997.

⁴¹ Kathleen Thelen and Ikuo Kume, 1999. “The effects of globalization on labor revisited: Lessons from Germany and Japan” in *Politics & Society* 27: 4, Dec. 1999: 477-505.

⁴² *Ibid.*: 478-9.

Individual employers increasingly engage in “wildcat cooperation” with their core workforces during periods of formal bargaining dispute. That is, rather than close ranks with fellow employers, they offer wage incentives and worktime reduction; these inducements force employers, however, to increasingly rely on outsourcing to cut costs. Outsourced firms constitute the growing number of small firms with fewer than 500 employees – those described under category four above. The growing majority of these firms, with more than six million employees (more than those covered by all levels of supervisory board codetermination), lack even works council coverage. In this regard, they are not so different from their South African counterparts.

Both unions and employers in Germany are moving away from a politics of consensus. This trend is closely related to the qualitatively different set of demands unions have been bringing to the bargaining table. Both a more militant posture and new types of demands are exemplified in the strike activity of Germany’s metalworkers’ union, IG Metall. Strike activity in metalworking had been quite low throughout the post-1945 period, until fairly recently. According to an analysis by the Institute for Economic and Social Research, there have been only nine strikes of considerable size and duration during the past 50 years. Most of those strikes were also of limited geographical scope, with Baden-Württemberg leading the country in length, depth and frequency of major strikes.⁴³

⁴³ *Wirtschafts- und sozialwissenschaftliches Institut* collective bargaining archive, Hans-Böckler-Stiftung, 2001.

Table 2: Strikes in the German metalworking industry since 1954

Year	Bargaining district affected by strike	Strike duration	No. of striking workers	No. of locked out workers	Subject of strike
1995	Bavaria	11 days	22,000	-	Wages
1993	East Germany	2 weeks	27,300	-	Extraordinary termination of agreement by employers' association
1984	Nordwürttemberg-Nordbaden, Hessa	7 weeks	57,500	155,000	35-hour working week
1978	Nordwürttemberg-Nordbaden	3 weeks	85,000	177,000	Wages, protection from downgrading in job classification
1973	Nordwürttemberg-Nordbaden	9 days	555,000	-	Breaks, cycle times, work organization
1971	Nordwürttemberg-Nordbaden	3 weeks	112,400	126,700	Wages
1963	Nordwürttemberg-Nordbaden, Südwestfalen-Hohenzollern	2 weeks	119,000	-	Wages
1956/7	Schleswig-Holstein	16 weeks	34,000	-	Sick pay
1954	Bavaria	18 days	98,200	-	Wages

Table 2 also shows that some of the longest and most serious disputes have been about issues other than wage increases (the staple issue until the early 1970s). Thus, unions and employers have fought most passionately when issues such as working time

reductions, sick pay, or work organization have been on the bargaining table. The largest strike lasting more than three weeks, for example, was the (ultimately successful) 1984-5 strike for the 35-hour week.

Nor have unions been alone in contesting agreements and challenging bargaining norms. BDI President Hans-Olof Henkel has become the country's "most outspoken advocate of deregulation," calling on employers associations to free member firms from the "yoke" of collective bargaining contracts and praising regional associations (notably those in the former GDR's industrial heartland of Saxony) that have made it easier for member firms to leave the association in order to escape the terms of industry-wide contracts. But Henkel's position is represented more dramatically and forcefully by the unprecedented rise in new (or newly active and independent) employers' associations representing smaller firms, such as the *Arbeitsgemeinschaft Selbständiger Unternehmer* (Working Group of Independent Entrepreneurs, or ASU) and the *Verband Mittelständiger Unternehmer* (Association for Small- and Medium-Sized Enterprises, or VMU). These organizations have proposed moving away from existing sectoral or national collective bargaining arrangements in favor of more local bargaining over wages and benefits.

Spurred first in the 1980s by smaller firms (such as those concentrated in the machine tool industry of Baden-Württemberg) that objected to IG Metall's drive toward the thirty-five hour week, then by East German firms in the 1990s that were unable to compete on the basis on nationally bargained wages and hours, these associations argue for fundamental changes to the Works Councils Act. Henkel's confrontational politics reflect unprecedented divisions within the BDI among employers associations—above

all, the employers association for the metalworking industries (*Gesamtmittel*). A growing number of East German metal firms are opting out of associational membership so as to avoid paying the collectively bargained wage. In 1997, only 25.7 percent of Eastern firms (employing 43.9 percent of metalworkers in the East) are covered by industry-wide collective agreements. Although employers in the West show higher levels of membership, the same trend is evident there. Between 1995 and 1997, Western membership declined from 51.8 percent of firms (accounting for approximately 70 percent of employment) to 49.0 percent of firms (covering 65.3 percent of workers).

Similarly, after an initial boost by German unification, aggregate trade union membership in Germany fell by almost 3.5 million between 1991 and 1998 (Table 3):

Table 3. Membership of German trade union federations (millions), 1991-1998⁴⁴

Year	DGB Federation of Trade Unions (<i>Deutscher Gewerkschaftsbund</i>)	DBB Federation of Civil Servants (<i>Deutscher Beamtenbund</i>)	DAG White-Collar Workers' Union (<i>Deutscher Angestellten- Gewerkschaft</i>)	CGB Christian Trade Union Federation (<i>Christlicher Gewerkschaftsbund</i>)	Total
1991	11.800	1.053	0.585	0.311	13.749
1992	11.016	1.095	0.578	0.315	13.005
1993	10.290	1.079	0.528	0.311	12.208
1994	9.768	1.089	0.521	0.306	11.685
1995	9.355	1.076	0.507	0.304	11.242
1996	8.973	1.102	0.501	0.303	10.878
1997	8.623	1.117	0.489	0.303	10.532
1998	8.311	1.184	0.480	0.303	10.278

⁴⁴ Claus Schnabel, 1999. "Trade union membership and density in the 1990s." IW Köln research paper. <http://euro.eurofound.ie/1999/08/FEATURE/DE9908113F.HTML>

In fact, post-unification gains have been almost completely eroded, due to falling employment and unions' difficulty in organizing the service sector. While unions are quite strong among men, in manufacturing industry and in the public sector, they have problems in organizing women, white-collar employees, young workers, part-time workers and private service sector employees (Table 4). The calculated union density of 32.2% in 1998 even understates unions' problems, since it includes non-working members such as unemployed or retired persons in the numerator (union membership), but not in the denominator (total employment). If these members are excluded, barely one in four employees in Germany is now a union member. As this structural economic change continues, union membership and density will fall further unless unions can become more attractive to those workers – especially women – in the growing private service sector.

Table 4: Trade union density, 1991-1998⁴⁵

Year	Total union membership (millions)	No. of employees (millions)	Union density (%)
1991	13.749	33.887	40.6
1992	13.005	33.320	39.0
1993	12.208	32.722	37.3
1994	11.685	32.301	36.2
1995	11.242	32.230	34.9
1996	10.878	32.188	33.8
1997	10.532	31.917	33.0
1998	10.278	31.878	32.2

In the short term, yet further merger waves (in the late 1990s and again in 2001) helped unions to compensate for membership losses, as Table 5 illustrates:

Table 5: Membership of German DGB affiliated trade unions, 1991-6⁴⁶

Union:	1991	1996	Change: 1991-6
Deutscher Gewerkschaftsbund (DGB)	11,800,413	9,006,755	- 24%
IG Metall	3,624,380	2,752,226	- 24%
Gewerkschaft Textil-Bekleidung (GTB)	348,095	200,075	- 43%
Gewerkschaft Holz und Kunststoff (GHK)	239,472	160,785	- 33%
IG Metall (after mergers with GTB and GHK)	—	3,113,086	—
Gewerkschaft Öffentlicher Dienst, Transport, Verkehr (ÖTV)	2,138,317	1,712,149	- 20%
IG Chemie-Papier-Keramik (IGCPK)	876,674	694,897	- 21%
IG Bergbau und Energie (IG BE)	506,640	364,331	- 28%
Gewerkschaft Leder	41,718	21,904	- 47%
IG Bergbau, Chemie, Energie (IG BCE), after merger	—	1,081,132	—
IG Bauen-Agrar-Umwelt ⁴⁷	911,761	693,866	- 24%
Deutsche Postgewerkschaft (DPG)	611,969	513,322	- 16%
Gewerkschaft Handel, Banken Versicherungen (HBV)	737,075	505,405	- 31%
Gewerkschaft der Eisenbahner Deutschlands (GdED)	527,478	383,942	- 27%
Gewerkschaft Nahrung-Genuss-Gaststätten (NGG)	431,211	310,891	- 28%
Gewerkschaft Erziehung und Wissenschaft (GEW)	359,852	296,232	- 18%
Gewerkschaft der Polizei (GdP)	200,997	199,421	- 1%
IG Medien	244,774	197,309	- 19%

⁴⁵ *Ibid.*⁴⁶ *DGB; Leminsky, op. cit.: 274.*⁴⁷ Merger of IG Bau-Steine-Erden (IG BSE) and Gewerkschaft Gartenbau-, Land- und Forstwirtschaft (GGLF) in early 1996.

After a wave of trade union mergers in October 1997, the number of DGB affiliates dropped from 15 to 11 unions. In 2001, the further merger of ÖTV with the DAG and other service sector unions made the resultant Verdi union the first to surpass IG Metall (which for virtually the entire twentieth century had been the largest and most influential German union) in membership. At over 3.1 million members, it is the largest free union in the world.

Declining membership in fact may be compelling unions to seek proactive tripartite solutions to structural unemployment, and thereby profit from improved public relations on a topic of widespread concern. In November 1995, IG Metall proactively addressed mass unemployment with its call for an “Alliance for Jobs.” In return for its wage moderation (an increase no higher than the inflation rate for the 1997 bargaining round) and an agreement to new recruits taken on at lower pay than existing employees (a “training wage” proposal of business the union had earlier strongly opposed), IG Metall called for the following goals to be realized. First, the CDU government would abandon plans to cut welfare benefits, and agree to fund additional apprenticeships; second, employers would accept a binding commitment to create 110,000 new jobs a year for the following three years, with a tenth of these reserved for long-term unemployed; finally, companies would be responsible for improving innovation and investment and increasing the number of training places, in order to guarantee every young person a vocational training place.⁴⁸

Less concretely, the government would be responsible for creating the framework conditions for sustainable growth and employment by reforming the tax system,

decreasing social security contributions, modernizing public services and launching a new “innovation offensive” in training, research and sciences. While the first initiative for a national “alliance for jobs” failed under the old Conservative/Liberal government in 1996, the SPD/Green alliance agreed to the initiative and attempted to establish a new permanent tripartite institution at national level.

On July 6th, 1999, leading representatives of the federal government, trade unions and employers’ associations met officially for the third round of top-level talks chaired by Chancellor Schröder within the framework of the Alliance for Jobs, Training and Competitiveness (*Bündnis für Arbeit, Ausbildung und Wettbewerbsfähigkeit*). The Alliance was established in December 1998 as a new permanent tripartite arrangement at national level, including various working groups on specific topics as well as regular top-level talks between the leading representatives of all three parties.

In their joint declaration, DGB and BDA agreed on the goal of a “substantial and sustainable reduction of unemployment.” They urged various initiatives to this end, including the structural reform of collective bargaining, social and tax policy as well as improvements in vocational and continued training.⁴⁹

In October 1999, IG Metall and the Federal Ministry of Labor further advocated early retirement at the age of sixty without loss of pension rights. The proposed

⁴⁸ Thorsten Schulten, 1999. “The Alliance for Jobs.” *Institute for Economic and Social Research (WSI)* research paper.

⁴⁹ Regarding collective bargaining policy, DGB and BDA agreed to pursue “a differentiated and flexible working time policy and a different distribution of work,” including overtime reduction; the use of annualized working time arrangements as well as yearly and/or life-long working time accounts; the creation of more part-time work and of frameworks to make such work more attractive; better use of partial retirement; company-related pension schemes; performance-related payments; and a continuation of collective bargaining devolution to the branch-level. *Ibid.*

“collective bargaining fund” would make additional contributions to the statutory pension scheme for workers who have taken early retirement, financed by employers and employees.

Employers’ associations, led by BDA President Dieter Hundt, declared that German employers would not participate in the proposed fund. Hundt argued that the proposed fund would lead to an unacceptable increase in non-wage labor costs leading to a net loss of jobs. Gesamtmetall President Werner Stumpfe also argued that with increasing life expectancy and negative population growth in Germany, the need for longer lifetime working hours would increase.

While rejecting IG Metall’s proposal, the employers’ associations endorsed the principle of an improved “flexible system of early retirement.” On October 21st, 1999, the BDA announced its counter-proposal, building on the partial retirement plan in place. In addition, the employers agreed to negotiate on a full or partial compensation for reduced pensions as a result of partial retirement, with branch-level collective agreements determining the framework for specific company-level solutions. The BDA also proposed extending capital-based company pension plans as a “second pillar” to the statutory pensions.

The IG Metall proposal was not uniformly popular among fellow unions.⁵⁰ But it demonstrates the current bargaining strength of the larger unions in the face of declining

⁵⁰ While ÖTV president Herbert Mai – echoing mass public opinion – welcomed in principle the proposal as an opportunity to create new jobs for younger employees, most other unions have responded skeptically. The NGG president Franz-Josef Möllenberg, for example, declared that because the food and restaurant sectors are made up largely of small and medium-sized enterprises with a high fluctuation of employment, the proposed system of early retirement at the age of 60 would not work. Representatives from various other sectoral unions stated that they would prefer a further improvement to the existing partial retirement plan. More broadly, the proposal’s exclusion of the existing statutory pension plan and its (at best) negligible impact on the lowest paid workers has diminished its popularity. *Ibid.*

membership, and their capacity to set agendas of national significance. By compelling employers to devise counter-proposals addressing the same priorities, the DGB unions have achieved an unprecedented stature in German politics at the national level.

Paradoxically, declining membership also seems to have accompanied unions' *increased* propensity to strike, arguably strengthening its more "symbolic" bargaining position. On May 6th 2002, for example, Germany's IG Metall metalworkers' union called a strike in its "flagship" Baden-Württemberg bargaining district after negotiations over a new collective agreement failed. While the settlement largely averaged the competing offers, IG Metall succeeded in its apparent goal of courting a symbolic constituency far beyond its core membership.⁵¹

Moreover, unions can more easily afford to strike, since complex production chains render employers more vulnerable to income loss than striking workers. Employers' associations only compensate their members for material strike damage incurred by losses of output, for example. Companies are hit far worse by the loss of new orders or of a traditional customer, since many (such as most producers of highly complex electronic components) have concentrated on a single supplier. Under these circumstances, companies typically prefer to pay higher wages to remain internationally

⁵¹ *Ibid.* While IG Metall demanded a 6.5% wage increase, the Gesamtmetall employers' association offered a package worth 3.25% (according to union calculations). A few days after the breakdown of the talks, the IG Metall Baden-Württemberg district organization applied to the union's national executive board for permission to initiate a strike vote which finally decided to conduct strike votes in two districts, Berlin-Brandenburg and Baden-Württemberg. While Baden-Württemberg has served as a pattern-setter for the entire metalworking industry on numerous occasions, this was the first time that a strike vote had been conducted in Berlin-Brandenburg. The executive board included Berlin-Brandenburg most likely for the symbolic purposes of rallying support of the eastern German underemployed, since the *Land* has a weak industrial base. In both districts, members' support for a strike was well above the 75% margin required by the union's constitution: in east Berlin 87.2% of the union's membership voted "yes" to a strike (85.7% in Brandenburg), while support was 90.04% in Baden-Württemberg. The strike lasted less than a week.

competitive – the higher labor costs are later recouped through rationalization measures, including (to the detriment of the unemployed) layoffs or a relocation of production to other countries. Responding to a strike with a lockout, however, would likely harm employers most. Gesamtmetall president, Werner Stumpfe, in stark contrast to Henkel's aggressive posturing, admits: "Our companies are unable to fight labor disputes."⁵²

Even more than in the immediate postwar period, the pattern bargaining favored by the large, oligopolistic concerns for its stability and skills enhancement has come into sharp contrast with interests of small firms employing a larger number of low-wage, low-skilled workers. This fact undermines scholarship arguing that by specifying *ex ante* nominal contracts, corporatist institutions mitigate the necessity of *ex post* distributional bargaining – thereby generating smaller non-competitive wage differentials than in a pluralist bargaining system – and allowing greater flexibility to accommodate aggregate economic shocks.⁵³ This flexibility, in other words, reduces the scope by which bargaining partners can specify such *ex ante* contracts; the reduced scope in turn undermines the capacity for bargaining partners to organize their memberships, employers even more so than employees. Fifty years ago, the formula of firm codetermination plus sectoral pattern bargaining prevailed because of a combination of lower wages, increasing unionization rates, a tighter labor market and steadily increasing

⁵² Nico Fickinger, 2000. "Unions Staying Away from Picket Lines," *Franfurter Allgemeine Zeitung*, June 5th, 2000.

⁵³ For a summary, see Rogers and Streeck, 1995, conclusion. See also T. Kochan and P. Osterman, 1994; B. Kaufman and M. Kleiner, 1993; and Lowell Turner, 1998. For an argument skeptical about the ability to empirically demonstrate the economic advantages of works councils, as distinct from other possible factors, see J. Addison et al., 1995.

international as well as domestic demand. None of these conditions are much in evidence today.

6.4 *A new era? South African austerity, shop-floor discontent and state dependency*

South Africa's patterns of unionization over the past two decades stand in contrast to those of most of the developed and developing world, including Germany's, for in South Africa membership is increasing or holding steady in many sectors. This is in large part a legacy of the recent end of apartheid. But with this rapid increase in membership comes a strain in the unions' quality of representation. Far from representing an "iron law of oligarchy," union leaders have left their posts with alacrity, for better paying private sector and government positions that in most cases were previously inaccessible under apartheid restrictions. In addition, new national-level forums lack substantial input from participating unions. Most fundamentally, however, current labor leadership increasingly expresses its agenda in macroeconomic terms, rather than focusing on bread-and-butter issues. For the largest and most politically active labor confederation, Cosatu, two key areas of activity (in coalition with other groups) have been resisting privatization of state assets, and promoting Basic Income Guarantees for the South African unemployed.

From 1980 to 2000, union membership quadrupled, doubling in five years to 1.5 million in the mid-1980s, and doubling again by 1996 (when the Labor Relations Act came into effect) to slightly more than 3 million, out of a paid workforce of 8 million (excluding an informal sector and/or unemployed population of more than 5 million). Overall membership has remained stable since then, but the end of apartheid and

economic liberalization has brought considerable changes to union confederation membership.⁵⁴

Three trends are discernable: first, the proportion of union membership not affiliated with the three major confederations (Cosatu, Fedusa, and Nactu) has declined from 38% in 1994 to less than 10% in 2002. Second, earlier, party-affiliated, confederations or racially restricted unions have given way to a sectoral- and class-based patterns of membership. Whereas Nactu unions during apartheid were affiliated with the Black Consciousness Movement and remain opposed to ANC affiliation, since 1994 they increasingly represent lower-paid segments of the wage-earning population, such as farm workers. This more marginal base largely explains Nactu's difficulties in organizing a national political presence. Fedusa, by contrast, represents among the best paid segments of wage earners, including such specialty unions as jewelers and airline pilots, and middle class professions such as banking and public service. Third and relatedly, Nactu membership has declined from the late 1980s, and Fedusa's has grown the most rapidly, almost doubling in five years.

By contrast to their union employer association counterparts, for whom a trend toward fragmentation is more apparent,⁵⁵ South African union mergers remain the trend. Compared to their three largest German counterparts (80 percent, 11 percent and 5 percent), however, the balance of South African federation membership (60 percent,

⁵⁴ Sources for these figures and those of union membership below are from Baskin, 1991 and 1996; www.cosatu.org.za; www.fedusa.org.za; and www.nactu.org.za.

⁵⁵ The Chamber of Mines' former hegemony is challenged by Business South Africa (representing large firms), and the South African Chamber of Business (Sacob), representing mostly smaller firms. More recently, the National African Federated Chamber of Commerce (Nafcoc) and Fabcos (Federation of African Business Companies) have lobbied for African business interests as distinct from older, white-dominated concerns. Moreover, membership in most employer associations is on the decline.

almost 20 percent, and 13 percent) out of total union membership suggests that “unity” unionism still has far to go in South Africa, if indeed it remains an ideal.

Table 6: Cosatu (Congress of South African Trade Unions) membership

Of its nineteen affiliates in 2001 with 1.8 million members, the twelve largest have an aggregate membership of 1.7 million, and the four largest affiliates constitute half of Cosatu’s members, as follows:

Union:	Membership:
NUM (National Union of Mineworkers)	280,000
NEHAWU (National Education Health and Allied Workers’ Union)	235,000
SADTU (South African Democratic Teachers Union)	215,000
NUMSA (National Union of Metalworkers of South Africa)	180,000
FAWU (Food and Allied Workers’ Union)	120,000
SAMWU (South African Municipal Workers’ Union)	120,000
SACTWU (Southern African Clothing and Textile Workers’ Union)	110,000
DENOSA (Democratic Nursing of South Africa)	100,000
SACCAWU (South African Commercial, Catering and Allied Workers’ Union)	100,000
SATAWU (South African Transport and Allied Workers’ Union)	100,000
CEPPWAWU (Chemical, Energy, Paper, Printing, Wood and Allied W. U.)	75,000
POPCRU (Police and Prisons Civil Rights Union)	70,000

Table 7: Fedusa (Federation of Unions of South Africa) membership:

Twenty-eight affiliates with over 530,000 members, with the majority organized in the six largest affiliates:

<u>Union:</u>	<u>Membership:</u>
Psa (Public Servants Association of South Africa)	200,000
Imatu (Independent Municipal and Allied Trade Union)	70,000
Sasbo (South African Standard Bankers Organization/Finance Union)	65,000
Hospera (Hospital and Other Service Personnel Trade Union of South Africa)	60,000
Uasa (United Association of South Africa/Miners Confederation)	50,000
Utauw (United Transport and Allied Workers Union)	50,000

Table 8: Nactu (National Council of Trade Unions) membership:

Nineteen affiliates in 2001 with almost 400,000 members. The majority are organized in the six largest affiliates, as follows:

<u>Union:</u>	<u>Membership:</u>
NUF (National Union of Farm Workers)	47,000
NUPSW (National Union of Public Service Workers)	40,000
SACWU (South African Chemical Workers Union)	40,000
NUFAW (National Union of Furniture & Allied Workers)	37,000
NUFWBSAW (National U. of Food, Wine, Beverages, Spirit & Allied Workers)	35,000
MEWUSA (Metal & Electrical Workers Union of South Africa)	34,000

For the time being, these federations have abandoned earlier concerted efforts at unifying the trade union movement within a single confederation (for which the main barrier remains Cosatu's continuing affiliation with the ANC, objected to by the others' positions of party neutrality), or along sectoral lines (within or across confederations). There is as well an underlying political dynamic among federations. Fedusa represents

better-paid members, including the core of the old apartheid-favored official unions. This largely middle-class membership takes a mostly quiescent attitude toward national politics. Nactu, given its weaker numbers and historic opposition to the ANC from the Left, actively participates in anti-austerity strikes and stayaways together with Cosatu, but does not engage in national-level forums.

Cosatu, as the only politically allied federation as well as the largest, finds itself increasingly at odds with neo-liberal ANC policy. It competes with Fedusa for the organization of workers, and (to a lesser extent) with Nedlac for a profile in national mobilization campaigns. This often places Cosatu in a contradictory position, as the above examples of Nedlac, affiliate wildcat strikes, and the anti-privatization campaigns illustrate. The trend since democratization, however, has been for Cosatu to move away from state institutions such as Nedlac and engage the ANC leadership as its unofficial loyal opposition.

6.4.1 *Beyond Nedlac and tripartite bargaining*

In view of the commitment shared by both the postwar German labor movement and to a lesser extent, the ANC and its allies in 1990 to wide-ranging nationalization of major economic sectors, it is perhaps ironic that their priorities for new participatory structures appear neatly reversed. The German unionists demanded national-level coordinating and planning structures (or *überbetriebliche Mitbestimmung*) and until recently had to settle for participation in boards of management and statutory works

councils, while some South African union allies demanded statutory works councils but for now must settle for a national-level coordinating and planning structure – Nedlac.⁵⁶

South African union strength, however, should not be judged according to the utopian standards of either labor movement in its earlier phase, but rather according to its ability to mobilize South Africans in pursuit of concrete political goals. At the current conjuncture, however, these have increasingly little to do with wage negotiations, and much more to do with directions in macroeconomic policy. In this regard, political strength for a confederation such as Cosatu comes less in the form of its capacity to *live up to* promises to organize its constituency, than in the form of *failing to (or threatening not to) discipline and organize* its constituency toward more narrow and traditional collective bargaining ends. In other words, Cosatu strength derives from an unusually high dissociation of representation from struggle.

In this equation, it is entirely in government and business interests to legitimate national-level bargaining structures, but in this respect, they have badly failed. A survey of South African trade unionists' attitudes toward national-level negotiations and bargaining forums immediately before and after the 1994 elections suggest that for workers, awareness remains very low.⁵⁷ Johann Maree finds, for example, that "the rank

⁵⁶ As Louwrens Pretorius observes, Nedlac's scope of legislated competency is potentially immense, particularly if it is understood (in the words of its executive director) as a "negotiating, not an advisory body." Yet the business community's disinclination to participate diminishes this potential scope. In the words of Sacob's Raymond Parsons, "Business is prepared to give Nedlac its best shot. But perhaps . . . Nedlac should not be asked to formulate legislation. It should rather be seen as a forum in which the stakeholders present their views as a basis for consensus." Pretorius adds that this "of course negates the very purpose of Nedlac, but is in line with business's preference for voluntary and decentralized bargaining." Without Nedlac, however, employers would lose the one venue for arguing that their interests coincide with those of the nation as a whole. This risk appears all the greater, given the low standing Nedlac holds among many rank-and-file union members. Louwrens Pretorius, 1996. "Relations Between State, Capital, and Labor in South Africa: Towards Corporatism?" *Journal of Theoretical Politics* 8(2): 267; 271.

⁵⁷ See Ginsburg *et al.*, 1995.

and file [trade union] members as well as their shop stewards became increasingly remote from the central issues which the unions were contesting in the 1990s. The issues being dealt with also became so complex that it was beyond the capacity of shop stewards to grasp and debate them.”⁵⁸ Even the very institutions and programs established to promote the putative interests of South Africa’s working class majority were unknown to trade union members.

According to a 1994 survey, “74 percent of workers on average did not know what the NMC [National Manpower Commission], the NEF [National Economic Forum], or the RDP [Reconstruction and Development Program] were. The results showed very little variance.” At the same time, workers surveyed place a very high premium on the importance of party report-back and accountability: “No less than 68 percent of respondents were of the view that their political party had to consult with its supporters on *all* issues, and when the party made decisions in parliament affecting its supporters it had to report back *every* time.”⁵⁹ If their government failed to deliver its mandate, a large majority of those surveyed (72 percent) were in favor of “participating in on-going mass action to force the government to deliver on its promises.”⁶⁰ Given the considerable extent to which on-going mass action is becoming the norm for post-

⁵⁸ Johann Maree, 1998. ‘The COSATU Participatory Democratic Tradition and South Africa’s New Parliament: Are They Reconcilable?’ *African Affairs* (1998), 97: 236. There was similarly poor contact covering even daily union concerns. For instance, a subsequent survey conducted by the ILO in Gauteng (where union density is the highest in the country) found that “29 percent of shop stewards had not met a union official in the previous year, 28 percent had received no training from their unions, while the bulk of those who had went on one- or two-day courses.” *Ibid.*: 225.

⁵⁹ *Ibid.*: 240; emphasis in text. Needless to say, the ANC record on such consultation and report-backs has been distinctly lower than the level expected.

⁶⁰ *Ibid.*: 241.

apartheid South Africa, it seems likely that a growing proportion of unionists are responding actively and independently to their perceived lack of consultation.

For its part, Cosatu made good-faith attempts to close this gap in legitimacy by establishing a Parliamentary Office which is to liason among its former-member MPs, government ministries, and its rank-and-file constituency. It has found itself, however, according to Maree, “reacting to policies emanating from the ministries rather than making an input into the formulation of the policies.”⁶¹ This assessment is reinforced by the recent Central Executive Committee report, accusing the government of reneging on previous agreements on wage tax allocations, and complaining that a draft bill on competition was submitted before parliament with no time allotted for Nedlac oversight and input.⁶²

Rather than being directed solely at employers, however, large-scale strikes in South Africa once again have entered a phase in which their organization combines community and union participation and their targets are increasingly government policy. On August 24th, 1999, more than 800,000 public servants (from various unions) struck against wage stagnation and poor work conditions, with an additional 570,000 sympathy strikers and supporters participating in marches and pickets across the county. It was at the time the largest strike since the demise of apartheid, resulting from Public Service and Administration Minister Geraldine Fraser-Moleketi’s non-negotiable below-inflation wage offer. She had threatened to deduct any wage increase that was won from the

⁶¹ *Ibid.*: 47.

⁶² See Cosatu 1998, *op. cit.*

education and health services budget.⁶³ The following year, on May 10th, 2000, Cosatu organized an even larger demonstration against budgetary and wage austerity, with over four million participants – more than twice the labor federation’s total membership – supporting Cosatu’s demand that employers be made to negotiate with unions before proceeding with large-scale retrenchments.

To understand why aggregate state spending and employment security have become much more central issues for South African unions than sectoral bargaining with private employers, it is necessary to review the evolution of the welfare state under apartheid. By the regime’s very definition, education, health and housing benefits were all massively biased towards the white population.⁶⁴ Given the immense advantages enjoyed by whites in education, job reservation and in public sector and parastatal employment in the context of a chronic skills shortage, it is not surprising that full employment was the norm for whites for virtually the entire apartheid era from the 1950s to the 1980s.

As a consequence, most public welfare measures were limited to those who could not support themselves through work. Thus, programs were targeted for the elderly (through a means-tested, non-contributory old-age pension system), children in one-parent families (through means-tested, non-contributory child support grants) and the

⁶³ It is noteworthy that the government’s most hardline monetarists are all SACP members: they include Fraser-Moleketi, GEAR architect Alec Erwin, and Minister of Finance Trevor Manuel.

⁶⁴ This section follows the argument of Nicoli Nattrass and Jeremy Seekings, 2002. “A Basic Income Grant in South Africa?” Paper for the First Congress of the United States Basic Income Guarantee Network, City University of New York Graduate Center, New York, 8-9 March 2002; *idem.*, 2001. “ ‘Two Nations’: Race and Economic Inequality in South Africa Today,” in *Daedalus*, special issue on South Africa (Spring 2001): 45-70; and *idem.*, 1997. “Citizenship and Welfare in South Africa: Deracialisation and Inequality in a Labor-Surplus Economy.” *Canadian Journal of African Studies*, v. 31, no. 3: 452-81.

short-term unemployed (through the contributory but subsidized Unemployment Insurance Fund). In this respect, the apartheid state was a racially exclusive variant of the Australian, New Zealand, and (to a lesser extent) U.S. “wage-earner” welfare states in which most benefits accrue specifically to wage-earners rather than to citizens.⁶⁵

The most anomalous welfare provision in its scope was the old age pension. Although the value of the pension varied among regions and racially designated groups, its universal scope – arising from the comparatively liberal and labor-scarce climate of the Second World War – survived the election in 1948 of the National Party and the implementation of apartheid. The apartheid state discriminated (increasingly) in the benefits it paid, with the maximum pension payable to African people falling to just one-seventh of the value of the white pension, but never abolished the system entirely. For this reason, it became the most important component of the welfare state for Africans. As Natrass and Seekings observe:

When, in the 1970s and especially 1980s, the apartheid state sought to remove racial discrimination from the statute books, it was required to increase benefits to the levels enjoyed by white pensioners, achieving parity on the eve of democratization in the 1990s. The old-age pension proved to be an important life-line for poor African families, particularly from the 1970s onwards as unemployment rose and as the real value of the pension increased. Even in the hey-day of apartheid, Africans probably benefited from government expenditure more than they paid in taxes – a situation made possible by the fact that white South Africans benefited so greatly from other forms of government intervention, notably in the labor market. By the end of the apartheid period, with rising expenditures on pensions, education and health care, the budget had become a mechanism for massive redistribution from rich to poor, and white to black, South Africans.⁶⁶

⁶⁵ This is akin to Pontussen’s “liberal” welfare state model; see Jonas Pontussen, 1992. *Three Worlds of Welfare Capitalism*; see also E. Huber and J. Stephens, 2001.

⁶⁶ Natrass and Seekings, 2002, *op. cit.*

With the abolition of the color bar and influx control, the impact of the state's racial discrimination on wages declined.⁶⁷ The far greater problem, however, is access to the job market. Unlike the universal welfare provisions such as the old-age pension, job-specific private welfare system serves to redistribute income from a much wider range of households to a narrower range of households. Households with incomes above the median but below the mean for South Africa – the segment comprising the significant majority of union members – are net beneficiaries of public welfare transfers but net disbursers of private welfare transfers.

Because public welfare has at least some crowding-out effect on private welfare, with workers sending fewer remittances to relatives if those relatives receive old-age pensions, South African trade union members have a clear interest in increasing the public welfare system. Not only would they share in the direct benefits; they would be able to reduce remittances to poorer households, thereby benefiting indirectly.

However, because those in formal sector employment correlates are less likely (and the unemployed are more likely) to experience poverty, existing public welfare provisions are clearly inadequate for reducing poverty and income inequality. Whereas the OECD average proportion of households in the bottom income quintile without any members in employment is 42 percent (on the high end, 65 percent in Ireland and 74 percent in Finland), in South Africa, the corresponding figure is 83 percent. As Nattrass and Seekings emphasize, "This contrast is all the more striking when one considers that

⁶⁷ Peter Moll has rather narrowly measured this impact as dropping from 20 percent to 12 percent of the African wage between 1980 and 1993; the indirect effects are, of course, incalculably greater. See P. Moll, 2000. "Discrimination is Declining in South Africa but Inequality is Not," in *Studies in Economics and Econometrics*, vol.24, no.3; cited in *ibid*.

most jobless households have access to income support in the OECD, whereas this is not the case in South Africa.”⁶⁸

There are three broad macroeconomic policy proposals to address this fundamental legacy of apartheid. On the basis of the past decade of experience, the least convincing is the Washington Consensus-type fiscal austerity currently espoused by the ANC government. By minimizing inflation and maintaining fiscal stability, it argues, a climate favorable to foreign direct investment will be sufficiently enhanced so as to increase economic growth and employment significantly. Although strongly endorsed by South Africa’s leading corporations, after a decade of austerity, this strategy has yet to show positive results. The ANC government has even argued that labor law provisions such as minimum wage legislation, working week restrictions and collective bargaining provisions are to blame, but Cosatu retains an effective veto over such changes in labor law.

The second proposal – endorsed by several leading economists as well as elements of the Democratic Party – is one of Asian Tiger-style endogenously encouraged growth, running up short-term budgetary deficits, together with similar labor market liberalization proposals.⁶⁹ The examples of postwar Germany and Japan, as well as South Korea and Taiwan in the 1950s and 60s, demonstrate the potential payoffs but also the highly contingent global political and economic conjunctures favoring such policies. However, South Africa does not currently enjoy a geo-strategic importance similar to

⁶⁸ OECD. 1998. “Recent Labor Market Developments and Prospects: Special Focus on the Patterns of Employment and Joblessness from a Household Perspective,” in *Employment Outlook*, June: 1-30: 24; together with the South African figure, cited in *ibid*.

⁶⁹ Nicoli Nattrass, 2001. “High Productivity Now: A Critical Review of South Africa’s Growth Strategy,” in *Transformation*, March 2001.

these earlier examples, nor is this domestic political coalition strong enough to favor this proposal's implementation.

The third proposal is a Basic Income Guarantee (BIG) of R100 per month. Although entailing some distributional and administrative difficulties, the BIG's main hurdle is cost. While "both the trade-union movement and the Democratic Party (representing most of the rich) profess support for a basic income grant, . . . both seem to anticipate that their constituencies will not shoulder the financial burden."⁷⁰ Either the already progressive tax burdens on the top decile of households or the Value Added Tax on most basic consumables (significantly affecting the putative beneficiaries of the Basic Income Guarantee as well as most union households) will have to be increased; in all likelihood, both.

Nonetheless, public debate on, and support for, this last reform is greater than its counterpart in the OECD country with the most advanced discussion on Basic Income Guarantee proposals—Germany.⁷¹ In forestalling and then rejecting milder Keynesian macroeconomic policies such as the union-sponsored Growth and Redevelopment Program, the ANC has unwittingly strengthened this far more radical challenge. The core argument of the Basic Income Grant is unimpeachable in this context: since there is no policy that can hope to significantly reduce structural unemployment, and since such structural unemployment is manifestly a legacy of apartheid, why should the labor market remain the principal means of allocating income? Far from disassociating itself from this

⁷⁰ Natrass and Seekings, 2002, *op. cit.*: 65 and conclusion.

⁷¹ See Claus Offe, Ulrich Mückenberger and Ilona Ostner, 1997. "A Basic Income Guarantee by the State: A Need of the Moment in Social Policy," in Claus Offe, 1997. *Modernity and the State: East, West*. Cambridge, MA: The MIT Press: 201-224.

struggle, the Cosatu federation has formed the core for organizing on behalf of the unemployed. While success may take months or years, its achievement would be no less epochal than the establishment of the eight-hour day a century ago.

6.5 Conclusion

Seen over the long term of the latter half of the twentieth century, firm governance institutions in Germany and South Africa – known in both contexts as codetermination – have substantially strengthened worker bargaining power as against that of their employer counterparts. Notwithstanding the many differences between these cases, and despite its intended use of undermining unions in both, participatory governance bodies from the 1950s to the 1990s have cumulatively strengthened union organization, employee shop-floor bargaining power, and labor's political voice at the national level. As key components of broader labor law reform, these institutions have facilitated a long-term increase in successful strike activity in both countries over this period.

The struggles contributing to these results took place as much within union structures as against employers or the state. The countries' official union structures were themselves in part complicit with exclusionary policies toward more marginal segments of the workforce. Just as the officially registered South African unions at the time recognized a three-tiered working class (white, colored/Asian, and African) with correspondingly hierarchical wage rates and political rights, so the DGB came to accept with little debate the (re-)emergence of a three-tiered workforce in Germany with hierarchical rights: "native" West Germans (including *vertriebene Leute*, the ethnic

German expellees from Eastern Europe, as well as East German refugees), EEC-citizen foreign workers, and non-EEC (mostly Turkish and Yugoslav) workers.

To be sure, two major distinctions separate the two labor hierarchies. Unlike its South African TUCSA counterpart, the DGB insisted on equal pay for equal work; furthermore, where African workers constituted at least 70 percent of the South African workforce, those enjoying full citizenship in West Germany comprised more than 90 percent of the total population. Nonetheless, the threat of deportation had a markedly dampening effect on expressions of protest among bottom-rung workers in both countries throughout this period. Therefore, a partly fortuitous stemming of labor migrancy in the early 1970s exogenously strengthened domestic labor organizing. Workers' collective legal status was further strengthened with an extension of citizenship in the 1990s (by the ANC-SACP alliance in 1994 and the SPD-Green alliance in 1998, respectively), which may come to be seen as the signal achievement of these union movements' social democratic allies while in office.

These similarities are diachronic, occurring at the same moments in world-historical time. Yet prominent synchronic differences distinguish the domestic contexts in which West Germany and South Africa adopted their respective versions of codetermination. These include the high rate of economic growth and Cold War-era political restrictions affecting Germany, neither of which applied to post-Cold War South Africa; and South Africa's full democratization and reunification, which in German history preceded or followed codetermination by several decades.

By extension, neither the incentives of full employment nor the prohibitions of anticommunism or apartheid are sufficiently in evidence to discipline the South African

workforce in the way that German codetermination had done so successfully. The absence of these inducements further helps explain the pronounced adversarialism – tripartite Alliance and Nedlac notwithstanding – growing between Cosatu and Mbeki’s ANC government. If South African labor lacks the degree of institutional unity of its German counterpart, it retains a greater capacity to oppose government policy and mobilize large segments of the population, both union and non-union. Trends toward a “dissociation of representation and struggle” are even more evident in the staggered drive for a thirty-five-hour week and the union-inspired “alliance for jobs” in Germany, and in Cosatu’s Basic Income Guarantee campaign in South Africa. Far from consigning unions to predictable patterns of secluded corporatist deal-making, these struggles represent the interests of the unrepresented.

This chapter shows as well that these trends toward a “dissociation of representation from struggle” in both contexts are very different from the pattern described by Offe and Wiesenthal, as recounted in chapter 1. They had assumed that with the juridification of industrial relations, unions would be less prone to strike, and their leadership would ossify into an inert and politically defensive bureaucracy. The past thirty years of German and South African labor politics have revealed a very different picture.

Despite continuing union difficulty in representing marginalized populations in their workforce, these labor movements have succeeded in devising new means of convincingly representing these populations symbolically, in the eyes of the larger public. This success is mirrored by a failure of the business community to do the same. To be sure, at the level of organization and recruitment into union structures and positions of

leadership, older problems of representing the unrepresented persisted in the late twentieth century. The most dramatic case is the collapse of the TUCSA confederation in the wake of independent unionism's emergence among African workers in the early 1980s. Other examples include, in South Africa, young workers, women, and in particular rural workers – all disproportionately in the informal sector – with unionization rates far lower than average. In Germany, foreign workers, women, the young, and (after 1990) those living in the former East Germany experience lower rates of unionization and higher rates of unemployment.

This pattern, however, paradoxically parallels a dramatic increase in strikes and industrial action over time. This increase includes both “official” strikes that conform to labor law, and wildcat strikes unrecognized (and sometimes even opposed) by union leadership. Both trends appear bolstered by the secular tendency for unions to merge, even as employer associations multiply and splinter. Finally, the *content* of strike demands has changed from being mostly or exclusively concerned with wages and conditions, to covering a much broader array of concerns. These have centered on a reduction of the workweek in Germany, and an opposition to privatization and austerity in South Africa.

Offe and Wiesenenthal's model is therefore undermined by these cases in several respects. First, gains in juridification of labor and workplace rights accompanied an increase in strikes and demonstrations, rather than their diminution. More important, they served as important tools for labor activists to represent the unrepresented. German works councils enabled unionists to secure contract gains for the entire workforce, unionized and nonunion alike. South African shop steward committees enabled labor

activists first to transmit demands of disenfranchised workers under political repression; then to organize these workers into unions independent of state interference. Lastly, these unions came to represent the struggles of far larger sections of the population at the height of anti-apartheid activity. In both the German and South African cases, juridification further enabled an expansion of union demands from a narrow sphere of wages and conditions to a far broader sphere challenging the social norms of work and the political norms of society.

Despite their significant divergences in institutional articulation, the two codeterminations express the same longing for two (largely irreconcilable) goals: popular democratic control over the economy, and an end to labor-management confrontation. Their legislation transpired at a time of momentary labor movement demobilization and separation between union leadership and rank-and-file membership. Not coincidentally, codetermination in both cases could mean different things to different groups at different moments of democratic transition. If the post-1945 era was one of ascendant nationally (and at least tacitly to varying degrees, ethnically) based individual rights, in these countries as elsewhere such rights were to a significant extent underwritten by an excluded group of non-citizen workers. The challenge to workplace rights posed by significant numbers of non-citizen workers – while certainly not entirely resolved in either case – contributed to significant reforms of both models.

South Africa attempted to import the language and institutions of German-style codetermination, with mixed results. While a culture of managerial consensus unites more conciliatory executives with some top-level union representatives and those former

unionists who join management, the broader practices of works councils-style participation and board-level governance have clearly not taken root.

The larger question is whether South African unions represent the future for their German counterparts. They may represent both a positive and a negative example in this regard. Negative, because they increasingly lose touch with their rank and file on matters concerning party affiliation and governmental politics; positive, because in the gaps produced by this lack of representation, other areas and strategies of representation open up. In coalition with other groups, German unions might learn from the South African case about how to incorporate the interests of the unemployed into their central demands. While such incorporation is likely to come at the expense of their traditionally strong interlocutor relations, these anyway seem to be increasingly a thing of the past.

Conclusion

1. *Summary*

This dissertation addresses the issue of the relative class power of workers and employers. It argues that it is not always the case, as many have argued, that employers are structurally more advantaged than workers in their capacity to organize their interests. Furthermore, it demonstrates that evaluations of the balance of class power pertain over the long term, especially when backward and late-industrializing contexts overlap. Backwardness can simultaneously facilitate the organization of workers, while creating obstacles to employer organization. In world historical terms, liberalism's promise to labor movements – at least with regard to pioneer capitalist states – was that employee rights and interests could be secured through the use of pre-existing civil rights and liberties. Indeed, from Polyani's perspective, these pre-existing rights were themselves the result of prior labor struggles. This promise was not extended to labor movements in more backward states, where a liberal articulation of civil rights tended to be weaker. Backward conditions in fact initially favor the institutionalization of employer practices repressive of labor.

Over time, however, pioneer labor movements have often found it increasingly difficult to realize workplace demands through this pre-existing framework. Among backward states, by contrast, labor movements developed political resources that not only helped surmount national authoritarian practices but also significantly reduced the scope of employer power within the workplace and firm. Where a condition of few civil liberties had prevailed, these efforts now yielded an additional tier of "postliberal" economic rights.

Chapter 1 critiques the most highly elaborated account that purports to demonstrate the dynamics of employer advantage over employees, that of Offe and Wiesenenthal. Among their other claims, Offe and Wiesenenthal argue that workers are doomed to various forms of “structural opportunism,” in particular a “disassociation of representation from struggle”—the more workers seek external representation, the more they squander first their propensity, then their capacity, for struggle. I argue that this argument is ahistorical. It overlooks the distinction between pioneer capitalist states and latecomers. From a Gerschenkronian perspective, latecomers are able to catch up to their pioneer counterparts by adopting technical innovations and current best practice in economic organization. While Gerschenkron did not discuss whether these advantages are distributed differently between employees and employers, this dissertation argues that the initial advantages conditions of backwardness bestow upon employers become fetters when employers are forced to confront coordinated labor mobilization.

Analytically as well, Offe and Wiesenenthal’s failure to specify particular labor movements and particular employers (and their respective organizations) relates to a deeper failure to understand the role of law in society. Far from organized labor’s state guarantees of representation ever *replacing* its struggles over the quality and content of this representation, legalization has always *followed* organization. Furthermore, a *longue durée* of modern industrial development is the appropriate timeframe in which to evaluate relative swings in employer or employee fortune and organizing power.

These historical and analytical aporeia combine when the authors misrecognize works councils – in their juridical separation from union strength and party fluctuation – as a weakness, rather than as a strength. The insight that labor movements develop

increasingly autonomously from – indeed, may to an extent already have outgrown – their party allies can be usefully applied to other contexts, within and beyond Europe. More broadly, institutionalized forms of employer and employee collective action in backward contexts that develop in response to pioneer (or hegemonic) state power, can later become advantageous to backward actors in solving problems to which hegemonic states contributed but which they cannot adequately address through pioneer institutions.

Chapters 2 to 4 described the German and South African contexts in which backward employer and employee institutions develop. Taking the United States to be a key pioneer example in several respects, Chapter 2 showed that just as Americanization of industry should not be exclusively associated with the more widespread phenomenon of monopolization, so monopolization should not be seen as inimical to the development of cartels. Further, the Marxian and Weberian assumptions that modern corporations would exhibit increasing degrees of separation of ownership and control in their continued development are challenged by several prominent U.S., German and South African examples to the contrary.

Rather, the late insertion of a comparatively backward state into the global economy is accompanied by the dominance of a (usually monopolized) sector over that state's economy. An important difference separating the U.S. example from the others (and by implication, from almost all other monopolies in latecomer contexts) is that the U.S. monopolies were able to secure a mass market among American workers sufficiently large to ensure their continued expansion.

Under the less stable and monetarized conditions prevailing in most other contexts, dominant corporations must turn to the state to aid in forestalling worker

organization and suppressing wage demands. Suppressed wage demands in turn exacerbate the problems of sustaining effective demand in these countries' smaller and less developed domestic markets. The regressive solution for one corporation or industry becomes a vicious cycle for the nation as a whole: national legislation promotes the repression of labor movements. While other contributing factors are easily identifiable, this dynamic is clearly present in the subjugation and banning of labor movement institutions and individuals by the Nazis in Germany and the Nationalists in South Africa.

After Nazi defeat, Americanization of German industry in the Ruhr took partly contradictory forms, where occupying forces sought not only decartelization of coal and steel firms in the American model, but also deconcentration (something very rare in the United States at the time). These goals conflicted with a more pragmatic need for increased production and labor relations peace, so that an easing of these restrictions saw the emergence of a more concentrated ownership structure. Whereas German steel concentrated into two (and more recently, into one) dominant firms only after the political salience of national steel manufacture had waned, in South Africa, gold and diamond mining consolidated much earlier into a single, closely held corporation. Not only the existence of monopolization, but also the speed of its achievement, particularly within nationally dominant economic sectors, as well as this monopolization's duration, suggests further variables of corporate backwardness.

More distinctive to the cases at hand is the development of nationally dominant employers' associations during early phases of backward development, as detailed in chapter 3. The German example of the RDI/BDI and its South African counterpart, the Chamber of Mines, illustrate the different ways in which dominant sectors (or even, the

dominant corporations within these sectors) are able to use employer associations to amplify their influence and impose labor repression across a country and its economy. Indeed, in the case of South Africa, the effects were felt throughout the entire region of southern Africa.

Whereas Ruhr industrialists had used associations preceding the RDI to make some progress in promoting protectionist legislation in early Kaiserreich history, after World War I, these interests were on the defensive among employers. The Ruhr interests was therefore obliged to use their influence both inside and outside the RDI to further protectionism when possible, and constantly attack unions and their social democratic allies. Although ultimately succeeding in these goals, the Ruhr barons ended up constrained and severely compromised by the Nazis, who banned labor unions and employer associations alike.

While South African industrialists never experienced similar constraints at the hands of their own authoritarian government, they too became victims of their own earlier successes secured through the country's preeminent employer association, the Chamber of Mines. The Randlords instituted the Chamber first to promote the compound system and deny basic rights to progressively larger groups of African workers. Soon thereafter, the association became a useful forum for petitioning the British government to invade and unite South Africa's disparate provinces. Finally, the Chamber succeeded in persuading parliament to adopt increasingly regressive policies directed toward its African workforce, radically increasing the quotient of migrant workers among them. From advocating the union of territory two generations earlier, the Chamber now endorsed the National Party scheme of further dividing up the country into separate

“homelands.” Although these policies met with some protest from more modern, industrial sectors, the latter were not strong or numerous enough to challenge the Chamber’s hegemonic policy.

Chapter 4 shows the effect these institutional strategies of backward employers had upon the development of labor movements. In both cases, subjugated organizations waged a defensive battle of increasing their domestic (and increasingly, international) base of support while fighting for incremental gains. In the short term, however, facing the combined weight of associationally amplified employer and state hostility and suffering from internal divisions, labor movement organizations had little room for maneuver. In Weimar Germany, unions had achieved organizing rights but could not enforce contracts under adverse economic conditions. In South Africa, racial divisions plagued union organizations, making cooperation across groups all but impossible. Even more than in Germany after 1945, U.S.-supported anticommunism further weakened and divided labor movement groups.

Chapter 5 charts the weight of advantage beginning to shift from employers to employees. It shows that even in periods of labor movement history when opposition to the prevailing political system reaches a lull, room for maneuver still often exists in promoting further social integration among labor movement members. In both cases, shop floor organizing provided the key to this end.

Organizing conditions during World War II favored even disenfranchised South Africans far more than their German counterparts, while their respective fortunes switched after 1945. Nonetheless, both cases share a similar set of conditions during the 1950s and 1960s. For both, the diminished (in South Africa’s case, banned) conditions of

party allies forced unions to rely upon their own sources of support and institutional resources. Government and business alliances in both countries attempt to use firm-based, non-union structures to undermine union organizing. These actors enjoyed a privileged standing under the rubric of American hegemony at its height.

Even so, labor activists are able to use these firm-based structures to further the ends of unionization. In South Africa's case, the independent unions were neither recognized by labor law statute (and therefore not subject to its strictures) nor politically banned (and therefore free to organize). In Germany, the nation-wide works councils act forbade councils from striking or officially affiliating with unions; but the unions could still run candidates for council positions, and use these allies to press for union interests within the firm in question. This "Trojan horse" effect in both cases enabled unions to organize with fewer impediments than they had faced previously.

Chapter 6 shows the advantages of this "backward" form of organizing bearing fruit for the German and South African labor movements. In both cases the "juridification" (or continued elaboration) of labor law meant that the extension of its rights and domain could proceed independently of party allies winning office. Further, the unions' success in bargaining prepared the ground for greater participation in national-level politics, and transformation of the prevailing political culture.

In Germany, this meant that unions pursued the workweek reduction campaigns and other quality of life issues. In South Africa, unions have been able to oppose erstwhile government allies on a range of policies, prominently in anti-privatization drives, the campaigns for a national plan for affordable antiretroviral treatment, for the reduction of urban-rural income disparity, for land redistribution and in support of basic

income provisions. The unions are able to do this while simultaneously pursuing collective bargaining because the conditions of collective bargaining have become more favorable. Employers can no longer expect police to help break strikes; their associational resources are diminished and increasingly splintered among contending organizations; and their domestic and global economic environments have become less favorable, less manageable and less certain. Unions, by contrast, enjoy more rationalized structures, wider public support, and much more favorable labor law. Although structural unemployment casts a pall on large sections of both countries' populations, its politics increasingly favor unions, who feel emboldened to proactively suggest major structural reforms to address the problem. Employers, by contrast, have lost their trump card, "growth," in the era of jobless growth.

While some of these advantages of backwardness for labor movements may prove transient, others will develop into lasting legacies. The reason for this, as suggested in chapter 1, is that legal and social gains tend to be cumulative rather than momentary. More fundamentally, there are aspects of the "advantages of backwardness" dynamic that are strictly speaking outside of the historical or geographic scope of this dissertation, but which further research could vindicate more fully. These are provisionally discussed below, under the headings "two logics and globalized democratization," "Americanization and its limits," "codetermination," and "the future of labor movements."

2. *On the “two logics” in an era of globalized democratization*

While the “wage labor” relation in world history developed through normative and institutional forms over many centuries, studying comparatively backward states such as Germany and South Africa has the advantage of revealing this process of development in a relatively short period of time. More important, it serves to contextualize this process as but one of many forms of employer–employee relation, and by no means the most important. In the perspective of Offe and Wiesenenthal, the function of formal guarantees of individual worker’s rights and freedoms, with corresponding duties, was to enable the selling of labor power while simultaneously masking the exploitation inherent to its sale. Such labor commodification is prior to and constitutive of those rights and freedoms, in its essentially economic dynamic of expropriation and domination. They present wage labor as a more refined, cumulatively perfected and necessarily universal form of capital’s employment of the proletariat.

The perspective elaborated here, however, sees the wage labor relation as but one of several forms of subordination of labor which employers have used to control and direct the bodies of workers, to prevent their resistance or escape, and exercise force to extract work. Under modern global capitalism, these other forms of control have uneasily coexisted with “free” wage labor, in relations of mutual influence. The cases presented here suggest further that whatever short-term benefits directly or indirectly accrue to wage earners compared with their less free counterparts, the conditions of coercion are likely to degrade – if not paralyze – those of free wage labor.

Forms of servile, enslaved or indentured labor are far from being vestigial, anachronistic, or transitory. In this sense, their designation as “backward” (or in the discourse of modernization, “traditional” or “primitive”) is deceptive. On the contrary, they have occupied a central place in the development of capitalism, and continue to do so, as long as the right to citizenship enjoyed by wage workers is subsidized by the state cultivation and control of migration of non-citizens with fewer (or no) rights. The advancement of codetermination rights in West Germany was in part subsidized in this manner during a period of significant migrant labor policy; at the same time, these rights formed an important prelude to broader franchise-related rights for immigrants, even if much of their potential in this regard remains unrealized.

Paradoxically, however, in South Africa – the modern industrial society characterized perhaps more than any other by this organized reliance upon migrant labor as a means of subsidizing capitalist accumulation and wage labor alike – a legacy of the migrant labor system has bestowed on the labor movement as a whole is a broadened repertoire of opposition to domination. The “stayaway” is perhaps most representative of this repertoire of evasion, flight, desertion, or breach of labor contract. Progress in this sense derives not from the “organization of the unorganized,” but on the contrary from the “disorganization of the organized.” Without entirely intending to do so, the Chamber of Mines may have succeeded in permanently displacing the centrality of wage labor as a means of organizing society. It did this by progressively substituting race for class; around this division, apartheid policy elaborated social, political and geographic spheres

of existence. Whereas the apartheid government's project of racial formation has largely been transformed, its legacy of wage labor displacement remains.¹

By underlining the role of norms and institutions in the definition of contractual forms of codification of the law, the dissertation further suggests that capitalism is not primarily an unstoppable, continually expanding market and irreversible, universal commodification of every aspect of existence, in the face of which the law and institutions essentially fulfill a role of mere perpetuation and mystification of power relations. *Pace* Mark Granovetter's analysis of the capitalist market as embedded in social forms, institutions and regulative norms do not intervene merely *ex post*, to remedy the undesirable social consequences produced by an "unregulated" market. On the contrary, juridical and political forms of control on labor are central to strategies through which employers continuously strive to address the dilemma posed by the worker strategies of evasion: and these strategies tend to result, over time, in yet further opportunities of evasion, a further granting of rights, or both.

From this reading, capitalism is far from the impersonal and ordering mode of production that adopts "optimal," rational, and efficient methods and strategies of employment of labor. Rather, employers and the state must constantly resort to juridically imposed barriers and limitations in order to control workers' endless innovations in evasion and resistance, but also competition from other firms and domestic or international economic instability. Those states that are more backward in the sense of being semi-sovereign, or subaltern to the dominant hegemonic power, correspondingly

¹ For an elaboration, see Yann Moulier Boutang, 1998. *De esclavage au salariat. Economie historique du salariat bride*. Paris: PUF (Actuel Marx/Confrontations).

must rely more on this power. The cases analyzed here cast some doubt, however, on the ability the United States as current hegemon to adequately perform this role.

3. *Americanization and its limits*

Given the immense literature on “Americanization” with reference to Germany and (to a lesser extent) South Africa, this conclusion is better able to describe some apparent limits to this process, rather than describe its general nature. Chapter 2 identified three forms of Americanization – workplace or technological imitation and adaptation, socio-legal transfer, and imitation of consumption patterns – to which a seemingly increasingly prevalent fourth, Americanization by direct military invasion, occupation, or surveillance, should be added.² Americanization’s limits in each case are those of a failed mimesis. Predictions that American patterns presage those of other parts of the world are as mistaken as Marx’s similar predictions regarding Britain and for similar reasons.³

² The post-1945 Occupation was not western Germany’s first experience with Americanization in its military-political form. It was rather a more realistic and productivist response to the failure of the earlier episode of the Versailles settlement and occupation of the Rhine-Ruhr, which combined, in the trenchant phrase of Ernst Fraenkel, “political cynicism and legal idealism.” Ernst Fraenkel, 1944. *Military Occupation and the Rule of Law: Occupation Government in the Rhineland, 1918-1923*. New York: Oxford University Press: 4. Fraenkel observed the first occupation and participated in the second, for which this work served as an occupation policy primer: the cynicism of the occupiers, in his view, unquestionably undermined the legitimacy of the rule of law among Germans under occupation. With an eye to problems facing Allied occupiers after World War II, Fraenkel concluded of the first Occupation that the “Rhineland Agreement, so strongly influenced by the Wilsonian period’s messianic belief in general formulas and programs, attempted to convert military occupation into a rule of law by formulating broad principles. But experience in the Rhineland proved that the problem cannot be solved by general regulations.” This pointed to the necessity of giving “autonomous forces inside Germany the chance to rebuild organizations of their own which may serve as cells for the reconstruction of democracy” (*Ibid.*: 230-1).

³ For example, Sombart proclaimed a century ago, “The United States is the country with the most advanced capitalist development, so that its economic structure represents our future. What Marx correctly stated about England in 1867, we may now apply to America. *De te fabula narratur, Europa*, when we are reporting about conditions in America, at least so far as capitalist development is concerned.” Werner Sombart, [1906], 1973. *Why is There No Socialism in the United States?* P. Hocking and C. Husbands,

This is not to argue that America has been without influence. As the main force shaping the global order in the aftermath of World War II, the United States recast both the contours of global trade and often domestic policies of client states to such an extent that “liberalization” and “globalization,” in both their economic and political senses, are often understood as synonymous with “Americanization.”⁴ Whether in the case of institutional *transfer* and *imitation*, or *channeling* of influence, however, such influence produces unexpected results and unintended consequences. Indeed, the more sophisticated examples of recent Americanization literature show that this form can entail multiple cross-pollenizations and creative appropriations.

Despite sustained attempts at the transfer of U.S.-style union, employer, or industrial relations institutions to the German or South African contexts in the latter half of the twentieth century, such efforts were bound to fail since the institutional contexts were so radically different. The failure of American models’ institutional transfer, however, does not imply that U.S. attempts at influencing the domestic policies of other states must also fail. Indeed, any success in this regard can and probably must be achieved through a degree of “indigenization” of the transferred institutions.

trans. London: Macmillan: 23.

⁴ There is a widespread assumption that this has not changed up to the present. Recently, for example, Joschka Fischer, shortly before joining the current German government as Foreign Minister, claimed that “globalization in its present form is always also Americanization.” J. Fischer, 1998. *Für einen neuen Gesellschaftsvertrag: eine politische Antwort auf die globale Revolution*. Köln: Kiepenheuer & Witsch: 7.

For example, it was precisely the un-American degree of peak level employer organization⁵ that enabled the BDI and its South African counterparts, Business South Africa (BSA) and the Chamber of Mines, to amplify U.S. influence so successfully during this time. This success is further accentuated in comparison to the relative failure of U.S. institutions (including unions) to influence German and South African trade unions in this period. Successful Americanization of business, in this sense, refers not to institutional form, and even less to societal effects, but rather to dominant policy content. The compelling description of this influence upon Ruhr industry after 1945 as being “a curious combination of old and new, with the balance tilted more toward the new in some issue areas and toward the old in others” – where a revival and recasting of tradition is itself an innovation – can usefully refer to other contexts as well.⁶

In fact, direct military occupation may be the least effective way to implant Americanization as imitation of American practice. Unoccupied South Africa, before⁷ and even more after 1945, proved even more receptive than Germany to this type of

⁵ According to G. Braunthal (*op. cit.*), the National Association of Manufacturers (NAM), the closest U.S. equivalent to the BDI, in the early 1960s represented only 6% of all U.S. manufacturing concerns (although these employed more than 70% of the industrial workforce and produced 75% of total U.S. manufacturing output). The BDI at the time represented 98% of all West German industrialists, responsible for similarly high levels of output and employment.

⁶ Berghahn, 1986, *Op. cit.*: 67.

⁷ Americans in the early mining economy served not only as engineers in the private sector – and are credited with the geological discovery of the extent of the Witwatersrand’s gold holdings – but also held many important public positions. Among many examples, Ethelbert Woodford was appointed chief mining engineer for the South African Republic in 1887; another American, William Hall, held this position in the Cape colony; perhaps most significantly, Joseph Storey Curtis, “the father of South African gold mining,” founded the South African Association of Engineers and Architects, with a compatriot as first president, in 1891 and in 1895 became vice president of the newly founded Chamber of Mines. Curtis presided over the Chamber’s establishment of the Native Labour Department and the creation that year of the pass system, designed to combine physical surveillance with non-market wage control. See R.W. Hull, 1990. *American Enterprise in South Africa: Historical Dimensions of Engagement and Disengagement*. New York: NYU Press: 63 ff.

Americanization.⁸ A greater proportion of its economy has been shaped by U.S. direct investment than Germany's, and its racial politics are indelibly marked by America's.⁹ U.S. support for the Nationalist Party after 1945 may have tipped a narrow victory in its favor,¹⁰ and Cold War military, economic, and racial calculations greatly strengthened this support.¹¹

But even (or especially) these very high levels of U.S. political and economic influence have proven self-defeating to the interests of providing long-term stability to U.S. direct investment over the longer term, as the destabilization of the South African economy since the 1970s would indicate. These trends point to a more fundamental

⁸ In one scholar's view, "in few if any societies in the world did the process of Americanization begin so early; in few if any has it been so thoroughgoing, so replete with irony, or of such central historical significance." J. T. Campbell, "The Americanization of South Africa," p. 36 in R. Wagnleitner and E. May, eds. 2000. *"Here, There and Everywhere": The Foreign Politics of American Popular Culture*. Hanover: University Press of New England: 34-63. By the end of the nineteenth century, over half of all Rand mines were managed by Americans. *Ibid.*, 39.

⁹ Around the same time that U.S.-funded African followers of Booker T. Washington collaborated with the Chamber of Mines in promoting "racial harmony" and opposing worker militance, for example, the United States briefly overtook Britain as South Africa's largest trading partner and South Africa had become the fifth largest overseas market for U.S. products. Tim Couzens, 1982. " 'Moralizing leisure time': The transatlantic connection and black Johannesburg 1918-1936," in Shula Marks and Richard Rathbone, eds. 1982. *Industrialization and Social Change in South Africa: African class formation, culture, and consciousness, 1870-1930*. New York: Longman: 314-337.

¹⁰ A 1945 State Department report favored a political victory of the Nationalist Party over the U.S. wartime ally Gen. J.C. Smuts' United Party, as transpired in 1948, by arguing that "Americans would try to break down the walls of Empire preference from the outside while the Afrikaners would seek to do so from the inside. . . the Nationalist ideal of a South Africa independent, politically and economically, is obviously in accord with the American hopes of freer world trade without discrimination." Campbell, *Op. cit.*: 51.

¹¹ South Africa attracted more than half of all U.S. investment in Africa, giving returns of 20-27% in the 1950s and 60s – consistently the highest returns on U.S. investment in the world. In February 1951, in exchange for U.S. control over the South African uranium industry, Secretary of State Dean Acheson announced that the United States would henceforth give South African requests for military equipment "the most sympathetic consideration" while admitting that the vetoing of UN anti-apartheid resolutions served not only to defend South Africa, but also forestall discussion of U.S. race relations on the UN floor. Acheson was surely aware of a confidential CIA report's conclusion that "South African military planning, to a degree unknown in the North Atlantic Treaty states, focuses on the basic requirement of internal security." *Ibid.*: 52-3.

economy since the 1970s would indicate. These trends point to a more fundamental contradiction, between U.S. geo-strategic concerns on the one hand and the requirements for continued capitalist accumulation on the other.

4. *What was codetermination, and what comes next?*

The term “codetermination” carries with it both normative-historical and analytical-philosophical connotations, the former probably deriving from the latter. Analytically, it implies the thesis that a given phenomenon has more than one cause, rejecting the idea of a one-to-one correlation between cause and effect, determining agent and determined outcome; outcomes are co-determined by several agents. This view understands “cause” within a system to be but one among many types of functional relation.¹² The German term *Mitbestimmung* entered popular discourse in the early nineteenth century, insisting upon both the analytical and normative superiority of understanding society as a cohesive, organic whole rather than an atomized mass of monadic individuals spawned by (especially British and American) capitalism.¹³

Not only capital determined the realization of profit and value in society, but so too did labor, land, and community: if this were the case, then workers should have a role in determining the management of their place of work, and by extension, of their own

¹² Gianfranco Poggi, “Introduction.” In Niklas Luhmann, 1979. *Trust and Power*, p. xv.

¹³ The 1848 Frankfurter Parliament vetted proposals for mandatory tripartite factory committees; see H. Müller-Vogg, “Von Fabrikausschuss zur Mitbestimmung,” *Frankfurter Allgemeine Zeitung*, 10 March 1979, p. 15. The achievement of mandatory councils (as advisory safety-related bodies) was realized first in the mining industry, albeit at the provincial level, through the *Bergwerksgesetze* of Bavaria in 1900 and Prussia in 1905.

lives. Codetermination's usage arose in response to the crisis not only of capitalism in its perceived social effects, but also of a theoretical vacuum in Germany before unification, where a specifically national response to these effects was needed in the absence of a specifically German nation. In the late nineteenth century, it attained a Catholic, ameliorative connotation of a middle way between Prussian ruthlessness and a communistic cult of conflict.¹⁴

It is therefore intrinsic to the meaning of codetermination that the employee rights and powers it evokes are *relational* to those of the employer, rather than absolute individual rights. The formulation implies as well that the different actors enjoy the actual power to shape mutually influencing outcomes. In practice, however, this has not always been the case. As the Weimar examples have shown, codetermination without broader levels of employee coordination was rendered ineffectual. The more recent post-reunification examples suggest a reversal of this pattern in which employer coordination among firms and within associations is increasingly difficult.

A further difference with the present context is that union organization is also diminishing, albeit less dramatically and with fewer negative consequences than for employers. The three trends identified in Chapter 6 regarding German unions are: declining aggregate membership in a context of declining aggregate employment, increasing mergers, and an decreasing extent to which independent-minded works council

¹⁴ Pope Leo XIII's 1890 encyclical, *De Rerum Novarum*, became the key reference favoring cooperation over conflict; a discourse emphasizing organic social harmony continued in the 1931 encyclical *Quadragesimo Anno* of Pope Pius XI, although in more explicit contrast to the institutions of liberal democracy and economy, condemning in particular economic concentration, and favoring self-governing "mixed" employer-employee industrial councils. A more moderate restatement urging that "all economic activity [be] conducted not merely for private gain but also in the interests of the common good" was the *Mater et Magistra* of John XXIII in 1961. Cf. "Quadragesimo Anno," *New Catholic Encyclopedia*, Washington D.C.: Catholic University of America, V. XII, p. 1.

members choose union affiliation. Together, they imply that union voice increases at the national level (where sectoral bargaining is losing its salience), while decreasing at the local level. Further moves secured at the national level to strengthen workplace organization and councils may have the unintended effect of further eroding unions' plant-level organizing capacity. At the same time, the content of demands most likely will continue to emphasize community-wide and quality-of-life concerns. Wage negotiations are unlikely to end altogether, but will more likely be accompanied by demands that are more difficult to quantify and that erode the wage relation even further.

Codetermination in the South African context appears to represent a more transient phenomenon. When unions were capable of delivering shopfloor and firm-level co-management, they had no interest in doing so. Now that they have the legal sanction to codetermine firms, their disinclination is matched or exceeded by their lack of firm-level organization.

5. *Future trends in labor movements, employers' associations, and industrial relations*

The transience of codetermination suggests the possibility of broader transformations in the organization of capitalist enterprises more generally. The rise of nation states in response to transnational and imperial capitalist influence provided a context in which indigenous forms of capitalism could develop. The capacity or propensity of other countries to maintain this context since the mid-twentieth century has diminished in the face of growing U.S. corporate penetration of overseas markets. The influence of U.S. managerial theory and practice presaged this trend.

From Fredrick Taylor onwards, the United States provided the wellspring of influences upon managerial thinking throughout the capitalist world. As Charles Maier has argued, “Taylorism” would quickly become a form of mass managerial faith during the first three decades of the twentieth century, with grand claims that through the rationalization of the workforce and its ensuing increase in production, the manager as engineer could transform and redeem society.¹⁵ At the same time, of course, managers wished to “rationalize” confrontational and disruptive unions.

In the course of the twentieth century, employers in a given country responded not only to challenges of production, markets and workforce organization in their national contexts, but increasingly also to the influence of prevailing transnational norms and managerial ideologies. Once labor movements began successfully policing the boundaries of skill and craft through unionization in the mid- to late-nineteenth century, for example, employers responded with a mixture of coercion, increased surveillance, and control of the labor process through de-skilling, a tactic associated with the work of Taylor.

The Great Depression dashed these hopes of worker discipline and labor process control; but (in particular, American) business ideologies during the Depression became “more grandiose and imperial in their implications.” Imposing order in the factory depended increasingly upon transforming the factory’s social environment. Worker attitudes were a crucial component in this task; manager-psychologists sought to make employees “happy and motivated, not merely to harness workers to machines.”¹⁶ Where

¹⁵ Maier, 1987, *op. cit.*

¹⁶ *Ibid.*: 53.

unions could organize freely, different national systems of industrial relations were born. German managers under Nazism, through national organs such as DINTA, had the additional goals not only of reducing waste and fatigue, but more importantly, of inculcating nationalist and anti-Marxist values in a union-free environment.¹⁷

After the Second World War, when productivity replaced the post-World War I buzzword of efficiency, managers were called upon to shape national economic policies, priorities and values: “The line between enterprise and capitalist environment became increasingly hazy. Managing the factory and managing society were envisaged as tasks of the same order and drawing on the same talents.”¹⁸ In the 1950s, “human relations” became the dominant paradigm, but with two contradictory implications: the firm as industrial system should obey its own frictionless logic, insulated from society; yet societal transformation was the precondition for industrial harmony. Human relations competed with industrial relations where managers sought to deter unions’ independent political initiatives on the shop floor or in the political arena; at the same time, however, highly organized industrial unions were well placed to promote stability and deter shop floor or rank-and-file dissent. Particularly in the context of U.S. “business unionism,” this period may be described as a “Michelian moment,” rather than a further instance of an unchanging “iron law of oligarchy.”

This managerial logic typically accompanied the rise of the hierarchically organized corporation, as in the chemicals, oil, electricity, automobile, and iron and steel sectors, in ironic contrast to the expressed ideal whereby workers, in horizontal

¹⁷ See the detailed discussion in Nolan, 1994, *op. cit.*, ch. 9: 179 ff.

¹⁸ Maier, *op. cit.*

“fellowship as members of a team rendering a worthwhile service” can “unfold their personalities in work happily and successfully done.”¹⁹ Together with steadily increasing household wages, increasing consumption, full employment, and low inflation under controlled welfare state growth, these factors characterize what is understood in retrospect as the Fordist or Keynesian welfare state in most of the advanced capitalist North.

With the dissolution of domestic social consensus in the 1960s, particularly in the United States under the combined pressures of the Civil Rights movement followed by opposition to war in Vietnam, managers progressively abandoned the goal of social harmony and equilibrium in favor of their new role of global corporate strategist in a ceaselessly Hobbesian economic environment of “long-term objectives, the constant presence of uncertainty, and the existence of constraints.” The corollary and perhaps prerequisite of this change was an abandonment as well of the geographically rooted and sector-specific corporate product lines based primarily in manufacturing, in favor of a strategy of endlessly reshuffling portfolio assets in a global market, for which services constitute an ever-increasing share. Maier concludes that “after a half century of relying on engineering, human relations, and growth, entrepreneurial ideologies confronted the historicity of capitalism.”²⁰

The rise of the global corporate strategist, however, brought with it the decline of exportable managerial ideologies and therefore the decline as well of a crucial means of promoting Americanization abroad. This latest trend has only been accelerated by the transformation, accomplished in President Reagan’s first years in office, of the United

¹⁹ *Ibid.*: 63.

States from the world's largest creditor nation to its largest debtor. While developing nations must now compete with the United States for increasingly scarce third-party foreign investment, declining managerial influence brings with it an increasing opportunity for these nations to again develop local (and even more, regional) strategies of managerial governance.

If this dissertation's argument that in many backward (or indeed, non-U.S.) contexts, labor movements face an easier task of organizing and promoting independent interests than their employer counterparts, then the terms of such local managerial strategies will increasingly reflect labor interests which themselves are increasingly removed from narrow, wage-based concerns.

By the same token, non-U.S. employers who have been able to seek Hobbesian refuge in their Leviathan-like associations will face growing difficulties in reconciling competing economic and political imperatives within a single, peak-level association. A transfer of such associations to the transnational, sectoral level comes at the inevitable cost of diminishing the individual firm or employer's voice even further.

Among labor movements, the South African strategy of "militant evasion" and the German one of "militant engagement" may serve as paradigms for other contexts. Given its elective affinity with a smaller formal sector and more widespread levels of absolute poverty, the South African strategy seems the more likely for much of the rest of the world. The power to "evade openly," so to speak, may prove an increasingly popular means of "guaranteeing the guarantees" as well as guaranteeing their terms.

²⁰ *Ibid.*: 69.

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