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Comparative Analysis of European and American Working Class Attainments: Equality, Living Standards, and Social Structures of Accumulation

by

John Asimakopoulos

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

2000

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

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Abstract

Comparative Analysis of European and American Working Class Attainments: Equality, Living Standards, and Social Structures of Accumulation

by

John Asimakopoulos

Adviser: Professor Paul Attewell

This dissertation compares working class fortunes in the U.S., UK, France, and Germany. I examine which national working class has achieved most in terms of absolute and relative living standards. The working class is defined as the bottom 40% of a nation's population. Indicators of absolute living standards used are purchasing power, total wage compensation, ownership of material goods, life expectancy, and infant mortality. Indicators of relative living standards are percentile income distribution, poverty rates, unemployment rates, educational enrolment, and state social expenditures.

Regarding absolute living standards, the United States' working class is ahead of Europe in material ownership. However, Europeans have greater levels of social benefits, insurance, and labor protections relative to American workers. Regarding relative living standards or equality levels, Europeans have a solid lead over Americans except in the area of educational opportunities. The poorest segment of the working class (bottom 10% and 20% of population) is better off in Europe by all measures including material levels.

The second section examines the relative importance of union density, collective bargaining patterns, strike activity, and the relative power of left vs. right political parties as explanatory variables for greater working class attainments. Using data ranging from

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the 1940s to the present, for 21 OECD countries, I find these measures all correlate significantly in the expected direction with indicators of equality. Economic forces are more strongly associated with absolute measures of wellbeing. However, all of the independent variables of working class action also influence some of the absolute indicators.

The final sections give a review of labor and political history in these countries. My historical analysis is embedded within the framework of Social Structures of Accumulation (SSA) theory. I document that the labor movement has been more successful in periods when it applied high levels of class conflict expressed through strike activity and especially when confrontation reached revolutionary proportions. I also suggest that a new 21st century long wave of prosperity is emerging with a weakened global working class which is unlikely to reap as many benefits as it did earlier during the 20th century expansion.

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Dedication

To two real working class heroes who always encourage, support, and believe in me: my parents, George and Georgia Asimakopoulos.

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I am grateful to my advisor, professor Paul Attewell, for his great patience, time, and valuable advise without which this work would have been next to impossible to complete. I also thank two distinguished veterans of the labor movement, Stanley Aronowitz and Bogdan Denitch, for their guidance, suggestions, and support. Lastly, I am greatful to professor Lindsey Churchill for his input and a small group of close friends who have always been there for me.

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I.

Introduction

As a child of working class parents, I grew up watching my mother and father work very hard for very little throughout their lives. Unlike most families, we lived for a number of years on two continents, America and Europe. So it was that I had an opportunity to see the life my parents could afford in two different societies. At an early age, I became preoccupied by the question of how hard-working people can obtain better lives for themselves. Although my initial curiosity stemmed from a narrow interest for my family, it later grew to encompass the whole working class. Thus, in this work, my primary goal is to discover/document those circumstances or conditions under which the working class is in a position to improve its material well being. For example, is political participation a useful tool through which workers can benefit? Are there economic forces that favor one or another class? Can labor take actions to improve its living standards or does it make no difference what labor does or does not do because structural forces beyond its control or ability to manipulate will determine the conditions of their living standards? These questions will be specifically addressed in the section on social structures of accumulation and in my conclusion.

Since most people live closer to the living standards of the working class rather than of the upper class, it is obvious that the above questions are relevant to the material life of most people. But how does one go about investigating such issues without

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becoming overly abstract and doctrinaire? Because I have lived on two continents with quite diverse social systems, I came to wonder where would a working class person be better off? Is, for example, Europe truly a worker's paradise and the United States hell? Regardless of which region offers a better life to workers, the point is that if differences do in fact exist, then we can learn something from them. Thus, we should seek out whether factors exist that have contributed to favorable or unfavorable working class conditions. It also becomes clear that this can indicate an answer to the original question regarding whether or not workers can engage in actions to improve their living standards in an inherently unequal capitalist system. My solution, therefore, is to approach the problem of class inequality and conflict over the distribution of material wealth through a comparative approach. Thus, I decided to focus on two geographic regions: the United States and Europe (United Kingdom, France, and Germany) because they seem to be approximately equivalent regarding variables such as economic development, political democracy and private unionization rates.

Thus, one would expect the working classes of these nations to have achieved comparable benefits. However, it can be argued that the two regions are extremely different regarding the achievements of their working classes. If we assume these nations to be roughly comparable, why is it that labor is stronger in some and weaker in others? To make the point even clearer, I pose this basic research question: *Why has labor in Europe achieved greater successes relative to the United States despite similar rates of private unionization and economic and political development?*

Rather than assume European working classes have obtained more in comparison

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to American working classes, I first address the issue: *Are the European working classes better off?* How does one compare the situations of national working classes? For example, comparing the "mean' income across nations would be inadequate because that "mean" includes incomes of both working and upper classes. Thus, a higher national "mean" income in the United States relative to that of France, the United Kingdom, or Germany does not necessarily indicate the relative situations of their respective working classes. Therefore, I consider measures that reflect approximately the lower 40% of the population (the lowest two quintiles). Anything over 40% is not considered exclusively working class but rather middle class and above. I make this distinction between working and middle class life while noting that others may disagree.

In addition, I must address an anticipated criticism. I am well aware that national data is almost never 100% comparable when making cross-national comparisons. This is so because each nation and even each bureaucracy within a nation defines measures differently, makes different assumptions, collects data through different methods, etc. A good example of this is the definition of "poverty,' since it seems no two matching measures can be found across nations or even within these nations from competing policy groups. However, this does not mean comparisons should not be made. I control for these disparities as much as possible by footnoting differences and by using multiple indicators. The latter tactic seems reasonable because even if there are minor differences of compilation cross-nationally, the reliance on multiple indicators should still provide an accurate picture of basic "trends" of a high or low degree of living standards, inequality, and conflict. Thus, my use of multiple indicators is methodologically justified.

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Coming back to my specific focus on the lower 40% of national populations, I utilize two broad measures by which I make national comparisons of who is better off: living standards and level of equality. I employ the following variables as empirical indicators of living standards: life expectancy, infant mortality, purchasing power, wage (total) compensation per hour, ownership of TV's, ownership of cars, ownership of radios, energy consumption per capita, and number of vacation days/length of work week (hours).

Equality measures are important if standards of living have a relative as well as an absolute component. Within each nation, I use the following empirical indicators: percentile income distribution within each nation, poverty rates, educational enrollment, state social spending, and employment/unemployment.

In addition to the above, this section also reviews how protections for labor differ across countries. This third measure allows interesting cross-national comparisons to be made regarding working class achievements. Empirical indicators included are: length of unemployment and health benefits, retirement and disability coverage, occupational safety and health legislation, and extent of minimum wage coverage. Lastly, the European Union has a social charter and America does not. What is the significance of this?

Given these measures and indicators, my first task is to provide an empirical description of the current condition of U.S., French, U.K., and German working classes. Based on this empirical description, I make cross-national comparisons. These comparisons, in turn, reveal which national working classes are better off and in what

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dimensions. My next step describes the variables affecting living standards and social equality for the working class and compares these variables cross-nationally. This comparison indicates factors favorable to working class goals, which is one way of approaching the broader question. Furthermore, I ask in my social structures of accumulation sections if these discrepancies are due to chance (historical contingency), thereby indicating whether European achievements can be *duplicated* elsewhere.

It should be noted that the variables affecting living standards and levels of equality for the working classes are both outcomes of labor's struggles and resources which enhance its power to struggle. However, before presenting the variables, I specify my conceptualization of how various elements affect working class goals. One of my hypotheses is that working class goals are basically determined through class conflict. The outcome of conflict depends on the levels of violence employed or threatened by the working class. In turn, the effective use or threat of violence depends on the power of the respective classes. It should be noted that I use the common sociological definition of power within my work. However, when I refer to violence I am using the definition given by Ralph Dahrendorf (1959). The concepts of power, violence, and conflict will be explained in further detail in Part I of this work.

For now, it suffices to say that I will be using measures of high and low levels of violence within my analysis. High levels of violence will be measured through strike activity. For example, I examine the strike legislation of each nation; i.e. are strikes legal? If so, what measures does the law provide for regarding strike (permanent) replacements, which are a de facto way of reducing labor's strike potential? What is the

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frequency (number) of strikes in each nation? What is the magnitude of strikes (number of workers involved and lost hours of work due to labor disputes)? Do any countries experience strikes on a national cross-industry scale, thereby indicating deep societal division and a well coordinated labor movement? Ideally, I would be able to use social revolutions as an indicator of very high conflict and violence levels. However, the infrequency of such events does not permit the use of statistical analysis.

Low levels of violence will be measured by indicators of institutionalized conflict: unionization rates/collective bargaining and the electoral strength of Liberal/Conservative versus Socialist/Communist parties in general elections. Thus, I ask how unionization and unions' links to parties differ in these nations. Specifically, I look at the degree of union density (membership) and of union coverage (workers covered without being members). Do unions establish independent labor parties or do they become constituents of broader parties? What is their position in them? What rights do unions have? For example, can workers legally organize? If so, do unions have the right to boycott, engage in secondary (sympathy) strikes, and picket? Can unions establish a closed shop? Is arbitration forced, and are there any cooling off periods? Is collective bargaining implemented, and if so, what form does it take? Is this part of a corporatist state structure, co-determination, or another structure?

The second institutional indicator of low violence levels is related to politics. Thus, I examine whether political means are significant as a strategy to improve the working class's living conditions. Additional factors considered are the number of political parties and electoral formulas. (For example, simple-majority single-ballot

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systems tend to result in a two-party systems, whereas proportional representation favors the development of a multi-party system.)

It is clear that class conflict in most nations will manifest both high and low forms of violence at the same time. The question which I wish to answer is whether one form of violence matters more than the other. In addition to all of the above, I address a related question in this section. Regardless of the degree of working class power, how is this power institutionalized and therefore maintained? A group's power will not last beyond a generation or two if this power is not institutionalized.

At this point, my analysis of the factors influencing the living standards of the working class is not yet complete. A skeptical reader may ask if these cross-national differences are better explained by purely independent economic forces. For example, it may be the differences between the Gross Domestic Products of each country that mostly explain living standard differences. First, such comments miss an important point. Economic forces may explain living standards but they have very little, if anything, to do with distribution. Secondly, as regards living standards, this is a valid critique to which I answer with the inclusion of a secondary alternative hypothesis: *Independent economic forces mostly explain the condition of national working classes.* With this alternative hypothesis I will test if working class actions matter at all (i.e. strikes and political participation) or whether there exists a certain economic determinism within the capitalist system which renders human agency irrelevant. My empirical indicator of independent economic forces will be the Gross Domestic Product (GDP). GDP is a measure of the total value of all goods and services produced in a year within a country's national

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borders regardless of the nationality of the economic resources i.e., the output of a Japanese owned factory located in America is counted in the American GDP. In addition, GDP per capita is used as a supplementary variable.

Up to here, I have set up the problem based on empirical facts as they currently exist. First, the dissertation establishes who has better living standards and greater equality, which was the substance of the preliminary question (dependent variables). Secondly, there will be a review of the existing factors that are considered important explanatory variables behind the living standards and equality issue (independent variables). This section is quite significant, because through cross-national comparisons we can deduce which factors seem mostly relevant to the success of working classes. For example, is it union density that mostly accounts for differences in working class attainments or independent labor parties? If union density is similar across countries, but those with the greatest successes of labor are characterized by the existence of independent labor parties, it may be deduced that this second factor is more significant than the first. A major challenge, though, is determining which variables are the important in explaining cross-national differences. I therefore engage in regression analysis to the degree that the availability of the data itself makes such analysis permissible. Thus, there is a more precise estimation as to which variables hold more or less explanatory power in reference to specific dependent variables. One may ask: if all of these variables are affecting living standards and equality, then what explains how these variables (with the exception of GDP) such as union density or labor parties were derived?

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In consideration of the above, I include within my dissertation a section on political labor history since 1940 through a Social Structures of Accumulation (SSA) reading of labor history. This school of thought, which is explained later, helps in identifying and organizing key elements within the large body of historical works. Therefore, the political labor history behind union rights, the welfare state, political participation, and so on are examined. The purpose here is to provide a historical context that explains why the variables mentioned in the second section are what they are. This section is not particularly original, but is a synthetic review of existing literature painting a portrait of how these facts came about using SSA theory.

My work will utilize SSA theory as a unifying framework through which I present a broader picture because I have found this school's approach comes closest to what I am attempting to do; namely, to utilize a multi-factor approach (i.e., historical, economic, political, etc.) to explain events which I believe to be products of historical contingency. Social structures of accumulation theory is a version of long-wave theory which goes beyond consideration of mechanistic economics to include multiple social and historical factors. In this case, it is argued that a capitalist will only invest based on expectations of return. Expectations are shaped by external environmental forces such as political and economic forces. This external environment is referred to as the social structure of accumulation that can either promote or hamper capitalist expansion and growth. As I see it, this can also include either the promotion or hampering of working class living standards. Important features of the institutional environment are the system of money and credit, the pattern of state involvement in the economy, and the structure of class

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struggle. (Gordon, Edwards, and Reich, 1984) For my research purposes, the structure of class struggle is of particular importance because it is through this struggle, whether at a high or low degree of violence, that workers achieve given levels of equality and living standards. As for change, conflict again is considered to play a crucial role while the impact of ideology and political institutions are stressed. Lastly, this approach considers the development of each national SSA "as historically contingent, its internal unity as historically contingent, and its disintegration as historically contingent" (McDonough, p. 78, 1994, Ch. 4).

The following describes my logical conceptualization of how living standards are achieved or fixed at their given levels based on a SSA approach. Specifically, we may think of a long wave or cycle, according to SSA theory. The most recent long wave, according to David M. Kotz (1994, Ch.3), is the mid 20th century social structure of accumulation running from 1940 to1960 and its breakdown from 1960 to the present. In this work I examine events more closely during this long wave as they relate to the working class by breaking down this period into 20 year intervals as appropriate: 1940-1960, 1960-1980, 1980-1997. In other words, I base my work on SSA theory, through which I develop the concept of long waves in terms of their effect on living standards and equality. By utilizing this theory, combining a multi-factor approach in examining how it is that different national working classes achieve different living standards and levels of equality, I establish a cyclical pattern of changing living standards and equality for each nation which is based on historical contingency. In addition, by looking at the question through a dynamic analysis, I attempt to solve a logical problem with which I am faced.

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Specifically, which comes first, the chicken or the egg? Do economic structures/development determine living standards/levels of equality or do living standards/levels of equality determine economic structures/development? This is a question raised by many writers. Through my dynamic analysis, I start with the assumption that after WWII, economic SSAs were established through the interaction of multiple factors such as economic development, shape of class conflict, and other historical contingencies. These events are examined as to their effects on the working class in Germany, France, the United Kingdom, and the United States.

In the SSA section the following arguments are discussed: First, I argue that limited economic resources lead to increased levels of violence and other forms of class conflict and vice versa. Therefore, one expects more violent class conflict in Europe relative to the United States and thus greater working class militancy and less inequality independent of material wealth. Secondly, western Europe (unlike America) had greater border proximity with "communistic" regimes such as the USSR and eastern Europe. I define such regimes as "communistic" because it is clear to anyone having read Marx that they were NOT communist societies. Western European nations also had, at the same time, large domestic groups sympathetic to communistic regimes, as is exemplified by the significant communist and socialist parties within these Western countries. Consequently, European nations have been characterized by both political suppression and accommodationist policies intended to appease labor unrest, thus contributing in part to labor's successful strategies and efforts in the region. This is an argument similar to that regarding the offering of the "New Deal" to ward off communism in the depths of the

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Depression in America. Therefore, given the collapse of communistic regimes in Europe, one can question the proliferation of the welfare state. Specifically, I argue that this collapse demoralized and discredited left groups in the industrial world because the collapse was interpreted as weakness of left ideological systems, prompting capitalists to reassert themselves internationally over workers with arguments that capitalism is the only viable economic system. Third, differences in political strategies in both regions have been influenced by multiple factors (including the above) and these strategies themselves have impacted on labor's success. Another interesting issue which arises is whether the current national SSAs that result in high benefits are compatible with the existing international SSA.

In the final section I present my conclusions. I also address briefly what the future seems to hold for the working classes of the world. For example, are we witnessing the emergence of a new social structure of accumulation? If so, will it be based on labor's victory or defeat in its conflict with capital? Also, are capital/labor relations evolving (i.e., from a national to an international basis), and what does this mean for labor?

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II.

Comparison of Living Standards

Those of us who are European immigrants to America are very familiar with a topic that always finds its way into our discussions. Where is life better? Did we have better lives in Europe or are we better off in America? The debate does not seem to be anywhere near exhaustion. If anything, it always rages on just as lively today as it has during prior years. So why is this debate perpetual? For many reasons. First of all, people must understand "whose' lives they are talking about. For example, are we looking at the middle class life of a German versus an American or the lives of working class people? A working class life in country A may experience higher living standards relative to the counterpart in country B, but a middle class life in A can be less attractive relative to that in B. Thus, we see that living standards are not uniformly superior or inferior in comparison to those of other nations.

Secondly, and most importantly, we must clarify what exactly is meant by a better life. Does a better life mean having a job and food on the table every day or every other day? Does it mean having the opportunity to improve oneself through meditation and study? Does it mean the ability to save up some money for a rainy day? Is it the opportunity to have material goods, and if so, what goods and in what amounts?

From these points it becomes clear that when people talk about the "better life" they rarely have the same thing in mind when making judgments. How then can we find

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out if life is, in fact, better in a given country relative to another and whether it is even possible or proper to rank/compare life styles? For this dissertation, I take the position that we can. First it must be made clear whose lives we will be referring to. I shall concentrate on the living standards and levels of equality of the lower 20 and 40 percentages of national populations. I select these cut-off points on the assumption that these groups represent the working class. To me, it does not matter if their hands get dirty or if they wear "white collar" shirts, for they are the modern working class. More accurately, these are the "blue" and "pink" collar shirt people working in industry and the vast service sector. In addition, I do not find any merit in arguments that point to the racial make-up of the various quintiles in different nations. For example, some researchers argue we cannot consider the American bottom 20% as a counterpart to the European working class because in America it consists mostly of racial and ethnic minorities who should more accurately be called the "underclass." Personally, I do not understand this logic. It even seems racist in and of itself. Why are the poorest people who happen to be racial minorities denied working class status and rushed into a class made up only of their own kind? Marx himself argued such distinctions are insignificant and only help to fracture the proletariat, keeping it from realizing its common interest as a class. In other words, we would be contributing to thinking of workers as a class in and of themselves versus a class of their own. Therefore my work does not address issues of race, gender, or ethnicity because the primary focus is the common interests of all members of a working class which includes all races, genders, and ethnicities.

Secondly, I will define the boundaries of what constitutes a better life. Since I

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take a negative view of human nature (in a Machiavellian sense) it is assumed that most people prefer more material goods and services rather than less and take this to exemplify a higher living standard. I say this with some sadness because society could have chosen other more noble goals as worthy of pursuit. As Merton (1964) argued in his theory of deviance, most modern societies choose the pursuit of material wealth over other legitimate goals, leading to an expected high degree of deviance by those who wish to obtain the goal through alternative means. For example, we could consider the pursuit of knowledge and wisdom as a primary societal goal in a Socratic fashion, but given the nature of man's soul, we do not. In any case, material wealth indicates an absolute degree of living standards in terms of more versus less. However, there is also a relative dimension to the issue. For example, not having shoes in America would make someone feel very poor. In a tribal society, though, not having shoes may not have any relevance regarding one's sense of poverty or wealth. Thus, the levels of equality are another measure of material well being in a relative sense. Living standards as an absolute measure are good indicators with which to make international comparisons, and measures of equality are good measures of intra-national comparisons.

I use the following multiple indicators of living standards:

- Purchasing Power. My assumption is that people prefer the opportunity to have more material goods and services rather than less. Thus, we should compare national working classes in terms of who can buy the most goods and services as an indicator of living standards. According to Mishel, "One widely accepted measure of living standards is per capita gross domestic product, the total value of

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goods and services produced in the domestic economy per member of the population" (1997, p. 382). This measure, though, is not accurate because it does not factor in how the GDP is distributed. I will use the following method of comparison:

a) I will find the real GDP per capita at current prices and current purchasing power parities. This will control for differences in the national size of populations in a way that the actual GDP does not. This measure is also derived via a formula that takes under consideration national differences such as price levels and cost of living in a way that allows us to compare the buying power of a dollar earned in different countries.

b) I will find the household income share for the bottom 20, 40, and top 20 percents of the populations. This measure is also weak by itself because a high share of a small GDP may not provide more buying power relative to a smaller share of a much greater GDP.

c) I will multiply the real GDP per capita by the percentage of household income share. The logic behind this derived figure is that it will indicate relative buying power controlled for population size and income distribution. Specifically, if the GDP was divided into exactly equal shares, the GDP per capita would indicate every person's share for every class. If the GDP is unequally distributed, then the GDP per capita would be distributed according to each class' share. Thus, more meaningful cross-national comparisons of the working classes' relative buying power

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can be made.

- Wage (total) Compensation per hour. This is based on the United States Department of Labor Bureau of Labor Statistics definition and includes items such as benefits. Countries with higher wage compensation can be considered to exhibit greateroverall material living standards.
- TV's, cars, radios, telephones, and energy consumption per capita. These are the most common direct indicators of material living standards.
- Life Expectancy. This variable indicates the number of years at birth that a person is expected to live in a given country. Life expectancy is a broadly used measure of absolute living standards but it can also indicate information about national equality levels, which is an argument made by Wilkinson (1997).
- Infant Mortality. It is widely accepted that a nation's economic development and, more importantly, its living standards, are reflected in its infant mortality rates.
- Number of vacation days and length of work week (hours). I use this indicator because living standards also include the amount of available leisure time as a "normal good" which people wish to consume. Thus, a society can have high material wealth without correspondingly high living standards. This is possible if people in such a society must work excessively long hours, thus having very little of the kind of leisure time that is a component of high living standards.

Income and Purchasing Power

I begin with an analysis of income and purchasing power. Here I give measures of material living standards which do not directly measure levels of a specific good or

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service. Rather, the indicator exemplifies the purchasing power of working class consumers. I consider this an important measure to be examined in addition to direct measures of levels of specific material goods because measuring specific material goods may actually bring us to a mistaken conclusion regarding well being. By this I mean that some nations may not value or desire certain material goods or services based on differences in cultural tastes. For example, nation X may value the ownership of product Z, whereas nation Y may not. This would imply higher ownership of Z in nation X versus Y, but to argue that X has a higher living standard because of this would be incorrect, since Y does not desire the product. Thus it can be argued Americans may have greater numbers of television sets than do the French because the latter value television less highly due to cultural factors. For these reasons, I will also compare the purchasing power of the working classes in these two regions. This measure will indicate people's ability to purchase goods and services in general. In other words, even if there are cultural explanations behind the differences in the amounts of material ownership discussed above for those specific products, the measure of purchasing power corrects for such inaccuracies. This is true because purchasing power does not focus on consumer preferences. Instead, it gives an indication of how many goods and services can be purchased in general. It allows consumers to make their own choices while comparing how many of the preferred goods and services can be purchased in the abstract. However, deriving a good measure of purchasing power for cross-national comparative purposes is not a simple task, especially if one wishes to focus on a specific economic class. I therefore, derive my own indicator through a series of steps outlined here.

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I begin with Real GDP per capita. According to Mishel, "One widely accepted measure of living standards is per capita gross domestic product, the total value of goods and services produced in the domestic economy per member of the population" (p. 382, 1997). This measure by itself, though, is highly problematic because it does not control for gross inequities in the distribution of the GDP. Problems of distribution and concentration are of particular importance for the GDP in ways that are not important in a consideration of consumer goods, which will be discussed later. This is true because, unlike material goods, one does not have to enjoy dollars one at a time. Instead, marginal utility will continue to be positive with more money, although at a diminishing rate, thus providing an incentive to acquire larger amounts. With specific material goods, marginal utility will eventually become negative, thus working against the incentive to acquire huge amounts of any one given item. In short, the nature of money allows for its huge concentration, therefore rendering measures based on averages particularly inaccurate. This is exemplified by the concentration of income and wealth in the United States, where in 1995 the richest quintile of families received 46.5% of aggregate income (U.S. Bureau of the Census, 1997b) and 80% of wealth (Macionis, 1998). It is thus clear that one can not obtain an accurate picture of the living standards of working class people from the GDP per capita.

Another weakness of the GDP per Capita is that it does not account for differences in the cost of living between different regions. For example, one U.S. dollar in America may buy only candy but in another country it can buy one week's worth of groceries. The indicator has a strength, though, compared to absolute GDP figures in that

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it controls for the size of national populations. For example, a small GDP may actually be associated with high living standards if the population is small with equitable distribution levels and a GDP equal to that of America may actually be associated with very low living standards if the country has a population such as China's.

Given these problems with the GDP per capita, I adjust it first by obtaining real GDP per capita at current prices and current purchasing power parities (OECD, 1998c). According to the OECD, "Purchasing Power Parities (PPPs) are the rate of currency conversion which eliminates the differences in price levels between countries; so that a given sum of money, when converted into different currencies at these rates, will buy the same basket of goods and services in all countries" (1998c, 171). Thus, the differences in local prices/cost of living and currencies are controlled for. This basis of international comparisons is also suggested by Freeman (1994). Secondly, I control for distribution issues by factoring in the share of national income that the working class obtains. I do this by using data on the percentage distribution of household income shares for the bottom 20 and 40 percents, and the top 20 percent (World Bank, 1998). These statistical figures indicate the distribution of the "income GDP pie" among the economic classes. It should be noted that income distribution as a percentage of the national "pie" by itself is not very good as a measure of absolute living standards with which to make cross-national comparisons because a country may have a highly inequitable distribution of income in terms of its working class relative to another nation, but it may also have a far greater GDP. The implication is that such a working class could still be materially richer in comparison to one in which income distribution is more equitable but which has a far

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lower GDP level. In other words, a small slice of a huge pie may be larger than a big slice of a miniature pie. For these reasons, I combine the use of income distribution with the real GDP per capita at current prices and current purchasing power parities. Specifically, I multiply household income shares by real GDP per capita at current prices and current purchasing power parities to obtain what I call GDP Share of Households per capita (see Table 1).

The derived GDP Share of Households per capita is possibly one of the best measures of the material living standards of each economic class. If the GDP is divided into exactly equal shares, then the GDP per capita indicates every person's share for every class. If GDP is unequally distributed, then GDP per capita is distributed according to each class's share. Thus, the measure controls for variations in national population size, local cost of living differences, and class distribution, allowing for more meaningful cross-national comparisons of the relative well being of each economic social group (Table 1).

Given the figures of Table 1 (a portion of which is reproduced below) we look first at the poorest part of the working class, the bottom quintile of all four countries. Which quintile is better off? Based on my own calculations, the poorest 20% of a national population that is better off in terms of income is clearly and consistently in Germany after 1960. The poorest 20% of Germans have enjoyed a greater standard of living not only relative to their European class counterparts but also to Americans. Interestingly, America ranked second to third in the income of its poorest citizens. France has ranked the lowest up to the 1980s. Since the 1980s, though, the bottom

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French quintile has improved to second rank in 1979, and in 1989 surpassed that of the the United States. The U.K. bottom quintile ranked second in 1967 and1968, and in

GDP Share of Households per Capita

	Bottom 20%	Bottom 40%	Bottom 20%	Bottom 40%	Bottom 20%	Bottom 40%	Bottom 20%	Bottom 40%
Year	United States		France		Germany		United Kingdom	
1950	288	1056			149	440		
1959	676	2373					587	1743
1960	662	2345			596	1658		
1962	725	2480	NA	917				
1964	793	2660					552	1623
1966	740	2650						
1967	698	2583					805	2169
1968	760	2767			784	2125	777	2177
1970	749	2720	557	1828	826	2296		
1972	797	2838						
1973	855	2994			1003	2591	851	2584
1974	852	2987			1065	2763		
1975	850	2945	815	2518				
1978	936	3210			1377	3441	1039	2682
1979	930	3242	1053	3076			865	2582
1980	938	3216						
1984	959	3331			1281	3673		
1985	959	3370						
1988	1002	3535			1443	3874	838	2661
1989	1025	3592	1113	3459				

1977/8 surpassed America, second to Germany. However, the fortunes of this class in the United Kingdom experienced a reversal in what seems to be a declining trend, with a dramatic drop in 1979 into fourth place with an additional drop by 1988. This is a clear indication of certain factors acting upon the poorest of the working class in the United Kingdom. Such explanations range from increased international competition, internal structural changes in the economy, prolonged recession, and the cruel anti-working class conservative era of Thatcherism.

Things are somewhat different, though, in terms of the overall working class,

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which I have assumed to consist of the lower two national quintiles (bottom 40%) of the population. In this case, America remained ahead of the other European nations up to 1978. However, since 1978 America has been surpassed by Germany even by the broader definition of the working class (bottom 40%)! This data seems to support the "declining America" literature which pinpoints the 1970s as the beginning of America's economic downturn. Prior to 1978, Germany had been a steady yet distant second in terms of its lower 40% of the population compared to the United States. Thus, as in the case of consumer goods, we see this data also indicating a remarkable catching up of Germany to world class living standards for its working class population. As for the United Kingdom, its overall working class fared third up to the 1980s, after which it ranked at the bottom of the four countries. France up to the mid 1970s had the poorest overall working class. Since that time, though, things have improved, and the French working class came in third since the mid 1970s. It should be noted that since 1979, although at third rank, the French working class was not that far behind the United States.

This brings us to another interesting observation. In comparative terms, the working class in the Anglo-Saxon countries has taken a definite turn for the worse, beginning in the early to mid 1980s. It is also interesting to note that that period of time, especially in America, came to be characterized by "greed"; i.e., greed and wealth at any price became socially acceptable. In other words, the "vulgar" became "fashionable." To this extent one need only remember a film of the time which captured the spirit of the era: *Wall Street* with Michael Douglas. On the other hand, however, the working class in the non Anglo-Saxon countries of France and Germany experienced a definite shift toward

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better opportunities for income. This "rift" may be of particular importance for the working classes of the world if we investigate the reasons for it. Why did the working classes of France and Germany experience improvement at the same time America and the United Kingdom declined? It does not seem plausible that international competition was the cause, because all countries seem to be connected to the global capitalist system to an identical extent--or are they? In any event, this question and other related issues will be addressed later on.

In terms of the richest 20% of households, it is not surprising that the United States has consistently ranked first. It was followed up to the late 1980s by Germany, France, and lastly the United Kingdom. What is notable is that the fortunes of the American top 20% surpassed by far the earnings of all other nations since the mid 1980s. In fact, the data is very clear and obvious on this point - it jumps out at you. This would not be so significant in and of itself if it were not associated with the already mentioned reversal of the American working class' fortunes at the exact same period. It almost seems that income was taken from the working class and absorbed by the richest 20%. Authors with similar findings include Harrison and Bluestone, 1988; Harrington, 1985; and Mishel, Bernstein, and Schmitt, 1997. The same can be argued for the United Kingdom. Thus, although the richest 20% of the United Kingdom ranked last in terms of these four countries, it nevertheless experienced a significant increase in its share since the early 1980s. In contrast, the French and German upper 20% experienced a modest growth in their income at the same time that the bottom 40% received significant increases, putting the Germans strongly ahead of American workers, with the French

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trailing the latter closely by 1988.

What, then, does Table 1 tell us? In general, the overall working class (bottom two quintiles) is best off in Germany. German working people tend to have more income available to them relative to their European and American counterparts. In addition, although the bottom 40% is doing better in America compared to France or the United Kingdom, it does not mean ALL workers are doing better than ALL French or U.K. workers. By looking at the poorest of the working class (bottom quintile) one notices a reversal of fortunes. The poorest 20% of these nations is clearly better off in Europe. This has been especially true of Germany for multiple decades and of France from 1979 up to the latest available year. The United Kingdom also fared relatively well for its bottom quintile, although not since the 1980s. Thus, the bottom 40% of the American working class has not been surpassed by the U.K. or France but has been consistently surpassed by Germany. The bottom 20% has consistently been surpassed by Germany and often by France and the United Kingdom. Although the overall working class enjoys a lower material living standard in Europe (with the German exception), there are better guarantees for the bottom 20%. Thus, the poorest segments of society in Europe tend to have greater living standards versus the United States. "Low paid workers in the United States earn so much less than the average that they have worse standards of living than comparable workers in Europe or Japan" (Freeman, 1994, p. 2).

In addition, since the United States has the richest top 20% cross-nationally, it may be argued that in America people are either quite poor or very rich relative to their class counterparts of industrialized European nations. According to a study by

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Gottschalk and Smeeding:

> "Low income" persons living in households at the P10 level [tenth percentile] in the United States had lower living standards than did similarly situated persons in each of the 14 other nations compared... despite the United States' clear advantage at the median...At the other end of the scale, "high income" Americans enjoyed real living standards far above those experienced in other nations. At the P90 level, the real income of Americans was almost half again as high as the average incomes of persons at the P90 point in their distribution. (1997, p. 663)

This, in a sense, also supports the assumption which will be examined later, that European labor enjoy greater protections than labor in America. For example, it may be that the lower 20% is better off in Europe due to higher relative levels of minimum wages. The argument makes sense, since minimum wages are not earned by the well educated and corporate executives. By definition, minimum wage jobs are primarily filled by less affluent workers and not by the "mythical middle class suburban teenagers" (Asimakopoulos, 1996).

Lastly, all of the data presented in Table 1, and the dissertation overall, are not assumed to be fool proof and totally free of error. It is well documented that the most difficult data to gather is that for cross-national comparisons. For example, various nations may calculate their GDPs in slightly different ways, some may have miscalculated figures for specific years, and so on. Thus, it would be blatantly wrong to examine one specific figure for one specific year and draw conclusions from that alone since the possibility of era is very high. However, with Table 1 we are looking at a wide range of years in which flukes or misreporting for specific years would show up. Thus, we are looking at trends over a four-decade period versus data from specific years; this increases our accuracy. In addition, the majority of the data originates from very reliable

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agencies such as the World Bank and the U.S. Department of Labor. As for the actual range of years being examined, it is not as complete as I would like it to be. The reason for this is the limitations of the data. Specifically, household income share distributions are extremely rare to find and are not calculated or reported by major organizations on a regular basis because the individual nations themselves do not regularly report such data. My own assumption is that this is not coincidental. In fact, I assume nations would not want such information to be highly publicized because it would fuel left wing and worker unrest, given the generally gross levels of inequality. What amazes me, though, is that the United States has done by far the best job of reporting such data, unlike the European nations, who one would expect to be more forthcoming, given their socialist political system. Such data limitations, though, for household income shares are not grounds for rejecting the findings. This because the nature of household distribution figures is very stable and does not vary greatly from year to year. According to Muller:

> Previous studies have assumed that a country's income distribution changes slowly and that measurements of income inequality are reasonably comparable within an interval of approximately 20 years ... This assumption is debatable ... a conservative assumption is that measurements of income inequality are reasonably comparable within an interval of 11 years. (1988, p. 53)

This permits us to track broad "trends" through time.

Having reviewed the data of Table 1 and its implications, we now turn to Table 2 in order to see if our findings above are also supported by alternative income data. The purpose of this Table is to indicate which national working class has a higher living standard on the basis of income opportunities. Here we are comparing hourly compensation costs (Data Column Two) provided by the U. S. Department of Labor

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Bureau of Labor Statistics (1998d) rather than the more easily attainable average earnings data. The measure here is superior to average earnings figures because, according to the Bureau of Labor, the average earnings figures, which are compiled by various countries, tend to be very inaccurate for comparative purposes. Inaccuracies tend to result primarily from the considerable variations in the national definitions of average earnings, leading to the exclusion of certain items of labor compensation. Furthermore, the excluded items tend to account for a significant percentage of total compensation (Bureau of Labor, 1998d). The following is the precise definition of hourly compensation according to the U.S. Department of Labor, Bureau of Labor Statistics:

> (1) Hourly direct pay and (2) employer social insurance expenditures and other labor taxes. Hourly direct pay includes all payments made directly to the worker, before payroll deductions of any kind, consisting of (a) pay for time worked (basic time and piece rates plus overtime premiums, shift differentials, other premiums and bonuses paid regularly each pay period, and cost-of-living adjustments) and (b) other direct pay (pay for time not worked (vacations, holidays, and other leave, except sick leave), seasonal or irregular bonuses and other special payments, selected social allowances, and the cost of payments in kind. Social insurance expenditures and other labor taxes includes (c) employer expenditures for legally required insurance programs and contractual and private benefit plans (retirement and disability pensions, health insurance, income guarantee insurance and sick leave, life and accident insurance, occupational injury and illness compensation, unemployment insurance, and family allowances) and, for some countries, (d) other labor taxes (other taxes on payrolls or enjoyment (or reductions to reflect subsidies), even if they do not finance programs that directly benefit workers, because such taxes are regarded as labor costs). For consistency, compensation is measured on an hours-worked basis for every country. (1998d, p. 3)

While this measure is preferable, it has one major drawback for our purposes here. It is not indicative of the purchasing power and, therefore, of the real/absolute living standards of the working class for international comparisons. The reason for this is that the buying power of national currencies varies greatly, as do the prices of the same goods

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and services in different countries (Gottschalk & Smeeding, 1997). Thus, in order to compensate we read the following from the Labor Bureau:

> Purchasing power parities that is, the number of foreign currency units required to buy goods and services equivalent to what can be purchased with one unit of U.S. or other base-country currency must be used for meaningful international comparisons of the relative purchasing power of worker income. Total compensation converted to U.S. dollars at purchasing power parities would provide one measure for comparing relative real levels of labor income. (1998d, p. 6)

For this purpose, Data Column One of Table 2 lists the purchasing power parities for these countries as calculated by the OECD (Main Economic Indicators, 1998b). I therefore convert the hourly compensation costs in national currencies of column two dividing by the purchasing power parities of column one into the more meaningful figures of column three which represents total compensation converted to U.S. dollars at purchasing power parities.

Regarding our focus on the overall working class, these statistics are in and of themselves representative of the working class. For example, the definition of production workers used includes "Those employees who are engaged in fabricating, assembly, and related activities; material handling, warehousing, and shipping; maintenance and repair; janitorial and guard services; auxiliary production (e.g., powerplants); and other services closely related to the above activities. Working supervisors are generally included; apprentices and other trainees are generally excluded" (Bureau of Labor, 1998d, p. 4). Therefore, the compensation data are for workers in traditional blue collar manufacturing fields and, more importantly, some blue collar service areas as well.

Table 2 shows German workers as better off than everyone else during the mid

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1970s until 1977. From 1978 to 1980, American workers surpassed Germans by a tight margin, and from 1980 the difference grew to a high point of $1.37 per hour in 1984. Since 1984 the gap diminished, and by 1987 German workers were once more in the lead with their gains relative to Americans increasing constantly to an all time high of $6.28 per hour more than Americans in 1996! Thus, the data supports the argument that at least German workers have been faring much better than their American counterparts, especially since 1987. In addition, since 1975, American gains over Germans never exceeded $1.37 per hour, which is a far lower level than the German highs.

The French working class has consistently ranked third in earnings among these four countries. However, there is more to tell here. Since 1975, the French were earning less than their American counterparts, with an all time high differential of $3.20 per hour in 1979. From 1979 onward, though, the earnings gap began to diminish (with a short interruption during 1985-89) to an all time low differential of roughly $1 per our in 1996. In fact, during 1991-1996, the differential averaged roughly $1.16 per hour. Therefore, American workers' earnings were surpassed by those of German workers and almost tied by those of the French workers, who were in third place. This indicates a higher living standard for Germans and comparable standards for Americans and French.

As for the workers of the United Kingdom, they have consistently (with an exception in 1987) fared the worst of all, ranking at a distant fourth place. The greatest differential occurred in 1994 at $4.93 per hour and it averaged around $3.51 from 1975 to 1996.

Consequently, this alternative data seems to confirm the indications and trends of

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Table 1. For example, both Tables point to a lower living standard for the French at third place during the 1970s and both show a trend of drastic improvement beginning in 1979/80. Also, both Tables support the position of a better off German working class with dramatic improvements in the later 1980s. Finally, both Tables demonstrate negative circumstances for U.K. workers, who ranked last with conditions deteriorating since the 1980s and even more in the 1990s. Gottschalk and Smeeding (1997) also confirm the evidence presented here. Using data from the Luxembourg Income Study database on real income distribution as a percentage of the United States median income in 1991 U.S. dollars, they found inequality in the 1980s at the tenth percentile to be the greatest in America in comparison to all other countries considered. France ranked above America and Germany above France, as indicated in this work. This was true despite America's higher mean income. According to the authors, the data showed "nations with real median incomes as low as 72% of the United States median, but no nation with a lower standard of living at the 10th percentile" (1997, p. 663). The United Kingdom was excluded because of its median income being lower than 70% of the United States's mean, which also indicates the U.K. working class may rank last as argued here.

Regarding the accuracy of Table 2, once more it should be noted that the possibility of inaccuracies in the calculation of specific figures during specific years as reported by various sources is never zero. Also, it is quite possible that important factors may not have been taken under consideration when the data was compiled. For example, a factor that would have produced a slightly greater or lower purchasing power parity for a given year may have been omitted. However, the overall accuracy of Table 2 should

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not be discounted. Table 2 and Table 1 are not used to build whole theories based on specific data of a specific year. That would be too naive and questionable from a researcher's perspective. Instead, these Tables are used as measures of overall trends through time. As such, any anomalies in the data would be picked up. In addition, it is important to note that both Tables seem to indicate similar trends for each individual country. Consequently, the validity of the overall data should not be questioned.

There is, though, one handicap related to Table 2. This data represents production workers. Despite the relatively broad definition of production workers used by the compiling Agency, the problem is that not all members of the working class are classified as production workers. Consequently, there are questions about the accuracy of the indications of Table 2 in terms of the "overall" working class (production workers and non-production workers). In this regard, it could be argued that these figures are, in fact, representative to a reasonably large extent of the European (particularly the German) working class but not of the American working class. According to the Bureau of Labor Statistics (1998d), the data on hourly compensation in countries such as Germany does not vary much from industry to industry. Thus, German and European compensation levels have very narrow differentials. America, on the other hand, has very wide differentials. The implication of this is that the European gains and wages are pretty solid and uniform, whereas in America one may encounter pockets of very well paid workers and very poor workers. Thus, we are reminded of theories of labor segmentation, two tier systems, etc. (Gordon, Edwards, and Reich 1984) as having applicability in the American case, given our empirical data.

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In addition, there is another difficulty related to the above argument that is pertinent to Table 2. Even if the data is indicative of broader working class compensation levels, what about those not working? I deliberately avoid using the term unemployed, given the problems of underreporting due to discouraged workers, those not in the labor force (e.g., mothers who must care for their children), etc. Thus, the "working class" does not consist exclusively of people who actually work. Instead, we are referring to a class of people working and non-working. The hourly compensation data does not indicate, therefore, the relative living standards of all those in the working class, but only the relative living standards of those who are employed. For this reason, we see why multiple indicators are being used in order to control for the individual weaknesses of specific measures.

Consumer Goods

Up to this point, we have discussed measures of purchasing power as an indirect indicator of living standards. I now turn to an analysis of the most direct indicators of material wealth, which are consumer goods such as radios, televisions, telephones, and passenger cars. Table 3 indicates the number of these consumer goods per 1000 members of the population in the United States, France, Germany, and United Kingdom. As mentioned before, my interest is in the lot of the working class; one could ask how these figures demonstrate "its" living standard since the numbers do not distinguish by class. In the real world, averages are not good indicators of the typical person because we are averaging out both the rich and the paupers. However, although this is still a concern, it should not be a great problem for our purposes. For example, if we were examining GDP

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per capita this would be very problematic because in a world of one millionaire and one homeless man, the average GDP per capita would be half a million dollars. In other words, the problem stems from the fact that one person can hold great amounts of dollars and another none. But, when it comes to the consumer goods in question, this is not as serious a problem. The reason for this is diminishing marginal utility.

> The more of [a specific] product consumers obtain, the less they want more units of the same product. This can be readily seen for durable goods. A consumer's desire for an automobile, when he or she has none, may be very strong. But the desire for a second car is less intense; for a third or fourth, very weak. Even the wealthiest families rarely have more than a half-dozen cars, although their incomes would allow them to purchase a whole fleet of vehicles. (McConnell & Brue, 1999, p. 425)

In addition, one rich man may have more than one radio, but just how many more can he really use? Two, ten, twenty, one-hundred? How many cars or televisions can he have: three, twenty, forty? Thus, the nature of these goods does not allow for all of them to provide simultaneous utility as dollars do in an account would. This means they must be used one at a time (you can not drive two cars simultaneously); therefore, this works against big differences in the amount of these goods held by persons--ownership of these items is more dispersed relative to cash. In fact, it is logical to suppose that the "value" of a rich man's car is greater than that of the worker's, but both can only drive one car at a time. Fortunately, the statistics consider not "values" but only raw numbers of consumer goods. Also, the upper-class, which can afford ten or twenty cars is numerically very small; depending on the study, it ranges from 1 - 5% of the population. All this indicates that consumer goods per 1000 members of the population can provide a good picture of the average person's material holdings.

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From Table 3 it becomes clear that since the 1940s, the United States has enjoyed a lead over the other industrialized nations in terms of automobiles per capita. The measure is for passenger cars, thereby controlling for commercial traffic. Relative to France, America had from six to three times as many automobiles from 1945 to 1955. Ever since, the difference has been declining to an all time low of 19% as many cars by 1995. The United Kingdom had roughly 1/5 to 1/3 as many autos compared to the United States during 1945-1955. The gap has also declined in this case ever since to an all time low of 37% fewer cars than America by 1995. The figures since 1965 firmly rank the United Kingdom a distant last in terms of this durable consumer good.

This American lead should not be very surprising, given the country's history. One need only recall the philosophy of Henry Ford, who saw the automobile as a product that could be mass produced cheaply and made affordable for the average working American. In this regard, it is interesting also to remember Hitler, who ordered that an affordable automobile be produced for the German worker, thus giving birth to Vox Wagon. Consequently, we see that Germany is the second leader in cars per thousand since 1980, with America leading by roughly 4% as many autos in 1995. However, the war had taken a heavy toll on Germany, causing it to lag behind the United States from twenty-five times as many autos per capita in 1950 to less than double by 1975. This indicates tremendous progress for the Germans, which created in effect a "second" reconstruction miracle by catching up to American production levels from such a great distance in relatively short time. The French and English cases however, also indicate a trend of catching up with America, although still trailing behind.

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European governments consider automobiles luxury items while the United States government views cars as a necessity. Consequently, European governments typically impose higher taxes on automobiles both in consumer taxes at the point of purchase and in costs related to ownership, unlike governments in the United States. This makes car ownership by working class people in America easier. I also offer my own empirical experience, in which my working class friends in Greece had to work for one year in order to afford a very beaten up 20 year old car. That same car could be purchased in America by a working class person within five to ten weeks!

There is a reason why European governments treat automobiles as luxury items. In Europe, unlike in America, almost every country has developed a vast, comprehensive, and quite reliable system of mass transportation. Thus, the real "need" to own a car is not as great. One would be tempted to reject car ownership as an indicator of working class standards, but to do so would be wrong, because all of these nations, regardless of the degree of their political socialism, are ultimately capitalist in their social structure. Thus, when it comes down to it, markets determine production in Germany just as much as they do in America. So what is the point? Namely, under a capitalist social structure, individuality reigns supreme. In an individualistic system that stresses individual "utility" one cannot argue that a bus is just as good as a private car. If the individual gets more "utility" from riding a private car versus a bus or train, then it is the availability of the former that this person will consider a contribution to a higher living standard (perceived need). Had Europeans been a Platonic society, then we could argue material wealth does not matter for the calculation of living standards and that a bus is just as good

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as a car. But, no, the English, French, and Germans all value the car more over their systems of mass transportation.

In terms of television ownership, the United States is also in the lead relative to France, Germany, and the United Kingdom (see Table 3). Ever since the 1950s, when televisions went into commercial production, America has had a considerable lead, with almost twice as many sets as the United Kingdom, 12.5 times as many sets relative to France, and an even greater difference over Germany in 1953. From 1965 to 1985, America surpassed Germany by less than double the number per capita, France by double, and the United Kingdom by less to almost double the number of sets. During this period, the gap has increased for Germany and England while remaining stable for France. Only since 1990 has the gap between American and European television ownership begun to close, but with America still ahead of the other countries. In 1995, America surpassed France by 12%, Germany by 41%, and the United Kingdom by 27%.

The significantly and consistently greater ownership of televisions in the United States should be of no surprise. In Europe the tax systems are heavily dependent on consumption taxes. For example, in 1995, taxes on goods and services as a percentage of total tax receipts were 27.3% in France, 27.8% in Germany, 34.7% in the United Kingdom, and only 17.9% in America (OECD, 1997d). Therefore, it is clear that most consumer goods would have higher price tags in comparison to the United States, which has lower consumer taxation. For this reason, cheaper television sets in America means more Americans can buy them. To see the difference in the attitudes which shape European and American formulation of consumer taxes, one need only think of the

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United Kingdom in which a person must have a paid license to even have a television! This gives rise to scenes border-lining comedy of the "TV police" triangulating which homes have unlicenced functioning sets!

Furthermore, the ability to purchase such goods is influenced by a nation's tax structure and the weight given to specific types of taxes. For example, the governments of the countries examined here relied on personal income tax as a percentage of total tax receipts in 1995 as follows: 13.9% of total tax receipts in France, 27.3% in Germany, 27.4% in the United Kingdom, and 36.3% in America came from personal income taxes (OECD, 1997d). At first glance, such data may be misinterpreted as indicating a better situation for the European working classes because of the overall smaller income tax figures. In reality, though, the exact opposite is true; the American working class is better off even with a higher figure for this statistical category. The reason is actually quite simple. All of these countries have, to varying degrees, progressive tax structures. Thus, on average, workers get taxed at a lower scale given their smaller incomes, and some of the poorest are not taxed at all. This means that most of these taxes are paid by people who are above working class standing. As such, the lower overall European rates are probably indicating that those with higher incomes wind up paying less, either legally or illegally, when compared to those with higher incomes in the United States. Therefore, workers would be better off with lower consumption taxes and higher income taxes as in the United States. This is clearly true because of the regressive nature of consumption taxes as opposed to the progressive nature of modern income tax structures. For example, when it comes to basic consumption expenses, a rich man spends a lower proportion of

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his income relative to that of a worker. However, they both pay the same sales tax rate. Since working class people, unlike the rich, wind up spending most of their income for consumption, they pay more consumption taxes proportionately to their income in what is clearly a regressive tax. Income taxes, though, are clearly more progressive. Rosenberg (1992) confirms the point above in his tax study: "The results for the two main taxes are not surprising; while the income tax is progressive, the consumption taxes are regressive" (1992, p. 185). He found that the bottom two deciles of modern societies are disproportionately affected by consumption taxes. This is also true to a lesser extent for the third and fourth deciles and drops off dramatically thereafter. In addition, the poorest households paid very little income tax, if any at all. The third and fourth deciles also experienced a very low proportional incidence of income taxes. The seventh, eighth, ninth, and especially the tenth deciles paid proportionately far more income taxes and less consumption taxes. Consequently, in terms of material consumption, the tax structure of America is more favorable toward the working class in comparison to that of the European nations.

The other possible reason America has more televisions is somewhat deeper and more philosophical. As noted, both regions are ultimately capitalist in nature, but this does not mean to the same exact degree. The United States, by all accounts is the nation most closely approximating the "ideal type" capitalism, using Max Weber's terminology. Within capitalism, the driving force of the system is consumption. With consumption at adequate levels the system runs smoothly, but if for any reason consumption falls short, then there is breakdown. This was the key point of numerous books dealing with the

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overproduction/underconsumption problem such as the famous *Labor and Monopoly Capital* by Harry Braverman (1974), *The Theory of Capitalist Development* by Paul M. Sweezy (1970), and *Monopoly Capital* by Baran and Sweezy (1968). Therefore, one of the major concerns of a capitalist nation is to maintain its aggregate demand at high levels. How, though, can this be accomplished? As many of the authors above as well as others have argued, one way is by consistently creating the need for new products. In other words, needs must be manufactured in order to keep private consumption high. The question, then is how does one "construct" new needs? The answer is by convincing consumers that they have these previously unnoticed needs through marketing and advertising. At this very point the primary importance of television for a capitalist system becomes apparent, for TV is the greatest advertising media discovered by man up to now. This explains why advertising time is almost equal to programing time on television. It also explains why the most capitalistic of these nations has special government and private programs to help families obtain at least one television set!

Finally, I wish to address an anticipated criticism regarding an alternative cultural explanation as to why Europeans have fewer sets. For example, some may argue Europeans have better or other interests they prefer to watching television. Personally, I believe this argument to be faulty. On the one hand, if this argument were true, Europeans would be watching fewer hours of television than Americans do. This does not necessarily mean they would not own television sets but only that they would use them less often and/or for shorter periods. Thus, the lack of television ownership is not adequately accounted for. On the other hand, the English, French, and Germans are just

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as materialistic as Americans because of our common human nature; therefore it is correct to assume TV sets would be equally desired by the Europeans. Obviously, to prove this point conclusively would require an extensive field survey which is not available here. I do offer, though, my own field observations from discussions I had in Europe with Germans, French, and English of various ages. In short they all loved television as a concept, enjoyed American films, and wanted bigger sets.

In terms of radio ownership (see Table 3), the United States far surpasses all three European countries. From 1945 to 1955, the United States had a high relative lead over France, Germany, and the United Kingdom. However, America increased the gap with France at almost triple the number in 1960, reaching 4.7 times as many American radios as French radios by 1975. During the same period, the corresponding figures of America's lead over Germany where 2.3 to 4.4 times as many radios and for the United Kingdom 2.2 to 1.7 times as many radios. From 1975 to 1995, America has had slightly over twice as many receivers relative to France and Germany, and slightly less than twice the number as in the United Kingdom. Overall, in terms of radios per capita, the United Kingdom tends to rank second and Germany third, followed closely by France.

The statistics on radio ownership are somewhat surprising because radios are not necessarily the biggest ticketed consumer items. Thus, one would assume all of these industrialized nations would have comparable statistics for this indicator. In addition, since Europeans have lower television ownership rates compared to Americans, one would assume Europeans would have more radios. This makes sense if we consider radios a good substitute for television when it comes to obtaining both information, such

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as the news, and entertainment, such as musical or other programs. It may be possible that Europeans have fewer radios because they have alternative media for obtaining information. This could be supported by the general statistics (which I have not included) regarding newspaper circulation, which is considerably higher in Europe. However, a radio still seems to be a basic good which should be considered an indicator of a society's living standard.

Telephone ownership is also an area where America has a significant lead over the Europeans (see Table 3). From 1945 up to 1960, America had, on average, 3.5 times as many telephones as France, 3.8 times times as many as Germany, and 1.5 times as many as the United Kingdom. From 1965 to 1975, the United States had over 2.3 times as many telephones compared to France, 1.7 times as many as Germany and 1.2 times as many as the United Kingdom. From 1975 to 1995, the gap has decreased significantly, but America still boasts more telephones per 1000 people when compared to the other European countries. In 1995, America surpassed France, Germany, and the United Kingdom by 12, 27, and 24 percent, respectively.

Another fact which does not appear in these statistics is the great difference in actual telephone costs between the two regions. For example, European countries such as England, France, and Germany traditionally had established government telephone monopolies, unlike the United States which relied on the free market to provide these services. As a result, the European government monopolies tend to have higher rates which limit not only telephone ownership itself but also the amount and length of phone calls. In America, the introduction of competition i.e. with the break up of AT&T

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eventually forced prices to lower levels.

At this point, it is interesting to note that America holds the lead in ownership of consumer goods that are related to information. Specifically, the tools for obtaining information are available to a greater extent in the United States through greater numbers of telephones, radios, televisions, etc. This is also true in terms of computers, Internet access, and libraries per capita, although I do not quote specific statistics here. It is important, however, to mention that although America has a larger number of information tools available to its population, this tells us nothing about the "content" passing through these tools.

In any case, it is plain that automobiles, radios, televisions, and telephones are among the most basic types of material goods that can be counted in terms of greater or lower living standards. As such, the United States clearly has provided its population with more of these material items; these statistics, therefore, indicate a higher material living standard. Once more, let us remember that these figures are not exclusively calculated for a specific class. But, given the nature of these goods by which a person cannot increase his utility through multiple and simultaneous usage, it becomes reasonable to assume that these items are fairly well dispersed among all social classes.

The next indicator of material living standards is probably the most significant of all in terms of its indirect implications. This indicator (see Table 4) is energy consumption per capita as either a kilogram of oil equivalent (The World Bank, 1998) or a kilogram of coal equivalent (United Nations: Statistical Yearbook, 1959-1996). Using energy consumption per capita controls for differences in the sizes of national

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populations. As with all averages, per capita consumption may also be a very crude measure to use for examining the working class. Thus, we run into problems of averaging out the very rich with the very poor as mentioned above. In this case, though, I do not believe this to be a significant problem, given the nature of energy usage. Specifically, how much energy can a single person use in a given day? Had we been examining third world nations where some people have electricity and whole villages have none, then per capita consumption would be significantly skewed. This, though, is not problematic for our industrialized nations since all of the national populations have virtually universal access to electricity and other energy forms, therefore reducing the skewing effect and allowing us to have a reliable indication of the typical person's energy consumption. Again, let us remember that the working class constitutes almost half (40%) of the national populations. Thus the "typical" or "modal" individual is not all that different from that of the working class person, unlike the "average" individual, which may represent a skewed statistic.

As with consumer goods, the United States has a tremendous lead in energy consumption over France, Germany, and the United Kingdom. In fact, the United States ranks as the worlds greatest consumer of energy. We first look at the World Bank data on oil equivalent consumption from 1970 to 1995 because this source is generally considered to be more accurate and precise. Since 1970, the United States has consistently enjoyed higher per capita energy consumption relative to the other three countries, with Germany ranking a very distant second. France ranked third and the United Kingdom ranked fourth from 1970-1983. Since 1983, the United Kingdom

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surpassed France, which fell to last place. To be more specific, in 1970, the United States surpassed France, Germany, and the United Kingdom in oil equivalent energy consumption by 1.6, 0.9, and 1 time respectively. In 1995, the figures where 0.9, 0.9, and 1.1 times as much, respectively, in the same order. Looking at coal equivalent consumption published by the United Nations in Table 4 we see the same magnitude of differences not only in modern times, but going back to 1954. During 1954, America registered higher consumption rates of 2.6, 1.4, and 0.6 times relative to France, Germany, and the United Kingdom. The corresponding figures for 1960 where 2.3, 2, and 0.6 times. In fact, these differences demonstrate very strongly the same trends across time as the data of the World Bank. Thus we have confirmation of this trend by two independent international sources.

I believe the story told by energy consumption to be very significant as an indicator of material living standards for a number of reasons. First of all, what may contribute to such high uses of energy in America? It is reasonable to assume people will use a lot of energy to run various home appliances. For example, in the summertime air-conditioners account for a significant increase in energy use. Also, other appliances such as microwaves, dishwashers, refrigerators, washing machines and dryers, VCR's, computers, hair dryers, mixers, etc., increase energy consumption. In other words, the high levels of energy use in America are indicative of greater ownership of various electronic/electrical consumer goods. In addition, these high energy levels indicate not only a greater variety of products, but also a greater number per capita. For example, many households have not one, but multiple televisions, VCR's, hair dryers, etc., also

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indicating a higher material living standard.

In addition, one should also consider fuel costs in terms of driving. In America, gas is very inexpensive relative to its price in European nations, where it can cost two or even three and a half times more. For example, in 1996, the average cost of one gallon of automotive fuel, including taxes, was $1.28 in the United States, $4.41 in France, $4.32 in Germany, and $3.47 in the United Kingdom (Statistical Abstract of the United States, 1997, p.850). The same can be said about the cost of all fuels in general (such as residential and industrial fuels). This makes fuel consumption in Europe almost prohibitive. Therefore, cheaper fuel/energy in America contributes to greater automobile and consumer electronics usage. This means that Americans not only have more automobiles and gadgets than the French, Germans, and English, but also drive more and use the gadgets longer. Again, within a capitalist framework more is better, and therefore, Americans are better off materially.

Finally, it must be stated that the figures tend to be consistent over the years with America clearly ahead of the other nations. This means that any possible miscalculations or inaccuracies in reporting, etc., would have shown up as inconsistencies from year to year and from one decade to the next. This, though, is not the case. The statistics are even stronger for the levels of energy consumption' in this area, America has consistently surpassed the other countries by almost 100%.

It is also important to note the general cost of food in the two regions. In fact, the cost of food is a good indicator of working class living standards. Lower food costs indicate not only the ability to buy greater quantities, but also the ability to purchase more

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of other goods since money is freed up from the food budget. The data from Table 5 indicates food expenditures as a percentage of the GDP calculated/defined as the percentage share of food in total household consumption expenditure, as calculated from SNA defined details of GDP (World Bank, 1998). This means that a form of per capita measure has been used since the figures control for household size relative to the GDP. According to Table 5, food expenditures are significantly lower in the United States. France has the highest food costs, followed by the United Kingdom and Germany. The data covers the years between1975 to 1990 and does not seem to have any irregularities. The data is also consistent with the theory regarding development and food costs. Namely, as nations industrialize, food costs drop as a percentage of consumers' overall budget expenditures while other consumer goods and services account for a greater proportion of budgets. We see American food expenditures dropping from 9.2% of the GDP in 1975 to 6.82% in 1990. In France, expenditures dropped from 12.3% in 1975 to 9.46% in 1990. The German figures are 9.9% in 1975 and 7.03% in 1990, and in the United Kingdom they were 11.2% and 7.11%, respectively. In addition, data from the U.S. Bureau of the Census (1997b) supports these differences in national food expenditures. The Bureau of the Census calculates the percentage of total personal consumption expenditures on at-home food and beverage (including alcohol) expenditures. The reported figures for 1993 are as follows: America = 8.8%, France = 17.2%, Germany = 17.7%, and the United Kingdom = 17.5%.

Here we have a couple of points to mention. First, lower cost food does not automatically indicate anything regarding quality. For example, it could be argued that

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American food costs less in comparison to Europe because of quality differences. It may be that American food is qualitatively inferior, thereby accounting for its comparative cheapness. Specifically, it has to do with how food is produced. Thus, America allows in its food production the use of certain growth hormones that are outlawed in Europe for health reasons. Such growth hormones allow meet production (among other types of production) to take place faster by fattening animals within a short period of time. This lowers food cost but at what price? Europeans also use various other additives and hormones, but is there really a health issue here? This can be debated.

The second point which must be mentioned is that food costs are particularly important for the working class because a rich person does not eat any more or less on average than a poor person on average. Therefore, food expenditures are regressive; i.e., they take up proportionately more of a poor person's budget relative to a rich person's budget. This makes food expenditures an important indicator of the cost of living for working class people.

At this point, having examined measures of the levels of actual material ownership by looking at specified products and services and measures of income which examines overall buying power, we come to what may be an inconsistency. On the one hand, Americans clearly leads the way in material ownership as demonstrated by Tables 3, 4, and 5. On the other hand, Europeans (mostly Germans) often seem to lead in terms of buying power as demonstrated by Tables 1 and 2. Thus the inconsistency: the American working class has more material goods and services but the Germans (and to a much lesser extent the French and English) have more buying power!

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The riddle is most convincingly answered by the Average Propensity to Consume and its counterpart, the Average Propensity to Save. The Average Propensity to Consume indicates what percentage or proportion of one's total income will be consumed. The Average Propensity to Save indicates what percentage or proportion of one's total income will be saved. In addition, since consumption and savings levels are generally agreed by economists to be stable over time, the Average Propensity to Save and the Average Propensity to Consume are also stable (McConnell; Brue, 1999). For example, if a person's Average Propensity to Consume is calculated at .8, and his total income is $200 then the person would spend $200 x .8 = $160 and would save $200 - $160 = $40. It is also possible to calculate such Average Propensities for countries as a whole. Thus, it has been calculated that America has one of the highest Propensities to Consume in the industrialized world, while European nations that have relatively lower Propensities. The Average Propensities to Consume for each nation are as follows: United States = .951, Britain = .884, France = .875, Germany = .876 (Statistical Abstract of the United States, 1997). Because these measures vary very little through time I do not offer data from multiple years.

What these propensities show us is not which country is richest, but only which nation spends more or less. In other words, a high or low propensity is not absolutely indicative of wealth but rather of culture. Thus, the high American propensities indicate a more highly developed culture of consumerism than that of the Europeans. Consequently, it may be that Europeans do not value material goods as much as was originally assumed. Personally, though, I still believe the propensities to be a result of

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more forces at work than a European dislike of material goods. Instead, although the propensities solve the riddle encountered by the data, they do not indicate "free" choice. If this were the case, one could argue that Europeans have, in fact, a greater standard of living associated with low consumption levels. However, Europeans may have a higher propensity to save (thus consume less) relative to Americans not because of "free" personal choice, but because insecurity forces Europeans to save more. For example, if Europeans are subject to higher unemployment rates and economic insecurity, their normal response would be to save for those difficult times. In contrast, Americans may spend more because they have confidence in continued employment.

Another explanation for the seeming contradiction may be found in the nature of the goods and services considered here. Specifically, Tables 1 and 2 focus on consumer goods that are often treated as luxury or semi-luxury items in Europe. As such, these products are taxed more heavily in Europe, making them more expensive to buy. When we calculated purchasing power parities, though, we did not use parities based on the buying power of currencies for such consumer goods exclusively. Rather, the parities reflect overall buying power of a broad "basket of goods." Thus, some items in this same cross-national basket may be cheaper or more expensive in one country or another while the "averaged" buying power for this basket may be overall high or low in different countries. Consequently, it seems plausible to say Europeans, as in the case of Germany, may have greater working class buying power and would like to have more of these specific consumer goods, but cannot afford them because of either high costs or feared future unemployment.

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If, for example, working class Germans have more buying power, but not for consumer items, then on what is their money spent? Here comes the answer which is hidden in the definition of hourly compensation. In Europe, medical coverage is either universal, socialized, or next to universal and guaranteed, unlike in the United States, where it is private and optional for employers. Also, vacation, holiday, and other pay, including pension programs and various social insurances, are far greater in Europe. Thus, it is such items as those listed above which Europeans can afford and receive more of than Americans. "The compensation that employers pay a worker consists not only of wages paid for time worked but also payroll taxes for socially mandated benefits and wages paid for vacations and other time not worked. The non-wage components of compensation are markedly higher in some European countries ... than in the United States" (Freeman, 1994, p. 23). Does this indicate a higher living standard, though? Clearly the answer is that both material goods and the above contribute to high living standards. Given, though, the explicit focus of this work on material goods and services, Americans are better off.

Health and Longevity

The above observation will be very important to the reader in explaining the information which is to follow. Having examined measures of material goods and buying power, I ask whether all this reflects on or affects overall quality of life in a measurable way? Based on Tables 6 and 7, the response is yes. First, we look at infant mortality rates reported in Table 6. Up to 1951, the United States had the lowest infant mortality rates among the four countries. This is not particularly surprising, given the devastation

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of World War II in Europe and its equally devastating effects in the early postwar years of famine and rebuilding. The United States alone had the privilege of not having any visible scars of that war in the homeland. In 1952, though, the United Kingdom's infant mortality rate equaled that of America's and has fallen below the American rates ever since for every year and is projected to be lower in the future. France approximated American rates by 1960 and from 1964 on has had lower rates. Germany reached the American levels in the mid 1960s and since 1982 has also enjoyed lower rates that are projected to remain lower into the future. The data shows us that once Europe recovered from the devastation of World War II, its living standard in terms of "obtaining" a life improved over America's and has remained better ever since. The most plausible explanation for this is that which was mentioned previously regarding social insurance. The European's hourly compensation includes greater levels of social insurance spending, which can be translated to the greater availability of prenatal care, maternity leave, doctor's visits, hospital births and longer stays, etc. which increase the chances of an infant's survival. More televisions, telephones, etc. may add to a higher standard of living through greater entertainment, but they do not add greater security to the well being of a parent's newborn. Assuming that people value their children more than cars or air conditioners (which unfortunately is not an ironic assumption in our times), living standards in Europe take on a different dimension of quality in terms of well being.

Looking at Table 7, we also notice differences in life expectancy. Up to 1957, the United States enjoyed a longer life expectancy compared to France and Germany for both males and females (United Nations, 1979-1996). The United Kingdom, though, presents

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a different picture. English men have consistently lived longer than Americans every year since 1948 for which data was available. Up to 1956, the gap between American and English male life expectancy was diminishing but, followed an increasing trend reaching 1.9 years in 1971. After 1971, the trend reversed itself but the gap began to grow once more in 1991, reaching 1.6 years in 1997. The women of the United Kingdom have outlived Americans from 1948 to 1971. From 1971 to 1991, the trend was reversed, and since 1992, the English women surpassed American women in longevity once more. From this data we see that the English people have had greater life expectancies relative to Americans for most of the time for women and absolutely for men. What is more astonishing is that the United Kingdom surpassed America even during the postwar years! It is quite reasonable to assume that the hardships found in the United Kingdom during the postwar years were far greater than those in America. For example, England was basically destroyed physically, unlike the United States, and shortages of medical supplies, food, sanitation, etc. along with emotional distress undoubtably plagued the former. All this must have taken its toll on the people of the United Kingdom. And yet, citizens of the United Kingdom still had a longer life expectancy than did Americans.

France, in turn, also had its fair share of all the traumas which took their toll on life expectancy figures as a result of the war. Thus, the United States had longer life expectancies for both males and females until 1957. After 1957, though, France has consistently ranked ahead of the United States. Since 1957, French males had consistently longer life expectancy rates, reaching a high point of 1.4 more years than American males in 1964. Since that time, the gap has narrowed but increased again

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recently to 1.6 years in 1997. French women have been doing even better, also consistently obtaining higher life expectancy rates relative to American women. In the case of women, the gap increased from 1958 to 1964 in favor of the French, then narrowed up to the 1980s with minor swings, and increased once more reaching a high of 3.4 years in 1996. In fact, among the women of these four countries, the French have had the best life expectancy rates since the 1960s . The French men scored a solid second place right behind the English.

Germany presents an interesting case. The data shows that up to 1958, both men and women had the lowest life expectancy figures. In addition, these figures were significantly lower for men in 1948 with a 6.9 year difference between American and German life expectancies. It is plausible that these early statistics reflect the devastation of Germany from the war, which was massive in the physical and every other sense. Such an assumption seems correct given the subsequent data after the rebuilding of the nation. Specifically, from 1958 up to the present, German men have consistently (with the exception of certain years) registered greater life expectancy figures relative to American men. This gap is smaller than that between America and France or the United Kingdom, but it is nevertheless clear as a statistical trend, ranking German men third. At worst, the statistics for German men trail or approximate American statistics. However, the picture is dramatically different for German women. From 1948 to 1957, German women's life expectancy was dramatically lower than that of the American women, with the gap reaching a high point of 6.5 years in 1948 and averaging 3.73 years during this period. Since 1957 up to 1984, German women still had lower expectancy rates relative

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to the United States although the gap diminished significantly. Beginning in 1985, though, there seems to be a reversal in trends with German women obtaining slightly longer expectancy rates than Americans. Despite this current new trend, German women rank solidly in fourth place. Thus, an interesting question arises from the data: why in a country with relatively high life expectancy rates for males do women have consistently lower life expectancy rates compared to women of similar nations? I believe this to be an intriguing research question in-and-of-itself; however, this is beyond the scope of this current work.

To summarize, all European men could look forward toward longer life expectancies than Americans could since the late 1950s, with the English going back to 1948! The United Kingdom had the longest expectancy and was followed by the French, Germans, and Americans. As for the women, the French averaged first, followed by the Americans and the English, with the Germans being clearly last. As with infant mortality rates, it is argued that Europeans may have longer lives because of their greater consumption of the public health care and social insurance programs that were counted as part of their hourly compensation. This argument will be developed later when public expenditures are analyzed. For now, it is reasonable to argue that Europeans are buying lower infant mortality rates and longer lives rather than more material goods with their incomes.

Again, let me add a few words regarding the data itself. It is acknowledged that the data presented here may contain various flaws or inaccuracies. Such problems, though, are overcome by our focus on long-term trends. Also, the racial and or ethnic

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diversities of the populations should not be problematic. For example, one may argue America's inclusion of African-Americans with lower expectancies than Caucasians lowers the averaged data relative to Europe. The argument however, is largely invalid simply because the United Kingdom is just as diverse racially and ethnically, and yet had the highest score for men. It should be noted that France also contains various racial minorities, as does Germany. Also, we should remember that the definition of "working class" is not racially or gender based. This brings up the issue of how representative these national figures are for the working class. Honestly, it would be better to have surveys of life expectancies based on economic class. However, up to the time that this work is written, I have not come across any such data that could be considered reliable for cross-national comparisons. Thus, this would be another interesting research project in and of itself for the future. Does this invalidate the data for our current purpose, though? To reiterate, I believe the data is still representative of the working class person's life expectancy relative to that of other countries. As mentioned before, the working class accounts for 40% of the population, thus brining the average closer to the typical case or what statisticians would call the mode. Secondly, common observation indicates that the difference in expectancy between upper and lower class individuals is not so extreme that it significantly skews the average. Lastly, even if the life expectancy data is, in fact, lower for working class people within nations, the overall national data would reflect this as being generally higher or lower in comparison to other nations' average life expectancies. In other words, we may not be able to calculate the precise number of years of life expectancy exclusively for working class people but we can still use the

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national data to make "relative" comparisons.

In addition to life expectancy and infant mortality rates, I examine hours of work per week and leisure time. These variables are considered important as indications of the quality of life that is associated with the various levels of material wealth. Thus, one may ask: Are Americans living shorter lives because they work longer? Is the greater American material wealth due to more hours worked? Do Europeans live longer because they work less? Do Europeans have to work more to have higher buying power that, in turn, is used toward health care?

Hours of Work

Looking at Table 8, we see results that were frankly not anticipated. Stories in the popular press abound regarding how little Europeans work. For example, various German and French companies are cited from time to time experimenting with 30-hour work weeks, with four-day work weeks, and other schemes oriented toward the reduction of work time. The impression is therefore given that workers in Europe (of which the Greeks should be a distant first) (How are the Greeks relevant here?) work less than in other industrialized nations. In contrast, the United States is often described as an immense "sweat shop" with 18th century work weeks! If this were true, serious arguments could be made that European living standards are among the highest in the world. However, the data clearly indicates the exact opposite! Out of all four countries, the United States had the fewest work hours per week for every year from 1945 to 1993 (International Labor Organization, 1997)! When averaging out the gap differential for the period of 1945 to 1993, we find that the French had worked an average of 5.35 hours per

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week more than Americans, placing them second; the Germans worked 5.63 hours more, placing them third; and the English worked 7.24 hours more, placing them a far fourth.

However, the ILO data presented here uses average hours worked, which may be criticized. Specifically, one may argue the United States' job structure is very different from that of Europe. In America, a larger proportion of jobs are part-time and disproportionately headed by women, thereby lowering the "average" hours of work. When looking at full-time employment, as in manufacturing, the United States tends to work longer hours. Personally, I understand the argument but reject it for the following reasons. First, it may be a positive fact that America has more part-time jobs since most people in these jobs (e,g., mothers of young children) prefer part-time employment. Therefore, if Europe does not offer such flexibility, people are forced to either work longer hours or to not work at all. Secondly, the reality of employment in the industrial world is a move toward part-time employment. As such, we cannot ignore the typical hours worked in the overall economy as privileging a concept of full-time employment when this figure includes a declining number of working class people.

Third, in making the claim that Americans work less, attention should be placed on the group for which the data is calculated. For example, various authors such as Mishel, Bernstein and Schmitt (1997) have made exactly the opposite claim, stating that it is Americans who work more. They base their point, though, on hours worked per employee in manufacturing (see reproduced Table 9). On the other hand, Table 8, which is used here, is based on hours of work per week in non-agricultural activities. Thus, it may be true that European workers in manufacturing work less than their American

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counterparts but this statistic is not indicative of the working class in general. The reason is that manufacturing, by most statistical accounts, employs a much smaller proportion of the work force relative to past historical periods in comparison with service and other sectors of the economy. Thus, the hours worked per employee in manufacturing is not as wide an indicator of the hours worked by the general working class as is the measure used here. Consequently news reports about European experiments to reduce work time may be true. But, since these efforts are concentrated exclusively in manufacturing and only at select experimental plants rather than universally, it is clear that it does not say much about the typical working Joe or Jane.

As an example of all this, let us look at the statistical sectoral employment trends in our selected countries. The percentage distribution of employment by industry sector changed as follows:

United States			
Year	Extractive	Transformative	Services
1920	28.9	32.9	38.2
1930	25.4	31.5	43.1
1950	14.4	33.9	51.7
1960	8.1	35.9	56.1
1970	4.5	33.9	61.6
England			
1921	14.2	42.2	43.6
1931	11.8	39.3	48.9
1951	8.9	45.4	45.7
1961	6.6	46	47.4
1971	4.2	43.8	51.9
Germany			
1925	33.5	38.9	27.6
1933	31.5	38.3	30.2
1950	16.1	47.3	36.6
1961	9	51.3	39.7
1970	5.1	49	45.9
France			
1921	43.6	29.7	26.7
1931	38.3	32.8	28.9
1954	31.9	35.2	32.9
1962	23	37.7	39.3
1968	17	39.3	43.7

(Singelmann, 1978)

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Also, in 1996 the distribution was as follows:

Country	Agriculture, Forestry, and Fishing	Industry	Services
United States	2.8	23.8	73.3
United Kingdom	2	27.4	70.6
Germany	3.3	37.5	59.1
France	4.6	25.9	69.5

(OECD, Labor Force Statistics, 1998a)

From this data we have the first confirmation that the new post-industrial societies are going to be post-manufacturing, service-based economies; therefore, locating the working class requires us to look largely outside of manufacturing. This is mostly true of the United States, which has the smallest percentage of employment in industry among the four countries at 23.8% and the largest service sector, accounting for 73.3% of employment. France has the second smallest manufacturing class of workers, followed by the United Kingdom and Germany. This implies that manufacturing statistics will be the least representative of the overall working class in America, followed by France and the United Kingdom. German statistics on manufacturing will be the most representative out of the four countries, yet it seems likely to find most working class Germans in the service sector as well.

Although Americans work fewer hours, it is important to note that they enjoy the least amount of leisure time as indicated by vacation time (Table 8). In Europe, vacation is legally set at a minimum of 5 weeks per year in France, 3 in Germany, and 3 in the United Kingdom. This amount is a minimum guaranteed period of paid time after one full year of employment. In addition, in most European nations, the law mandates

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workers be given a 50% monthly salary vacation bonus. America, in turn, has only one week mandated paid summer vacation after any number of years of employment. It is true many companies voluntary offer longer vacation time. However, this is true for less than the majority of companies. Paid vacation for more than the minimum one week is almost nonexistent when considering small-scale, home-town businesses which employ the majority of workers. At best, such smaller employers offer two weeks vacation (I, my parents, and all my working class friends can testify to this from experience). Also, when vacation time is extended, it is usually after multiple years of service. Lastly, extra vacation time is typically reserved for the higher ranks of employees. Thus, Europeans universally and immediately get longer vacation time.

Given the hours of work and available leisure time, we can say Americans do not work longer hours to afford greater material wealth compared to Europeans. They do pay a price, though, when it comes to shorter leisure time. Europeans, on the other hand, may have higher purchasing power and longer vacations, but they also must work more hours.

Having looked at all of the data up to this point, the following observation can be made. It seems that the United States, for whatever reason, offers its working class greater levels of material wealth in comparison to the other three European nations. Given the original assumption of the nature of man, (i.e., that he will prefer more consumer goods rather than less) it can be concluded Americans are better off. Such a statement, though, would not be an accurate representation of the working class' situation. Thus, as with any deal involving the selling of one's soul to the devil, there is a price to pay. For Americans this price is shorter life expectancy (ironically, a price

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usually found in folk stories of people selling their souls), higher infant mortality rates, and less leisure time. The French, Germans, and English have been "prevented" from selling their souls to the devil of consumerism, probably due to higher consumption taxes. In turn, they get longer life expectancy, lower infant mortality rates, and much more leisure time despite slightly longer hours of work. Also, one can say that the Europeans' extra hours of work give them universal health care; an issue that is becoming a crisis situation in America. Is this it, though? Specifically, should we pronounce America the workers' material heaven and end the study here? Clearly no. Although from this evidence I will pronounce America a consumer's heaven, there is more to be understood. Most importantly, let us remember the ultimate goal of this work. We are interested in discovering how, if possible, workers can improve their material situation. As such, America's greater material wealth is an important fact to document, but in and of itself, it does not say much about workers improving their lot. In other words, the American working class is better of materially in absolute terms compared to Germans, the French and English. This, though, tells us nothing about the relative levels of equality and living standards at an intra-national level. Consequently, we will also look at intra-national indicators of equality and living standards to see which national working class has achieved the most relative to others in their own country.

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Comparison of Equality Levels

This chapter will attempt to ascertain which national working class has achieved the most within its national borders. Although absolute working class living standards may be greater in certain countries compared to others, we cannot extrapolate from this fact that these standards have been "won" by labor. For example, it may be possible that a very resource rich nation such as the United States offers workers a small slice of the material pie, but since the pie is large the slices are big also. In such a case, good living standards are not indicative of working class successes or failures in terms of improving their material condition in relation to the other classes. In other words, we need to examine relative class gains within the same nation. This would indicate which national working class has secured a more equitable slice of its own country's resource pie. As such, we would have grounds on which to ask "how" a more or less egalitarian distribution was achieved. Thus, by answering this question we will be obtaining answers as to what can and cannot be done by workers in order to improve their material position. Put differently, are there strategic policies that workers can adopt from other nations to obtain greater living standards? To this end, the empirical indicators of relative equality and living standards used here are the following:

- Percentile Income Distribution within each nation. If European workers have obtained greater parity, their own income distributions should reflect greater egalitarianism. Thus, I will look at how much national income is obtained by the

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working class and how much by the upper 20% of the population.

- Poverty Rates. Nations with greater poverty rates are also more likely to exhibit greater inequality.
- Employment/Unemployment. According to the most recent United Nations declaration of human rights, people have the right to decent employment. Despite possible State redistribution programs, employment tends to be a primary means of income for most people in most nations. Thus, lack of employment should be related to lack of equality.
- Educational Enrollment. On the one hand, educational levels influence the opportunities for income, which, in turn, affect the attainable material living standards of a person. Thus, nations with low levels of educational enrolment also tend to have populations with lower earnings potential and material living standards. On the other hand, education provides intrinsic benefits. This makes education a "normal good" which people may wish to "consume" as part of a higher living standard.
- State Social Spending. Equality may be increased through government benefits which include redistribution programs. For example, a national economy may structurally produce high levels of inequality, but the State can reduce inequality significantly, creating a somewhat more egalitarian society through increased spending on health care, education, etc.

Income Distribution

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Going back to Table 1, we see that the European working classes are enjoying greater levels of equality on a household income share basis. Thus, although French, U.K., and German real GDP per capita levels are lower than that of America, the former's working classes obtain a larger share of smaller national economic pies. As a result, the lower half of the European working classes (bottom quintile) enjoy a higher relative GDP share as well as more absolute dollars, as discussed previously. When we look at the performance of the bottom 40% of national populations, we observe dramatic differences.

France has consistently offered the lower half of its working class a larger income share compared to the United States, although in 1970 the difference was fractional. The overall working class, though, fared worse than in the United States in 1962, with a gap of 7.1 percentage points up to 1970, when the gap diminished to fractional levels. Since 1970, though, the French bottom 20 and 40 percents have dramatically increased their share while America followed a downward trend. The gap between the two national working classes took dramatic proportions beginning in the late 1970s and has remained high into 1989. For example, in 1975 the lower 20 and 40 percents in France received 5.5% and 17% respectively compared to 4.3% and 14.9% for Americans. By 1979, the figures were 6.3% and 18.4% for France versus 4.1% and 14.3% for America. During this year, the gap between the French and American bottom 20 and 40 percents of the population reached an all time high of 2.2 and 4.1 percentage points respectively. In 1989, the French bottom 20 and 40 percents obtained 5.6 and 17.4 percent household income share respectively compared to shares of 3.8 and 13.3 percent for Americans. Thus, although in 1989 the shares of both groups in both countries declined, they did so

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to a greater degree in America. As a result, the income gap between the overall working class was still at 4.1 percentage points. In addition, the French shares were on an upward trend from the 1960s into the 1980s, when it declined slightly. In America, though, the shares have been on a constant downward trend since the 1960s and have continued well into the 1990s.

In addition, it can be argued these changes occurred either at the expense (for France) or for the benefit (for America) of the richest 20% of the population. In other words, differences favoring or not favoring the working class did not come from or go to the middle class, an important observation in and of itself. Thus, as the French working class shares went up, those of the rich went down. As the American working class had its shares drop, the rich got richer. I will coin this an American "trickle up economic policy" going back to the actor-President Ronald Reagan.

Looking at Germany, we see an even greater degree of egalitarianism. Thus, the bottom quintile has consistently received greater shares relative to its American counterpart. Since 1950, there has been an increasing gap between the shares of the two countries. The differential reached an all time high of 3.2 percentage points in 1988. This is more impressive when one considers that this differential in 1988 indicates that Germans are receiving almost double the recompense of Americans. In addition, the overall working class (bottom two quintals) has fared much better in Germany, as well. Here the trend is also clear, with a rising gap between the shares of Germans and Americans reaching an all time high of 5.6 and 5.4 percentage points in 1978-1984 and 1988 respectively. As in the case of France, in Germany, too, we see that as the working

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class shares increased over the years, that of the richest 20% has declined. Lastly, the relative German income shares of the bottom 20 and 40 percents indicate a rising trend for the country itself.

The United Kingdom is also more egalitarian relative to the United States. For example, the bottom quintile in the United Kingdom has continuously received a higher relative income share than the Americans have since 1959. The all time gap reached 3.1 percentage points for the bottom 20%. The overall working class has consistently obtained greater shares in the United Kingdom than in America since 1959, with 1964 being an exception. The all time high differential for the bottom 40% reached 4.7 points during 1977/78. However, unlike as in France and Germany, the trend in the United Kingdom for the bottom 20% and 40% indicates a sharp decline since the high point of 1977/78. This trend is clear both in regard to the differential gap and within the United Kingdom's income distribution.

As for the United States, it has historically provided its working class with the lowest income shares compared to the other countries examined here. This holds true for both the bottom 20 and 40 percents of the population. Not only are American workers getting relatively small shares, but these shares have been on a declining trend. Thus, the bottom quintile saw its share drop from 4.3% in 1975 to 3.6% in 1994 with no end to this trend (U.S. Bureau of the Census, 1997a). The bottom two quintiles experienced a drop from 14.9% in 1975 to 12.5% in 1994, also with no visible end to this trend (U.S. Bureau of the Census, 1997a). As a result, it is commonly acknowledged in academic literature and the popular press that America has the greatest inequality/gap between rich and poor

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compared to all other industrialized nations of the world!

To summarize, the French, German, and U.K. working classes, including the bottom 20% and 40%, have consistently received higher relative income shares than the American working classes since the late 1960s. In general, the German working class receives the greatest relative income share, followed by France, the United Kingdom, and lastly, the United States. Such data is stable and valid/comparable over at least an 11 year period as Muller (1988) argues. Therefore, although the latest figures for Europe presented here are for 1988/89, they probably represent current distribution levels as well. (What makes it likely that these figures are unchanged into the present?) Thus, based on the most common measure of relative equality, the Europeans are not trailing Americans but leading them.

Poverty

It is true, however, that at least in theory, greater working class income shares do not guarantee lower poverty rates, although logically, it seems reasonable to argue so. Therefore, relative living standards can also be measured by poverty rates. Thus, we now examine the poverty rates of these four countries. Before doing so, it must be noted that compared to all of the measurements, indicators, and variables in general, poverty rates are the most difficult to measure as well as controversial; moreover, it is hard to find data with which to make cross-national comparisons. This because the definition of "poverty" varies dramatically from nation to nation and even from one organization to the next within the same country.

Given the difficulty of finding appropriate poverty data, we look at Table 10,

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which presents various available statistics. The figures provided by Smeeding (1992), although sparse, still give us a general idea of the comparative poverty rates in these four countries. From 1979 up to 1984, the data imply American poverty rates ranged between two and three times the European levels, a very significant difference. Thus, the percentage of people who were below 40% of median family income in 1979 was 10.8% for the United States, 4.6% in Germany and 2.7% in 1981 for France. In 1986, the rate was 13.3% in America versus 5.2% in the United Kingdom. It should be noted that the Smeeding data approximates U.S. concepts of poverty which take the poverty line at 40.7% of adjusted median income.

The International Labor Organization data of Table 10 defines as poor the percentage of people below 50% of national mean income. The only year for which American data is provided is 1979, with a rate of 19.7%. From 1980 to 1989, France had rates fluctuating from 19.1% down to 15.7% and back up to 19.4%. Germany had relatively stable rates from 1979 to 1985 that ranged between 9.9% and 10.8%. In 1989, the rate increased to 14.3 %. The United Kingdom had rates from 1979 to 1989 ranging from 14.6% to 18.7%. The ILO definition of poverty is wider compared to the Smeeding data. Thus, the ILO data gives us a better conceptualization of the relative levels of egalitarianism. For example, a highly unequal society would have a small "middle"; therefore the rate of people below 50% of the national mean income would be higher. As such, Germany seems to have the most egalitarian income distribution as evidenced by its poverty rates, followed by the United Kingdom and France with America last. The implication is that countries with lower poverty rates have fewer impoverished working

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class people. This is true by definition, since the rich are not those in danger of poverty. Therefore, the overall working class living standard should be greater in countries with the lowest comparable poverty rates, which in this case indicates that America shoul be ranked last.

On its own, this data seems too "thin" for an author to make such claims, although others have written books based on such "thin" statistics. However, when combined with Tables 4, 5, 6, 7, and 8, it seems that the various pieces of data support each other in their implications and the overall arguments presented in this work. For example, Table 1 indicated Germany had the most egalitarian income share distribution and America the most unequal. These findings support those of Table 10 and vice versa. Thus, we see documented greater income inequality in America associated with higher documented poverty rates in general and egalitarian income distribution associated with lower poverty rates in Germany. As mentioned before, such arguments seem logical, but they are documented here in order to guard against possible inaccuracies stemming from various sources that may render such arguments invalid in the face of more in-depth research. Thus, the use of multiple indicators is once more justified in terms of controlling for inaccuracies and discovering broader national trends.

Unemployment

The next indicator of relative equality is unemployment. Table 11 provides us with unemployment data from 1940 to 1998. However, focusing on only the rates from 1959 to 1998 is appropriate for our cross-national comparative purpose because the 1959 to 1998 unemployment rates are calculated by the U.S. Department of Labor, Bureau of

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Labor Statistics (1998a) for civilian unemployment rates approximating U.S. concepts. In other words, these rates are calculated using similar assumptions and methods, thus making the data appropriate for meaningful cross-national comparisons when comparing data calculated and published by the individual countries.

What is interesting in Table 11 is that France, Germany, and the United Kingdom historically have had lower unemployment rates relative to the United States, even by the latter's definition of unemployment. Since working class people rely primarily on paid employment for their livelihood, lower unemployment rates signify higher living standards and, even more so, greater equality. However, a trend has developed in recent years of higher European unemployment rates. France began this trend in 1984 and continues to have significantly higher rates versus the United States with a high differential of 7.7 percentage points in 1997 and 1998. The United Kingdom began the trend in 1981, although with lower differentials, which reached a high of 4.2 percentage points in 1984 and 1986. Germany fared better than the other two in comparison to America. Germany's unemployment rates exceeded those of America from 1987 to 1989 by 0.1, 0.8, and 0.4 percentage points respectively, and from 1994 to 1998 with a high differential of 3.3 percentage points. Clearly, Germany is performing better than France, which now has the highest rates and the United Kingdom, which is ranked third.

If, however, we average out the unemployment rates for each nation from 1940 to 1998 (for the years data is available) we find America had the highest average rate at 5.64% followed by France at 4.99%, the United Kingdom at 4.77%, and Germany performing the best at 4.2%. When calculating the average rate for the period of 1959 to

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1998, the picture changes with France at 6.33%, followed by the United Kingdom at 6.32%, the United States at 6.03%, and Germany at 3.58%. Germany scored the lowest unemployment rates in both average measures, indicating, therefore, once more that its working class enjoys the highest level of equality and possibly higher living standards. As for France and the United Kingdom, the data indicates that within a longer historical view Europe does not have a "European" unemployment problem. Instead, the rates of both regions are at similar levels. What could be argued is that Europe has experienced higher rates since the mid 1980s. Some scholars claim the two regions are still not different regarding unemployment. Instead, it is argued that America simply "masks" its true unemployment problem when one considers the prevalence of temporary, part-time, and very poorly paid work without the benefits and protections legally offered to all Europeans (Mishel, Bernstein, and Schmitt, 1997). In fact, there is an immense literature on the whole issue of whether or not Europe really has higher unemployment, and, if so, what the causes are. Some of this will be discussed later in this work, but for now the point is to offer a descriptive account of the situation based on more widely respected data. And, according to this data, the bottom line is that Europe and America have similar unemployment rates within a long-term post-war context.

Education

Lastly, I examine total gross school enrollment rates as an indicator of relative equality and living standards.

> The gross enrollment ratio is the total enrollment, regardless of age, divided by the population of the official age group which corresponds to a specific level of education. The ratios for the first and secondary level of education have been

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> calculated taking into account the different national systems of education and the duration of schooling at the first and secondary levels (general). At the tertiary level the ratios are expressed as a percentage of the population in the five-year age group following on from the official secondary school leaving age. (United Nations, 1945-1998)

The first reason for including this variable is that education is known to contribute toward a person's earnings potential. Why this is so is still debated. For example, some argue it is a human capital investment that justifies higher wages through improved skills and abilities (Becker, 1993). Others argue education is simply a wasteful signaling mechanism for employers; i.e., you are smart by nature but because employers do not have this information, you therefore "signal" the fact by obtaining a degree (Blau, Ferber, and Winkler, 1997). In any case, more education is statistically associated with greater earnings potential. As such, higher or universal school enrollment rates imply equal opportunity toward higher future incomes. Secondly, I argue (and am probably one of few to do so) education is a service which people of all classes enjoy. In other words, I treat education as a "normal" good that people like to have due to its intrinsic benefits. In addition, it makes sense to look at enrollment rates rather than graduation rates as is done because we are interested in the "opportunity" for education which should be equal for all citizens. Not all people, though, are academically oriented in their natures; thus some or many may try school but never manage to graduate. Graduation rates show us how many people are capable of academic work but not the overall access to education.

Table 12 shows us the enrollment rates from 1950 to 1993 for the primary, secondary and tertiary levels of education (United Nations, 1945-1998). Primary education enrollment from 1950 to 1965 was broadest in the United States, followed first

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by France and then at a relative distance by Germany and the United Kingdom. From 1970 to 1993, though, it is clear that all these countries had achieved, in essence, universal primary education enrollment rates. At the secondary level, America significantly outranked France from 1950 to 1985. France took the lead in 1990, with both nations at virtually universal rates of enrollment. Germany performed better at the secondary level relative to America from 1950 to 1960, and since then it also achieved relatively universal enrollment. The United Kingdom outperformed America at the secondary level from 1950 to 1965 but was surpassed by the latter during 1970-1990. By 1993, the United Kingdom also reached virtually universal enrollment rates.

In terms of tertiary education, however, the picture is significantly different. Although at the primary and secondary levels it is reasonable to argue that all the nations under discussion are not that far apart from one another, they are significantly apart at higher educational levels. This observation is of particular importance because in recent decades trends show opportunities for higher incomes are clearly tied to tertiary education while incomes for secondary education graduates are stagnant and even declining. (Blau, et al., 1997). In other words, the income gap between returns to tertiary and secondary education is growing. Therefore, tertiary education is of special importance for the opportunities offered to the working class for economic advancement, not to mention for mental stimulation. Thus, although the gross enrollment rates at the tertiary level have continuously grown in France, Germany, and the United Kingdom from 1960 to 1993, they have always trailed those of America. The United States enrollment rates have been in an impressively constant lead, ranging two to three times those of the other countries.

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Consequently, in terms of educational opportunities, it is the United States which seems to provide the widest access. France comes second in terms of access, Germany third, and, on average, the United Kingdom ranked last for most years as the most restrictive. However, there is also the related question of government expenditures. Namely, it is important to examine the role of government policy upon the working class in these countries. For example, national governments may or may not promote the living standard and equality of all or part of their citizens. In terms of the working class, we need to ask whether governments attempt to correct the inherent inequities of the capitalist market system or if they reflect the interests of the powerful to the detriment of working class interests, which are the most difficult to find articulation for in contrast to capitalist interests as argued by Offe (1985). To this end, we examine the levels of government expenditures and the programs chosen.

Government Expenditures

Thus, looking at education, we have found roughly universal enrollment rates at the primary and secondary levels but great differences at the third level. But what is the proportion of the various government's budgets going toward education? This should reveal the relative importance placed on such programs by these governments. Based on Table 13, it becomes clear that in the United States education is better funded there than in the European countries (OECD, 1981; 1992). From 1960 to 1977, primary and secondary education has been more heavily financed in the United States, with the United Kingdom and France clearly trailing and Germany at a distant fourth place. During the same period, American financing of higher education has been impressively and clearly

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above the French, German, and U.K. levels. For example, America spent, on average, 1.5% of its GNP for higher education, compared to less than half a percent by France, roughly half a percent by Germany, and about 0.8 percent by the United Kingdom. From 1985 to 1991, the United States spent roughly 1.8% of its GDP on primary education, compared to about 0.5% by Germany and 1.3% by the United Kingdom. However, at the secondary level, Germany roughly matched United States expenditures at about 2% of its GDP while the United Kingdom surpassed them both at 2.3%. At the third level, America once more clearly spent more than Germany or the United Kingdom. Consequently, the United States provides more educational opportunities in general. Combined with the high gross enrollment rates and the relatively small numerical size of the upper class, it would be reasonable to argue these educational opportunities include a good part of the working class. I, myself, am an example of a working class child benefitting from the wider university access in America relative to my home country of Greece. Lastly, it should also be noted that these government educational expenditures tend to be stable over time with little fluctuation.

Now let us examine the distributive role of government in other areas. According to Table 14, European governments tend to have greater expenditures in areas that would significantly benefit the less privileged population, namely, the working class (OECD, 1998c). The best indicator is total social expenditures. I believe this because by definition the working class is more heavily dependent/benefits disproportionally from such expenditures, unlike the rich, who may not qualify for certain programs or who may simply prefer private sources, as in the field of medicine (Perhaps "medical care" might

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be a better phrase?). Therefore, looking at this expenditure, we see France spending 3.4, 7.6, and 12.4 GDP percentage points more than America in 1975, 1980, and 1995 respectively. Germany spent 9.6, 10.1, 7.8, 11.8, 10.1, and 13.4 percentage points more than America in 1960, 1965, 1970, 1975, 1980, and 1995 respectively. The United Kingdom spent 2.9, 3.9, 2.8, 1.6, 1.3, 7.3 percentage points more than America in 1960, 1965, 1970, 1975, 1980, and 1995. Thus, the European working class is benefitting by social spending to a greater relative degree than the United States' working class. The difference took on alarming proportions in 1995, with France and Germany spending almost 30% and the United Kingdom 23.7% of GDP on social expenditures in contrast America's 16.4%.

The European levels of social spending are exemplified by the effects on poverty. Going back to the Smeeding data of Table 10, we compare poverty rates before and after taxes and transfers. "Before" rates are indicative of market forces. Post-transfer poverty rates indicate the impact of government policy/spending. The data shows that during the mid 1980s, pre-transfer poverty rates were the highest in the United Kingdom at 27.7%, followed by France at 26.4%, Germany at 21.6%, and, lastly, America at 19.9%. Despite America's lower "before" rate, it had 2.5 to 4.7 times the after-transfer poverty rates of the other countries! In fact, Smeeding (1992) found this to be the case in all of the demographic categories that he examined. We see, therefore, that the European governments reduced their comparable poverty rates 22.5% in the United Kingdom, 21.9% in France, and 18.8% in Germany. The figure for the United States government was only 6.6%.

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How about health? Europeans are living longer and have lower infant mortality rates, which begs the question of who is spending more. From Table 14 we see America has a slightly higher level of total health expenditures but not of public expenditures. For the working class, who cannot afford private health care as do the rich, public health expenditures become more significant. Thus, European working classes have enjoyed greater government expenditures on public health. Specifically, France, Germany, and the United Kingdom have all outspent America in public health expenditures as a percentage of GDP since 1960! Of course, some economists may yell "foul" on this point, arguing health expenditures in America are largely private (in fact private expenditures in America surpass those in Europe), while in Europe governments collect payroll taxes to pay for health. Thus, government expenditures on health would mistake how much health care Americans get. This argument, however, misses the point. Namely, private expenditures mean little to *working class* people who cannot afford private health plans. Such is the situation in America, leading to public debates over the national health care crisis since many Americans cannot afford access to it. In Europe, when governments finance universal health coverage through payroll taxes they are, in effect, engaging in redistribution from those who have to those that have not. Also, the tax clearly affects those at the higher salary range (i.e., non-working class people). As a result, arguing that America pays for and gets more health care as a nation does not address who the beneficiary of these payments are or if the benefits are equally distributed (Wilkinson, 1997).

In the area of social security transfers, the picture is similar to the above. Once

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more, those who would benefit the most from such expenditures are the working class and not the rich. France has been in a clear lead, with expenditures consistently over double those of America! Germany came in second, although its expenditures for social security transfers have been declining since its all time high of 18.4% in 1975. The United Kingdom's expenditures have not been as dramatic, yet they also have been consistently greater than U.S. expenditures.

Labor Protections

Having described several indicators of relative equality, I now turn to a brief examination of the protections afforded to labor in each of these countries. Specifically, it is important to know not only the absolute and relative living standards, but also the protections established to guard these standards. For example, regardless of the degree of working class power, how is this power institutionalized and therefore maintained? A group's power will not last beyond a generation or two if this power is not institutionalized. According to Peter Blau, "Institutionalization involves formalized procedures that perpetuate organizing principles of social life from generation to generation" (1992, p.273). Also, various institutions serve different functions. One of these functions which is of interest here is to "preserve the social arrangements that have been developed for the production and distribution of needed social facilities, contributions and rewards of various kinds. This type includes, of course, the economic institutions in a society, but it also includes other institutions that are governed by universalistic standards of instrumental value" (Blau, 1992, p. 278). Ironically, institutions established to favor the working class may even be the causes of some

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problems, such as unemployment, faced by the working class. This is argued by Siebert (1997) and by Nickell (1997), who examine institutional factors explaining differences in European unemployment rates vs. the United States unemployment rates.

In addition, the degree of labor protections should be indicative of which national working class has achieved more of its goal because one primary working class objective is to "guard" existing gains. There are two approaches which could be utilized for this section. One would be to obtain the individual national data regarding various measures of labor protections and then compare them. This would be a more in-depth approach as well as a major project in and of itself. However, the other approach seems more reasonable for the general purpose of this work, which is not exclusively concerned with labor protections. Namely, we can use an existing "index" of labor protections as, for example, that used by Nickell (1997), which is derived from various OECD statistical tables and reproduced as Table 15.

All of the data discussed here is representative of the period from 1989 to 1994. The first measure is "employment protection." This OECD measure represents the level of labor protection reflected in the legal structure regarding hiring and firing on a scale from 1 to 20. Larger numbers indicate stricter regulations. The United States scored a remarkably low 1! This was the smallest value on the index and the smallest value of all OECD countries. Germany had the highest index of our four nations at 15. France followed closely at 14 and the United Kingdom trailed behind at 7. Thus, in terms of the most important protection for the working class, America has the lowest rank. The Europeans are, therefore, clearly more advanced in this area relative to the United States.

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Employment protection is significant because, as mentioned previously, the working class primarily relies on employment for its livelihood. Thus, job security is paramount for both economic and psychological peace of mind. Thus, this figure is indicative of the overall low job security in the United States. For example, the United States is unique in terms of its "right to work" laws under which employers may permanently replace striking workers. In addition, the incidence of layoffs not due to corporate losses but, for the sole purpose of increasing existing profit margins is remarkable! Such irresponsible "social" corporate behavior would clearly be more difficult to engage in for European employers, as implied by the legal protections of the employment index.

Thus, Germany in 1972 required firms to provide "social plans" before closing. In 1966, Italy passed legislation regulating layoffs which were enhanced significantly in 1970 and relaxed for larger companies in 1992. The Netherlands passed legislation in 1976 requiring firms to give advance notice of layoffs. In the United Kingdom, the Unfair Dismissal Law was passed in 1971 and the Employment Consolidation Act in 1978 (Siebert, 1997). Although some raise the issue of protections leading to higher unemployment rates, the point is that once Europeans do obtain employment, they are more likely to have job security. Also, as regards the issue of unemployment, Howell, Duncan, and Harrison (1998) refute the traditional wisdom of labor protections causing European unemployment.

The second measure of protection (see Table 15) is "labor standards legislation" ranging from little to no legislation at an index of 0 to a high standards legislation index at 10. This is a composite OECD index calculated based on the level of minimum wages,

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fixed-term contracts, employment protection, working time, and employee representation as through company boards and works councils. Once more, the United States scored the lowest on the scale at 0. Interestingly, though, the other Anglo country (U.K.) also scored 0. All of the other countries in the OECD index of 20 nations scored above America and the United Kingdom with Italy, Spain, and Sweden tied at first place with a score of 7. Germany and France each scored an index of 6, tying them in second place. Thus, workers in almost all the studied nations except for those in the United Kingdom seem to be better off than Americans regarding labor standards. America, however, exhibits both low to non-existing employment protection and labor standards, which becomes a particularly negative combination. It also implies the privileging of employers/capital in labor relations to the detriment of American working class interests (Nickell, 1997).

For example, the legal minimum wage in France was approximately 60% of median earnings in 1996. In America, the legal minimum wage is equal to only 34% of median earnings. In 1976, Germany passed codetermination legislation, according to which supervisory boards of large firms must offer half the seats to representatives of workers (Siebert, 1997).

The next three measures are related to protections of the unemployed (Table 15). The first is the "benefit replacement rate," which indicates the value of unemployment benefits as a percentage of a workers' income. The second is "benefit duration," which measures how long benefits will be paid out. Obviously, higher replacement and duration rates demonstrate greater protection of labor against negative market forces which can erode living standards. In terms of replacement rates, the United Kingdom ranked the

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lowest at only 38%, followed by America at 50%. France and Germany were more generous at 57% and 63% respectively. Although the United Kingdom had the lowest replacement rate, it provided workers with an indefinite duration of benefits, as did Germany. France had the second longest duration of benefits at three years, followed at a distance by America at only six months. Thus, the greatest unemployment protections are enjoyed by German workers, followed by the French and the English in third place, given the indefinite duration of benefits. America ranks in last place, with the worst labor protections against unemployment. The third measure in reference to unemployment protections are "active labor market policies." This indicator shows the extent of government expenditures on programs oriented to get unemployed workers back to work. For example, this includes retraining programs and subsidized employment. A higher index number indicates more expenditures. The United States scored 3.2, the United Kingdom a 6.4, France 8.8, and Germany the highest at 25.7 (Nickell, 1997).

To summarize, the German working class enjoys not only a higher degree of relative equality, but also greater protections of labor. This combination serves as grounds on which it could be argued that German workers have achieved the most gains relative to workers in the other countries. The reason for this is that absolute living standards may or may not result from economic forces such as GDP (an issue to be examined later). However, equality and labor protections seem to be variables which can be manipulated by class actions. If so, then high levels of protection and equality may be indicative of greater worker achievements. The actual strategies and variables affecting achievements will be examined in the next section.

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French workers rank second in terms of labor protections, as they did using indicators of equality. The United Kingdom, which ranks third in reference to equality levels, also ranks third in labor protections. America ranks last, using both equality and protection measures. What is interesting to note is that all countries had levels of labor protections analogous to their degree of egalitarianism.

In addition to the above, the reader should be familiar with two concepts that are referred to in later sections and are very important indicators of labor rights and protections. The first concept is corporatism. This term was originally developed by German political scientists to describe the relationship between labor and political institutions as they were developing in their country. Thus, although Germany is not the only nation with this characteristic, it nevertheless was among the first to experience it. In general terms, corporatism can be understood as a form of cooperation between three major actors in the economy. The first is employer groups, usually through national associations, which coordinate the expression of capitalist interests in the production process. The second is labor organizations, such as unions, typically at a national level, which represent workers' interests. And the third party is often the state, which usually functions as a mediator. The goal of corporatism is often to set government and business policies in a way that is considered fair to both private parties while not harming the overall macro-economy of the country. In my opinion, the significance of this concept is in that each party recognizes the legitimacy of the others' demands in an effort to compromise on equitable solutions. However, I believe much of the quality of the negotiation outcomes would depend on the power behind the negotiating parties.

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Some difficulties with corporatism, though, are that there really is no standard definition, it is difficult to quantify the institutional arrangements into a comparable index, and the combination of political and economic institutions into one measure makes creating an index even more problematic (OECD, 1997a). For example, Lehmbruch gives three common definitions of corporatism:

- the existence of strong centralized organizations of employers and worker representatives with an exclusive right of representation;
- the privileged access of such centralized organizations to government; and
- social partnership between labor and capital to regulate conflict over interests, and co-ordination with government. (quoted in OECD, 1997a, p. 69)

According to the OECD (1997a), there are also two other related concepts which are sometimes used as a proxy of corporatism. One is centralization, referred to as the structure of wage setting in the economy. This can be at a national level through national groups for the whole economy (centralized bargaining), at the industry level (intermediate bargaining), or at the firm level (decentralized bargaining). The other concept is co-ordination, referring the extent of consensus between the negotiating parties whether at a centralized or decentralized level. For example, based on 19 OECD nations, the ranking of Germany, France, the United States, and the United Kingdom in terms of centralization and co-ordination was as follows (note that a smaller value indicates a higher rank i.e., more centralization or more co-ordination):

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Country	Centralization			Co-ordination		
	1980	1990	1994	1980	1990	1994
France	8	8	5	13	10	9
Germany	8	8	5	1	1	1
U.K.	8	14	14	15	16	16
U.S.	17	17	16	18	17	16

(Source: OECD, 1997a, p. 71)

Thus, we see that Germany has the highest levels of co-ordination, followed by France, the United Kingdom, and America. Both Germany and France are highly centralized, followed by the United Kingdom and America. Therefore based on these "proxies" of corporatism, we could argue that Germany exhibits the greatest degree of corporatism, followed by France, the U.K. and the United States.

The other major concept which the reader should be familiar with is co-determination. To define co-determination, though, we first need to explain what works councils are. The council members are elected workers. Works councils are often mandated by law (as in France and Germany but not in the U.K. and do not exist in America) for firms of a certain size but they are NOT unions, although in southern Europe they may act as such. This means the councils cannot negotiate over wage issues (as in Northern Europe) and are often required by law to seek cooperation with employers (Rogers & Streeck, 1994).

An important difference between national works councils is whether they are given codetermination in addition to rights of consultation and information. When only

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consultation and information rights are provided, the councils still have a large amount of power within the production process that greatly empowers workers. For example:

> Works councils laws invariably obligate employers to disclose to the council information about major new investment plans, acquisition and product market strategies, planned reorganization of production, use of technology, and so on. And council laws typically require employers to consult with the council on workplace and personnel issues, such as work reorganization, new technology acquisition, reductions or accretions to the work force, transfers of work, overtime, and health and safety. (Rogers & Streeck, 1994, p. 100)

When works councils are given codetermination they become even more powerful labor institutions because codetermination requires that employers obtain approval for certain decisions from the councils. Should the council refuse to approve, it can mount legal action challenging the employer. Therefore, the laws provide resolution mechanisms such as arbitration, grievance committees, and special labor courts. Germany is an excellent example of a country with works councils enjoying codetermination rights:

> German works councils enjoy information rights on financial matters [along with the mentioned information and consultation rights] ... In addition, however, they have codetermination rights on such matters as principles of remuneration, introduction of new payment methods, fixing of job and bonus rates and performance-related pay, allocation of working hours, regulation of overtime and short-time working, leave arrangements, vacation plans, suggestion schemes, and the introduction and use of technical devices to monitor employees' performance. They also enjoy prescribed codetermination rights on individual staff movements, including hiring, evaluation, redeployment, and dismissal, and the right to a "reconciliation of interests" between the council and the employer on a wide range of other matters bearing on the operation of the firm. (Rogers & Streeck, 1994, p. 101)

When talking about "reconciliation of interests" it is important to note this means workers also have power over closures and relocations in parts or all of the company

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plant and even what is produced! Consequently, codetermination indicates extensive workers' power which has taken institutional form. Even in the absence of codetermination, works councils in of themselves are indicative of higher levels of institutionalized workers' power, given their right to access company information. This is the case with the French works councils. In France, they are given rights to information and consultation but not codetermination. Thus, although French works councils are not as strong an institution as as are the German works councils, they nevertheless offer more power and protection to labor than is available to workers in the United Kingdom and America. Specifically, the United States is characteristic in its lack of such works councils and codetermination rights both in law and practice. As such, America has lower levels of institutionalized working class power. In the United Kingdom, although some forms of works councils may be found, there is no legal framework.

Another point in regard to works councils and codetermination, as will be seen, is that this institutional power was not "handed" over to workers by the capitalist class. Instead, works councils and codetermination rights, where they exist, have been won through high levels of violent conflict. When labor was successful in the conflict it obtained these rights. Thus, it is through labor's own actions that this institutionalization of power was achieved. If any workers in America were to make this demand, it would be greatly opposed by employers and probably even by the state, indicating the weakness and backwardness of American labor relations. The implication of this has been made clear, as will be seen later, by the company relocations to low-wage nations overnight

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without any notice to their labor forces.

Finally, individual European nations differ from the United States regarding national labor protections and they also differ at a combined aggregate level. By this I am referring to the European Union (E.U.) and the set of "super-national laws" originating from the Euro-bureaucracy/institutions. For example, the European Union has a "Social Charter" of basic social rights. Regardless of the specifics, the pure existence of such a charter is significant in and of itself when compared to an America that does not have a comparable comprehensive "Bill of Social Rights."

This European Charter was originally developed in February of 1989 when the Economic and Social Committee presented the European Commission with the "European Charter of Basic Social Rights" at the latter's request. Interestingly, the drafting committee consisted of representatives of farmers, small and medium businesses, larger employers, workers, and professionals. The proposal was passed by a vote of 135 to 22 in the Commission. In May of 1989, the European Parliament was presented with a preliminary draft, and in December of 1989 it was finally made into law (The Social Dimension, 1990).

The Charter primarily outlines the social rights of workers, employed or self-employed, within the E.U. The major provisions are summarized as follows:

1. The right to freedom of movement. This means that workers of any member state can work in any other member state and enjoy the same working privileges as those offered to all workers of the host nation. This is similar to America's Article IV of the Constitution, by which citizens of all states are entitled to all the privileges and immunities of citizens

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in the several states.

2. The right to employment and remuneration. This is one of the most striking and ground-breaking principles, given the specific rights contained in it. For example, employment and fair remuneration are specifically considered to be a worker's right. Also, remuneration is specified in terms of a decent basic wage, unlike the American minimum wage, and an equitable reference wage for non-full time permanent employment. The latter is particularly impressive, given America's tremendous move toward part-time and contingent employment at fractional wages of the full-time equivalent with no benefits. Lastly, the principle outlines a right to "the maintenance of adequate means of subsistence in the event of attachment of wages" (The Social Dimension, 1990, p. 83).

3. The right to improved living and working conditions. The provisions deals with issues such as maximum working hours, part-time and temporary employment, rest periods, annual leave, and other labor regulations.

4. The right to social protection. Social protection is defined as a guaranteed minimum wage or social assistance to persons who lack adequate means or who are excluded from the labor market.

5. The right to freedom of association and collective bargaining. The right is similar to what was offered American workers in the Wagner Act of 1935 (National Labor Relations Act); namely, that workers have the right of self-organizing and collective bargaining with employers. However, in America, unions lose much of their power under U.S. legislation because they must agree to arbitration in case of fundamental

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disagreements preventing the signing of a contract through collective bargaining. The European Charter, in contrast, states "in the event of conflicts of interest, [workers have the right] to resort to collective action such as, for example, strikes" (The Social Dimension, 1990, p.84). Thus, strikes, the ultimate weapon of labor, are recognized as legitimate and are protected. There is in a sense no "de-toothing" of labor as in America.

6. The right to vocational training. We have already seen, for example, that America lags behind most countries on retraining and vocational expenditures.

7. The right of men and women to equal treatment. This provision goes beyond equal pay for equal work and includes equality to occupational access, education, training, promotions, and social protection.

8. The right to worker information, consultation and participation. "This principle covers the right of workers ... to be informed and consulted about major events affecting the life of [workers] ... and likely to have an impact on working conditions and the maintenance of employment" (The Social Dimension, 1990, p.84). Of all rights this is perhaps the most "revolutionary" break-through for labor. Here we see the acknowledgment that "private" enterprise has a social dimension which gives society as much right over fundamental business decisions as is given to those who claim private property rights. In other words, this is an admission of the social character of production. In America, there is no law or any stated right allowing for workers to be notified of major business decisions, and consultation of workers is practically unheard of. In fact, the opposite tends to be the norm--for example, workers arriving at a plant in the morning only to find a sign reading "Closed, moved to Mexico."

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9. The right to health and safety protection at the workplace.

10. The right of children and adolescents to protection.

11. The rights of elderly persons; for example, that people of retirement age are entitled to a livable pension that provides some dignity.

12. The rights of disabled persons.

Overall, the United States does not have a social bill of rights. Instead, those provisions that do exist are scattered across numerous pieces of legislation and regulations. Also, when such rights are provided for in America, they tend to be watered down and usually privilege business considerations over workers' interests. This is exemplified by what Sibert (1997) and Nickell (1997) refer to as the more "flexible" labor environment of America relative to the "rigid" labor environment of Europe due to these very institutions protecting labor. Also, such legislation in America tends to be based on "individual" rights, making it harder for workers in America to pursue these rights if they lack sufficient resources, whereas workers in Europe have these provisions stated as class or group rights. Finally, as regards the enforcement of the European Social Charter, it is primarily left to the Member States; this can be a source of weakness and variation. But, given the subsidiarity principle, the E.U. has the limited right to act when its aims are reached more efficiently at the European level rather than the Member State level (The Social Dimension, 1990).

In addition to the institutional protections afforded to the working class in Europe, we should also mention institutionally provided benefits. Based on Freeman (1994), Europe as a whole provides 12 legal public holidays, whereas America provides 8-10.

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Europe provides an average of 4 weeks of paid annual vacation by law. In the United States, there is no statute on vacation. In Europe, sick leave can last up to 54 weeks with 62% of wages being paid for this duration by law. America has no sick leave statute. Europeans offer a maximum of 18 weeks of maternity leave at 89% of wages throughout the duration, again, by law. America only recently passed legislation offering 13 weeks maternity leave in opposition to the employers' lobby, but with no pay. 72% of Europeans are covered by law with severance pay, but there is no such statute in America. Lastly, unemployment insurance covers Europeans for 16 MONTHS at 47% of wages. In America, unemployment insurance lasts six months at 50% of earnings.

However, despite all of the protections and benefits of labor in Europe, it should be acknowledged that these protections, along with the institutions upholding them, have been under attack since the 1980s. Scholars of opposing camps, disagreeing with one another over certain issues, are in agreement regarding these erosions (Siebert, 1997; Howell, et al., 1998). For example, in Germany:

> Unemployment benefits were slightly scaled back in 1982 and were reduced marginally again in 1994. The Employment Protection Act of 1985 allowed temporary work contracts of up to 18 months, and these provisions were later expanded in 1996. In 1986, it was ruled that unemployment benefits would not be available at all for workers temporarily underemployed due to strikes in the same industry. Caps on the increase in social health care costs were passed in 1989, 1992 and 1996. (Sibert, 1997, p. 42)

In other European countries, though, the reversal was even more dramatic. A good example is offered by the United Kingdom; not surprisingly, it all starts with the name "Thatcher":

> With the arrival of the Thatcher government in the 1980s, British labor movement

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> institutions were reshaped. A series of laws throughout the 1980s weakened union power by extending the grounds for refusing to join a union; enacting limits on picketing; prohibiting actions that force contracts with union employers; requiring ballots for union elections and for unions to hold political funds; strengthening employer power to get injunctions against strikes; and extending individual rights to work against a union. By 1990, the closed union shop and the secondary strike had been effectively abolished in Britain. As legislation reduced the power of trade unions, membership declined. Wage councils were eliminated. Employment protection legislation was weakened; for example, a 1985 law said that to be protected under the law against unfair dismissal, one had to have been employed at that job for two years, not just one. There was a continuous decline in how much wages would be replaced by various benefits from 1980 into the early 1990s. ... After 1996, the duration of unemployment benefits was reduced from one year to six months. (Sibert, 1997, p. 43)

Conclusion

Having reviewed both absolute and relative measures of living standards, we come to the following conclusions. First, the working class of the United States is better off in absolute materialistic measures. However, the lower half of this class is not faring as well as those in Europe. Generally, though, it could be argued America is, in fact, a consumer oriented society. This is exemplified by both the high value for the indicators of material wealth and by an Average Propensity to Consume that surpasses those of Europe. For example, America has consistently recorded twice the levels of energy consumption of other countries. This measure is significant due to its implications of both a greater variety and number of energy consuming products. In addition, based on a representative sample of consumer goods such as televisions and automobiles, the United States leading levels have remained unchallenged.

Second, in terms of relative living standards or relative equality, the situation is reversed. The lower 20 and 40 percents of the European populations enjoy distinctive

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advantages over Americas' working class. This has been exemplified primarily by the relative percentage of income shares received by each quintile in Germany, France, America, and the United Kingdom. In addition, the overall levels of government social spending and redistribution programs are significantly and consistently greater in all three studied European countries relative to the United States. This measure is of added importance, given that such social spending proportionately benefits the working class (employed or unemployed) more than any other social group. For example, anti-poverty programs by definition target the most disadvantaged of the working class, social security is not relied on by the middle or upper classes, who typically plan retirement through stocks, bonds, trust funds, and numerous other financial instruments beyond the reach of most workers. Also, social spending includes public health care which primarily impacts the poor and disadvantaged rather than the middle or upper classes. The only prominent exception in the area of social spending is in education. In this area, the United States has clearly expended more relative to Europe. This may imply that "opportunities" for the children of the working class are greater in America since education and access to it have been correlated with higher economic life opportunities (the author included).

Lastly, we notice the impact of having more material goods at the expense of greater egalitarianism. Due to the lower levels of social spending in America (i.e., on public health care), infant mortality rates are higher and life expectancy lower in comparison to the European nations. On the other side of the coin however, the Germans, the French, and the English all have lower material wealth but longer lives, lower infant mortality, more health services, more safety nets, and lower poverty rates. In addition,

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the poorest half of the American working class not only forgoes such European relative advantages but also the materialistic advantages of the United States itself. This is exemplified by this group's lower purchasing power in comparison to the poorest half of European working classes. Thus, in order to be more accurate, it is the upper half (second quintile) of the American working class that is materially better off than any other working class segment both nationally and internationally.

The next task at hand is to examine what factors explain the living standards and levels of equality in these countries. Through such an examination, it is hoped that we may discover how, if possible, workers can improve their situation. Thus, I am interested in whether human agency can affect living standards and equality. If the answer is affirmative, then we should seek out what strategies can be followed. If the answer is negative, we can ask if it is faceless economic forces that determine social economic structure. For these questions and answers we turn to the next chapter.

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Factors Affecting Living Standards and Equality

> Whereas universal and lasting peace can be established only if it is based upon social justice; And whereas conditions of labor exist involving such injustice hardship and privation to large numbers of people as to produce unrest so great that the peace and harmony of the world are imperilled; and an improvement of those conditions is urgently required; as, for example, by the regulation of the hours of work including the establishment of a maximum working day and week, the regulation of the labor supply, the prevention of unemployment, the provision of an adequate living wage, the protection of the worker against sickness, disease and injury arising out of his employment, the protection of children, young persons and women, provision for old age and injury, protection of the interests of workers when employed in countries other than their own, recognition of the principle of equal remuneration for work of equal value, recognition of the principle of freedom of association, the organization of vocational and technical education and other measures; Whereas also the failure of any nation to adopt humane conditions of labor is an obstacle in the way of other nations which desire to improve the conditions in their own countries; (Preamble to the Constitution of the International Labor Organization)

From the preamble to the International Labor Organization we are told that "peace" can be established only when based on "social justice." In other words, conflict results in the absence of justice. But, what is "conflict," and what "justice."? Let us start with the latter. Plato tells us in the *Republic* (1991) that justice is a state of mind, a well ordered soul in pursuit of knowledge in which reason rules over the other parts. Thus one is in harmony with one's self. By this criterion, we are surely a very unjust society pursuing worldly gains that result in serious imbalances in our souls.

Here, though, the meaning of justice is somewhat perverted to mean dignity and equality of material opportunities and conditions. In the absence of such a condition, we have the lack of peace which is conflict. As old Nick advised the *Prince*, "above all [do

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not] confiscate people's property, because men are quicker to forget the death of a father than the loss of a patrimony" (Machiavelli, 1992, p.46). I would interpret the phrase to mean that people will engage in conflict over material gain rather than ideals or principles. Perlman has made a similar observation, noting that intellectuals assume labor will adopt their own ideological views when, in fact, workers are mostly interested in their opportunities for employment and thus material life (1928). The AFL also demonstrated the materialist mentality of workers given its success under the leadership of Gompers, who advocated political neutrality and business unionism back in the late 1800s--a philosophy unaltered by American labor unions to this day. Thus, we come to the concept of conflict. As will become apparent later, it is pivotal to clarify the theoretical framework of conflict that will inform the current work.

As presented in the preamble, conflict is interpreted as having economic dimensions. Such a statement seems clear enough, but it is by no means simple. Specifically, there are two broad theoretical perspectives on the issue of conflict, both of which are ultimately theories of social stratification. The first follows the Marxist tradition and is known as critical theory. The second follows a Weberian heritage and is called analytical conflict theory. We begin with a brief description of critical theory. According to the most popular exponent of this perspective, Karl Marx, conflict *may* have multiple causes, but it is primarily a natural outgrowth of the economic dimension of stratification. Marx argued that conflict emanates from the social structure within which the interests of "social classes" clash with other "social classes." In capitalist society, this economic clash of class interests over the distribution of labor's surplus value is

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predominantly usurped by owners of the means of production--the bourgeoisie/capitalist class--at the point of production. Thus, the means of production lead to a given mode and relations of production characterized by exploitation. The world view adopted is definitely one of scarcity among abundance (one of capitalism's contradictions). Clearly, this is a theory based on material relationships; ergo, the term "historical materialism." Also, given the nature of conflict over material resources, I believe *relative gains/equality should indicate the successful class within this conflict, while absolute levels of material wealth are probably mostly indicative of a society's material stage of development in terms of its productive forces.* Other prominent authors who have followed this tradition include C. Wright Mills, Domhoff, Bourdieu, those of the Frankfurt school such as Habermas, and others whom we will review later in the section on SSA theory. Although these later theorists have expanded on Marx's work, they still remain in the camp of critical theory.

The second school of thought is based on or shares Weber's argument of social stratification. Thus, although Weber agreed with Marx on economics being an important dimension of stratification, calling it "class," he disagreed as to whether it was of primary importance. Weber identified multiple dimensions of stratification, as is shown in his famous essay "Class, Status, Party" in Gerth and Mills (1958). Thus, "status" or degree of social esteem, and "party," such as political power, are mentioned as major sources of stratification that can be separate from economic sources of power and from one another. For example, a priest may have high status but little to no political or economic power. A party boss may have power but not high social esteem, etc. Other theorists writing within

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this tradition include Ralf Dahrendorf, Lewis Coser, Randall Collins, etc.

Within analytical theory, the intensity of conflict is affected by the existence of multiple stratifying dimensions. For example, the fundamental singular cleavage point in Marxism implies a very high intensity of conflict because class conflict is understood by the participants as holistic, determining all important dimensions of life. Analytical theorists, however, have identified what Marx missed--namely, the existence of multiple associations. Accordingly, modern workers do not see their lives as being primarily characterized by their status as workers. Rather, workers have obtained simultaneous multiple statuses (i.e., of congregation member, landlord, member of various organizations, etc.) outside of industry. As persons with multiple statuses, they do not see conflict in one area of their lives (i.e., industry) as determinative of the totality of their existence. Therefore, conflict is reduced in intensity and spread out over many social dimensions (Dahrendorf, 1959).

My work adopts the critical perspective. Thus, I argue that despite multiple associations and stratification cleavages, one towers over the rest for most people of most societies: opportunities for material wealth. The reason has become clear once more in recent decades during the economic deterioration of the condition of working classes internationally. We see this by looking at GDP Share of Households Per Capita for the bottom 20% of populations (Table 1). Here the bottom 20% of the population in France and the United Kingdom saw its share of GDP decline from a high point in 1978. As for the United States, authors such as Mishel, et. al. (1997), Aronowitz (1992), and Harrison and Bluestone (1988) all argue that working class living standards have, in fact, declined

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since the late 1970s because wages have not kept up with the cost of living. For example, in order for a working class family to maintain a comparable standard of living in the 1990s to that of the 1960s requires two full-time workers (and in many cases even more working family members) versus a single wage earner in the 1940s-1960s.

Therefore, working class life is, in fact, primarily determined by one factor; and that is economic stratification. For example, workers who lose well paying jobs may also lose the houses that gave them status as landlords, their ability to participate in other social activities requiring money, and so on. Had we been living in a Platonically "just" society, material wealth would not have any significance relative to the stratification of society. Instead, intelligence and love of knowledge would serve as stratifying variables. In our actual societies, though, people's minds are governed by the animal rather than the reasoning part, leading to the perverse materialistic and superficial nations in which we live. Thus, human nature has erected the capitalist cage and the "worshiping of false Gods."

In this chapter, I identify those variables that contribute toward the materialistic goal of the working class because material goals are considered to be of primary importance to workers as an indication of the existence or lack thereof of social justice. Consequently, conflict is primarily over material *distribution*--regardless of *absolute* levels as originally argued by Marx--rather than over variables such as status (Weber) or authority (Dahrendorf, 1959) *unless* status and authority are considered means toward the end goal of material wealth. Having established what the nature of societal conflict is mostly related to, we now turn to examining the intensity of conflict as demonstrated by

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its typical manifestation: violence.

Human animals are not capable of forgoing goals to which they are closely attached. Thus, when the interests of two classes clash with one another, we should not expect peaceful compromise. Instead we should expect all-out violent conflict. For example, when two dogs spot a piece of meet they both desire to have it. Regardless of the size of this meat, though, the each dog wants it all for himself or herself even if it can adequately feed both. Which dog gets the meat? Surely it is not the one that reasons best or which, necessarily, has the greatest need. Rather, the meat goes to the dog which is more effective in violent confrontation whether it involved an actual attack or not. Thus, distribution is dependent on the effective use of violence instead of reason. The victorious dog does not let go of the meat even if it is not hungry despite the cries of the loser, who may truly be in need of this nutrition. This is the pure animal nature of biological beings.

Basing my hypothesis on the example of the dogs, I postulate that working class goals are basically determined through class conflict; even more specifically, that it is the degree of "violence" used which determines the effectiveness of achieving working class goals; and that the rich will not hand over wealth simply because workers ask or reason with them unless they are forced to do so through either the *direct use* or the *threat of* violence. I must clarify what is meant by "violence" here, since the term as used sociologically does not match the dictionary definition. I borrow from Ralph Dahrendorf (1959) and define/describe violence as follows:

The violence of conflict relates rather to its manifestations than to its causes; it is

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> a matter of the weapons that are chosen by conflict groups to express their hostilities. Again, a continuum can be constructed ranging from peaceful discussions to militant struggles such as strikes and civil wars. ... The scale of degree of violence, including discussion and debate, contest and competition, struggle and war, displays its own patterns and regularities. Violent class struggles, or class wars, are but one point on this scale. (p. 212)

Thus, I am establishing that a high degree of violence does not necessarily imply revolution, but that it can be manifested through *strikes*; think of the dog showing its big teeth without necessarily using them. Also, a low degree of violence is manifested through institutionalization of class conflict. "[I]t [institutionalization] invariably has the latent function also of inaugurating routines of conflict which contribute to reducing the violence of clashes of interest" (Dahrendorf, 1959, p. 65). According to Dahrendorf: "In industry, these [forms of institutionalization] include collective-bargaining bodies of many kinds as well as systems of conciliation, mediation, and arbitration. In politics, legislative bodies and courts of law serve similar functions. All of these forms help to convert strikes and civil wars from an exclusive weapon of conflict to an *ultima ratio* of the contending parties" (1959, p. 67). Lastly, although employing a critical perspective, I still use Dahrendorf's definition of violence because, as he admits above, violence relates to the manifestation of conflict, not the cause, over which he and I may disagree.

In addition, violence is closely related to power. It is power which ultimately determines the chances of success. We can understand power as "the ability of persons or groups to impose their will on others despite resistance through deterrence either in the forms of withholding regularly supplied rewards or in the form of punishment" (Blau, 1992, p. 117). With this definition, it is implied that power rests to an extent on the

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control of resources. Thus, it is resources which enable a group to provide or withhold rewards. Of course, the group which does not have access to these resources can voluntarily choose to do without, thus not being under external influence. In capitalist society, though, we know that control of resources is dependent on the concept of private property. For example, the capitalists' factories belong to them. Workers, however, do not have the ability to do without capitalist rewards (i.e., wages) because workers do not own any significant means of production. In addition, control of the means of production enhances control of the state by the capitalist class and therefore the legitimate means of violence. From this it becomes clear that for workers to become independent from the control of their employers they must take over the means of production since they cannot survive otherwise. Therefore, the tendency of workers during mass strikes to self-direct production indicates efforts toward independence and improved living standards. The success, though, of such attempts rests on the power of workers to overcome the state power of employers. In other words, workers must secure power over the state in order to promote their interests. This may also require an ability to "back" political power by raw power (e.g., physical confrontation through strikes in the labor markets).

Consequently, strike periods *may* or *may not* lead to working class successes. If strikers overcome the power of employers, new productive relationships will emerge (i.e. a new capital-labor accord, favoring labor). If strike activities are defeated, then the emerging capital-labor accord will favor capital to the detriment of working class interests. This is, in fact, a major argument put forward by the Social Structures of Accumulation (SSA) theory that will be examined in later chapters.

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I therefore ask whether equality and living standards are mostly affected by the degree of violence used as an indicator of class power. Thus, I look at the variables affecting equality and living standards through two separate aspects of violence. The first measure is a High Degree of Violence, and the second is a Low Degree of Violence (institutionalized / political conflict). Of course nations simultaneously exhibit both forms of high and low violence, but *I examine whether one matters more than the other.* My measure of a Low Degree of Violence is based on two broad types of empirical indicators. The first is related to unionization and bargaining. Thus, I ask how does unionization differ in these nations: 1) What is the degree of union density (membership) and of union coverage (workers covered without being members)? and 2) Is collective bargaining implemented and what form does it take? The second institutional indicator is related to politics. Specifically, what is the electoral strength of the Communist, Socialist, Conservative, and Liberal political parties in national elections? Thus, I examine whether political means are significant as a strategy to improve the working class's living conditions. My measure of a High Degree of Violence will be based on the following empirical indicators dealing with strikes: 1) What is the frequency (number) of strikes in each nation? 2) What is the magnitude of strikes (number of workers involved and lost hours of work due to labor disputes)?

A skeptical reader, though, may ask if cross-national differences are better explained by purely independent economic forces. For example, it may be the gross domestic product which mostly explains living standard differences. I, therefore, test an alternative hypothesis: Is it economic growth that mostly explains the condition of

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national working classes? With this alternative hypothesis I test if working class actions matter at all (e.g., strikes and political participation) or whether there exists a certain economic determinism within the capitalist system which renders human agency irrelevant. My empirical indicator of independent economic forces and level of growth is the Gross Domestic Product per Capita.

We begin with the question of institutional versus non-institutional factors. Clearly, officially recognized negotiating bodies such as unions and participation in the political process are examples of the institutionalization of conflict. Accordingly, as mentioned above, the degree of violence used should be minimized through the use of these "official" channels in which all parties recognize the legitimacy of one another (Dahrendorf, 1959). On the other hand, strikes are obviously not institutional unless a union issues a scheduled list of regularly planned strikes, which would be absurd (except in the case of Greece or Italy). Thus, although there may be some institutional regulations in contract clauses regarding strikes, the occurrence of strikes are nevertheless indicative of a breakdown of institutional channels of communication and negotiation. For example, Brecher (1997) argues that the common thread between mass strikes is the challenge to existing authorities, workers' tendency to self-direct themselves, and the development of worker solidarity. Since workers do not own the means of production, mass strikes aim toward the control of production. This means replacing society's power holders (i.e. managers), which defines mass strikes as a revolutionary process. Consequently, strikes should be considered examples of a non-institutional higher degree of violence. The ultimate expression of institutional breakdown and thus non-

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institutionalized conflict are social revolutions, unrest and violence. However, the infrequent occurrence of explicit social revolutions, for whatever reasons, makes them unreliable as a variable that can be included in multivariate testing. Thus, strikes are used instead as an indication of non-institutional revolutionary conflict.

Here, then, is the burning question: Are institutional channels effective for the achievement of working class goals? In other words, can the working class improve its lot by working within the official system (e.g., through politics)? The question is not new. In fact, it was a major source of intense debates among leaders and scholars of the left in the late 19th century. Thus, it is this very question which led to multiple ideological divisions among the left, including Bernstein's socialists, the anarchists of Spain, the syndicalists of France, and many others. Since those times, the debate has tapered off with the de facto victory of the socialist non-revolutionary approach as evidenced by the parliamentary roads chosen by virtually all major left wing groups. Personally, though, I believe the question is not settled. We see this with the coming of what some call the second transformation, as in the work of Karl Polanyi (1957). Accordingly, we are now experiencing a great transformation of both world and national SSAs (discussed in a later section), leading both to attacks by capitalists on labor protections and living standards and to a historically alarming inequality. Authors who have written about these developments include Mike Davis in his "Prisoners of the American Dream" (1986), Michael Harrington in his "The New American Poverty" (1985), Stanley Aronowitz in his "False Promises" (1992), Bennet Harrison and Barry Bluestone in their "The Great U-turn" (1988), Bogdan Denitch in his "After the Flood"

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(1992), and Mishel, Bernstein, and Schmitt in their "The State of Working America 1996-1997" (1997). If these developments are true, then what happened to democratic participation and unionism as effective means of achieving working class goals?

For example, Lipset (1994) was quick to pronounce the end of ideology and the victory of economics siring an array of works with this theme. Dahrendorf (1959) wrote:

> It has proved possible for industrial society to get along with the clashes of interest arising from its industrial and political structure-and it has proved possible for interest groups to get along with industrial society. Instead of a battlefield, the scene of group conflict has become a kind of market in which relatively autonomous forces contend according to certain rules of the game, by virtue of which nobody is a permanent winner or loser. (p.67)

It is interesting to note that both authors originally wrote these works in the early 1960s, a period through which most industrial nations prospered and in which living standards rose dramatically across the board. This should serve as a warning to all authors that history does not "end" and that we should be careful of statements proclaiming permanent truths. Thus, during the 1970s, 1980s, and 1990s, the industrialized nations experienced a trend of limited economic growth and thus stagnation/attacks on working class standards and labor protections from which we have yet to recover. This led Offe (1985) to question theoretical claims such as the above. He argued political and bureaucratic institutions in modern society have become more responsive toward competing groups which can "voice" their demands. However, since the working class suffers from numerous fragmentations it lacks a cohesive "voice," unlike capitalist interests which are cohesively articulated. Thus, Offe claims that there is a structural privileging within capitalism of capitalist interest over worker interest, resulting in a

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permanent winner within class conflict, in contrast to Dahrendorf's argument. Thus, institutions such as political institutions and the rules of the game are questioned by the working class as to their legitimacy. Therefore, the question as I see it becomes whether institutional factors or violence contribute more or less toward working class goals.

Given this brief theoretical treatment of the importance of institutional versus non-institutional factors, we now turn to modern statistical research methods. Accordingly, based on the empirical data, we examine whether the facts confirm or disprove the validity of theoretical arguments regarding institutional strategies toward the advancement of working class goals. I begin with a review of related works by other researchers.

A good overall example of a comparative study approximating my own is that of Muller (1988), although his is much more limited. Muller's work focuses on the issue of income inequality. Specifically, he uses multivariate analysis to argue that the years and trends of democracy within a nation reduce income inequality. The author explaines his hypothesis by assuming inequality is reduced gradually in democratic regimes through transmitting "voice" institutions. Thus he uses years of democracy as an empirical indicator of the impact of unions and political participation. Therefore, Muller's work is an example of my indicator of non-violent institutional conflict. He finds the anticipated negative relationship between democracy and income inequality, but he does not specifically test the effects of unions and political parties as I am doing. Also, the author does not test the impact of these institutional means on other indicators of equality and living standards as is done in this study, (i.e., on poverty, unemployment, life expectancy,

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etc.) In addition, the researcher compares non-democracies to democracies, whereas I examine the impact of independent variables within democracies themselves. Lastly, Muller does not consider the issue and impact of violence as through strikes as I do. Thus, it could be possible his findings reflect the impact of class violence at a high level rather than institutional mechanisms. My work will consider such possibilities.

In terms of poverty, Smeeding (1992) has argued, as have many other authors, that this variable is very difficult to measure for the purpose of cross-national comparisons. Are we looking at absolute or relative poverty rates? If we are looking at absolute poverty rates, we encounter problems related to different national economies and cultures. For example, a low absolute income in a certain nation may actually purchase more than a higher income in another country. If we are looking at relative poverty, then those above the poverty line in one country may actually be considered poor in another country, which complicates things. In general, though, most authors, including Smeeding, believe relative poverty measures are a better measure for comparative purposes. However, even when using this measure we run into many problems. Specifically, countries differ dramatically in the methods by which they derive their poverty statistics. Some may or may not include one or another form of assistance in the calculation of poverty, etc. Smeeding himself, though, argues that the poverty data available from the Luxembourg Income Study (LIS) is adequate for cross-national comparison purposes.

Using data from the LIS for the 1980s on the United States, Canada, Australia, the United Kingdom, Sweden, Germany, the Netherlands, and France, he found that poverty

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in all nations was lower than that in the United States because of greater tax and transfer programs. Specifically, Smeeding looked at pre-tax and transfer poverty rates with the poverty line defined as the percentage of people below 40% of median family income. He then compared these figures to the after-tax and transfer poverty rate defined as the percentage of people below 40% of adjusted (after taxes and transfers) median family income. The logic was that pre-tax and transfer poverty would reflect the poverty generated by each national market. The after-tax and transfer rates would thus indicate the impact of social expenditures on poverty rates. Interestingly, only Canada had a lower pre-tax poverty rate at 17.1% than America at 19.9%, and the Australian rate at 19.1% was comparable to that of the United States. The rates for the other nations were: Sweden (25.9%), Germany (21.6%), Netherlands (21.5%), France (26.4%), and the U.K. (27.7%).

The post-tax and transfer rates showed all of these nations had achieved low single digit poverty rates with only the United States remaining at a double-digit rate of 13.1%. The findings were comparable for all groups of people, such as people aged 65 and over, adults 18 to 64 years old, children under 17, children in single parent families, and other children. Clearly, Smeeding's findings are indicative of a much worse off working class in the United States (the lower working class in particular). The point does not deserve justification since millionaires rarely qualify as "poor" by the very definition of poverty used here. The author argued, therefore, that social expenditures are an important poverty fighting tool based on the evidence he presented. He also made the particular point that all nations except the United States have universal health insurance

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for all citizens financed by taxes. This brings us to the next set of authors.

In their study, Korpi and Palme (1998) have also found that social expenditures tend to have a significant impact on poverty. The authors refer to the welfare state as an indicator of high or low levels of social expenditures and are primarily interested in how pension schemes are funded. Their main argument is that there exists a "paradox of redistribution" regarding poverty. The paradox occurs when a government that tries to focus benefits on the needy ultimately winds up giving very little to them. In other words, when benefits are targeted toward the poor (i.e., through means testing), as in the United States, the poor do not benefit. In contrast, when benefits are universally available to all citizens regardless of economic status, the poor seem to be better off.

The explanation of the paradox is found in politics. According to the authors, when benefits are means tested (targeted) the rich and middle classes that are excluded have political incentive to fight for smaller social expenditure budgets . Thus, those classes that have traditionally greater political power will use it to avoid paying for a tax bill that will finance benefits for people other than themselves. But, when benefits are universally available, then all classes benefit and the incentive to oppose larger social expenditure budgets is removed. This leads to better financing of programs which ultimately give greater benefits to the poorer citizens.

Specifically, the authors create a typeology of welfare states on the basis of entitlement for social insurance programs. Of the 18 OECD countries those from the mid (Austria, Belgium, France, Germany, Italy, and Japan) to the high (Finland, Norway, and Sweden) end of the welfare state spectrum had the highest levels of total benefit

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expenditures as a percentage of their GDPs in 1985. From these countries, comparable data on 11 of them showed the mid (France and Germany) to high (Finland, Norway, and Sweden) end nations on the welfare state spectrum had the lowest poverty rates as defined as people below 50% of median income, with the lowest rates in the high end welfare states. Thus, it is shown that social expenditures are a significant means through which to reduce poverty. In addition, universal coverage results in increased social expenditures because the middle and upper classes are given a political incentive to support budgets for these expenditures.

We now examine what relationships between unemployment, employment protections, labor standards, collective bargaining coverage, and unions other authors have found in their studies. According to Sibert (1997) and Nickell (1997), employment protections, labor standards, and collective bargaining contribute toward increased unemployment levels. These authors argue that the existence of these institutional protections and arrangements result in rigid labor markets. Accordingly, when labor markets become rigid, employers may be unable to hire more workers because the cost of labor increases due to these institutions. Also, employers may be reluctant to hire new workers for fear that it will be difficult to fire them once hired, due to labor protections and the power of unions.

Both authors make their case by pointing to a higher European unemployment rate arguably due to rigid labor markets, unions, and collective bargaining coverage. Of the two writers, only Nickell (1997) uses statistical techniques to test his arguments. Nickell used data on Austria, Belgium, Denmark, Finland, France, West Germany,

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Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, Canada, United States, Japan, Australia, and New Zealand from 1989 to 1994. His indicators of market rigidities are employment protections, labor standards, the benefit replacement rate, benefit duration, and active labor market policies. For employment protections he uses an index from 1 to 20 based on how strictly governments regulated the hiring and firing of workers, with 20 being the strictest score. For labor standards he uses an index from 0 to 10 to indicate how strict a country's legislation is regarding fixed-term contracts, working time, minimum wages, employment protection, and workers rights to representation i.e. through works councils. The benefit replacement rate indicates what percentage of income is replaced by unemployment insurance and benefits while the duration rate indicates how long the benefits last. Finally, active labor market policies measures efforts by the state to get people into jobs through training programs, etc. The author also considers union density rates (the percentage of the non-agricultural labor force that is in a union) and union coverage, which indicates how many workers are covered by union contracts whether they belong to the union or not. I myself use a number of these indicators from Nickell for my own statistical analysis.

Nickell finds that bargaining coverage and unemployment were positively and significantly correlated with a coefficient of 0.45 (0.0063 sig.). However, the benefit replacement rate 0.011 (0.005), benefit duration 0.088 (0.055), active labor market policies -0.24 (0.0087), and union density 0.012 (0.0063) all had small coefficients for total unemployment rates (as well as for the long-term and the short-term unemployment rates). However, these correlations were in the anticipated direction. Interestingly,

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though, employment protections -0.0032 (0.03) had an insignificant coefficient yet at a significant level and in an unanticipated direction. According to the author: "There is no evidence in our data that high labor standards overall have any impact on unemployment whatever. For example, if we add our labor standards variable to our unemployment regression it has a negligible and completely insignificant coefficient" (Nickell, 1997, p., 66).

Given Nickell's unanticipated finding for employment protections and labor standards, one can ask if rigidities cause unemployment or if it is possible for unemployment to lead to labor protections? Also, one can question the impact of unions and bargaining coverage based on the small coefficients reported by Nickell. Thus, according to Howell, et al. (1998), in many countries, labor market protections were implemented as a response to fears of unemployment in the 1970s. The authors also ask why European unemployment rates, which are attributed to labor protections, did not emerge sooner. In fact, European unemployment rates were lower than those in America up to 1984, but have been increasing gradually since. In addition, why have recent labor market reforms in European countries not resulted in lower unemployment rates? The authors specifically mention the case of the United Kingdom after the Thatcher reforms. Sibert (1997) had himself argued the United Kingdom under Thatcher dismantled much of the labor market protections, yet its unemployment rate was not affected.

Howell, et al. (1998) also point out that the existence of high union densities and broad collective bargaining coverage rates do not necessarily result in higher unemployment rates. The authors distinguish between corporatist and decentralized wage

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setting institutions. In the former, large union densities and wide bargaining coverage do not necessarily translate into any greater unemployment effects. This is true because, as Freeman (1994) also argues, large employer's associations, industry, and national level unions coordinate their actions so as to not harm the economy while obtaining uniform wage increases across firms and industries. For example, this is the case in Austria and the Scandinavian countries. Union density and broad collective bargaining coverage can lead to greater unemployment, comparable to that under decentralized systems (such as that of the United States) because of, among other things, "leap-frogging." This occurs when local unions try to obtain better contracts than those negotiated previously by other unions in order to gain prestige or increased membership. However, "the main point is that high levels of union density and collective bargaining coverage have not been shown to impair employment, as long as they are accompanied by a degree of coordination over wage setting among unions and employers" (Howell, et al., 1998, p. 46). In fact, Nickell's (1997) study, discussed above, confirms this argument, having found a significant negative coefficient at a significant confidence level -0.46 (0.087) between coordination and total unemployment. Furthermore, based on all of these authors' work, most of the European nations (excluding England) and Japan can be classified as corporatist. It is also important to note these corporatist nations exhibit a greater degree of left party activity.

Gottschalk and Smeeding (1997) have also found indications that although rigid labor market institutions may contribute toward unemployment, this is not necessarily so. "While unemployment rates in many OECD countries did increase during the 1980s to

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levels similar in the United States, the increases in aggregate unemployment rates were not unusually large in countries with more centralized labor markets. In fact, the increases in unemployment rates were much less profound in Nordic countries than in other OECD countries during the 1980s" (p. 659). It should be noted that the Nordic countries referred to by the authors generally tend to be classified in the relevant literature on the high end of corporatist/centralized bargaining systems.

Pooled regression analysis data for 1980, 1990, and 1994 presented in the *Employment Outlook* (OECD, 1997b) is in line with the findings of the above authors. In its regression model, the *Outlook* examined, among other things, the relationship between unemployment/employment rates and union density, bargaining coverage, centralized/co-ordinated bargaining systems, and intermediate bargaining systems. According to the *Outlook:* "The only statistically significant result is that centralized/co-ordinated countries have lower unemployment rates" (OECD, 1997b, p.76). This means that regardless of the correlation signs with bargaining coverage and union density, unemployment does not necessarily have to result, provided the systems of bargaining are corporatist, as they are in most European nations but not in the United States and the United Kingdom.

We now examine the variables found to be correlated with the income shares for the bottom 20, 40 and top 20 percents of the population as well as the Gini index of inequality. Howell, et al. (1998) found that in countries such as Germany and France that provide an inflation indexed minimum wage, which is reflected in our labor standards index, the earnings distribution gap is smaller. Specifically, wages of the 10th percentile

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increased relative to the median during the 1980s-90s. In contrast, wages for the very poor dropped in countries such as the United States and United Kingdom, in which minimum wages had been eroded. According to Gottschalk and Smeeding (1997), the erosion of the real minimum wage in the United States during the 1980s and after could account for as much as 30% of wage inequality.

The above point is made by Freeman (1994), as well, who writes "American men in the bottom decile earn just 38% of median earnings--barely half as much as Europeans in the bottom decile receive relative to the European median, and just 62% as much as Japanese in the bottom decile relative to the Japanese median. In contrast, men in the top decile do relatively better compared with the median in the United States than in other countries" (1994, p. 12). Based on the author's own calculations, this relative inequality also translated into *absolute levels of inequality* and lower living standards for the poorest of the working class in America. For example he found the bottom decile of Americans earned 45% of the wages of their German counterparts, half of that for Italians, and 54% of that for Norwegians.

Union density and collective bargaining coverage are also correlated with income shares and the Gini index. Again, union density indicates the percentage of non-agricultural workers who belong to a labor union. Collective bargaining coverage refers to the number of workers to which benefits of union contracts are extended even if they are not members. For example:

> In France and Germany, ministers of labor extend the terms of collective bargaining contracts signed between unions and employer federations to all workers and firms in a given area, including those that were not party to the

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> bargain. German law specifies that the national or state minister of labor can declare a settlement to be "generally binding" if companies employing at least half of the employees in the sector have signed the agreement and if the extension "serves the general interest." (Freeman, 1994, p. 20)

According to Howell, et al. (1998), when the gap between union density and bargaining coverage is small, the earnings differential of union members relative to non-union members increases. It can be argued that although the authors did not explicitly state this, that when coverage is low, employers or industries will pay higher union wages at the expense of either union jobs or non union wages. If so, smaller union densities combined with limited bargaining coverage would result in a "labor aristocracy" at one end of the spectrum and massive low-wage jobs on the other. This actually seems to be the case when looking at the United States.

> It is widely observed that the distribution of earnings is substantially more compressed in union sectors in all of the OECD countries. This compression in earnings is found to be largely due to the elevation of the lower end of the distribution. Many researchers have noted that those countries that experienced the most substantial declines in union density and collective bargaining coverage, such as the U.S. and the U.K., also show the largest declines in average earnings at the lower end of the distribution and sharply more unequal distributions of earnings. ... By contrast, in Germany, which experienced little erosion of union presence, earnings at all levels rose, with especially strong gains at the lower end of the distribution, resulting in a narrowing in the wage dispersion. (Howell et al., 1998, p. 59)

Also, Gottschalk and Smeeding (1997) write that in the United States, the decline of union density accounts for approximately 20% of increased wage inequality for males. Mishel, et al. (1997) mention that the drop in the value of minimum wage combined with lower union density accounted for roughly 1/3 of wage inequality during the 1980s and 1990s in America. In cross-national comparative terms, Gottschalk and Smeeding (1997)

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argue:

> The importance of centralized wage setting is often based on the observed negative cross country correlation between the degree of centralization or unionization and the trend in inequality. Almost all countries with institutional limits on market forces managed to have either small increases in inequality (France and the Nordic countries) or no change in inequality (Germany). At the other extreme, the United States and the United Kingdom, two countries with decentralized labor markets, experienced the largest increases in inequality. (1997, p. 657)

Finally, the *Employment Outlook* (OECD, 1997b) confirms the findings and arguments of the authors mentioned here. Specifically, the *Outlook* presented Spearman rank correlations between union density, collective bargaining coverage, centralized/co-ordinated bargaining systems, and unemployment/employment rates, inflation, real earnings growth, and earnings inequality for the years of 1980, 1990, and 1994. "The only consistently significant set of results is that of a negative correlation between most of the collective bargaining indicators and earnings inequality" (1997, p. 75). Their correlations also indicated a relatively strong negative relationship between union density and earnings inequality. In addition, the report went on to test the data in a pooled regression analysis for all three of the reported years. The results have been mentioned earlier regarding unemployment effects, but the most powerful findings had to do with inequality. Union density, collective bargaining coverage, and centralized/corporatist bargaining structures all had negative coefficients with earnings inequality.

In addition, income shares and inequality are correlated with social expenditures. Mishel, et al. (1997) and Smeeding (1992) argue that tax and transfer programs impact variables such as poverty, which we saw is connected to levels of income distribution.

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Countries with greater tax and transfer programs, as in Europe, had the largest impact against overall poverty, child poverty, and income levels for the elderly. What distinguished these countries from America were their social expenditures on higher minimum public pensions, more income-tested benefits, state guaranteed child support in cases of delinquent or unemployed parents, free or low cost child care, and universal health care systems. In short, the "welfare state" was found to have a more beneficial impact on the welfare of its citizens. In addition, Gottschalk and Smeeding, in their study on inequality among OECD countries during the 1980s and 1990s, found: "The Nordic and northern European countries, which had the lowest levels of inequality and then some of the smallest increases in income inequality, were also the countries with the greatest social protection" (1997, p. 673). In this case, social protections refer not only to employment protections in the labor market but primarily to social welfare expenditures, which the authors argue are negatively correlated with inequality. (Welfare here is used not in the American sense but the European, which refers to social welfare of citizens.)

Korpi and Palme (1998) make similar arguments to those above. From the 18 OECD countries of their study (discussed above), comparable data from 1985 on 11 of them suggested the same correlation between social expenditures and inequality as with social expenditures and poverty. Thus, Korpi and Palme indicate that nations on the high end of the welfare spectrum had higher total benefit expenditures and the lowest inequality index, represented by the Gini coefficient, for the total population, those 25 to 59 years old, and for people 65 and over. Nations in the mid-range of the welfare state spectrum (France and Germany) had the second highest total benefit expenditures and the

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second lowest inequality index for the age groups mentioned. The United States was among those nations at the bottom in terms of social expenditures with the highest inequality rates. According to the authors:

> The correlation between these two variables [the relative size of a nation's redistributive budget and level of income redistribution through tax and transfer systems] is strong (r=.92). The lowest level of redistribution is found in two basic security countries--Switzerland and the United States--as well as in the targeted model Australia; these three countries also have the smallest welfare states. The Netherlands and Sweden have the largest redistributive budgets, and they also have the highest redistributive effects. The two corporatist countries, France and Germany, have fairly large transfer budgets and also show relatively large reductions in Gini coefficients. (Korpi and Palme, 1998, p. 676)

In regard to political parties, social expenditures, and income inequality, Korpi and Palme (1998) made an interesting observation mentioned before. Looking at welfare states, they argued that the greatest redistribution occurred in countries that provided benefits for most of the population regardless of income. They classified such countries as "encompassing" (i.e. Nordic countries) and classified as "targeted" those that provided benefits only on a means tested basis (i.e., Australia). Corporatist welfare states such as France and Germany were closer to the encompassing model and countries like the United States, which provide basic security, were closer to the targeted model. Their counter-intuitive point which they called "the paradox of redistribution" was supported by the data. How did nations giving benefits to all citizens reduce inequality more than those who excluded the well-off and targeted the most needy? This, according to the authors, was a result of the incentives for political coalitions. Specifically, in countries that targeted benefits only for the needy, the upper and middle classes had little incentive to enter into political coalitions with lower working classes to increase the redistributive

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budgets. Rather, the excluded classes would attempt to limit the size of redistributive budgets (i.e., through tax revolts). On the other hand, in nations that provided benefits for all classes, there was an incentive for at least the middle classes to form political coalitions with the working classes to maintain large redistributive budgets. Given a strong correlation between the size of redistributive budgets and inequality reduction, the encompassing model was more successful in reducing inequality.

On the face of it, the arguments of Korpi and Palme seem to support a kind of functionalist argument: society working together achieves more egalitarianism. I, however, argue their findings actually support my class conflict perspective. Specifically, in order for the working class to gain, the middle and upper classes had to feel they gained as well in order to support high redistributive budgets. In other words, class interests were at heart of the argument. Had the working class more independent "power" in general. targeting only the needy would be feasible and yield more egalitarianism. In addition, Korpi's and Palme's arguments hint at the *limitations* of democratic participation. Thus, under democracy, working class interests are diluted by the need of the political left to enter into coalitions or adopt a middle ground to attract the support of other classes. To do this, the left must represent more than working class interests, which is a conflictual situation. In other words, politics compromise rather than maximize class interests. Also, what if at some point the non-working class of the encompassing model withdraws its political support?

Lastly, I examine what other authors found absolute living standards, such as life expectancy and mortality rates, to be related with. In mainstream academia such as

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economics departments, these variables are considered to be primarily dependent on a society's level of development, which can be indicated by its GDP. For example, more developed nations should be faring better in the area of health than less developed nations. This is true when comparing nations with extreme differences in economic development. However, it is not so when looking at nations with above basic levels of economic development. Specifically, Wilkinson (1996) has found and quotes numerous studies in which nations at a certain level of development, such as Greece, are doing as well if not better regarding life expectancy and mortality as much more developed nations like the United States. Furthermore, it is those countries with higher income shares for the bottom 20 or 40 percent of the population and lower Gini index that have performed best in health measures. In other words, Wilkinson and the studies reviewed by him all found a negative correlation between egalitarianism and life expectancy/mortality rates:

> The evidence reviewed in the preceding chapters cannot be easily dismissed. Income distribution has been shown by eight different groups of researchers to be related to national mortality rates [and life expectancy] in various groups of developed and less developed countries on ten separate sets of data. ... The statistical relationship between income distribution and national mortality rates is strong: correlations of 0.6, 0.7, or 0.8 are reported. (Wilkinson, 1996, p. 212)

Interestingly, the author argued national health differences were better statistically accounted for by egalitarianism rather than by GNP or the proportion of GNP devoted to social expenditures. This indicates that absolute living standards are influenced not so much by absolute economic measures as by relative equality. In other words, the primacy of economics is challenged in favor of equality.

Why is income distribution so significant for life expectancy and mortality rates?

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According to Wilkinson (1996), there is, among other things, a physiological aspect to health once basic health has been provided.

> To feel depressed, cheated, bitter, desperate, vulnerable, frightened, angry, worried about debts or job and housing insecurity; to feel devalued, useless, helpless, uncared for, hopeless, isolated, anxious, and a failure: these feelings can dominate people's whole lives, coloring their experience of everything else. It is the chronic stress arising from feelings like these that does the damage. It is the social feelings that matter, not exposure to a supposedly toxic material environment. The material environment is merely the indelible mark and constant reminder of the oppressive fact of one's failure, of the atrophy of any sense of having a place in a community, and of one's social exclusion and devaluation as a human being. (Wilkinson, 1996, p.215)

Therefore, a person's health is related to relative living standards just as much as it is to absolute living standards. If there is a high level of inequality within a highly developed and rich country, being poor due to lower income shares would make a person feel like a failure with the mentioned psychological effects on their health. But if that same person had the same absolute poor living standard within a society where others were in a similar economic situation, then there would be a much diminished feeling of being a failure which would not result in psychological pressures. I personally am reminded of a conversation I had with my dissertation advisor. Specifically, we were looking at cross-national income share distributions, and I remarked that Greece has one of the most egalitarian income distributions. My advisor looking at the low absolute compensation levels in dollars for Greece and responded that they are equal in their poverty. Evidently, it seems that feeling equal even with poor absolute compensation levels has a healthier effect than earning higher income and being poor within a richer and unequal society.

Having reviewed the above authors, I now present my own findings. My

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statistical analysis will be based primarily on 21 OECD democracies during the years 1945 to 1996. Using available data on these 21 OECD countries I derive correlations between pairs of variables that are reported in three Tables (16, 17, and 19). Table 16 is far more limited compared to the other two of this section in that it looks at only 8 countries from 1984-1987. These countries and the year of their reported poverty data are the United States (1986), France (1984), West Germany (1984), the United Kingdom (1986), the Netherlands (1987), Sweden (1987), Canada (1987), and Australia (1985). The reason for using this limited table is that it is based on the only poverty data available to me that is comparable cross-nationally. Thus, since poverty data is calculated very differently cross-nationally, using national data as reported would not be meaningful. I have obtained the poverty data from Smeeding (1992), who, in turn, obtained it from the LIS database. The author has argued that the figures from the LIS have been adequately calculated for cross-national comparisons of these countries for this time frame. I then pool cross-sections of each country containing poverty data and the other independent variables averaged for roughly the same time frame (1980-87) in order to smooth out unusual disturbances from particular years. I then derive my correlations from the pooled cross-sections which I will report on.

Table 17 is the primary source of my analysis. For this table I have collected all available data on 21 OECD countries from 1945 to 1996. The countries for which data is reported are: the United States, France, West Germany, the United Kingdom, Austria, Belgium, Denmark, Finland, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland Canada, Japan, Australia, and New Zealand. Each country

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for each year is a cross-section which includes a number of both dependent and independent variables. I then pool all cross-sections for all countries and years to obtain my correlation statistics between different combinations of dependent and independent variables.

Table 18 is supplementary to Table 17 regarding employment protections and labor standards. Specifically, the only data available to me for these two variables are averaged for 1989-1994 as found in Nickell (1997). Given the limited availability of the data I could not accurately use it in Table 17. Instead, I have created a cross-section for each of the 21 countries mentioned before, with employment protections and labor standards averaged for 1989-1994. The other variables of each cross section have also been averaged from 1970 to 1996 in order to create a lag and control for unusual fluctuations. Then I pool all of the cross-sections to obtain my correlations. Finally, the following list explains the variables and their definitions used in all three tables.

Variable Name:

TOTSOCEX: Total Social Expenditures as a percentage of GDP by general government. Measurement level: Ordinal.

POVERTY: Percentage of people below 40% of adjusted median family income after tax and transfers. Measurement level: Ordinal.

PUBHELTX: Total Public Health Expenditures as a percentage of GDP by general government. Measurement level: Ordinal.

INCBOT40: Percentage of Household Income Share received by the bottom 40% of the national population. Measurement level: Ordinal.

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INCBOT20: Percentage of Household Income Share received by the bottom 20% of the national population. Measurement level: Ordinal.

INCTOP20: Percentage of Household Income Share received by the top 20% of the national population. Measurement level: Ordinal.

GINI: Gini Index from 0 to 1. Values closer to 1 indicate more inequality. Measurement level: Ordinal.

INFMORT: Infant Mortality rate per 1000 live births. Measurement level: Ordinal.

LIFEMALE: Years of Male Life Expectancy at birth. Measurement level: Ordinal.

UNEMPL: Unemployment Rate in percentages. Measurement level: Ordinal.

COMPENS: Hourly Compensation Costs in U.S. dollars for production workers in manufacturing. Measurement level: Ordinal.

EMPLPROT: Strength of legal protections for hiring and firing based on an index from 1 to 20. High values indicate greater protections. Measurement level: Ordinal.

LABORSTA: Index from 1 to 10 indicating legislation on working time, contracts, minimum wage, employment protections, and worker participation in company decision making. Measurement level: Ordinal.

GDPCAPIT: GDP per Capita at price levels and exchange rates of 1990 in U.S. dollars. Measurement level: Ordinal.

GDPGROW: Percentage of GDP per Capita Growth rate from 1980 to 1987 for Table 16 and from 1970-1995 for Table 18. Measurement level: Ordinal.

UNIONS: Percentage of the non-agricultural work force that is unionized.

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Measurement level: Ordinal.

BARGCOV: Percentage of the workforce covered by union contracts even if not union members. Measurement level: Ordinal.

STRIKES: Number of Strikes in a year per 100,00 workers. Measurement level: Ordinal.

LOSTDAYS: Number of Man Days Lost per 1000 workers in a year due to strikes. Measurement level: Ordinal.

CLFSTRIKE: Percentage of the Civilian Labor Force Involved in Strikes in a year. Measurement level: Ordinal.

COMMUN: Percentage of the national vote obtained by Communist Parties in national elections. Measurement level: Ordinal.

LIBERAL: Percentage of the national vote obtained by Liberal Parties in national elections. Measurement level: Ordinal.

SOCIALST: Percentage of the national vote obtained by Socialist Parties in national elections. Measurement level: Ordinal.

CONSERV: Percentage of the national vote obtained by Conservative Parties in national elections. Measurement level: Ordinal.

LEFT: Percentage of the national vote obtained by Communist and Socialist parties combined in national elections. Measurement level: Ordinal.

RIGHT: Percentage of the national vote obtained by Liberal and Conservative parties combined in national elections. Measurement level: Ordinal.

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At this point, I should mention that for some academics in other disciplines, such as economics, my approach may seem simplistic compared to the use of multivariate regression analysis. Unfortunately, I do not utilize linear regression analysis, resorting to my alternative strategy of correlations for a number of reasons as have a number of other sources reviewed here. First, I do not hide the fact that I am not an econometrician; my skills are moderate in this regard. However, as an economist and sociologist, I believe manipulated numbers in and of themselves do not explain much when applied to the human condition because of numerous limitations. I do not reject statistical data, but am rather suspicious of how much it can reveal and how much we should depend on it. Secondly, in the social sciences, multicollinearity is often a major problem, especially when multiple explanatory variables are used in regression analysis. In other words, explanatory variables X1 and X2 may influence one another. This makes regression analysis next to impossible. The variables used in this work are by nature highly correlated; for example, communist parties often contribute to strikes and unionization activities, not to mention the multicollinearity effects when grouped with other political variables and vice versa. The strikers are also voters themselves, indicating colliniarity with political parties and so on.

Although I could use "proxy" variables for what I wish to test in order to avoid multicollinearity, it would take me far away from what I am looking for. Specifically, it is strikes, unions, the communist or liberal parties themselves which I wish to focus on--not some proxy that may or may not say much about the variable in question. Thus, it is the nature of my inquiry rather than the conceptual model which is inappropriate for

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regression analysis, given its limitations in these cases. By using correlations, I eliminate these problems since they consist of variable pairs. This means multicollinearity effects are avoided since correlations only examine the relationship of the two variables in question "other things being equal," or as an economist would say, "*ceteris paribus*." Second, correlations measure both direction and strength of the relationship between two variables independent of measurement units. Thus, in some statistical models, the units of measurement may result in different outcomes, but in correlations it does not matter. Third, given that units do not matter, it can be estimated which independent variables have greater correlation with the same dependent variable. Of course, correlations do not indicate causation; therefore, either of the variables may or may not be causing the other. This is where theory will help us determine causation and explain relationships between variables.

We begin by looking at the correlations between poverty and the independent variables from Table 16. First, GDP per capita and economic growth had insignificant correlations with poverty. This should be expected, since what is measured is not absolute poverty defined by some fixed income amount. Rather, poverty is defined in relative terms for each nation as roughly 40% of adjusted median family income. This implies that poverty should be highly correlated with income shares, since the former's definition is conceptually based on income distribution. In fact, my model indicates a high negative correlation between poverty and income shares of the bottom 20 and 40 percents of the population with coefficients of 0.747 and 0.739, although the significance was slightly above the 0.05 confidence level.

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In terms of poverty and total social expenditures, I find a high negative correlation (Table 16). Thus my data supports Smeeding's (1992) argument that high levels of transfers (a form of social expenditure) tend to reduce overall poverty levels, as in France and Germany. My correlation also seems congruent with Korpi and Palme (1998) regarding the importance of the welfare state in combating poverty; namely, the more significant the welfare state, the more significant its budget. This translates into higher levels of social expenditures and, thus, lower levels of relative poverty.

However, my findings from Table 16 indicate a far greater correlation (0.907 and 0.878) at extremely high significance levels (0.005 and 0.009) between social expenditures and the income shares of the bottom 20 and 40 percents of the populations respectively. What is interesting, though, in terms of poverty, is the very strong negative correlation with employment protections (0.804), labor standards (0.714), and bargaining coverage (0.821) combined with the insignificant correlations with unemployment and compensation. This can be interpreted to mean that jobs and pay alone bring little to bear on relative living standards. The argument does not seem unreasonable when one considers the United States, in which jobs for the poor segment of the population are low paying with little, if any, security and benefits. For example, an increasing proportion of the working class in America is classified as "working poor" in that their jobs, even at full-time, do not lift them above poverty levels. Thus, what matters for the working class are legal employment protections, legally mandated benefits, and minimum wages. These protections are often provided by government but many similar minimum wages and benefits are extended to employees of an industry or plant through broad bargaining

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coverage which, in turn, is also backed by law.

Thus, bargaining coverage has the greatest anti-poverty impact followed by employment protections and labor standards (Table 16). Bargaining coverage itself, though, is a result of union negotiations, since it is the union negotiated contract which "covers" both members and non-members. As a result, the actual union density does not register a significant correlation with poverty, but bargaining coverage is largely due to union activity. Consequently, it is not union membership that is of primary importance but the extent of collective bargaining coverage.

If bargaining coverage is related to union activity, then what are employment protections and labor standards related to? Looking at Table 16 reveals that these have a very high (strong) correlation with the balance of political power expressed through parties. Thus, it is left governments which have a high positive correlation (they move in the same direction) with these two variables and as a result a negative correlation (they move in opposite directions) with poverty. Within the "left," socialist parties have a greater correlation than do communist parties. This can be explained by the fact that socialists tend to form governments more often than communists, thus scoring positive policies as their achievements. The right is negatively correlated with employment protections and labor standards and thus positively correlated with poverty. Within the "right," liberal parties carry the major weight for these correlations relative to conservatives. This can be understood by the ideology of liberal parties, which often leads to reduced government social expenditures and anti-labor/free labor market policies. Conservatives, on the other hand, may not be much better but religious parties are often a

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constituent of this wing. Religious parties, in turn, do advocate a very general spirit of social responsibility in comparison to liberal market ideology.

Lastly, poverty registered very insignificant yet positive correlations with strike data (Table 16). On the face of it one could conclude that strikes have only a negative impact, if any, on poverty levels, and by extension that my hypothesis about violence as a means of securing higher living standards is false. However, it should be noted that this data is for strikes during 1980-87 and poverty for 1984-87. When we review the social structures of accumulation sections, it will be documented that during this period labor across most nations was defeated by globalization and the capitalist class. Thus, the period by itself only demonstrates the "defeat" of strike activity when viewed in a broader historical context. This means labor did not have the "power" with which to gain victory through strike activity. Although labor had lost its market power at that time, it still maintained its political influence, thereby indicating the importance of left versus right wing parties.

Now I turn to Table 17, which is more extensive, as mentioned previously. What is unemployment correlated with? This is probably one of the toughest variables to explain. For one, I found that unemployment is positively correlated with employment protections, labor standards, and collective bargaining. Thus, the data presented here tends to confirm the findings of Sibert (1997) and Nickell (1997) regarding increased unemployment due to rigid labor markets, employment protections, and collective bargaining coverage. However, the following question was raised before: Are labor market protections the cause or are they a response to unemployment? In other words,

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which is causing which? Based on my previous review of Howell, et al. (1998), Freeman (1994), Gottschalk and Smeeding (1997), and the OECD (1997b), I would argue that labor protections are not necessarily a "cause" of unemployment. Rather, these seem to be responses toward market uncertainty and dangers faced by the working class. Thus, labor, in an effort to protect itself from the market, had pressured the state for these protections. This is not much different from protections that capitalists have sought from the state (such as price supports or protective tariffs) to guard against market uncertainties and competition.

In addition, Howell's point discussed earlier seems to be supported by the correlations derived with my data between unemployment and political parties. For example, unemployment has a positive correlation with liberal parties versus a negative relationship with socialist parties. Both correlations are at a very high significance level, over 0.01 (Table 17). This tends to support the observation that, historically, Europe with its left parties had lower unemployment rates than the United States. It also seems logical, given the overall pro full-employment policies of left governments compared to right wing governments which have allowed unemployment rates to rise as a means to humble workers, as will be seen later.

Next, we investigate what the income shares of the bottom 20 and 40 percents and top 20 percent of these populations, as well as the Gini coefficient, are correlated with. Based on my data from Table 17, all four are correlated in order of magnitude with employment protections/labor standards, union density, total social expenditures, left/right parties, and strikes. (Interestingly, strikes were not correlated at a significant

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level with poverty from Table 16.) The first set of variables is highly correlated with all four distribution measures. Thus, greater employment protections and labor standards each are associated with higher income shares for the bottom 20 and 40 percents of the population while being simultaneously related with a drop of equal magnitude in the shares of the top 20% and the inequality index.

Based on my own calculations from Table 18, employment protections and labor standards are, in turn, correlated strongly with bargaining coverage, followed by the presence of communist parties and the left/right, at significant levels and expected directions. Employment protections and labor standards are also correlated in the expected direction with strikes (+), socialists (+), conservatives (-), and liberals (-), yet at less significant levels and degree. Therefore it seems reasonable to argue that these two indicators of institutionalized working class gains (employment protections and labor standards) which contribute to income share equality are themselves derived by a combination of our assumed independent variables such as strikes and left parties.

Returning to Table 17, the second most important distributional variable is union density. It is correlated at the 0.01 level of significance with all four distributional indicators in the expected direction. The key to understanding how unions decrease inequality is collective bargaining coverage. As we have seen previously, bargaining coverage is an outcome of union actions. Thus, according to the authors discussed before, the impact of bargaining coverage on income distribution and the Gini index implies the importance of unions.

In addition, unions themselves are related with total social expenditures, the

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number of strikes, socialists, conservatives, left/right at the 0.01 significance level followed by bargaining at the 0.05 level (Table 17). Here we have a great example of how all of these explanatory variables are virtually inseparable from one another. For example, left/socialist governments may be more favorable toward social expenditures and unions than are conservative and liberal parties, which implies unions are "dependent" on political parties. But then one must consider that union members are often a major voting block for left parties, offer their leaders for government positions, and actively lobby government, therefore indicating that political parties are the "dependent" variable. Clearly, though, the answer is that both are simultaneously influenced and influence each other, but each has a different magnitude of impact on variables such as distribution measures or life expectancy.

The third major explanatory variable for levels of income distribution is total social expenditures. It is interesting to point out, though, how expenditures affect each distributional measure. We expect government social expenditures to have the greatest positive impact on the most vulnerable segment of the population and the least on the better off. The argument is confirmed by the positive correlation with the bottom 20% which is the highest and at the 0.01 significance level followed by a smaller yet strong coefficient for the bottom 40% at the 0.05 level (Table 17). The top 20%, however, has a negative and insignificant correlation. This can be understood if we consider that higher means tested expenditures or services for the poor are paid by the taxes of those who have greater incomes. Finally, the Gini index registers the greatest correlation (-0.757), with expenditures at the expected direction and 0.01 level of significance. This means that

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inequality overall is significantly reduced by these expenditures and this would be particularly true regarding the extremes of the income spectrum (i.e., the poorest 5-10% relative to the richest 5-10% of the population). The above correlations and their interpretation seem to be backed by a number of authors reviewed previously, such as Mishel, et al. (1997), Smeeding (1992), Gottschalk and Smeeding (1997), and Korpi and Palme (1998).

Based on Table 17, total social expenditures are, in turn, correlated in order of importance with collective bargaining (+), GDP per capita (+), union density (+), and the right (-) at significant levels. Socialists, communists, and liberals had very weak and insignificant correlations but in expected directions. Here we see for the first time an indirect impact of economic forces on distribution. For example, as the GDP per capita increases, so do absolute tax revenues. As absolute tax revenues increase, so do social expenditure budgets. However, it may be that GDP is correlated with social expenditures due to the weight of European governments, which have high GDPs but also greater levels of taxation and social expenditures, and thus egalitarianism. In any case, right parties do not contribute to social expenditures, as is expected from their ideological platforms. Nor do these parties favor unionism or collective bargaining coverage, as is indicated by their negative correlations compared to positive correlations with the left all at the 0.01 significance level.

Left and right parties are a fourth explanatory variable of income distribution measures. Both the left and right wing registered the expected directional relationships with all distributional measures; i.e., the left is positively correlated with the shares of the

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bottom 20 and 40 percents and negatively with the shares of the top 20% and the Gini index and all this vice versa correlated with the right (Table 17). Interestingly, the impact of either the left or right is at a significant level (0.05) only for the bottom 20%. This means that the distributional impact of the presence of socialist and communist parties is greatest for the poorest segments of the population. This is reinforced by the left/right correlations with social expenditures discussed above which also have a greater effect on the poor. The finding also supports arguments and data presented in the first chapters regarding the poor being very poor in America compared to Europe. And, of course, America is a one and a half party system with no realistic left parties (Lijphart, 1984).

In addition, left and right parties are significantly correlated in the expected direction, with employment protections/labor standards (Table 18) and strike measures (Table 17). Regarding strikes, the left is positively correlated and the right negatively correlated. These coefficients may be explained as a greater "tolerance" for strikes by the left, for whom strikers and unions are a major constituency. If so, strikes are "dependent" on parties. However, according to the theory developed throughout this work, strikes are a weapon used in the class power struggles. Accordingly, if the working class has greater "power" at a given time over the capitalists, then this power will manifest itself in multiple forms. These forms will include both greater strike activity and greater political activity. If so, then strikes and left parties are at once independent and dependent on one another.

This brings us to strikes, the fifth independent variable. Despite the lower degree of correlation, strikes nevertheless registered a positive relationship with the income

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shares of the bottom 20 and 40 percents (Table 17). The correlations with the top 20% and the Gini index were negative. Thus, strikes seem to coincide with egalitarian income distribution. Whether strikes actually cause egalitarian distribution will be examined shortly and in later chapters. For now, though, the indication is that this is so. The point is supported in this data by the overall positive correlation between strikes and the left versus the negative correlation with the right, most of which is at the 0.01 level of significance. Specifically, strike activity seems mostly associated positively with the communist and to a lesser extent with socialists. It is mostly negatively related with liberals and almost unaffected by conservatives. From this we see that strikes as a form of violent class conflict will naturally be found together with other working class "weapons" such as left political participation.

Thus, the working class gains in the presence of all these variables while inequality decreases together with the shares of the top 20%. Regarding GDP per capita, it had insignificant effects on income shares and even tended to have a negative coefficient across the board. To me, this is an indication of growing inequality in recent years in favor of the very rich (top 5%), which is documented and argued by Mishel, et al. (1997). More importantly, though, it is an indication that a growing economic pie does not "divide" itself; rather it is "cut" based on external factors relating to class relations/power as we just examined. Thus, in previous chapters it was argued that relative class gains are more indicative of class power and success in society's distributional conflict because absolute living standards could be a result of greater resources rather than greater equality. Therefore we had set the task of answering "how"

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a more or less egalitarian distribution was reached. This section demonstrated which factors are mostly related to egalitarianism and which to inequality, of which the GDP belonged to neither. Thus, economic forces are not necessarily deterministic regarding distribution; i.e., human agency does have an impact, and, therefore, the working class can discover which weapons in its arsenal would be more effective in obtaining class goals.

Before continuing into the next phase of my variable examination, I will briefly look at how my independent variables correlate with absolute living standards such as compensation, infant mortality, and life expectancy. Looking at Table 17, in terms of compensation levels, GDP per capita seems to have the greatest positive correlation (0.724) at the 0.01 significance level. Strike measures are less strongly correlated, yet are still at the 0.01 significance level. However, the direction is negative, implying that when wages are low the working class will engage in more violent confrontation in the form of strikes. If wages are relatively high, class confrontation tends to take non-drastic forms, such as through institutionalized means. Whether the strikers, though, are successful in raising wages cannot be indicated by this data. The reason is that in conflictual situations the victory of one side is not guaranteed by the means used in the conflict. Instead, it is power which becomes the determinant. Thus, strikes will break out under negative conditions but the outcome can go either way, depending on the power of the capitalist class. As for political factors, all parties seemed to be negatively correlated and at low levels. Thus, compensation levels seem to be primarily a result of economic development. As such, other variables would not have an impact on absolute wage levels

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in general. On the one hand, this may mean that socialism or communism cannot raise the absolute living standards of a society. On the other hand, it also means that liberal or conservative governments are not any more capable of raising absolute living standards than left governments. If so, arguments regarding the right wing's ability to better manage the economy are false. Rather, the choice of left or right is probably more important in terms of distributive policies.

Unlike compensation levels, though, infant mortality is dependent on the variables that can be manipulated by the working class. For example, employment protections, labor standards, total social expenditures, and public health expenditures are all negatively correlated with infant mortality (Table 17). These variables themselves are positively correlated with the left and negatively with the right. Thus, when left parties promote these variables, the poor and working class benefit disproportionately (i.e., better living conditions and more paid maternal leave which impact on the pregnant mother, public health insurance, and so on). In addition, as the top 20% obtain higher income shares, and as the Gini index increases, infant mortality also goes up. This correlation is at the 0.01 significance level and has an important message within it. Specifically, I believe the children of the affluent may not suffer higher mortality rates but those of the working class will. Since greater income shares for the top 20 translate into less for the working class, it also means the latter can afford less medical care for the pre- and post-pregnancy period. Since the working class is numerically larger than the rich, greater infant mortality rates for the former will skew national statistics upward. It should also be mentioned that we have already seen that the shares of the rich are positively

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correlated with the right and vice versa for the working class. Therefore, higher income shares for the rich would be associated with right parties, less social expenditure, and, thus, higher overall infant mortality rates. In other words, inequality is a factor influencing this most basic absolute living standard. Consequently, my data is congruent with the findings of Wilkinson (1997). The author has found significant evidence indicating that infant mortality and overall life expectancy are affected by a society's levels of inequality as found in this current work. However, he explains this in terms of the emotional effects of inequality upon people (i.e., stress, rather than the absolute amount of health care available to them). In regards to strikes, these did not have any direct significance on infant mortality rates.

As for GDP per capita, it also has a very high and significant negative correlation with infant mortality. But, although it is an important factor, it is neither the only nor the most powerful factor. Public health expenditures are the most highly correlated variable with mortality. This explains the criminally high infant mortality rates of the United States as well as the lower life expectancy rates, since this country alone among industrialized nations lacks a comprehensive public health insurance system.

This brings us to life expectancy. Looking at life expectancy for men, we notice once again high correlations with total social expenditures and public health expenditures, both at the 0.01 significance level. Employment protections and labor standards, although less significant, are positively correlated. In addition, the income share of the bottom 20% is positively correlated with life expectancy but the Gini index is negatively correlated. Both of these correlations are at the 0.05 significance level. The shares of the

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bottom 40 and top 20 percents exhibit the anticipated direction but at low significance levels. This means that the life expectancy of the poorer working class segment is mostly affected by inequality levels. Again, this data is in agreement with the same argument and findings by Wilkinson (1997). Gross domestic product also has a high correlation at the 0.01 level, but is the second most important factor behind public health expenditures. Thus, economic forces influence absolute basic living standards in the literal sense but so does human agency as it relates to societal inequality levels. In fact, it seems logical to claim unequal "pie" shares lead to unequal health.

As for strike measures, these had a significant yet low correlation in a negative direction with male life expectancy. This can be interpreted in either of two ways. The first explanation is that workers engage in higher forms of violent conflict under extremely diverse conditions. The second, explanation, though, seems more plausible. Specifically, strike measures were internationally high in the postwar years and low since the late 1970s for reasons examined in the chapter on social structures of accumulation. But life expectancy was low after the war and naturally increased for numerous reasons ever since. Thus, we could be seeing a case of a simple inverse correlation without causation being involved in any direction.

Conclusions

On the basis of all of the above indications, we can conclude the following. First, relative living standards and levels of equality have very little to do with economic forces such as gross domestic product per capita. Thus, working class actions are important in terms of distributional equality, which, in turn, is indicative of relative class power.

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These actions include all of our independent measures of violence: union density, collective bargaining, political participation, and strikes. These variables affect measures of equality such as poverty, income shares, and unemployment. Social expenditures, employment protections, and labor standards, which are correlated in an anticipated direction with our independent variables, also seem highly relevant to the equality measures.

However, there is one major unanticipated finding in reference to strikes. Overall, strike measures do correlate as expected and at a significant level with most equality indicators such as income share distribution. The coefficient of the correlations between strikes and the dependent variables, though, is not high when compared to the indicators of institutionalized conflict. Many reasons could be contributing to this. First, strikes are an ultimate weapon of class warfare. In this statistical account we have been measuring the relationships between dependent variables and actual strikes. However, the number of actual strikes may underscore their actual effectiveness. As an example of what is meant, let us think of nuclear weapons. In the area of international relations, nuclear weapons have actually been used only twice--by the same nation (U.S.), on the same occasion (WWII), and on the same country (Japan). But it is clear that nuclear weapons shaped international relations and power politics throughout the cold war era without actually being used in conflict. However, if an analyst used statistical analysis to measure the impact of these weapons based on the times of *actual* usage, he would find them to be insignificant. Thus, the power of such weapons is to a large extent found in the *potential* or *threat* of their use.

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Coming back to strikes, we have been measuring the effect of strikes which occurred--but what about the effects of strikes that were threatened but did not occur? Obviously, if we could measure the impact of the threat of strike activity we might find a greater relationship with the dependent variables. Also, it can be argued that institutional factors of conflict such as left parties and union bargaining take place *because* these are backed by a credible threat of high level violence (i.e., strike activity) in their absence. This is not unlikely, given the high correlation of strike activity and the left parties, communists in particular

Secondly, the measurement of strike activity is quite problematic in and of itself. The data used is derived from the ILO's Yearbook of Labor Statistics but is not measured in a continuous method. Rather, on a number of occasions the ILO cautions the presence of changes in the way strike data has been calculated for various countries that makes it not comparable to prior years. In addition, there is an even greater problem with the data. Specifically, much of the strike data excludes stoppages involving less than 1000 workers. This is perhaps the greatest weakness because in almost all, if not all, countries, the overwhelming majority of the workers are employed in establishments with fewer than a thousand employees. Thus, in many European nations the impact of mass and national strikes could be massively underestimated, since during such strikes the whole nation tends to shut down. If most people work in small establishments, though, the impact would be severely underestimated. The next major drawback of the data reveals that the prior problem has to do with the duration of strikes which are counted. Specifically, the ILO does not count strikes lasting less than a day. In other words the

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impact of "wildcats" and "quickies" is unaccounted for. As will be shown in the social structures of accumulation section, a major class weapon in the postwar era has been not only the actual wildcat and quickie strikes but the threat of them. In fact, by most accounts, these have been more damaging to and feared by corporations. These types of strikes, as many authors such as Brecher (1997) argue, are, in fact, such a demonstration of working class actions that even union leaders could not control them and considered them a threat to their authority. In contrast, institutional means of conflict such as union density, collective bargaining, and percentage of the vote obtained by each political party, although faced with their own methodological difficulties, are calculated more accurately. This is especially true under truly free regimes which do not, for example, outlaw political participation of some parties or union membership.

As for absolute living standards, we found interesting results. First, as anticipated, many of the dependent variables of absolute living standards were, in fact, highly related to economic forces represented by the GDP per capita. For example, the absolute levels of wage compensation were dependent on economic factors. Economic forces, though, are, by most accounts, independent of human agency. Rather, economic forces result from a mixture of technological development, methods of production, and modes and relations of production, all of which are based on historical contingency. However, we also found that the GDP was not particularly related to left or right wing parties. The implication is that either there is no real practical difference between these parties or that their actions do not affect the levels of economic development. As such, the working class should be indifferent as to which party dominates in politics since none

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can claim to have any better development policies. Here, though, is where we came across unanticipated findings. For certain dependent indicators of absolute living standards such as life expectancy and infant mortality, human agency does have an impact. Thus, the distributional effects of right versus left parties, unions, bargaining coverage, and the indirect influence of strikes matter. In other words, the working class can improve its health by achieving a more egalitarian society.

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III.

Social Structures of Accumulation

Examining the relative significance of economic forces, political participation, unionism, and class violence has helped us answer "how" cross national differences in working class attainments may be accounted for. The next logical question, then, concerns "why" these independent variables manifested themselves as they did in each nation. For example, why did independent labor parties develop in most countries, with the prominent exception of America? Why is unionism strong in some nations and weak in others? In order to comprehensively cope with these questions, the current section returns to the four-nation model used earlier. Thus, historical case studies are presented for America, Germany, France, and the United Kingdom, focusing on their respective political and economic institutions. The labor history offered here is informed by the Social Structures of Accumulation (SSA) theory. This approach will focus on key institutional factors behind patterns of political participation, unionism, the welfare state, ideology, etc. The first goal, therefore, is to better comprehend the independent variables by embedding them within a historical context rather than examining them abstractly.

The second goal in this section is to comprehend the current status of labor in America and Europe and its historical evolution through a SSA approach. What is SSA and how will it inform this work? To understand this school of thought, we need to go back to theoretical arguments regarding the nature and tendencies of capitalism as an

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economic system. According to Marx (1977), capitalism is ridden with contradictions which ultimately will prove to be the seeds of its own destruction. One such contradiction is related to the relationship between workers, employers, and the economic system. On the one hand, capitalists have the "systemic power" (given the labor theory of value) to pay workers less than the full value of their production. In other words, surplus value is usurped by employers. Eventually, the wage system leads to subsistence wages while capitalist forms of production lead to massive quantities of goods being produced. Simultaneously, on the other hand, the capitalist has a constant incentive to replace workers with machines. The process of technological innovation and mechanization results in lower production costs for the specific capitalist in question and thus creates greater rates of profit. Eventually, though, other capitalists adopt the same production techniques, thereby eroding rates of profit back down to their original levels, if not lower. By the end of this process, though, fewer quantities of labor are required in the newly mechanized production. Both of the above events lead to the same contradictory problem: the capitalists have produced massive quantities of goods which cannot be purchased by the low purchasing power of workers. The system depends on the latter's ability to buy products, given the numerically negligible capitalist class. Since workers are either unemployed or earn very low wages, business cannot make profits which depend on sales. The result are successive waves of lay-offs leading to a downward economic spiral. Thus the contradiction: poverty amongst plenty!

The above is a description of an economic downturn in what are now commonly called business cycles. Here it should be noted that there is no secular necessity for such

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downturns. Rather, these are cyclical periods of investment/underconsumption crises because, in theory and actuality, as long as the capitalists invest in production, supply and demand will always balance out. Therefore, there will be no basis for chronic underconsumption. The difficulty with this, though, is the need for a guarantee that capitalists will invest rather than save. This is a point raised by Malthus, who argued that even if capitalists invest in production, the problem will be exasperated since investment expands production without necessarily expanding demand (see Attewell, 1984). I think it is theoretically possible for capitalists to continue investing indefinitely in contempt of effective demand, but to do so is identical to building a pyramid scheme bound to collapse. In actuality, capitalists are very concerned with demand and invest according to demand forecasts. Related to this argument is SSA theory, which tries to explain why a capitalist would or would not invest.

However, according to earlier Marxists, cyclical downturns could take crisis proportions. These theoretical arguments led to an extensive literature coined "crisis theory," although Marx himself did not deal specifically with this topic other than through general comments. Overall, Attewell (1984) gives a very good summery of the crisis literature. Within this literature, he identifies a strand of crisis theory related to underconsumption that is of primary interest here. Accordingly, subsistence wages and the process of mechanization (rising organic composition) lead to realization problems for capitalists thst are manifested in the falling rate of profit. According to orthodox Marxists, a systemic result would be ever increasing and deepening periods of crisis. However, the ultimate "crash" which would have ended capitalism never occurred. Thus

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arose the need to explain why. Some explanations looked at the possibility of capitalists investing indefinitely in production as mentioned above (see Bleaney, 1976). Other explanations focused on "imperialism" and new markets as the reason for capitalism's survival (Luxemburg, 1951) while others to counter-tendencies reversing underconsumptionism (Sweezy, 1970).

Overall, it can be argued that Marxists encountered an empirically persistent capitalist system that ran counter to orthodox theory. More interesting was the fact that capitalism even seemed to enjoy very long periods of sustained growth! In order to explain such growth trends, other theorists who were not specifically involved with crisis theory developed the concept of "long waves." Long wave theory was initially developed by Kondratief (1935) and, later, Scumpeter (1939). Here is where SSA theory is argued to have its foundations as a modified theory of long waves. According to long wave theory, capitalist economies experience not only "short" 7-10 year business cycles, but, also, regular 50 year cycles. The long cycles consist of roughly 25 years of expansion and 25 years of decline upon which short cycles are superimposed. For example, during a long upturn, the troughs of the regular cycles are mild and peaks are high. During long downturns, the short cycle peaks are lackluster while the troughs are increasingly more severe. Consequently, the theory gave new life to crisis theory simply by changing the time horizon of anticipated crisis moments.

What is the cause of such fifty year long waves? According to Kondratief (1935), these cycles are internal to capitalism. He argues that as existing capital goods wears down and demands replacement, new investment in expensive products would spark long

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upturns. To this extent he mentions the importance of favorable financial markets for credit as they relate to such capital investment. When old capital is finally replaced, investment drop significantly for a prolonged period of time due to the capital good's durable nature, thus resulting in downturn. In contrast, Scumpeter (1939) identified major innovations as the cause of long cycles. He believes such major innovations are concentrated at the beginning of upswings, sparking investment. Downswings result from the lack of major innovations in which to invest. Both theorists ground their arguments in the Marxist tradition by arguing that these tendencies are inherent within capitalism. However, both have been criticized for offering inadequate explanations for the cause of long waves. For example, why does Scumpeter argue that innovation is concentrated rather than dispersed over time? Although capital accumulation over time is uneven, can one really argue that it exhibits the regularity attributed by Kondratief?

By the mid 1960s, the theory found new expression in the work of Baran, and Sweezy, (1968). The authors primarily concern themselves with describing capitalism's metamorphosis at that time from a competitive system to one dominated by large oligopolistic corporations and the contradictions inherent in such a system. Their theory is a form of modified underconsumptionism attributed to excessive surplus not being re-invested rather than to low wages. The surplus, however, can be absorbed periodically by wasteful investment (e.g., military expenditures) or efforts to increase aggregate demand (i.e., via advertising). Consequently, according to the authors, capitalism in its monopolistic stage has internal dynamics leading to stagnation because aggregate surplus tends to exceed the rate of its absorption. This serves as a basis for explaining long

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periods of downturn while maintaining orthodox Marxism by identifying the cause as being inherent to the capitalist system. On the other hand, the theory also provides grounds on which long upswings can be explained as the result of random events external to capitalism, such as war or major innovations. Thus, the authors manage to attribute prosperous periods to coincidence and the downturns to its nature rather than to the nature of capitalism. Had they argued both phases of the cycle are inherent to the system, this would imply the possibility of capitalism's indefinite ability to survive, thus breaking from Marxist tradition.

By the mid 1970s, Mandel (1975) revives interest in long wave theory itself, rather than treating it casually within underconsumptionist arguments as do Baran and Sweezy. Mandel's arguments at first do not seem original, seeming, rather, to resemble those of Kondratief. He believes major upturns in capitalism arere, in fact, caused by random external events, as Baran and Sweezy argue. For example, new technological innovations spark a long up-turn with massive technological investments. Thus, steam motors after 1848, internal combustion motors and electricity after 1890, and nuclear/electronic technologies after 1940 are identified as major investment stimuli leading to long economic up-turns. According to the author, though, capitalism's internal dynamics would gravitate toward economic decline. However, unlike Sweezy, Mandel identifies the declining tendency of capitalism not in the growing rate of surplus, but in the rising organic composition of capital which ultimately translates into the law of the falling rate of profit. Consequently, Mandel grounds long-wave theory firmly within Marxist tradition, arguing that the inherent law of the falling rate of profit is the dominant

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internal force of the system. At this point, the question which is logically raised is: What accounts for the innovations leading to up-turns, a weakness that faces Kondratief? For Mandel, the innovations, along with massive investment of pent-up surplus at the beginning of an up-turn, are themselves a result of accidental events whose ultimate effect is to restore the rate of profit. If capitalism depends on the rate of profit which is inherently tending to fall, then only a rise of profit rates can bring about new investment. This can be achieved, for example, by upper class victories over workers, access to international markets, regulation of competition, etc., that lead to increasing profit rates which spark new investment opportunities.

By now, the foundations for SSA theory have been laid down and all that is needed is a systematic formulation. SSA theory was comprehensively developed originally by Gordon, Edwards, and Reich, who wrote: "We propose an alternative model that views long swings as in large part the product of the success or failure of successive social structures of accumulation in facilitating capital accumulation" (1984, p.27). A good general description of SSA is given by Kotz, McDonough, and Reich (1994):

> The social structure of accumulation (SSA) approach provides a new way to analyze the structure and development of capitalist economies and societies. The term SSA refers to the complex of institutions which support the process of capital accumulation. The central idea of the SSA approach is that a long period of relatively rapid and stable economic expansion requires an effective SSA. While an SSA promotes growth and stability for a period of time, eventually the SSA decays. A period of stagnation and instability follows until a new SSA can be built.
>
> The SSA includes political and cultural institutions as well as economic ones. The institutions comprising an SSA include both domestic and international arrangements. The domestic institutions may include the state of labor-management relations; the organization of the work process; the character of

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> industrial organization; ... the role of the state in the economy; the line-up of political parties; ... and the character of the dominant culture and ideology. The international institutions may concern the trade, investment, monetary-financial, and political environments. (p. 1)

More specifically, this is a version of long-wave theory which goes beyond consideration of mechanistic economics to include multiple social and historical factors. In this case, according to Gordon, et al. (1984), it is argued that a capitalist will invest only on the basis of an expectations of return. Expectations, though, are shaped by forces in the external environment, such as political and economic forces. This external environment is referred to as the social structure of accumulation which can either promote or hamper capitalist expansion/growth. In other words, there is no guarantee that capitalists will invest in production in order to balance supply and demand. As I see it, this external environment can also lead to either the promotion or hampering of working class living standards. Important features of the institutional environment are the system of money and credit, the pattern of state involvement in the economy, and the structure of class struggle. For my research, the structure of class struggle is of particular importance because it is through this struggle, either at a high or low degree of violence, that workers achieve given levels of equality and living standards. This is also a central point of the theory. According to Kotz (1994):

> The underlying reason why a social structure of accumulation must be present for a long-swing expansion to take place is that capitalism is ridden with class conflict and competition. The role of the social structure of accumulation is to regulate class conflict and competition to create sufficient stability and predictability to permit rapid accumulation.... The institutions making up a social structure of accumulation cannot eliminate class conflict, since that is a necessary outgrowth of capitalist relations of production and exchange. What the social structure of accumulation does is to stabilize class conflict and channel it in

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> directions that are not unduly disruptive of accumulation. Class conflict can be stabilized in two ways that represent polar opposites: one class can be crushed, so that its ability to fight for its interests is severely limited; or a compromise can be struck so that the contending groups share, to some degree, the fruits of the accumulation process. (p. 55, Ch. 3)

Thus, one of the arguments of this dissertation is that such a stabilization of class conflict took place at the beginning of the twentieth century long wave. Its form was explicitly one of compromise, in contrast to what seems to be an evolving twenty-first century cycle of accumulation based on stabilization of class conflict through the crushing of the working class.

As for change, conflict again is considered to play a crucial role while the impact of ideology and political institutions is stressed:

> Class struggle and capitalist competition as the dynamic factors in capitalist social formations have the potential to erode and change the political and ideological, as well as the economic, institutions. Because of the integrated character of the SSA, erosion of any of its important institutions has the potential to precipitate the disintegration of the SSA and hence capitalist crisis. Thus political and ideological institutions play essential roles not only in the composition of the SSA but in its dynamics of construction, reproduction, and disintegration. Because capital accumulation rests on these dynamics within the SSA, the history of capital accumulation also rests on the history of political and ideological institutions alongside the economic factors. (McDonough, 1994, p. 82, Ch. 4)

Thus, another argument of this dissertation is that in the 1970s, the supremacy of capitalist ideology was challenged, as evidenced by the militance of the rank and file regarding issues of control over the work process. This challenged the postwar capital-labor accord, contributing to the decline of the twentieth century cycle. In contrast, in the 1990s, we are witnessing the birth of a new era / capital-labor accord based on the decline of left ideology and institutions. Specifically, this "left ideological poverty" has

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strengthened the capitalist class, leading it to reassert itself and possibly establish a new environment favorable to accumulation. Lastly, this approach considers the development of each national SSA "as historically contingent, its internal unity as historically contingent, and its disintegration as historically contingent" (McDonough, 1994, p. 78, Ch. 4).

Overall, Gordon, et al. summarize their theory in relation to long swings as follows:

> 1. A period of expansion is built upon the construction and stabilization of a favorable social structure of accumulation.
> 2. The favorable institutional context for capital accumulation generates a boom of investment and rapid economic activity.
> 3. The success of the capital accumulation process pushes investment to the limits that are possible within the social structure of accumulation. Continued rapid capital accumulation requires (among other changes) either reproduction of the conditions existing at the beginning of the boom or a transition to a new organization of the labor process and labor markets. The initial conditions are difficult to reproduce, and needed reforms are not easily achieved.
> 4. Accumulation slows and the period of stagnation is entered. Attempts to alter the institutional structure are met with opposition, especially in a stagnationary context.
> 5. Economic stagnation promotes the further dissolution of the existing social structures of accumulation.
> 6. The restoration of the possibility of rapid capital accumulation during an economic crisis depends on the construction of a new institutional structure.
> 7. The internal content of this institutional structure is profoundly but not exclusively shaped by the character of the class struggle during the preceding period of economic crises.
> 8. The new social structure of accumulation is virtually certain to differ from its predecessor, thereby generating a succession of stages of capitalism.
> 9. Each stage of capitalism is likely to feature a long period of expansion, then a subsequent long period of stagnation. (1982, p. 32)

Given this description of SSA theory, I now explain how my work utilizes it as a unifying framework. The following outline describes my conceptualization of how living standards are achieved or fixed at their given levels. Beginning in the 1940s, after World

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War II, multiple factors contributed to the creation of specific SSAs both at international and national levels. These factors included the nature of the labor/capital struggle and their respective strength, new political institutions, and world economic factors of the time. For example, at the international level, we had the emergence of Bretton Woods as a financial system, U.S. economic and political world dominance, multinational corporations, and so forth. At the national levels, we experienced the emergence of peaceful collective bargaining, segmentation of labor, Keynesian economic state management of the economy, and so on. All this established both the international and national economic structures of the most recent 20th century long wave running from 1940-1960 and its breakdown from 1960-present (Kotz, 1994, Ch.3).

Once established, the national economic structures lead to given levels of national/domestic living standards and levels of equality. However, as noted above, class conflict is always present, meaning that renewed intensification of conflict arises over how the continuing output will be distributed in the coming periods. Conflict can manifest itself either as a low degree of violence (institutionalized) through politics and peaceful union negotiations or it can be at a high degree of violence, such as strikes or civil unrest (this does not mean exclusively revolution). Usually, both forms are involved. This renewed conflict reshapes the working class living standards and levels of equality either in a positive or negative direction. In turn, the new arrangements on which the new living standards and equality are based inevitably affect and reshape the economic structure/nature of the SSA. Therefore, the economic structure is progressively transformed into a new structure which, in turn, affects living standards and equality

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anew, and so on. In addition, there is an interaction between the international SSA and the national structures which must be considered.

In other words, I base myself on SSA theory, through which I develop the concept of long waves in terms of their effect on living standards and equality. By utilizing this theory I am combining a multi-factor approach in examining how it is that different national working classes achieve different living standards and levels of equality. Thus, I am establishing a cyclical pattern of changing living standards and equality for each nation that is based on historical contingency, as is SSA theory. In addition, by looking at the question through a dynamic analysis, I attempt to solve a logical problem with which I am faced. Specifically, which came first, the chicken or the egg? Is it economic structures/development that determine living standards/levels of equality, or is it living standards/levels of equality that determine economic structures/development? This is a question raised by many writers. For example, Muller (1988) argues that one will influence the other. He also found that inequality shapes political institutions and that political institutions shape inequality.

My analysis starts with the assumption that after WWII, economic SSAs were established through the interaction of multiple factors such as economic development, the shape of class conflict, and other historical contingencies. These SSAs, in turn, kick off a series of events in which one factor influences the other at different times. These events are examined as to their effects on the working class in Germany, France, the United Kingdom, and the United States by breaking down this period into roughly 20 year intervals: 1940-1960, 1960-1980, 1980-1998.

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In addition, I focus on the following institutions and their components within the SSAs as they relate to the fortunes of the working class.

- Political Institutions. For example, did workers form national independent labor parties? What was the "balance of power" in terms of a legitimized ideology (i.e., of the left or right)? Were left groups and parties allowed or outlawed at given periods?
- Social Institutions. I examine the nature of the capital-labor accord at various periods and investigate whether it was based either on class compromise or on the victory of one class over the another. I will also look at the history/nature of class conflict in each nation (for example, whether there was a revolutionary/militant heritage).
- Economic Institutions. For example, what was the government's role, if any, in the economy? What was the nation's economic structure? Was production rationalized / what methods were used?

Also, I must note the following before examining the case studies. This work will be more limited in terms of economic and even political developments in Germany and France during the 1990s. The reason for this is the emergence of the European Union and its supernational institutions. For example, Maastricht, with the upcoming single European currency and pending common monetary policy, together with the E.U.'s supernational political bodies and laws have been very significant in shaping the economies and political actions of France and Germany. This is true to a much lesser degree for the United Kingdom, which still seems to be unsure and distrustful toward the

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European Union. This is an expected reaction, since the European Union was in its conception primarily a plan to unite France and Germany in order to avoid future conflict. Because of this, England fears loss of its national sovereignty to a the E.U. more than other nations in the treaty since it has at its heart Franco-German interests. Thus, the United Kingdom is still wavering between continental integration and trade with its former colonies and the United States. In any case, the point is that this is in itself a very involved topic which is continuously changing at a rapid pace. In fact, the European Union seems to be an emerging 21st century European SSA. Thus, it will not be treated in this work but should be given greater attention in a separate study.

We start by examining the United States, which in much of the literature is identified as the exceptional nation in terms of its political, social, and economic institutions.

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The United States

To understand the future of labor in America, one needs to comprehend the present. To comprehend the present, one must understand the past. We therefore go back to the beginning of the twentieth century and one of the popular labor theorists of the time to formulate the ideological basis of American culture relative to work. According to Selig Perlman (1928), the American labor movement has consistently faced great difficulties relative to other nations. He wrote that the essence of any labor movement must always have, at heart, an organized resistance to private property rights. The same view was also echoed by C. Wright Mills (1948), who argued that unions are, at their core, collective efforts to restrain the power of private property in the labor market. In fact, here both authors are reminiscent of Marx (1977), who wrote that labor would always be at odds with private property, since under capitalism it has become the tool of labor's exploitation and alienation. Marx, Perlman, and Mills were not referring to someone's personal private property but, rather, to productive property. In America, however, Perlman goes on, private property is not distinguished this way. Rather, the concept is an integral cultural element of America carried over from its past of free and abundant land. He points to the numerous small parcel farmers of his time and their personal resistance toward any encroachment on private property because they identified themselves as property owners. This cultural heritage has persisted long after the decline

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of farming. Consequently, the labor movement, from its inception, was at odds with the cultural heritage of many citizens and not only the capitalist enterprises.

In addition, America has been characterized as passing through two distinct economic ideological phases up to the 1930s which were related to the ideology of private property. At the turn of the century, U.S. political institutions and business had a distinctly *laissez-fair* attitude toward the economy which went through great periods of both upheavals and downturns. However, WWI brought about a transformation toward an era of "Welfare Capitalism." The government realized that in order for it to be able to increase and stabilize war production, it had to stabilize labor relations, as well. Toward this end, the War Labor Board, among other, things sponsored "shop committees." Employers originally opposed the idea but soon came to accept it as a substitute for trade unions, resulting in the flourishing of "company unions." It was during the inter-war period 1919-1927 that company unionism flourished under the watchful eyes of employers. The short-comings of Welfare Capitalism became apparent once the Great Depression hit in the 1930s and was soon abandoned by business. This opened the road toward the first "New Deal" which lasted into WWII and after (McDonough, 1994).

It is within this environment that Gompers' tactics of "business unionism" evolved as a guiding ideology of unions--which in the United States have become synonymous with the labor movement. This has had a profound impact on American labor ever since because of its multiple implications. For example, Brecher (1997) writes that ever since the early 1900s, collective bargaining through industry unions broke down workers' solidarity because they began to think in terms of their own industry rather than

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of labor as a whole. Workers also accepted capitalism and sought only to make it more accommodating. In addition, this led to corporatism later on, after WWII. More importantly, though, it resulted in the rejection of left ideological parties which, as will be examined shortly, had the disastrous effect of crippling the chances of the formation of a politically independent American labor party (Mills, 1948).

Given these brief background comments, we now turn to the post WWII era to examine through SSA theory developments which relate to labor's ability to achieve higher living standards and equality. We will focus primarily on three broad areas. One area involves the set of economic institutions, the second deals with political factors, and the third with labor-capital relations, while all three will include discussions of the ideology behind their emergent shapes.

We begin with an examination of the economic institutions set in place at the beginning of the twentieth century cycle of expansion. These institutions were already emerging prior to WWII and consolidated further after the war. It is important to understand the significance of such institutions for the expansion of any SSA cycle. In order for capital accumulation to occur, there must be an adequate level of investment in the economy. Investment, in turn, is dependent on the expected rate of profit. The rate of profit is influenced by the conflict levels existent in society. Conflict includes not only the capital-labor discord, but, also, industry competition. "The pace of capital accumulation is conditioned by the structure of intercapitalist competition, namely, the degree to which elements of competition and monopoly are present and the various forms of that competition" (Gordon et al., 1984, p. 24). Thus it is argued that with increased

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levels of competition, profitability will be adversely affected. Classical economics actually holds this to be an expected outcome of capitalist competition, arguing that profit margins will be the minimum required for entrepreneurs to remain in business. Here, then, comes the importance of regulating industry competition for expansion. If competition can be regulated, then profit margins can increase and therefore spark new investment (Kotz, 1994).

This was accomplished through the emergence of Monopoly Capital. According to Baran and Sweezy (1968), during the postwar period we witnessed a transformation of the economy as many industries became oligopolistic. In other words, a few major firms came to dominate major industries of the economy, with large scale production and the economies of mass production which resulted. Rather than compete on the basis of price, the firms opted for price stabilization. Competition took on non-price form such as the struggle through advertisement for consumer brand loyalty. Classical economics also supports the proposition that oligopolistic firms will behave in such a fashion as they actually did in this era. Furthermore, oligopolization meant that profits increased, as did the economic basis of expansion.

However, as Baran and Sweezy wrte, this new form of industrial organization ran into massive problems, with too much surplus capital being produced in proportion to the opportunities for its absorption. Thus, this system on its own would tend quickly toward stagnation and ultimately end the economic upturn almost before it had barely begun. The solution to this problem would include military spending. The policies which would support such a solution were already forming before WWII. This brings us to the New

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Deal and its significant economic implications for the postwar long wave expansion.

Up to the 1930s, popular economic belief was opposed to any meaningful, in terms of scale, government involvement in the economy. However, with the onset of the Great Depression, popular doctrine began to slowly change, favoring the then new idea of Keynesianism. Specifically, the depression and its lingering duration prompted policy makers to argue that the economy is not as self regulating as originally believed (Reich, 1994). It was also argued that the means to get out of the slump rested in the hands of the mass consumers. In other words, purchasing power was identified in terms of its importance relative to demand, in contrast to classical notions of supply side economics expressed by Say's law: i.e., supply creates its own demand. Thus, underconsumptionism was believed to be the cause of the great slump (Renshaw, 1990), an interesting point when one considers this was an argument made by Marxists long before the 1930s.

Consequently, there was a favoring of government demand stimulus efforts, although to a limited extent, as early as 1933. Renshaw quotes the Secretary of Labor Frances Perkins stating to Roosevelt in March of 1933: "We are beginning to appreciate today the close connection between the commerce of the nation and the number of persons employed ... *The working classes are the great reservoir of purchasing power*" (1990, p.247). This, in fact, was the essence of the New Deal; namely, that peoples' purchasing power had to be maintained at adequate levels in order to get out of the economic slump and prevent new recessions. It was believed that government had a legitimate role to play in the country's economy to accomplish this. During this period under Roosevelt's administration, government policies were to focus on unionism and

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public works (Reich, 1994). Unionism, not of the company variety, but rather of independent unions, were seen as a good means toward increasing the wages of workers and thus peoples' purchasing power. For example, The Wagner Act of 1935 was passed for this purpose and was worded within a Keynesian framework (Reich, 1994; Renshaw, 1990). Public works and other social programs such as social security involved direct government efforts to stimulate the economy through increasing mass purchasing power. Such policies were also important in terms of alleviating some of the economic hardships of individual citizens. For example, older citizens who had no financial support other than their own means and the support of their families up to that time became eligible for Social Security. In addition, it is arguable that all this was a response by Capitalism to the great ideological challenge it was facing, given its collapse in the face of what was considered to be a Soviet miracle of development at the time.

According to Kotz (1994) and McDonough (1994), in terms of economic institutional developments, the New Deal period initiated a belief in the potential benefits of government demand stimulus, which was further articulated in policy after the second World War, and because of it, in the form of Keynesianism. Prior to the war, Keynesian policy was always viewed with much skepticism not only by the government policy establishment, but even more so by industry. During the war, the Keynesian state demonstrated its potential power. Thus, although government spending had indicated its potential effect on the economy during the recovery period in 1938 when it was used, it nevertheless seemed to have a minor and unsure impact. Part of the reason for the uncertainty of Keynesian validity had to do with the size of government taxing and

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spending, which was still limited at the time and thus prevented large scale government spending as a test of the theory. In fact, it should also be mentioned that despite Roosevelt's limited spending, the economy still had not reached its pre-depression output levels up to the eve of WWII.

With the advent of the War, massive government spending took place. For the first time we witnessed large scale spending of the kind that would validate (or disprove) Keynesian demand side policies. During the war, the economy reached full-employment and output soared. According to Renshaw (1990), after the war was over we already had a new-found belief in government's economic role for maintaining full-employment and preventing slumps like those of the 1930s. In addition, as the war was ending, Americans feared a post-war recession. The solution was seen to be continued government stimulus to maintain purchasing power. The question then became, spending for what? One example of new massive spending was the famous G.I. Bill, which contributed more than any other factor in creating the new American middle class. However, spending for such social programs was the exception rather than the norm. For example, Kotz (1994) mentions that the expansion of medical care and public housing during the Truman administration was defeated by the medical and real-estate lobbies. What, then, could be a large economic sector into which public spending could flow without harming private professional or corporate interests? Although there could have been many different answers to this question, history choose military spending.

Military spending was reduced at the end of the war but was still maintained at almost double the rate of the prewar period. The military proved to be a good source for

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government spending for a number of reasons. First, it maintained high levels of purchasing power in the economy. Secondly, large private corporations were the immediate beneficiaries, thus securing their support. Third, the production would never turn into a massive social surplus that would saturate the economy and result in overproduction-underconsumption problems (Baran and Sweezy, 1968). Corporations would produce and governments would consume. In fact, this was an example of creating goods only to have them destroyed, thus allowing for the creation of more such goods. Thus began the era of the greatest destruction of social surplus via wasteful consumption. To this end, the Marshall Plan of 1947 and the Korean War of 1950 provided the basis of this wasteful cycle of expenditures. Mills summarized the situation well with his prophetic words of the time:

> The conservative way to economic balance, without disturbing the income and power relations between the classes, is deficit spending in foreign rather than domestic fields, coupled with building a war economy in time of peace. ... If the sophisticated conservatives have their way, the Next New Deal will be a war economy rather than a welfare economy ... When the military state is joined with *private monopoly power* [my emphasis], a permanent war economy is required to maintain the productive apparatus in a condition of profitable utilization and society in a state of acquiescent dread. (1948, pp.246, 248, 250)

It should be clear at this point that the "Keynesian" state was not really Keynesian in the strict sense of manipulating aggregate demand through fiscal and monetary policy (Kotz, 1994; McDonough, 1994). Rather, simple spending as a demand stimulus was seen as following Keynesian prescriptions. Actual sophisticated fiscal and monetary policies would not be fully engaged in until the 1960s under the Kennedy administration.

Overall, the set of economic institutions set up at the beginning of the twentieth

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century SSA were highly complementary. Each was in support of the other. Large oligopolistic corporations maintained high profit margins that were "fed" by massive military expenditures. In turn, such expenditures were equivalent to destroying the output once produced (either through consumption or obsolescence), therefore avoiding problems of surplus saturation and stagnation. In addition, the New Deal and WWII provided the ideological/empirical basis for government expenditures which "fed" the military machine. Lastly, the emergent Cold War provided the linch-pin for all this through the creation of a new international SSA (which will be discussed separately).

Consequently, these economic institutions served as the basis for an unheard of historical expansion. For example, GDP per capita controlling for inflation grew by roughly 148% from 1950 to 1970 (Author's calculations). Of course, as mentioned before, economic institutions may have been one set of core institutions for an SSA expansion by regulating industry competition. However, other institutions were also needed that would regulate social conflict. For this we turn to labor-capital relations.

As noted previously, the popular consensus of the time was that depression was caused by insufficient purchasing power. Thus, Roosevelt felt that an independent union movement would be successful in raising workers' wages. "The New Deal administration asserted an interest in an independent and self-determined labor movement as essential to recovery and restoration of purchasing power" (Perlman, 1939, p. 346). Consequently, a number of measures were passed after the Norris-Laguardia Act of 1932 as a means of increasing aggregate demand via purchasing power through encouraging union growth. The first change came with the National Industrial Recovery Act (NIRA)

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of 1933. Some of the NIRA provisions included eliminating child labor under the age of sixteen, reducing hours of work, and setting a minimum wage based on industry. More importantly, it gave workers the right to collective bargaining and protected the establishment of unions from unfair employer practices. The Act itself, though, was not very clear on a number of points, including enforcement. Thus, one unanticipated consequence was the growth of company unionism. In any case, the Act was declared unconstitutional in May of 1935 (Perlman, 1939). In June of 1935, Congress responded with the National Labor Relations Act (Wagner Act), which was upheld by the Supreme Court in 1937. The Wagner Act gave labor two powerful rights: the right to self-organization and the right to collective bargaining. It also prohibited a number of management practices considered unfair toward labor. The strategy worked, and the combined membership of the AFL and CIO grew to over 3 million by 1937 (Bernstein, 1970).

On the other hand, despite labor's difficult time given the environment of a highly developed private property ideology, it nevertheless did manage to register some victories and expand unionism. This was particularly true after the founding of the Committee for Industrial Organization (CIO) in 1935 under the charismatic leadership of John L. Lewis. The CIO had the insight to organize all production workers, who were making up an increasing proportion of industrial personnel. This action caused then to break with the AFL, which under Gompers had a long-standing tradition of exclusive craft unionism (Mills, 1948). Lewis was also able to take advantage of one of American labor's milestone pieces of legislation, the Wagner Act of 1935, which was passed, in part, due

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to labor's persistent struggles in that period.

Union organizing, though, was hampered in 1937 and 1938 as a result of the Little Steel failure and the "Roosevelt" recession respectively leading into the war period (Renshaw, 1990). During the war, government efforts were made to keep production at maximum with minimum disruption. This meant that government had to secure the cooperation of labor and, especially, to prevent disruptive strikes. To this end, the National War Labor Board was established to coordinate production. Its members included government and industry officials as well as labor leaders. Thus, we had the beginnings of what has come to be known as corporatism and government regulation of certain industrial sectors. It is important to mention, though, that although labor had representation on the board it did not have any real authority beyond that ofrecommending policy. In order to win labor's cooperation through a no strike pledge, however, the board granted unions official recognition, secured their membership, and established automatic dues checkoff rights (Renshaw, 1990).

Business, although skeptical at first, soon came to accept the new developments, which favored undisputed production. This was partially a result of the government's efforts not to seem to interfere with business control in the economy during the war and the large participation of business leaders in the War Labor Board. These were known as dollar-a-year men and were "donated" by the major corporations to the Administration (Davis, 1986).

Overall, events before and during the war led to unionisms' great expansion, which reached a unionization high point of roughly 36% by 1945 (Kurian, 1994). The

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war developments, though, had a profound impact on labor. Despite labor's no strike pledge, many in the rank and file felt they were betrayed by the administration's non-fulfillment of some of its promises, such as the stablization of prices (Renshaw, 1990). Collective bargaining, in turn, also dissatisfied the often militant rank and file for a number of reasons. For example, collective bargaining bureaucratized unions and was often based on a no strikes clauses. Bureaucratization meant that grievances were no longer resolved on the shop floor but through arbitration, thus distancing the leaders from the rank and file (Fairris, 1994). Contracts also limited the most potent weapon of the rank and file: strikes, which were replaced by contracts. In addition, according to Aronowitz (1992), the union dues checkoff laid harmful seeds within labor. Previously, union officials collected dues on a face-to-face basis, thus establishing direct contact and, to some degree, dependance on rank and file cooperation. The automatic checkoff, therefore, had the effect of further distancing union leadership from the membership. Taken all together, unions came out of the war with a particularly militant rank and file coupled with a leadership that was seen by its membership and business as a disciplining mechanism of labor. In addition, union leadership became increasingly dependent on the capitalist system and management's cooperation. As McDonough writes: " This period undermined union democracy and established the bureaucratic tradition which was to plague American unionism in the postwar period" (1994, p. 119). At this point, one could ask how SSA theory explains the great postwar expansion, given its emphasis on lack of conflict for such expansion to occur. The answer requires us to look not only at labor's actions but also at the other major actor, namely capital, to understand the

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evolution of the capital-labor accord.

How, then, was the capital-labor accord of the new SSA formed? On the one hand, unions did behave militantly after the war, partially due to their overall successes in the mid 1930s and the spirit of the rank and file. For example, "In 1934, 62 per cent. of all strikers won partial gains. Since 1935, 44-49 per cent. of all strikes have resulted in substantial gains to the strikers and only 14-17 per cent. were complete failures. Also 41-54 per cent of all the workers engaged in strikes since 1935 won substantial gains" (Perlman, 1939, pp. 328-329). This militancy was demonstrated after the war by the massive strike wave of 1946, despite the union leadership's efforts to contain it. For example, in 1946, 2100 man days of work were lost per 1000 workers, the number of strikes per 100k workers reached 9, and the percentage of the civilian labor force that went on strike reached 8.33% (Author's calculations). All three strike statistics have never been surpassed, justifying Brecher's (1997) argument that 1946 was the closest America ever came to a national strike. Under such circumstances, it would have been possible for the new accord to be based on the victory of the working class over capital. On the other hand, a number of events, including the mentioned role of union officials, led to an accord based on compromise.

The compromise was a result of a number of factors, one of which was the evolving union role as a disciplining and containment mechanism. Another factor was the defeat of labor in the GM strike of 1945 (McDonough, 1994). During the strike, unions attempted to penetrate into management issues. However, this served as an occasion for the regrouping of business, which fought back against giving unions their

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old gains without having any new demands met. Third, the general political and legislative environment turned negative for unions, marking the start of unionism's containment phase. For example, the War Labor Disputes Act (Smith-Connolly) was passed in 1943. In some cases it outlawed strikes, allowed government to take over industries where labor mediation failed, and established criminal penalties for anyone encouraging disruptive strikes. In addition, Republicans used the Bill to attack Democrats by banning unions from funding political campaigns (Renshaw, 1990). Also, the Taft-Hartley Act of 1947 restricted some of unionism's weapons such as secondary boycotts, sympathy strikes, closed shops, and it established a number of right-to-work rules. One consequence of Taft-Hartley was to sever the unity of labor into isolated industry interests. Also, the defeat of the Wallace third party ticket in 1948 contributed both to the containment of union power and the Red Purges discussed shortly (McDonough, 1994). According to Reich: " These defeats signaled a political commitment by business to call a halt to further liberal reform" (1994, p.38).

Given all of these events, the containment of capital-labor conflict at the beginning of the new SSA expansion was based on class compromise via collective bargaining. According to Gordon, et al. (1984), workers were granted regular pay increases while management maintained its control over the production process. For management, this translated into stable and predictable production and therefore increased profitability. For workers, this meant the end of the union offensive to unionize the unorganized areas of the economy and led to a fractioning of labor via a two tier system/dual labor markets and management control of the work process. In addition, the

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new accord contained its own seeds of destruction, given the problems discussed previously, such as the isolation of the militant rank and file, etc., which will be examined again later. Therefore, as SSA theory argues (within the Marxist tradition), expansions do not require the "*lack*" of conflict but rather the "*regulation*" and "*containment*" of conflict. Although labor after the war was militant and problematic issues arose, these were contained at the time by the stalemate in class power. Thus, these problems would reemerge later when the tolerance and balance of class power shifted sufficiently to encourage a challenge to the current capital-labor accord. That is when the institutions of the SSA expansion are eroded and the period of expansion is followed by decline.

Having reviewed the economic and capital-labor institutions at the start of the new SSA expansion, we now focus on the political environment of the time. In terms of legislation, we have already seen how union expansion was encouraged in the 1930s and then forced to make an about face toward containment. The question which remains, though, is what happened to labor in the political process? For example, why was there no significant third party and what was/explained labor's ideological direction? To answer these questions we must again go back to the New Deal era and try to understand labor's connection to the Democratic party.

As the reader may recall, American unions, particularly those within the AFL, have followed a policy of "business unionism" and "political neutrality." The latter translated into a policy of rewarding labor's friends and punishing its enemies in the political arena. This meant that the criteria for union support was not party affiliation, but, rather, the candidate's platform. As it turned out, most Republican platforms were

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clearly anti-union, leading to the identification of unionism with the Democratic party. Why were such policies followed by labor? Why not develop a political labor party? The reason is multidimensional, but the following factors tend to be of major importance. First, American labor has historically faced immense persecution both in courts and through battles with federal and state troops. One of the reasons for this hostile environment was the powerful institution/ideology of private property. At the same period labor did, in fact, advocate a left wing political agenda and indicate a hostility toward capitalism, which only made its persecution more severe. Consequently, political neutrality was a union response in an effort to reduce state opposition toward itself (Perlman, 1928; 1939; Mills, 1948).

Another reason for labor's identification with the Democratic party and lack of third party representation has to do with the union leadership. American labor leaders have long been hostile toward their own communist members who offered ideological guidance for the movement. Mills (1948) gives three reasons for this opposition. First, many labor leaders were ideologically opposed to communism. Second, in the environment mentioned before, "communists" made for "bad" publicity and put the union at constant risk of government crackdown, a point also made by Perlman (1928). Thirdly, union leaders had become dependent on the system of capitalism in order to maintain their positions, which afforded them very comfortable life styles that were closer to those of the capitalist bosses than of the rank and file they represented. As such, communist leaders threatened not only the system of capitalism which union officials depended on, but their leadership within the union, as well. Therefore, communists,

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rather than being treated as a rich source of ideological guidance, were often purged as rival leaders, particularly in the AFL. Given the hostility of the AFL, many communists joined the CIO.

According to McDonough (1994) and Kotz (1994) the defeat of Henry Wallace's third party campaign and the communist party's support for him marked a round of communist persecution within the CIO known as Red Purges that left much of the union leadership in the hands of bureaucratic officials. Around that time, labor legislation had also taken a turn for the worse. In 1947, the Taft-Hartley Act was passed, limiting many of labor's weapons such as sympathy strikes. Wallace's defeat had also marked the end to any serious third party efforts. As a result, union leaders turned to those political allies most likely to succeed, which happened to be the Democratic party and Theodore Roosevelt.

The distrust and even persecution of communists and intellectuals within labor had a deep and profound effect. It literally robbed the labor movement of a vision and platform. Without these intellectuals and visionaries, third party hopes truly faded and sealed the dependancy of labor upon the Democratic Party platform, which was reformist at most. As Mills wrote, the New Deal: "Never solved the structural problems of the great slump, but in alleviating them here and there, acted as a shock absorber and a huge deflector of more vigorous action; it ended in war, and after the war was done with, things were in no better shape; they were worse and more complicated" (1948, p.185). Therefore, a series of historically contingent events in the political sphere contributed to a large extent toward the lack of an independent American labor party.

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An additional reason for labor's political weakness during this and later periods has to do with the political structure of the United States. First, the country consists of multiple State entities. This means that there exists a level of competition among these states for resources, including investment capital. As a consequence, States are tempted to offer a legal environment attractive to capital investment which works against labor interests. Thus, even if certain States wanted to offer a more pro-labor environment, they would have to eventually come down to the lowest common denominator among States to compete for capital. "Under a system of one national and [multiple] state governments ... the more progressive states were lockstepped with the more backward ones in the scope that they could give to labour legislation, since "driving capital out of the state" loomed as the penalty of too determined a pioneering" (Perlman, 1939, pp. 325-326).

An even greater impediment to labor is found in the electoral structure of the federal government. The United States is characterized by a winner-take-all form of district based elections for federal office. "Such an arrangement is called a "single-member district plurality system," and it has led to two-party systems in 90% of the 109 countries included in an exhaustive comparative study of party systems" (Domhoff, p. 204, 1998). This means that for a party to elect a candidate, it must secure a majority of votes in that specific district; otherwise, it gets no representation, since the winner takes all of the district votes. Such a system is clearly contrary to proportional representation and can easily result in a strict two party system as is the case in the United States.

The American electoral system is notoriously anti-third party and reflects the founding fathers' distrust of political parties. Thus, a minority party may actually

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command 19% of the popular vote in each and every district and not elect a single candidate because majorities were not won within districts. This, in fact, was the case with many third party campaigns; the most recent example is Ross Perot, who did win 19% of the vote in 1992 and received zero representation. In addition, third parties face collusionary efforts by Republicans and Democrats to keep them off ballots through restrictive requirements, they receive lower financial support from wealthy donors, and are given limited media coverage (Domhoff, 1998). Therefore, given the structural disprivledging of third parties, it is difficult to maintain prolonged support for a minority party that always lacks representation.

Denitch (1992) also mentions the electoral system of the United States as a factor leading to American Exceptionalism to which he adds two more factors. First, in America, the democratic electoral franchise was widened without conflict. In European countries such as Germany, political participation rights had to be won by the working class through conflict. As a result of the electoral struggle, broad-based worker movements developed that later provided the basis of labor and socialist parties. In America, therefore, such a movement was not developed. Secondly, America was characterized by great economic opportunities. As a German Social Democrat quoted by Denitch put it, "American Socialism was wrecked on the shoals of roast beef and apple pie" (1992, p. 45). Related to this was also the continuous influx of new immigrants creating the impression of mobility as the older immigrants moved on to better jobs. Numerous authors also mention class fragmentation in this regard (Mills, 1948; Harrington, 1985; Aronowitz, 1992, Brecher, 1997). For example, the American working

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class has been fraught with racial, ethnic, religious, regional, and other cleavage lines, making coordinated political effort almost impossible. Thus, we see once more the effects of historical contingency. Specifically, it was fortune which led to the discovery of a vast continent that became populated by various immigrant groups that led to the numerous working class racial and ethnic fragmentations.

All this contributed to labor's acceptance of a pluralistic two-party system in which it is but one voice among many. This has kept unions outside the decision-making process, accepting the existing political system while trying to extract as much economic benefit from it as possible. Also, U.S. unions have recently tended to commit themselves exclusively to the Democratic party, unlike big business, which gives balanced support to both parties. This has hurt unions, especially during the Reagan administration, which saw no political benefit in promoting pro-labor policy. Finally, the Democratic party itself seems to neglect labor's demands, because union support is taken for granted (Masters, Atkin, & Delaney, 1989-90). In addition, Voos (1993) argues that the lack of an American aristocracy has allowed the emerging capitalist class to influence the state in discrediting unions. Thus, America is characterized by its historically consistent lack of left wing parties and its uni-party governments.

To summarize, by the end of the second World War, economic, political, and capital-labor institutions were in place which created a favorable environment for capital accumulation, sparking the beginning of the twentieth century SSA. Labor militancy had been checked with unions in the position of disciplining their membership. In turn, businesses offered regular pay raises and received control over production. This was a

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labor accord based on an uneasy truce by both sides since neither had the power to crush the other. The economic institutions allowed for the expansion of profits and the political institutions "fed" corporate production through military spending without threats of political disruption. All of these institutions, in turn, were congruent and held together by the international SSA under the United States hegemony in what became the Cold War ideology that will be discussed later. The American SSA, however, contained the seeds of its own destruction in the form of the rank and file bulb which blossomed in the 1960s. The relations of production at the beginning of the SSA were capitalist, and the contradictions had been suppressed but not eliminated.

The working class entered the 1960s experiencing one of the most dramatic increases in living standards and levels of equality in post WWII history. This was a result of the new postwar SSA institutions being based on class compromise rather than on a defeated labor class. Had the postwar capital-labor accord been based on the absolute victory of capital over labor, the upswing in the economy would not have yielded as many benefits for the working class. Instead, capitalists would have disproportionately reaped the benefits of the upswing. In general, unemployment was at historical lows around 3.8% in 1966 and falling to 3.5% by 1969 (U.S. Department of Labor, Bureau of Labor Statistics, 1998a). The Gross Domestic Product per capita grew at a historically unprecedented rate of 148% from 1950-1970 (Author's calculations). Family income share for the bottom 20% and 40% of the population reached all time highs of 5.6% and 18% respectively in 1966 (International Labor Organization, 1996). Overall inequality in the same year was the lowest from 1950 onward with a Gini

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coefficient of 0.349 (International Labor Organization, 1996). Clearly, the expansion of the new SSA with a capital-labor accord based on class compromise rather than defeat was benefitting labor. The militancy of the pre- and postwar years was paying off. Ironically, it was this positive environment that opened the doors to renewed militancy. As argued within SSA theory, class conflict is not eliminated; it is only suppressed and can re-emerge when one or the other class is prepared for renewed confrontation. During the 1960s, workers were doing very well financially, but this did not mean all was well in capital's Camelot. There were some lingering issues which the compromise of the 1940s had not resolved. Specifically, management's control of the production process was a very contentious issue with the rank and file.

Within the relevant literature, author after author repeatedly identifies a pattern of rank and file militancy at odds with numerous working arrangements (Aronowitz, 1992; McDonough, 1994; Kotz, 1994; Fairris, 1994 & 1997; Brecher, 1997). Collective bargaining, which was a major labor victory at first, had transformed unions into capital's junior disciplinary officers in reference to employees. This was due to union bargaining being based on the "contract." Management would cooperate with the union provided that the latter met its contractual obligations. As Aronowitz (1992) describes them, these limiting obligations included a no strike pledge, bureaucratized grievance procedures, recognition of management prerogatives, and the checkoff of union dues. Thus, if production level workers had a grievance, they were often prohibited by their own leadership from striking, effectively limiting workers' most powerful weapon. In response, workers engaged in "quickies", "wildcats", and other spontaneous actions in

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opposition to their own leadership. Secondly, a bureaucratized grievance procedure took problem resolution away from the shop floor both in space and time and placed it in a formal resolution process, also contributing to a detachment between members and their representatives. Under these conditions, employees with legitimate and even serious grievances, often related to their health, were obliged to register a complaint and continue working under the conditions in question for months on end until their grievances were formally processed (if at all). The whole mechanism resulted in great backlogs of complaints which, in the end, were often traded as bargaining chips between union and employer negotiators. According to Fairris: "Not only were the decisions of rational minded industrial relations experts, union leaders, and arbitrators preferable to those of foremen and the rank and file, but in committing a large number of disputes to the grievance procedure, management gained the right to act unilaterally until - or, rather, when and if - some resolution was reached" (1994, p. 198).

The union checkoff, as mentioned before, also detached the rank and file from the leadership and was viewed as an additional tax. The recognition of management prerogatives was in the spirit of what Gordon, et al. (1984) had described--namely, high wages for workers' control of production by management. However, as Fairris (1994) argues, the rank and file were particularly opposed to this concession since it led to a deterioration of working conditions, especially when combined with an ineffective and bureaucratized grievance procedure. Finally, the contract itself became increasingly complex, resulting in union bureaucratization, distancing membership from union leadership.

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As a result of all this, workers engaged in massive strikes, often in conflict with and despite their union representatives. In fact, stories abound regarding union leaders' efforts to undermine their own rank and file's militant strike activity (Aronowitz, 1992; Brecher, 1997). In spite of the often more harmful than useful leadership, strikes reached record levels in the sixties, indicating a destabilization of the capital-labor accord and thus the postwar SSA. For example, based on my own calculations, their were 623 man days lost per 1000 employees in 1968, reaching 802 in 1970, the highest relative number ever since. In 1969, the number of strikes per 100k workers reached 7.06 and by 1970, 4% of the civilian labor force was on strike, both the highest figures ever since.

The great strike activity of the rank and file eventually made its impression upon capital. This impact came in the form of decreased productivity and consequently reduced profit margins. For example, in 1969 the annual increase in productivity fell to 0.4% of the previous years' 3.4% gain, turned negative 1.7% in 1974 and again in 1979, after which it remained anemic at best, up to the present (McConnell and Brue, 1999). According to Fairris:

> Recent time-series analysis of productivity growth over the postwar period also suggests that labor-management conflict played an important role in the productivity slowdown of the post-1965 period. In addition to the variables more commonly associated with productivity growth - e.g., capacity utilization and the capital-labor ratio ... strike frequency, labor quit rate, accident rate, and a variable capturing a weighted sum of strikes and quits (the industrial conflict index) are all negatively and significantly associated with productivity growth. Moreover, the industrial conflict index and the accident rate explain a large percentage of the post-1965 slowdown in productivity growth in manufacturing. (1997, p. 135)

Thus, beginning in the 1960s, the postwar capital-labor accord was being eroded and, along with it, the set of labor institutions supporting the expansion. This in and of itself,

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though, would not be the sole cause of the economic downturn which was imminent, but it did contribute, nevertheless. As regards labor, this state of affairs persisted within the overall combative spirit of the 1960s. However, in 1973 "the clocks struck thirteen" and labor was about to face what eventually became its great defeat, setting the clocks back a few centuries by 1990.

With the advent of 1973, America and the rest of the world entered a period of recession as long and disruptive as any other. Economics also seemed to be flipped on its head with a previously unheard of combination of high inflation and high unemployment. By 1974, inflation reached 11% and in 1975, the unemployment rate climbed to 8.5% (McConnell and Brue, 1999). Keynesianism was at a loss. As of that time, strike activity dwindled and employers took the offensive in this renewed class warfare. Workers themselves became concerned with job security and most other demands were dropped.

In the institutional economic sphere, things were not much better in the face of major structural challenges. Since the end of WWII, the economic basis of the American SSA was oligopolistic industrial organization. This form of industrial structure had the dual benefits of stabilizing profit margins upward through reduced industry competition and reduced labor problems, given its ability to offer regular wage increases. In addition, the state was a major source of consumption through military expenditures, but it not the only major customer. The whole postwar international SSA was based on American hegemony, and it was this international system that became the backbone of America's own expansion. For example, after the War, all major world economies were destroyed. This proved an immense opportunity for American corporations to provide numerous

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products to these countries at favorable terms of trade.

Eventually, however, the world economies were rebuilt. The 1970s thus saw increased competition from Germany, Japan, England, France, etc. This increased level of competition hit U.S. firms particularly hard for a number of reasons, at the core of which was industrial structure. First, the oligopolistic form of organization is not particularly responsive to consumer tastes. This was a major cause for U.S. firms to lose market share. For example, the Big Three in the auto industry were monolithic and did not respond to consumer preferences for smaller, more fuel efficient cars in the face of the oil shocks and expensive gas. Japanese automakers, though, did gauge the market and provided what consumers wanted, thus eroding American market share. Secondly, the competition itself reduced American firms' ability to provide regular and significant salary increases. This was particularly true in the period of inflation when workers experienced an erosion of their real wages, prompting them to ask for COLAs (Cost of Living Adjustments). One of the reasons production was stabilized at the start of the expansion was a trade-off between salaries and management control. During this time, though, workers already had begun to express dissatisfaction with managerial control of production and now the payoff (salaries) were being compromised as well. This created a very unstable situation.

With lowered productivity and increased competition, the economically expected outcome was a stagnation of wages. As soon as this was true, old problems of the capitalist system reemerged–namely, underconsumption and stagnation due to reduced aggregate demand. This was exactly what the Roosevelt administration had tried to

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combat as the cause of the Great Depression some forty years ago, only they called it insufficient purchasing power. But what about the political institutions of this time?

Keynesianism, although espoused, was mostly understood as demand stimulus through government spending. Its more accurate and highly developed form of calculated fiscal and monetary policies did not really take hold in government until the Kennedy and Johnson administrations. By the time of the oil shocks, Keynesian policies did not seem to work, given the awkward combination of both inflation and unemployment known as stagflation. It would take economists a few years to understand the role of external economic shocks, and, by that time, lack of knowledge led policy makers to decisions which only made things worse. Thus, we had the beginning of the discrediting of government involvement in the economy.

With the advent of the Carter administration, new solutions and policies emerged. By this time, large corporations had adopted new strategies as a response to the labor and economic environment facing them. Specifically:

> Corporations increasingly saw Keynesian economic regulation and class compromise as barriers to increasing their profits. ... Instead of encouraging government to manage social conflict through interventionist economic and social policies, the new corporate agenda promoted deregulation, privatization of government functions, acceptance of high unemployment, gutting the welfare state, and government encouragement for wage reductions and corporate attacks on labor. ... Much of the new corporate agenda was already being implemented at the end of the Carter Administration. (Brecher, 1997, pp. 308, 309, and 311)

Thus, America witnessed a series of deregulations of industry: securities in 1975, railroads in 1976 and 1980, airlines in 1978-1981, banking and motor carriers in 1980.

Additionally, U.S. unions faced difficulty in promoting unionization given the

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hostility of the NLRB resulting from the events mentioned above. Therefore, world recession affected American unionism negatively, because workers had difficulty organizing in unaffected sectors while affected unionized sectors were shedding jobs. If, for example, workers want to create a union, it must be official by law and have exclusive representation. Otherwise, it will not be recognized by employers or agencies. To do this, workers must petition the NLRB with a large number of signatures. Then, a complicated review must follow. Finally, if the NLRB approves, workers must hold elections to decide whether they will form a union. Additionally, employers have a right, based on their freedom of speech, to resist the process (Levine, 1991). If a union is established, it has no significant power. According to London (1989-90), unions lose their strongest economic weapon of striking under the NLRA during a contract. This is also mentioned by Geoghegan (1991a), who believes that unions have bargained away their rights following a mistaken response to unfavorable laws. In fact, "The impact of labor law on unions today is so negative that all supporters of unions propose significant law and practice reforms and some even suggest eliminating the labor law framework" (Flood, 1989-90, p. 358).

This brings us to the managerial opposition hypothesis. Characteristically, many firms hired labor-management consultants; "labor-management consultant" is just a title for people who keep workers from organizing. Executive Enterprises, Inc. is an example of such consulting businesses. In its 1984 brochure, it mentioned having over 20,000 clients attend anti-labor seminars (Freeman, 1986). Even though such activities are legal, management also engaged in its illegal tactics of the past. According to Geoghegan

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(1991b), union busting consultants persuaded management to use illegal methods given minimal ramifications by the Justice Department. The results were that pro-union workers were fired in large numbers and long lawsuits following labor organizing efforts. "The rapidly deunionizing US is the prima-facie case of what aggressive management can do to unionism. In the 1970's and 1980's, management turned against unions and collective bargaining to a degree not seen anywhere else in the world" (Smith, 1990, p. 14).

Unionism's decline is also attributed to decreased employee demand for union representation. Farber (1989) found that workers' wage expectations fell between 1977 and 1984. This is not surprising, given the loss of jobs in unionized sectors. Thus, non-union workers are less likely to believe unionism's claims regarding the improvement of wages and job satisfaction.

Lastly, as was mentioned, structural economic changes have reduced the wage and employment levels of U.S. unionists. This has translated into a decrease of funds available to unionism (unions?) with which to lobby government for favorable reforms and policies. Overall, unions as a special interest group lagged behind their corporate counterparts to a considerable degree. For example, from 1977 to 1988, labor PAC's (Political Action Committee) contribution to congressional politicians grew by 242%, while there was a 465% growth in corporate PAC's (Masters, Atkin, & Delaney, 1989-90).

Consequently, American union membership fell to 23% by 1980 (Lane et al., 1991; 1997) and bargaining coverage of all workers by union contracts was only 26% in

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contrast to all other European nations (OECD, 1997a). Unemployment was chronically high and strike activity dwindled. Household income share for the bottom 20 and 40 percents of the population fell to 4.1% and 14.3% by 1979 without any end in sight to the downward trend (U.S. Bureau of the Census, 1998). Household income shares of the richest 20% climbed from 40.5% in 1966 to 44.2% in 1979 (U.S. Bureau of the Census, 1998) while overall inequality rose with a Gini coefficient reaching 0.365 in the same year (International Labor Organization, 1996). Starting in 1980, poverty statistics also ended a downward trend and moved back up (Table 10). Thus, the postwar SSA in America had begun its decline as of 1973 (Kotz, 1994; Harrison and Bluestone, 1988; Brecher, 1997).

1980: in comes President Ronald Reagan. From 1980 to the present we have continued to experience the deterioration of the postwar SSA at an increasing rate with increasingly negative effects on the working class. Politically, the actor-President Ronald Reagan is seen in the literature as marking a renewed and intensified assault against the working class by a coordinated government and business front. "On taking office in 1981, the Reagan Administration deliberately deepened the already serious recession, cut the fraying social safety net, and began pulling the teeth out of agencies that provided some protection of workers' rights" (Brecher, 1997, p.311). To some extent this is true, although many of the political and policy changes had already been taking hold since the 1970s. The negative government policy formation was, as mentioned, related to decisions taken by major corporations. Domhoff (1998) makes the major and convincing point that the conservative right, representing capital, makes consistent efforts to

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influence public policy. This is achieved by their de facto monopolization of major think tanks and advisory groups through their deep financial funding. In turn, the author demonstrates that the government has little in-house expertise regarding the formulation of complex social policy. Thus, government relies on the expertise of think tanks and foundations which are themselves controlled by capital interests. In addition, many of the high-level government staff members come or are even borrowed from these elite institutions and the corporate world. This, therefore, is a method by which government policy is influenced by major corporations.

It is during this time that the true value of the left membership in labor became apparent, yet union leadership maintained its anti-intellectual left attitudes (Aronowitz, 1992) because there was no significant left leadership to provide an ideological counter-weight to what was about to come. With the advent of Reagan, America experimented with a new economics. This became known as "Reaganomics" but the problem was that it was an old book in a new cover. Reaganomics was nothing more than the old Say's law which policy makers discredited after the Great Depression: supply creates it own demand. According to Harrison and Bluestone (1988), the goal was to stimulate the economy from the supply side through massive tax cuts for the rich and from the demand side through increased military spending. The immediate outcome was a ballooning of federal budget deficits. In the long-run, the policy failed to spark new investment because the tax cuts for the rich did not require the funds to be invested in new production. On the one hand, factory capacity utilization was already below 85%. On the other hand, increased consumer demand was largely a result of personal debt and

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government deficit spending, indicating that demand in the near future would eventually decline. As a result of these two factors, new investment occurred only in the area of "financial" assets (i.e., speculative paper investments sparking little if any production and job growth). In other words, we experienced one of the SSA's arguments: "If class conflict or past capital accumulation have pressed the institutions to their limits and they begin to lose their legitimacy, capitalists will be more disposed to put their money in financial rather than direct investments, earning a financial rate of return whose security compensates for its lower average expected levels" (Gordon et al., 1984, p.26).

Thus, Harrison and Bluestone (1988) concluded that the mid 1980s recovery was based on government spending and not on improved international competitiveness or productivity growth. As such, the recovery was short-lived, with the rich becoming richer, the poor becoming poorer, and deficits expanding in the end. "Put another way, the sacrifices in wages, incomes, and inequality ... did not produce a new wave of growth in GNP or enhance the basic soundness of the economy. All the growth in the economy since the last recession was borrowed from the future" (Harrison and Bluestone, 1988, p 150).

In the area of economics, employers continued to face structural challenges into the 1980s. Harrison and Bluestone (1988) provide a good description of the economic conditions facing companies. They argue that prior to the 1980s, companies were experiencing a profit squeeze. On one side, the prosperous years encouraged labor militancy and renewed demands which hurt productivity. On the other side, the authors blame American businesses for their incompetence in preparing for or even anticipating

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the intensified international competition of the time. The response of the corporate community was a massive corporate restructuring. Productive investment was avoided in favor of more lucrative but speculative and risky financial investment, employee relations of the past favoring compromise were charged with the goal of labor containment, and government was pushed to favor short term business interests.

The financial investments, which also included mergers and acquisitions, had the effect of increasing unemployment. The government helped with deregulation, corporate tax cuts, tight monetary policy, and military spending. More importantly, government assisted corporations in containing labor. For example, it is argued the recessions of 1980 and 1981-82 were deliberately induced by the Reagan administration at business' encouragement in order to increase unemployment and reduce wages (Harrison and Bluestone, 1988; Brecher, 1997). On its behalf, management engaged in union busting, part-time and temporary employment, and other methods oriented toward reducing wage costs and disciplining labor.

All of these institutional changes since 1973 continued to consolidate themselves with a labor force standing by in disbelief. The completion of the institutional shifts was achieved by 1995 after the 1989-95 period. The result is a working class described by authors such as Harrington (1985) and Mishel, et. al. (1997).

Harrington describes the "New American Poverty" which emerged in the 1980s and is still relevant today. He argues that since the 1970s, poverty in America ended its downward trend and has been on the increase. What is alarming, though, is that this is a different kind of poverty. Its source, unlike the sources of previous periods of poverty, is

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structural, emanating from all the government and corporate changes mentioned above. Unemployment which is related to poverty is also now structural, having much to do with international competition. However, these negative phenomena are now also affecting the general working class. Long gone is the labor aristocracy of the past. Currently, most members of the working class are in imminent danger of poverty and unemployment themselves. This has resulted in a more docile labor force willing to "take whatever its is offered." More seriously, this state of affairs has pitted workers against each other and the poor, locking them in a Hobbesian world of war of all against all. In other words, working class cleavages have intensified, thus hurting the possibilities of a united response.

Mishel, et al. (1997) summarize the current state of the working class at the end of the 1989-1995 business cycle well. During this period, employment went up, the median family's income was lower at the end than at the beginning, more family members had to work in order to maintain previous living standards, inequality grew, wages of high school graduates dropped 10-20%, wages for the bottom 80% of males and 60% of females dropped, wages of college graduates also dropped for the first time, economic insecurity rose, and middle class wealth was eroded.

One factor identified as a cause of these conditions is deregulation and the shift to *laissez-fair* capitalism. This has contributed in reducing workers' bargaining power both in and out of unions. The deterioration of the minimum wage and de-unionization accounted for roughly 1/3 of wage inequality. Globalization accounted for 15-25% and the low wage service sector 20-30 % of wage inequality. High unemployment rates of

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the prior period also helped push wages down. Interestingly, the authors (Mishel, et al., 1997) did not find productivity to be a cause of labor's deterioration because, although anemic, it still rose 1% on average since 1979. Also, the cost of benefits did not offset wage losses and neither education nor skill levels were found to be a cause of inequality. In other words, modern day low wages, inequality, and insecurity have institutional causes. These institutional causes are argued in this dissertation to be outcomes of the defeat of the working class since 1973, contributing to the decline of the post-war SSA. As Mishel, et al., state along the lines of Harrison and Bluestone (1988): "The cumulative impact of both government policy and business strategies has achieved a lowering of wages and the standard of living of most Americans. ... Yet there is no evidence of our economy becoming more competitive or having improved in the fundamentals of capital accumulation or economic efficiency and productivity. In fact, the economic shift to a more deregulated economy over the 1979-94 period has been all pain and no gain" (1997, p.35). "The era during which a single wage was sufficient as a family wage came to an end. From 1975 to the present, two or three wage earners are needed to maintain a working-class household; the social consequences of this change have been enormous for the working class, their communities, and their participation in the economic and political life of this country" (Aronowitz, 1992, pp. 403-404).

As of 1994, the household income share of the bottom 20 and 40 percents of Americans was 3.6% and 12.5% respectively, the lowest since 1950 (U.S. Bureau of the Census, 1998). The share of the richest 20% in 1994 was 49.1%, the highest since 1950 (U.S. Bureau of the Census, 1998). The Gini coefficient in 1993 and 1994 was 0.429 and

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0.426, the highest since 1950 (International Labor Organization, 1996). Total social expenditures as a percentage of GDP in 1975 were 20.8%, but in 1995 only 16.4% (OECD, 1998c). Poverty is also up since 1980 (Table 10). GDP per capita growth in the period 1950-70 was 148%; from 1970-95 it was 47% (Author's calculations)! Strikes have become almost non-existent and union coverage has fallen to 14% in 1995 (Lane et al., 1997).

Having reviewed the historical facts, we conclude with an examination of how these fit into my broader theoretical model. According to the model, in order for workers to obtain better living standards they must engage in conflict and be successful. Such class conflict may manifest itself at high or low levels of violence and may often include elements of both. As we have seen, significant class conflict did occur during the pre- and post- World War periods. For example, the working class militancy was expressed by the massive strike wave of 1946, which was the closest America ever came to a national strike. Therefore, postwar class conflict was at a relatively high level of violence, involving extensive strikes and including elements of low levels of violence such as high unionization rates.

In addition, the conflict included an attack on the ideology of unregulated capitalism as a result of the massive economic dislocations due to the Great Depression prior to World War II. As a result of labor's actions and the ideological challenge toward capitalism, State protections such as the New Deal and Keynesianism came. Following the concessions of the State, capitalists and workers reached a labor peace. This labor accord was based on the existence of a specific set of economic institutions discussed

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before. Also, the accord was a result of class compromise and not class victory. This was a result of the inability of either class to decisively defeat the other. Here, two major points should be emphasized. First, whether a capital/labor accord is derived through class compromise is exclusively due to historically contingent factors. Thus, there is no economic determinism as to the outcome of conflict at given stages of capitalist development. Secondly, whether the accord is based on compromise or defeat of one class by another is very important in terms of the distributional implications. Specifically, if workers are defeated prior to a long economic expansion, they will not reap as many rewards. Rather, the benefits will largely accrue to the capitalist class. If workers are victorious or at least achieve a compromise, they will enjoy a greater portion of the expansionary gains.

Next, given the containment/regulation of class conflict, production should be more predictable and expansion should follow, provided the economic institutions are in place as well. This expansion did happen after the second World War with the 20th century SSA upswing. Given a labor accord based on compromise, the SSA expansion yielded rising standards of living for the working class together with increased equality in income distribution, as we have seen. Once more, the rising living standards for the working class were a direct result of the labor accord being based on class compromise which, in turn, was due to labor's militancy at relatively high levels of violence and given historically favorable contingency.

However, as SSA theory states (and according to Dahrendorf, 1959), class conflict is never resolved within capitalism. Rather, it is contained/regulated until one or more

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classes feel the balance of power has sufficiently shifted to warrant a renewed challenge for greater gains at the expense of the other. This happened in America during the late 1960s with labor's renewed militancy. As was explained, workers found themselves in an economically prosperous environment and felt the time was right to make further demands. For example, much of the original worker actions were targeted at management's control of the production process and their detached and bureaucratized union leadership. As a result, conflict in the form of increased strike activity broke out in the late 1960s, often in defiance of the union leadership.

The increase in conflict within the work place eventually led to reduced productivity levels. In turn, reduced productivity contributed to the erosion of the postwar capital-labor accord because capitalists faced with reduced productivity gains and increased competition from the international markets were unable to offer the regular wage increases which had been expected under the accord. This fueled even more strike activity over the issue of wages in addition to the original demands for more worker control. Employers, seeing that the labor accord was not aiding in the smooth flow of production, began an offensive of their own against workers.

By the mid to late 1970s, all of the above had contributed to the downswing of the SSA. However, unlike their counterparts in the postwar period, militant workers were not successful in gaining the upper hand in this stage of class conflict. Due to various historically contingent events such as the globalization of capital flows, employers had been successful in defeating labor by the 1980s (aided by Reaganomics) and 1990s. We see, then, how the outcome of class conflict can benefit either class depending on

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historically contingent circumstances/developments. Thus, the argument will be made later that we may be witnessing the early formation of a 21st century SSA with a labor accord based on a defeated working class. For example, in the popular press we commonly read about how well the American economy is doing, experiencing a 9 year long expansion of the business cycle with historically low unemployment and inflation. Yet, wages are not rising nearly as fast as they did in the 1940s-1960s, temporary and part-time employment is high, and significant benefits such as health care are still not provided on a universal basis. (Instead, benefits have been cut or reduced for many workers.) I will argue that all this is due to the benefits of expansion being usurped by employers due to the inability of the defeated working class to force an equitable distribution.

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The United Kingdom

Labor conditions in the United States have been quite similar to those of the United Kingdom, which had proceeded to take form at an earlier date. For example, in the United States, the major developments in the areas of economics, politics, and the capital-labor accord were consolidated during and immediately after WWII. In the United Kingdom, similar developments had occurred and consolidated well before WWII. Thus, we now examine the major institutions of the postwar social structure of accumulation at the national level of the United Kingdom.

In terms of the capital-labor accord, most patterns of institutional developments took place during the interwar period. In contrast to United States labor, British labor developed a pattern of "overlapping" unionism. This meant that although unions claimed exclusive turf for themselves, there nevertheless was a significant amount of competition among various unions for membership. "The Trades Union Congress had never attempted to lay down a rule recognizing only one union as the appropriate organization for a given class of worker. In many trades, therefore, there exist a number of unions catering for the same or for very similar types of worker" (Marquand, 1939, p.145). Unlike the American schism between union factions, this competition did not result in a "labor civil war" as it did with the AFL and CIO. Instead, the Trade Union Congress provided a set of rules in 1924 regulating union membership and transfers to other unions which smoothed inter-union relationships. "It simply recognized the existence of a large

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number of unions based upon diverse principles and provided a means for minimizing friction among them" (Marquand, 1939, p.145). Therefore, unionism not only had a longer tradition in the United Kingdom relative to the United States, but it was also characterized by less friction and more regulated competition which helped keep unionization rates much higher in the former. For example, British union membership as a percentage of the workforce was 23% in 1914 and 45.2% in 1920 (Williams, 1995).

The nature of British unionism was not revolutionary. According to MacDonald (1940), as a result of political defeats back in 1848 when Chartist petitions were rejected by the House of Commons, labor took on an organizational form of business unionism that would be adopted by Samuel Gompers in America during the 1890s. As such, the unions were primarily concerned with daily bread and butter issues rather than revolutionary long-term goals. This meant British unionism had already begun to accept the system of capitalism. As a result, demands for worker control of production were dropped. Strikes were not encouraged and the primary goal was the protection of workers from unfair treatment within the system. However, unions managed to amass large funds which they could rely on in times of need. In addition, union leadership's acceptance of the capitalist system was interpreted as "reasonableness," which helped in the passage of a series of favorable legal acts in the mid 1870s. Those acts gave labor the right to strike and picket, civil status, and protection of union funds from lawsuits. Together with the establishment of the Trades Union Congress in 1868, the conditions for collective bargaining had been prepared well in advance compared to America.

According to Marquand (1939), by 1909 collective bargaining had begun to

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emerge in industry with the Trade Borders Act of that year. The Cotton Manufacturing Industry Act of 1934 was the basis of expanding collective bargaining to all manufacturers. This meant that the union contract also covered workers in non-union firms. At first, the Trades Union Congress was fearful of expanding contract benefits to unorganized workers because such a move could undermine any incentives to actually join the union (and pay dues). However, as history would prove later, this greatly benefitted the overall working class. By the latter half of the 1930s, collective bargaining had been fully developed as an institutional mechanism of negotiation. MacDonald (1940) summarized the process as follows: Employers would be organized by industry and would collectively negotiate with the corresponding unions. Certain national standards would be reached that allowed for regional variations, thus increasing the flexibility of the contracts according to specific needs. The national contracts would generally include provisions for wages and working conditions, non-binding arbitration of disputes (unlike America), and no strike clauses were not included.

According to Marquand (1939), MacDonald (1940) and Stevenson (1990), despite labor's political strength which will be discussed shortly, the interwar period saw a militant labor force in the early 1920s being defeated later on, especially with the onset of the Great Depression. Thus, throughout the period the working class suffered high levels of unemployment and, consequently, a decline in both union membership and strike activity. The aborted general strike of 1926 is often mentioned in the literature as an example of labor's weakness. "The TUC's climbdown, [from a general strike] ... was seen as a humiliating defeat for organized labor. In fact it was less a turning point than a

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confirmation of processes already evident in the early 1920s" (Stevenson, 1990, p. 131). In addition, this weakness opened up opportunities for negative labor legislation, such as the Trade Disputes and Trade Unions Act of 1927 and the containment of wages. The recovery years of 1937-38 did alleviate some of Britain's economic problems, but because of structural reasons discussed later, the economy still experienced lingering difficulties.

These were major events which had shaped institutional developments in the area of labor relations prior to the late twentieth century SSA. But, to fully comprehend the United Kingdom's post WWII labor accord, we should also examine political developments of the time because, even more so than in America, politics has been more closely intertwined with the British labor movement.

As mentioned previously, labor in the United Kingdom had already achieved certain legislative successes as far back as the 1870s as a result of its acceptance of and willingness to work within the capitalist system as well as for economic reasons discussed shortly. This business unionism, along with relative political neutrality in the spirit of cooperation with the liberal party known as "Lib-Labism," was reversed with the Taff Vale Judgement in 1901. As Saville (1960) wrote, up to that time, unions felt they were legally secure from lawsuits that would threaten their financial funds. However, the Taff Vale railroad won a judgement for monetary compensation from both its employees and their union for breach of contract when the employees went on strike. This signaled to the labor movement the need for direct representation in government in order to protect themselves from similar assaults in the future. Thus the Labor Representation Committee

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formed in 1899 became the basis for the formation of the Labor party in 1906. "Thanks to the judges, the unionists realized they were doomed if they did not enter politics" (McDonald, 1940, p. 848). Thus, we see that a major impetus toward direct political involvement by British workers was due to the historically random event of the Vale judgement.

According to MacDonald (1940), the unions, through the Labor Party, were able to pass a series of social legislation acts in the early 1900s. This legislation included the Trades Disputes Act of 1906, which reversed the judgments mentioned above; the Trade Boards Act, which provided a minimum wage for certain workers; the State Insurance Act, which established old age pensions and limited the work day for coal miners to eight hours; and the Trade Union Act of 1913, which allowed the use of union funds for political purposes, thus overriding the 1909 Osborne Judgement. One consequence of these events was to intertwine unions with the Labor Party, providing it with both votes and financial support. Another result was to establish cooperation between the State and unions through the joint administration of various insurance funds, regulation of work conditions, and arbitration. In other words, a form of corporatism was developing in the United Kingdom by the early 1900s.

According to Stevenson (1990), the Labor Party itself experienced significant growth and victories after WWI when voting rights were extended to all males. This was also a period in which the Labor Party formally announced commitment to a Socialist platform. Thus, by 1924, the party established the first Labor Government with 33% of the vote, signaling the gradual decline of the Liberal Party. In 1929, Labor won its

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second Government with 40% of the vote. During 1940, Labor joined the Churchill government coalition for the war period and won its first majority government in 1945. However, as mentioned, labor militancy did suffer set backs with a series of unsuccessful strikes such as the General Strike of 1926. In addition, the economic environment had turned negative throughout the interwar period with significantly high unemployment levels and declining union membership (Marquand, 1939; MacDonald, 1940; Saville, 1960; Stevenson, 1990). Legislation also took a turn for the worse; for example, the Trade Disputes and Trade Unions Act of 1927:

> . . . put serious limitations on strikes, holding that any individual engaged in an industrial dispute may be liable to criminal proceedings, if because of a broken contract, "injury, danger, or great inconvenience" to the community is likely to result; that the strike is illegal if it has any other purpose than the furtherance of the interests of the worker in the particular industry involved; that a strike is illegal if it is designed to coerce the government ... Restrictions on picketing were likewise imposed. Civil servants were forbidden to ally themselves with the labor movement. (MacDonald, 1940, p. 852)

More seriously, the Act reversed the Trade Union Act of 1913 by requiring unions to obtain signed permission by the individual members for offering union funds as political contributions. In other words, the legislation substituted "contracting in" for "contracting out." The goal of the conservatives was to contain the power of the Labor Party by essentially cutting it off from union financial support.

Thus, given the institutional developments in the political and capital-labor spheres, the emergent capital-labor accord was clearly one of compromises between employers and labor as they contended for control of the State (Gospel, 1987). The war consolidated this compromise even further with the three way cooperation between

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capital, labor, and the State. However, in contrast to the United States, the United Kingdom compromise gave labor a greater advantage. Although, political involvement had "tied" labor to working within the existing social structure, it nevertheless gave it significant influence over public policies. Thus, during the interwar and post WWII years, unionism in the United Kingdom managed to achieve a State with greater social expenditures and the firm establishment of the "welfare state." It also managed to reverse its declining membership and to secure a postwar Labor Government (Williams, 1995).

A question that should be addressed, though, is why was labor politically successful? For example, the United Kingdom has an electoral structure of "first past the post" which is identical to that of America and leading to a two party system. The following are some answers as to British labor's political success. First, although strong, the concept of private property was never as strong in Europe as in America. In contrast, Europe has been the cradle of many socialist and communist movements which attacked the very notion of private property, although these existed to a much more limited extent in the United Kingdom. In this regard, according to Williams (1995), as early as the 1900s, 78% of the population in England was urban with a relatively small agricultural work force. This translated into a large industrial working class that was willing to challenge capitalist employers. More importantly, the sizeable working class formed a solid basis for the Labor party which emerged at that time. The employers, though, did not have a large farming class on which to rely for support when property rights were challenged. All this could be contrasted with the United States, for which the opposite was true, according to Perlman (1928). Secondly, the British working class, although not

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monolithic, nevertheless was significantly less fragmented than its American counterpart, which was riddled with racial, ethnic, regional, and other cleavages. Third, according to Voss (1993), the United Kingdom had a powerful class of landed aristocracy up to the 1800s that resisted the total victory of the bourgeois class over themselves. To accomplish this, the aristocracy helped the lower classes by preventing total employer victory over them, thus limiting the latter's power. Consequently, the union movement was not discredited in the eyes of government through employer influence as it was in America. This forced employers to compromise with the working class, which, as we see here, opened the road toward independent political action later on. Fourth, rather than engage in destructive civil war, unionism in the United Kingdom opted for constructive competition and overlapping. As for the electoral system, it also led to a two party system in Britain. However, due to the greater unity of the working class and the enlightened choice for independent participation, one of the two parties turned out to be Labor. It should be mentioned that historical contingency had much to do with the choice of independent political action. For example, political events in America such as Roosevelt's New Deal and the resulting Wagner Act effectively tied American labor to the Democratic party. In contrast, the lack of significant labor support from any party and negative court judgements such as Taff Vale provided the catalyst for British workers to seek independent representation.

In terms of the economic institutions, prior to the new SSA of the United Kingdom, these were largely related to the decline of the old international social structure of accumulation. Specifically, the United Kingdom had established itself as the world

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hegemonic power roughly from 1815 to 1945, reaching its height during 1849-80 in *Pax Britannica* (Gilpin, 1993). As Gilpin (1993) and Keohane (1984) write, Great Britain, through the Industrial Revolution, had become a world power and established a set of institutions comprising the world trading system of the time. The nation was able to achieve this due to multiple factors. Some of the factors included the decline of other competing international powers (such as France after the Napoleonic wars), Britain's productive predominance of industry at home, and her military, particularly naval, capability.

> Another necessary condition for the British strategy of portfolio investment was a technological revolution in transportation. Communications and transportation by land and by sea were revolutionized with the invention of cheap steel and the application of steam power to sea and land transport. The steamship decreased the time, cost, and risk of marine transportation, thereby having a profound effect on economic relations as well as on the exercise of military power ... England, with only half the population of France, was turning out two-thirds of the world's coal and half of its iron and cloth. Technologically more advanced than her competitors ... Britain could capture world markets with cheaper goods. ... Britain's interest lay in universal free trade and the removal of all barriers to the exchange of goods. Through concentration on industrial efficiency, Great Britain could create an empire of trade rather than one of colonies. (Gilpin, 1993, pp. 136-137)

Consequently, Britain, by becoming the linch pin of the 19th century SSA, tied her own fortunes to the international system. For example, much of the United Kingdom's power rested on its ability to export competitively.

MacDonald describes that period between 1860-90 as the Golden Age of British capitalism. "British industrialists were in a position to make the most of these opportunities. Industry and trade flourished, exports increased, foreign investments multiplied, and standards of living rose" (1940, p. 846). Thus, it was during this period

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that unions begun to adopt a strategy of business unionism and acceptance of the political and economic system. This was primarily a result of unions' ability to raise members' wages and living standards through negotiations with highly profitable employers. The employers, in turn, did not mind compromising with labor so long as production was not disrupted and they could continue to reap the benefits of their productive supremacy through international trade.

However, the 19th century international SSA of British domination began to decline by the early 1900s. According to Gilpin (1993), the rise of French, German, American, and Japanese naval power challenged the hegemony of Britain, making the maintenance of the international system more costly for the latter. In addition, due to a process of technological and military diffusion, other states began to adopt new productive techniques and thus erode the predominance of the world hegemony. This happened to Britain in the early 1900s with the productive rise of the United States and Germany. As a result, Britain's share of international trade was eroded, and, with it, jobs at home. Thus, the long decline of British hegemony contributed to the very high unemployment rates during the interwar period. It had also contributed to the general pressure for the reduction of wages as a means to recapture export competitiveness. Once the Great Depression hit, things only became worse. Although, the years of 1937-38 were marked by world recovery, it was nevertheless partial and did not really change the fundamental economic structural problems of Britain.

Consequently, this period of economic decline found British labor to have long adopted the capitalist system with certain significant gains in politics and legislation from

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the past. "Trade unions have tended more and more to emphasize their function as continuing institutions for the regulation of wages and conditions and the orderly marshaling of labor within the capitalist system, and have rarely thought of themselves, as in times past, as organs of class struggle" (Marquand, 1939, p. 188). On the other hand, high unemployment and declining wages put a halt to labor's advance, as evidenced by the emergence of unfavorable legislation and failure of major strikes as in 1921 and 1926. This, according to Stevenson (1990), resulted in a general feeling for the need of class compromise both by the labor and capitalist classes, which was carried over to the battleground for control of the "state." This general feeling for the need of compromise was continued into World War II and was solidified by the years of coalition government.

After the second World War, the United Kingdom came out with its economy destroyed, unionism revived, and the need for reconstruction. As mentioned, the belief in corporatism had already been apparent before the war and more so after. According to Addison (1975), in popular opinion, the party most capable of meeting the mood for consensus and cooperation was Labor. For one, Labor had proven its ability to function during its participation in the war time coalition government. Secondly, the Conservatives were still identified with the hardships of the Great Depression and inter-war period. The Conservatives had also demonstrated ambiguity toward consensus while part of the coalition government and again during their postwar campaign, which was quite negative in its message. Finally, the electoral system itself contributed to the Labor Party, achieving a majority of over 146 parliamentary seats with only 48% of the vote.

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As for the Conservative party, it managed to obtain 39.6% of the vote in 1945 (Lane, et al., 1991).

In turn, according to Morgan (1984) and Pelling (1984), the Labor government repealed the Trades Disputes Act of 1927 and passed National Insurance in 1946, the National Assistance Act of 1948, and initiated public house-building programs. In the economic sphere it Nationalized the Bank of England in 1946, coal, railways, canals and road haulage in 1947-48, electricity and gas in 1948-49, and iron and steel in 1951. These actions were not entirely opposed by the conservatives. In fact, most of these policies including nationalization of industries were advocated by the conservatives given the general postwar period of corporatism as for other reasons. In return for all this, labor offered its agreement on settling disputes based on war time policies and the National Arbitration Tribunal. Even more importantly, unions agreed to moderate their wage demands which brings us to the postwar economic institutions.

First, the nationalization of certain industries was beneficial to the postwar economy, because those industries that came under state control were already in decay and unprofitable. The government efforts were an attempt to rationalize and save these industries by increasing their efficiency. To this end, Conservatives were in agreement and did not offer significant objections. Secondly, the private owners of firms within nationalized industries received ample compensation, further bringing capitalists in line with government policy. In addition, nationalization provided capitalists with opportunities to invest in alternative industries, thus stimulating the economy while the failing heavy industries were propped up at public expense.

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Secondly, according to Powell (1992), capitalists were able to receive through government the unions' promise to cooperate in industrial policy. For example, the unions' acceptance of wage restraint was seen as a contribution toward improving Britain's exports, which had been suffering before the war and virtually stopped during it. In addition, wage restraints were believed to contribute toward containing inflationary pressure. Lastly, organized labor, by agreeing to wartime policies of negotiating industrial disputes, limited the extent of work stoppages. All of these conditions were clearly favorable for capitalist production, partially explaining the will on capital's part to compromise with labor. For example, the number of man days lost per 1000 workers from 1948 to 1953 was at historically low levels not to be experienced again until the 1990s (Author's calculations). The percentage of the work force on strike during the same postwar period averaged 1-2%, also showing the lowest levels until the 1990s.

Thirdly, the British economy, as did many other European Economies, benefitted after the war from the American Marshall Plan of 1947. Thus, according to Keohane (1984), Europe was at the brink of economic collapse and experienced a shortage of dollars. The Marshall Plan, which consisted of grant aid, helped European nations by financing their reconstruction and by providing directly needed materials. For example, from 1947 to 1950 two thirds of Western European merchandise imports and 25% of total imports were financed by the plan (McDonough, 1994). Britain, in particular, received a fourth of the Marshall Plan aid (Reynolds, 1997). The reasons for the American aid varied and included a fear of Communist resurgence. Details regarding the Marshall Plan will be reviewed later when we examine the postwar international SSA of which the plan

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was an integral component. For Britain, though, all this translated into a boom of economic activity financed in part by America, thanks to the destructiveness of the war. Consequently, strikes in the United Kingdom were at relatively low levels, as was unemployment, which had reached a high of only 1.7% in 1946 (Table 11). As for productivity, it rose from 1950-60 at an annual average of 2.05% (Liesner, 1989). The Gross Domestic Product per capita grew dramatically in real terms by 178% from 1950-1970, surpassing even America's growth rate in percentage terms (Author's calculations). This should be of no surprise, since Fairris (1997), by using time-series analysis, has found a strong negative relationship between productivity growth and industrial conflicts, including strikes. Thus, the spirit of corporatism was reinforced, feelings of prosperity grew, inflation was under control, and the economy was improving overall well into the early 1960s.

However, all was not perfectly well. According to Pelling (1976), as with the American case described by Fairris (1997), the signatories toward corporatism did not include the rank and file. Thus, despite the ideological orientation of working within the capitalist system, or because of it, problems did emerge. For example, the Labor government, which lasted from 1945-1951, nationalized a number of industries in cooperation with the Trades Union Congress without changing their managerial structure. On the one hand, this pleased capitalists, therefore ensuring their cooperation. On the other hand, the rank and file felt this was an abandonment of efforts for workers' control. In other words, as with American rank and file, there was a genuine interest not only for bred and butter issues such as wages but also for more meaningful control of one's

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working conditions. In addition, the no strike agreements had the same effects as they did in America. The rank and file was not pleased, especially when these agreements were combined with wage restrictions. As a result, a number of unauthorized strikes broke out, as in the strike on the docks during 1948-49. Some of these, as were the docks strikes, were answered by government intervention, including the use soldiers to break them up.

According to Brown (1986), by the early 1960s, an environment of low unemployment strikes began to increase, indicating a deterioration of industrial relations. One major reason for this was the continuation of a wage containment policy by government. In 1961, the issue took added significance when the government unilaterally announced a "pay pause" without consulting the unions, which nevertheless cooperated. However, rank and file dissatisfaction continued to grow and was increasingly breaking from the control of the union leadership. According to the findings of the Donovan Commission issued in 1968, two systems of industrial relations were developing. One was the formal system of negotiating institutions at the national level between employers, unions, and the government. The second was an informal system consisting of the actions of local union members and their increasing strike activity. In other words, the rank and file at the local level was increasingly getting out of the official national union leadership's control. In 1969, the Secretary of State for Employment and Productivity, Barbara Castle published her paper on industrial relations, *In Place of Strife*. Whether rightfully or wrongfully, the paper was interpreted as an attack on unionism, eroding labor relations further (Ponting, 1989; Pelling, 1976).

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According to Brown (1986), The Industrial Relations Act of 1971 contributed significantly to labor unrest. The Act was an indication of the desire to contain unionisms' power. The Act had established a National Industrial Relations Court (NIRC) similar to the NLRB of the United States. The NIRC required that ballots be cast before a strike could begin, and it had the power to declare cooling off periods prior to strikes. It also provided fines for unfair union practices, made collective bargaining legally binding, and required unions to register with the Registrar of Trade Unions and Employers' Associations, which had the authority to alter union rules. The official union leadership reacted very negatively to the law, choosing to ignore it. As a result of changing attitudes by the union leadership and increasing rank and file militancy, "Whereas in the 1950s foreign observers had looked with approbation on the comparatively harmonious character of labor relations in Britain, by the late 1960s there was talk of the "British disease" of endemic workplace conflict" (Powell, 1992, p. 126).

On the economic front, the 1960s signaled renewed problems. During the 1960s, the British economy experienced a renewed fear of inflationary pressure, exports began to suffer, and the currency was in trouble. Much of this was a result of increased export competition and a relative slowing of productivity. The slowing of productivity, in turn, had much to do with the labor disputes and work stoppages. The labor unrest was, itself, a response both to the negative legislation mentioned above and, especially, to government wage controls. Wage controls were implemented in 1966 in order to contain inflation in the context of an emerging policy of containing union power. Wage and union containment were pushed further with the 1971 Industrial Relations Act.

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Consequently, much of the labor unrest was a result of wage constraints as well as a struggle for job control. Thus, starting in 1968, the number of man days lost per 1000 workers began a trend of significant increase, reaching 956 by 1972. The same trend was apparent in the percentage of the labor force that went on strike during that period, reaching highs of 9% and 7% in 1968 and 1970 respectively (Author's calculations). Unemployment rates had also begun an upward trend (Table 11). However, union density was maintained and even increased throughout the period, indicating the resilience of workers. For example, from the 1950s through the mid 1960s, union density held steady at 44%, advanced to 47% in 1970, 51% in 1975, and by 1980, reached its all time high of 54% (Lane, et al., 1991; 1997). Bargaining coverage, which is statistically even more significant for the overall working class, reached 70% in 1980 (OECD, 1997a).

By 1975, the economy took an even more significant turn for the worse. Annual inflation from 1970-1980 had averaged 14.3% (World Bank, 1998), the currency collapsed in 1976, prompting IMF intervention, and unemployment rates began to increase significantly, reaching 7% in 1980 (Table 11). Strikes had also intensified, reaching a historical high point of 1127 man days lost per 1000 workers in 1979, and the percentage of the civilian labor force on strike reached 18% also a historic high (Author's calculations). As a result of all these events, productivity slowed to an average annual growth rate of only 1.31% from 1970 to 1980 (Liesner, 1989). Many of these conditions could be attributed to external factors. For example, the oil shocks of 1973 created by OPEC's successes in raising oil prices became the source of supply side inflation. In

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addition, the external economic shock of 1973 pushed the industrialized nations into world recession, given the increased costs of production and of inflation itself. Production costs had increased because oil was and is a major input of most economic activity and production. Investment levels tended to fall because uncontrolled inflation hampers the capitalist's effort to calculate profitability.

In general, this was a situation facing America as well as other industrialized nations. However, the unions were accused as the primary cause of rising inflation in a number of countries, including the United Kingdom. This was, I argue, a mistake. The nations' wage bill could have added to inflationary pressure, but, in this case, workers seemed to be engaged in efforts to maintain their buying power which was being eroded by this external source of inflation. However, due to either miscalculated economic analysis or deliberate capitalist interests, labor was seen as the cause, and it was decided that inflation would be tamed on its back. This was, in fact, what the Labor government did by "voluntary wage restraints," efforts to contain industrial disputes, and policies to cut public spending.

To this point, we have an indication of the role Labor's political governments can play for the working class. As was seen previously, a Labor government, through its close cooperation with unions and the working class, can lead to positive legislation and economic benefits for the latter. However, I argue that any political government will still be constrained by the economic system its society is based on. Thus, it was the Labor government at various periods which sought to limit Unionism's power, attach no-strike clauses to contracts, and make collective bargaining and arbitration mandatory and

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binding. In addition, it was the Labor government that used the military to break and contain strikes, as it did during the 1948 and 1949 docks strike when Emergency Powers laws were invoked (Morgan, 1984). It was also a Labour government which passed the notorious Industrial Relations Act of 1971 and which jailed the "Pentonville five" in 1972 for picketing in violation of the Act. The same government in the same year also declared a State of Emergency in response to the miners' strike. Finally, it was Labour government after Labour government that either asked for or straight out imposed wage restrictions for workers and limited their control of industry. Thus, the question is: "Why?"

In America, much of the anti-labor legislation and overall economic policies could be attributed to the lack of a Labor government, among other reasons. But what about the United Kingdom? I argue that direct political involvement is preferable to being a constituency of a broader political coalition. This was evidenced by the greater achievements of British labor in legislation. However, political participation is constrained by the economic system. Thus, even pro-labor parties will not be significantly pro-labor in their behavior for numerous reasons. First, so long as all people can vote, all political parties will try to broaden their appeal in order to win elections. This inevitably means appealing to the middle and capitalist classes. These two groups will rarely find their interests coinciding with the working class's interests because the capitalist system of production leads to contradictory class interests. Thus, political parties can only, at best, "soften" the impact of the capitalists interests.

Secondly, the economic system reproduces its own economic relationships. In

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turn, these economic relationships are carried over into the political sphere. As such, there will be a structural disprivileging of the working class in politics that is parallel to the disprivileging of the working class within the economy. For example, it is difficult to imagine a political party legislating workers' control of industry, since the institutional structures of the political system are based on private property relations themselves - thus reflecting economic relationships. Therefore, in order to promote working class interests, political institutions must be changed at their foundation. However, short of refusing voting rights to those outside of the working class, such political restructuring must inevitably reflect new economic relationships. New economic relationships, in turn, mean a new way of organizing production, and, in this case, away from private property relations. As such, all this translates into the need to transform the capitalist system, which is next to impossible to achieve through human agency for reasons examined later.

Given the limitations of the victories that the working class can obtain through a Labour government, one can expect even greater difficulties under a Conservative party. In 1979 the "clocks struck thirteen," the echo of which crossed the Atlantic, reaching America by 1980. In the United Kingdom, 1979 marked the emergence of Thatcherism with the victory of the Conservative party. The prime minister, Margaret Thatcher, also known as the "Iron Maiden" by labor, marked fundamental shifts in economic, political, and industrial policies backed be capital interests. The general goal of her efforts can be summarized as the containment of labor's power, especially that of the union movement.

In terms of economic institutions, the period of 1979-1995 marked significant changes. The economic ideology leading up to the Thatcher election was one of state

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Keynesianism identical to that of the United States but with a friendlier face toward labor. Thatcher's ideological perspective, however, was that this state Keynesianism was not helpful, that it did not have even the potential to help the troubled economy of the 1980s. Instead, there was a reemergence of the old economic ideologies of nineteenth century liberalism. Specifically, the new government adopted a view of free market capitalism and supply side economic management (Johnson, 1993). The basis for this economic philosophy was the work of authors such as Milton Friedman in America and Sir Keith Joseph of the Center for Policy Studies in the United Kingdom. According to their teaching, markets should be allowed to adjust themselves free of government interference. The legitimate function of the state would be through monetary policy that focuses on supply rather than demand. For Thatcher, this meant containment of inflation since, as argued before, this is a variable which largely determines investment decisions.

Consequently, according to Johnson (1993), one central policy of the Conservative administration was to reduce government involvement in markets by privatizing many nationalized industries. For example, corporations like British Telecom were sold off. Public utilities providing electricity, water, and gas were also privatized. These actions resulted in increased unemployment and a raising of state funds. The money from privatization was used, in turn, not for social expenditures but for tax reductions. Obviously, this benefitted those who paid higher tax rates, since the goal was to stimulate private expenditures from a reduction of the tax bill. Such investment, though, never materialized, at least in terms of jobs.

Secondly, Thatcher shifted away from full employment policies of prior

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governments and made controlling inflation a primary goal. As a result, unemployment increased significantly. In 1981, it reached 10.5% and by 1983, it peaked at 11.8% while remaining at high levels well into 1998 (Table 11). These economic policies, combined with legislative changes, "were designed to promote greater flexibility in the labour market and to facilitate the introduction of new working practices which would improve productivity" (Powell, 1992, p. 137). In addition, employers, who had found a new ideological ally in government, also increased their attacks on labor and unions overall (Williams, 1995). In taming labor, those in power assumed that wage demands of the past would also be put under control. But to achieve this, workers had to become docile. To this end, unions had to be put under control, given their density and bargaining high points of 54% (Lane et al., 1991) and 70% (OECD, 1997a) respectively in 1980. One way of achieving this was by allowing and even contributing (i.e., through privatization) toward increasing unemployment levels. Thus, through greater unemployment, wages could be contained and possibly allow producers to become more competitive in the international markets.

Unfortunately, competitiveness did not increase. One important reason was the response of the working class, which engaged in massive strikes. The consequence of the labor unrest was a reduction of annual productivity growth. Thus, during this period we see the British working class engaged in conflict characterized by a high degree of violence. This was an effort to maintain gains in view of the renewed capitalist assault. The result of this class struggle would itself determine the balance of power between labor and capital along with the gains or losses. The confrontation culminated in the

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1984-85 miners' strike and the strikes of education and health workers (Geary, 1985). Thus, in 1984, there were 1009 man days lost per 1000 workers, the second highest figure ever (Author's calculations). The victors of this labor-capital confrontation, though, were employers with the backing of state actions. The British working class had been bloodied and humbled. Strikes after 1984 dwindled to almost non-existent levels by all measures well into 1998. Unionization rates also suffered from this confrontation of classes, falling steadily ever since. By 1995, union density had declined to 32.9% (ILO, 1998), and, even more importantly, bargaining coverage fell to 36.5% in 1996 (OECD, 1997a). The reasons for unionism's decline range from government anti-union policies to worker disenchantment with what unions could provide. The great corporatism of the interwar years up to 1979 was effectively rejected and destroyed.

For all of this, GDP growth per capita during a twenty-five year period from 1970 to 1995 reached 60%, a startling drop from the triple digit growth of only twenty years earlier from 1950 to 1970 (Author's calculations). Productivity had fallen to an average annual growth rate of 1.9% during 1979-1989 and 1.4% from 1989 to 1994 (Mishel, et al., 1997). According to the International Labor Organization (1996), household income shares in 1988 of the bottom 20 and 40 percents of the population dropped to an all time low of 4.6% and 14.6% respectively, compared to all time highs of 7.4% and 19.1% respectably in 1977/78. The income shares of the top quintile rose to an all time highs of 46.6% in 1989, compared to all time lows of 38.8% in 1973. The Gini coefficient in 1988 reached 0.375. In 1980 14.6% of people lived below 50% of national expenditures. By 1988 the figure was 18.7%. As for unemployment, it remained at historically high

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levels throughout the 1980s and into 1995 (Table 11).

In other words, despite of all the economic restructuring the working class had very little to be thankful for to Ms. Thatcher. The 1980s were years of all pain and no gain.

> Britain's underlying economic problems had not been solved. ... A large trade deficit and negative rate of economic growth were not hopeful signs for the future. Poverty, low pay, and underemployment remained serious structural problems, as they had been a century before. A disaffected underclass of the poor and the deprived was permanently excluded from the benefits of Thatcherism." (Powell, 1992, p. 146)

The political counterpart of the economic assault of the working class came largely in the form of negative legislation and a determined government. Thus, according to Johnson (1993) and Sibert (1997), two Employment Acts were passed in 1980 and 1982. These effectively eliminated secondary picketing and the closed shop and held unions financially liable for damages incurred by illegal strikes. The Trade Union Act of 1984 mandated both union elections at least once in a five year period and that a vote by the membership be carried out to authorize strike activity. The Conservative administration passed two more Employment Acts in 1988 and 1990, further restricting unions. In general, by 1985, employment protection laws were weakened; by 1990, works councils and secondary strikes had been eliminated; and by 1996, the duration of unemployment insurance was halved to six months while the percentage of earnings paid was reduced.

In addition, according to Sibert (1997), there was a reduction of payroll taxes compensated for by an increase in commodity taxes. Although some economists argue that payroll taxes are ultimately paid by workers in the long run, in the short run these are clearly employers' responsibility and may be so even in the long run as well. Commodity

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taxes, like sales taxes, are regressive in nature. This means that taxes on employers were shifted in the form of regressive taxes which primarily burden the working class. This tax policy, along with the legislation mentioned above, had the primary goal of increasing labor market flexibility. This was to be achieved through reducing the power of unions and the working class in general. However, despite this new labor market flexibility, unemployment remained problematic at significantly high levels.

What could be said about the Labor party throughout this period since 1979? First, it should be noted that the Labor party lost in 1979 and 1983 simply because it did not manage to capture support from a large segment of the working class. For example, in 1979, only 41% of skilled and 49% of unskilled workers voted for Labour, and in 1983 the figures dropped to only 32% and 41% respectively (Taylor, 1987). Of course, there were a number of reasons for the political defeat of Labor, but this seems to be very significant. Thus, if the working class had supported Labour in full, it would have remained in government simply based on the amount of votes generated by workers. However, this did not happen either in 1979 or 1983, and the reason behind it illustrates the point made earlier regarding political participation under capitalist systems. In 1979, workers did not vote Labor because they did not identify with it. It becomes clear why, when one considers all of the negative policies and wage restraints that even the Labor party had engaged in. Therefore workers, disaffected with a party they felt was not representing them, opted for a different choice. The alternative was Thatcher, whether due to dissatisfaction with Labor or false class consciousness. Interestingly enough, though, the alternative turned out to be even worse.

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Thus, according to Powell (1992), in light of all the negative and anti-labor policies of the Conservative administration, workers began to turn gradually back toward Labor. Although the Conservative party remained in office throughout the 1980s, through most of the 1990s it was gradually losing voter support. In addition to the policies followed, other contributing factors for erosion of Conservative support were at work. On one hand, there was a revival of the Liberal party which had been left for dead. For example, the Liberal party in 1980-4 secured 13.7% of the popular vote and by 1990-4 it obtained 18% (Lane, et al., 1991; 1997). Furthermore, according to polls, the Liberals primarily took votes away from the Conservatives, thus enhancing Labor. On the other hand, Labor itself made efforts to redefine itself after reaching an electoral low point. History would put labor back into government in the latter half of the 1990s based on a new platform. The "new" Labor party, however, seems currently to be a conservative party in comparison to any other European left wing parties.

As for the Communist party in Britain, it never achieved any electoral significance. According to Stevenson (1990), the Communist party at its height in the 1930s had only 18000 members. Electorally, it had a significant showing only in certain local areas such as West Fife and Rhondda East and no significance at the municipal or national levels. Some of the reasons for this are similar to those explaining the lack of an American communist party. For example, during the interwar years, communists in Britain were openly hostile to union leaders, accusing them of being collaborators, of sorts, with the state. Despite the truthfulness of the accusation, it did not carry over well with the labor leaders. Thus, early on the major British unions held red purges not only

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for revenge but to prevent challenges to their leadership. For example, communists in the late 1920s challenged existing trade unions with their Minority Movement. In 1934, the Trades Union Congress prohibited communists from holding union office through its "Black Circular" (Stevenson, 1990). By 1949, Arthur Deakin, general secretary of the TGWU, also banned Communists from holding union office (Pelling, 1976; Branson, 1985). In addition, Labour Party members were not very friendly toward the communists who had called them "social fascists" in the 1930s.

The State, in turn, was never a friend of left ideology and actively encouraged containment of communist influence (Branson, 1985). Another interesting point is that Britain was never occupied by the Germans during WWII. In countries that had been under occupation, as in France, Italy, and Greece, communist cells distinguished themselves as a major source of resistance to the occupying forces (Reynolds, 1997). Thus, after the liberation of these nations, communists were legitimized and had become militant (and, not to mention, they had weapons). This allowed them to increase their membership and resist state attacks more effectively. This never occurred in the United Kingdom. To the contrary, it was the conservative establishment that led Britain to victory under the leadership of Winston Churchill. Communists had been weakened while the participating parties in the coalition government were strengthened. Lastly, during the postwar period, much of the Marshall Plan had to do with the containment of possible communist flair-ups. Interestingly enough, the fear of communism was not limited to fear of the Soviet Union. Rather, domestic communist movements were feared as much if not more than exogenous forces (Hogan, 1987; Reynolds, 1997; Jenkins,

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1997).

Having reviewed the structural reforms of the 1980s and early 1990s, one can ask if there were any lasting benefits for the economy. The answer seems to be no. For example, as was mentioned previously: "A painful recession in the early 1980s was seen as necessary if Thatcherite remedies were to work. But the boom (a.k.a. economic miracle) of the late 1980s was followed by inflation, and another deep recession" (*The Economist*, 1998a, July 25, p. 20). More importantly, once fully in place after the early 1990s recession, the economic reforms of the Conservative Party resulted in only six years of expansion without serious problems. According to *The Economist* (1998b, July 25), England is currently faced with old problems of inflation and unemployment as before the Thatcher reforms while there are fears of recession in 1999 or soon after. In addition, the recessions of the mid 1970s, early 1980s, and early 1990s have been more severe and persistent in the United Kingdom compared to America or Germany. For example, the average decline of the GDP during each of these downswings has been 2.6% in both Germany and America versus 4.2% in Britain. Interestingly, Germany has stronger social regulations and protections of labor as documented in previous sections, yet has still achieved better economic performance than the United Kingdom.

Overall, these problems in the British economy in the late 1990s lead us to question the benefits of economic restructuring under the Conservative governments. According to *The Economist*:

> This is all the more troubling since the reforms of the past decade were supposed to make the British economy stronger and less prone to inflation, and hence recession. The power of the trade unions has been reduced, national pay

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> bargaining and other labour-market rigidities scrapped, and cuts in tax rates and stricter rules for claiming unemployment benefits have improved the incentive to work. Unfortunately, as David Mackie at J.P. Morgan points out, these supply-side reforms do not seem to have lifted the economy's sustainable growth rate, to allow faster growth before inflation takes off. (1998b, July 25, p. 54)

As for the better employment picture of Britain relative to other European nations, it may not be as positive as it seems. For example, David Morgan of Morgan Guaranty Trust Co. argues that employment growth is more meaningful for comparison purposes. However, when using this indicator of employment performance, the United Kingdom is closer to the European nations than to America (Koretz, 1998). Along similar lines, Mishel, et al. (1997) indicate a comparable amount of job growth for the United Kingdom, France, and Germany. The authors calculate the employment/population ratio growth rate during 1989-1994 which controls for the population growth rate. They use this measure because, as they write, "Another reason that simple job counts are misleading is that they do not take into account population growth, a factor that limits both the number of jobs created and the rate of job growth. ... Without population growth the only way in which additional job growth can be achieved is by raising the percentage of the population employed" (Mishel et al., 1997, p. 410). They found France's employment/population ration growth rate to be -0.7, Germany's -0.3, the United Kingdom's -0.8, and America's -0.1.

> Also, productivity in the United Kingdom has not improved throughout the 1990s: In 1987, Margaret Thatcher boasted that "Britain is back in the first division. In economic growth and productivity, we are top of the league of major European countries." Sadly, she appears to have spoken too soon. More than a decade later, studies still suggest that British productivity is way below that of other western countries such as America, France, and Germany. McKinsey, a consultancy, has just published its own appraisal. It concludes that American

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> labour productivity (measured by output per hour worked) is 37% ahead of Britain's; and that of Germany and France is around 25% ahead. Another study by Mary O'Mahony of the National Institute of Economic and Social Research, puts all three 20-30% ahead. (*The Economist*, 1998c, October 31, p. 61)

Once more, it should be noted that both France and Germany are characterized as having greater labor protections and social legislation compared to the United Kingdom and yet have higher levels of productivity. Even when using broader productivity measures the picture remains similar. Both Mary O'Mahony and McKinsey found Britain to trail the other countries in "total factor productivity," as well. This measure indicates the efficiency with which labor and capital are utilized. For example, based on total factor productivity, Britain trails the United States by 26% and Germany and France by roughly 13% (*The Economist*, 1998c, October 31). Thus, one can justifiably wonder if labor's sacrifices in Britain were in vain.

Lagging productivity is not explained by Britain's capital productivity when measured as output per unit of capital because Britain's capital productivity is actually greater than that of France or Germany and comparable to that of the United States. Instead, the problem seems to originate from output in terms of capital per worker. In other words, workers are more productive when combined with more capital investment. Thus, it is commonly argued that Britain's productivity slowdown is due to lack of capital investment (*The Economist*, 1998c, October 31). Various explanations are given in the popular press for the cause of lacking investment, such as fear of severe business cycles, government regulations, etc. But I believe this is an indication of the capitalists holding back their investment until a sufficiently beneficial environment of investment

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(SSA) has been established. Thus, the United Kingdom is still facing inflationary pressures which have forced interest rates higher than in other European nations. On the one hand, higher interests rates mean reduced domestic investment and spending. On the other hand, it means a strong currency. The strong currency, though, makes it difficult for English producers to compete in the export markets while imports become cheaper. Consequently, the trade deficit is rising and the economy is in danger of stagnation, as mentioned before. "Economists are predicting that Britain's current account, the widest measure of trade, will show a deficit of 13 billion in 1998 and 27 billion in 1999, compared with a surplus of 4.5 billion in 1997" (Cooper, 1998, p. A17). To me this is all an indication of an economy with structural problems identical to those prior to the cure-all Thatcher reforms. As the group chief economist at Charterhouse PLC in London Richard Jeffrey put it: "It's a further indication of a very unbalanced economy in the U.K." (Quoted in Cooper, 1998, p. A17).

As for the political scene of the United Kingdom in the late 1990s, it is not very promising for workers despite the 1997 victory of the Labour Party under the charismatic leadership of Tony Blair. For example, there is still no significant workers' party (i.e., communist or socialist oriented) in Britain other than Labour. This would not be a problem if the Labour party was, indeed, a party for labor. Instead, the Labour Party seems very conservative compared to its European counterparts. For example, the British Labour Party has adopted rhetoric of "New Labour" in order to secure broad electoral support in order to win the elections. What exactly does it mean to be "New Labour"? Here is an example:

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> The Blair government and "New Labour" are now, to the disquiet of many of the interests that support them, promoting the private firm as a particularly significant unit of the delivery of a range of economic, social, and political goals. Under the banner of "modernization," New Labour eschews re-nationalization, accepts "the market" and "competition," de-emphasizes the role of direct state provision in the delivery of welfare, but still expresses a commitment to many of the traditional social democratic policy objectives. They have openly wooed business firms and their leaders-seeking campaign contributions, an acceptance of Labour policies, and public endorsements of the party. In attempting to cement the support that won them the 1997 election, they seek a new electoral coalition. ... a senior Blairite has said: A similar development has taken place in our conception of the relationship between capital and labor. The traditional analysis perceived a perpetual antagonism between the two pillars. Although tensions persist ... there is broad recognition on all sides of industry now that perpetual antagonism is not a recipe for success. (Donald and Hutton, 1998, pp. 461-462)

Thus, the Labour Party exemplifies how political processes leads to coalition building based on the median voter model. As such, there can be expected a significant "watering down" of working class interests which now seem to be merely a constituency of rather than being the party. Therefore, reading what the New Labour Blair government stands for sounds like reading a passage from a "born again" Thatcher. What else can one say when senior Labour government officials do not acknowledge class antagonism?

As for the capital-labor accord and events after 1990, these will be discussed further in combination with the other national case studies in the section on the international SSA because in that section it will be argued that we are experiencing the construction of the 21st century SSA under specific and negative conditions for the working classes of the world.

Given the historical background examined here, we now turn to how it connects with our theoretical model. As with the American case, British labor was militant during the interwar period and after World War II. However, the working class in the United

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Kingdom had managed to obtain political participation and form independent political representation. This was largely a result of a series of historically contingent events, as was discussed before. It was primarily through political participation that workers were successful in expressing their militancy. Other methods were also tried such as mass strikes, but often these did not prove as successful (i.e., due to adverse economic conditions) as political means of conflict. Thus, the working class in the United Kingdom had been successful in the waging of class conflict at a relatively low level of violence (politics and unionism rather than strikes and social unrest) compared to America, France, and Germany.

This unique situation in the United Kingdom resulted in a labor accord based on class compromise just as in the United States, but for a different set of reasons, as mentioned. For example, on the economic front, British employers were quite successful in containing the militancy of their labor force. Adverse economic conditions and high unemployment rates were one major factor behind the employers' power. But, in the public sphere, the working class had been gaining the upper hand. For example, the Labour Party had been successful in forming interwar governments and achieved a majority after World War II. Thus, class conflict was carried over to the control of the State and ultimately forced a compromise, given the stalemate between the political strength of the working class and the private economic strength of the capitalist class.

In general, the balance of class power resulted in a compromise with benefits for the working class. The compromise was ultimately expressed by the victory of the Labour Party after World War II. In popular opinion, this was the party most capable of

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achieving class peace. Overall, the capital-labor accord was based on a different set of agreements. For example, American workers gave up control of the production process and strikes in return for high wages and regular increases. British workers agreed to voluntary wage restraints, management's control of the production process, and limited work stoppages for a number of state protections and their participation in the coordination of industrial policy through corporatism. For example, there was the passage of the National Insurance Act of 1946, National Assistance Act of 1948, and a series of nationalizations of industries during 1946-51.

The capital-labor accord, coupled with economic institutions of the postwar SSA, led to the postwar boom as it did in the United States. In Britain's case, much of the boom was a direct result of the massive reconstruction needed after the destruction of the war. In turn, the postwar expansion raised the general living standards of the working class, although probably not as dramatically as in the United States France or Germany. For one, living standards did rise and the reason for this, I believe, was a labor accord based on compromise instead of labor's defeat. However, the British working class, for a number of historically specific reasons, was not successful at a high level of violence. France, Germany, and even America had working classes which achieved a labor accord compromise based on a balance of class power at high levels of conflict. I believe that this is why France and Germany achieved better protections and guaranteed benefits for their working classes. This would imply that what matters more is the indication and willingness to engage in high levels of conflict rather than direct peaceful political participation, which is a form of low levels of conflict. In other words, I argue (as will be

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seen) that the French and German working classes with their long revolutionary heritage "scared" and "forced" more concessions out of their national capitalist classes.

This brings us back to the United Kingdom's working class during the period of prosperity of the 1960s. It seems that British workers realized by the 1960s that the labor accord, although beneficial, was not as equitable as it could have or should have been. For example, given the environment of economic prosperity, workers began to challenge the voluntary wage constraints. In addition, the rank and file demanded greater workers' control, given their disappointment at the nationalizations of industry which left management structures intact and unchallenged. Thus, the rank and file began to ignore no-strike clauses and increased its strike activity, often in defiance of union leadership as in America.

The increased militancy of labor resulted in a productivity slowdown by the late 1960s to early 1970s. This signaled the beginning of the erosion of the postwar SSA expansion. In addition, the economic institutions of the SSA had begun to collapse as well, given contradictions within the system that will be discussed in the section on the international SSA. For example, Britain, as did other nations, experienced increased export competition. Since much of Britain's economy depended on export markets, this translated into economic slowdown domestically. All this prompted a capitalist counteroffensive by the mid 1970s. But the outcome of the renewed class conflict would be determined by the early 1980s against the working class. Specifically, in 1979, the Thatcher victory of the conservatives served as a rallying cry against labor. As in the United States, the conservative government coordinated its efforts with the capitalist class

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to crush labor. Given historically contingent reasons, capitalists were successful in defeating labor. This has been indicated by the declining levels of income distribution obtained by the working class since the late 1970s.

Although I believe this is one step toward a new 21st century SSA, based on the victory of one class over the other, more developments need to occur. For example, the early 1990s in England were years of expansion, but were not nearly as great as the postwar expansion. Also, by the late 1990s, the economic difficulties of the 20th century SSA downturn seem to have reemerged (i.e. slowdown in productivity, low growth rates, inflationary fears, and export competition). Thus, it remains to be seen if appropriate economic institutions will also be in place for the 21st century expansion to complement the new labor accord. As for political/ideological institutions, these seem to already be in place with a Labour Party that is, I believe, anti-labor and pro-business.

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France

France is exceptional in terms of its labor movement when contrasted to the Anglo-Saxon countries. This statement holds true both in regards to the French working class's approach in industrial relations and in patterns of political participation. We begin our examination by first reviewing capital-labor relations. In France, laws permitted strikes as far back as 1864 and the establishment of unions since 1884 (Sellier, 1973). Thus, by 1895, the first major union federation was established under the name of the General Confederation of Labor (CGT). However, the French working class has been historically characterized by its no nonsense revolutionary culture in terms of industrial relations. For example, according to MacDonald (1940), the French working class was committed to revolutionary syndicalism from 1895 to 1920, and even after this period the idea of revolution was not totally abandoned. Consequently, the ideological orientation of the CGT in its early years was toward revolutionary syndicalism as exemplified by the 1906 Charter of Amiens. Accordingly, the goal was to take over the economic system through direct workers' action. As such, class collaboration as in the United Kingdom was rejected, as were collective bargaining and political action. The weapon of choice was the general strike. Thus, workers often engaged in numerous strikes as the only meaningful tool available to labor.

This brings us to another distinct characteristic of French capital-labor relations. In the United States and Britain, workers would often engage in collective bargaining as a

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means of obtaining their demands. Strikes were considered an ultimate tool should bargaining breakdown. In France, this was rarely the case. To the contrary, strikes had a special position in this nation's industrial relations. Work stoppages in France did not result from breakdowns of bargaining; rather, they were the means of collective bargaining (Sellier, 1973)! Also, the working class would lead in strike activity with unions following and often unable to control the rank and file (Milner, 1995). In addition, according to Gallie (1983), even in the 1970s, the French working class had a more developed class consciousness in comparison to their British counterparts, identifying the capitalist bourgeoisie as the force behind the state. In other words, the history of industrial relations in this nation has been characterized by militancy and a high level of violence as defined in this dissertation.

Given this environment, the early labor movement in France came to a climax in the general strike of 1920 in which it was defeated. The defeat became a catalyst for the fragmentation of the left. Specifically, radicals advocating revolutionary syndicalism clashed with the growing number of reformers within the CGT. Eventually, this resulted in the departure of the radicle element, which established the communist oriented General Confederation of United Labor (CGTU) and the Catholic oriented French Christian Workers Confederation (CFTC) by 1922. As a result, despite the economic upturn and the overall favorable conditions such as labor shortages, the working class failed to make major advances during this period. To the contrary, "Employers were free to impose tight labour discipline, rationalization, and authoritarian paternalism, on a workforce whose low levels of ... solidarity and organization permitted little concentrated resistance"

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(Magraw, 1990, p. 63).

By 1934, the working class regained its militancy and unionism grew once again. There were a number of major contributing factors behind this. According to Magraw (1990), the Great Depression hit France later than it did the United States and the United Kingdom, but it did not have the same effects. The French working class had suffered less during the depression, thanks to the significant amount of immigrant labor which was imported in the 1920s by employers faced with labor shortages. Thus, the brunt of the depression's impact was absorbed by three million immigrants, of whom a third were repatriated. Secondly, the rise of fascism at home and abroad, coupled with the Spanish Civil War, prompted the political unification of the left into the formation of the Popular Front. This political unification spilled over to labor institutions, leading to the reunification of the CGT into one left union. In addition, there were already signs of rank and file resentment against rationalization and speed-ups. Finally, the election of the Popular Front also contributed toward increasing the determination of labor.

Thus, starting in May 1936, France witnessed one of the most massive strike waves in its history. According to Gruber (1986), whether rightfully or wrongfully, there was much fear that the situation would erupt into a social revolution. Even more interesting is that most of the strikers were not unionized. Instead, it was the workers themselves who took action with the unions following, often unable to control their own rank and file. In addition, workers often occupied their place of work during strikes, effectively challenging capitalist property rights. It was in this revolutionary environment as expressed through mass strikes that workers obtained some of their

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greatest concessions from employers.

Specifically, according to Gruber (1986), the employers' confederation (CGPF) made major concessions on June 7th 1936 at Matignon. Workers gained the 40-hour work week, two weeks annual paid holidays (which sparked a cultural innovation of working class leisure time), pay raises from 7-20%, with the average being around 12%, and, for the first time, union collective bargaining rights. Thus, it was the threat of revolt which prompted capitalists to grant these concessions in what came to be known as "ransom paid to avoid civil war."

After these concessions, which occurred under the Popular Front government, labor unions made efforts to control their rank and file as an indication of support for the left wing administration. The workers themselves seemed to be out of the union leaders' control and strike activity continued even after Matignon. "Senior CGT officials preached moderation and "productivism" but found their shop-stewards unwilling to act as agents of labour discipline. ... Briefly there was "dual power" in factories as discipline was ignored and foremen insulted, with slowdowns, sabotage, and lax timekeeping" (Magraw, 1990, pp. 82-83). Given the unwillingness of Blum to turn this explosive situation into social revolution, many on the far left blamed him for wasting a unique opportunity for the working class (Gruber, 1986).

These events led to an employer counter-offensive with multiple consequences. First, the Popular Front passed a Compulsory Arbitration law in December 1936 in the spirit of the Matignon provisions. Although employers were opposed to collective bargaining, they soon realized it was a gift to them. As in the United States and the

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United Kingdom, many of the decisions of the arbitrators came to favor employers. In addition, political strikes were considered a contract violation, allowing employers to discipline workers (Colton, 1951). Secondly, due to a failed economic policy, Blum resigned in 1937, taking down the Popular Front with him. This allowed for the emergence of an employer backed, radical-conservative government coalition led by Daladier. In turn, Daladier favored containing unionism's power, re-establishing social order, and appeasing the Nazis. In November 1938, the 40-hour work week was abolished. New divisions among the left prompted an employer/government assault on labor by inducing confrontation through imposition of longer hours and a six day work week. Workers were locked out, fired, and even jailed by the thousands. Government troops, propaganda, and police were used to break strikes. In 1939, communist unions were outlawed as well. During the war time, Vichy regime strikes became illegal and the CGT and CFTC were outlawed. In essence, workers were defeated by the collaboration of capitalists and the state through the direct application of violence against them.

During the war period, however, their was a significant twist of events. According to Magraw (1992), the capitalist class was more than willing to support Nazi collaboration, which was also reflected by the attitude of the conservative government. For the capitalist class, this translated into an opportunity to increase exports to the Germans and to further rationalize and discipline their domestic workforce. Thus, capitalists and conservatives were considered indistinguishable from the Nazis by the working class. On the other hand, the communist party was among the first to offer resistance to the fascists. When Vichy introduced mandatory labor service for Germany,

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workers joined the resistance en mass to avoid being shipped to German work camps. These events resulted in the legitimization of the communist party in the eyes of the working class and, thus, the swelling of communist membership. As for the capitalist/conservative coalition, the end of the war found them discredited ideologically and, therefore, weakened politically.

Consequently, the end of WWII provided the French left with a great opportunity to shape postwar capital-labor relations to its advantage. The working class flexed its muscle after the end of the war in a massive wave of strike activity. The period from 1947 to 1950 witnessed a postwar high in man days lost per 1000 workers with 1091 days lost in 1947, a figure never surpassed. In 1947, 1948, and 1949, therefore, the percentage of the civilian labor force on strike reached 14.4, 31.6, and 20.8 percent respectively (Author's calculations). These figures have also not been reached since. This labor militancy had been also expressed in the political arena with the communist party commanding roughly a quarter of the vote. Thus, I argue that the French postwar labor accord was based to a greater degree on working class power than was the class compromise and balance of power in America and the United Kingdom.

The years between 1950 and 1970 were characterized by high levels of economic growth. Gross Domestic Product per capita and productivity soared, and unemployment was kept at very low levels. Despite the economic prosperity, however, the French working class had not enjoyed an equitable share of national income. Rather, French society was one of the most unequal nations among the OECD group. For example, in 1970 the bottom 20 and 40 percents of households received 4.3 and 14.1 percent of

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income share respectively, while the top 20% received 46.9% of income (ILO, 1996). Thus, France's Gini coefficient of 0.51 in 1962, 0.47 in 1965, and 0.41 in 1970 demonstrated even greater inequality than that of the United States (ILO, 1996).

High levels of inequality, full employment, and a militant labor force made an explosive mix, as was demonstrated by 1968. A massive general strike was eventually avoided with the communist party and CGT leadership securing significant wage increases. But, the period demonstrated that workers' unrest was more deep-seated than simple economic demands. The political leadership of the left and of the unions was questioned by the working class. According to Magraw:

> The mood of 1968 clearly had reflected wider working-class frustrations - both with the "system" *and* with the established labour movement. The strikes did have a "utopian" element, perhaps because many strikers had real but ill-defined aspirations which Communist labour leaders found impossible to translate into any coherent political or economic demands. Deep-seated resentments at the sheer arrogance of French management and technocrats now coexisted with disillusionment at PCF support for Soviet policy in Czechoslovakia. As in Italy, the rapid influx of rural migrants into assembly-line jobs had created a volatile workforce suspicious of union bureaucrats, hostile to factory discipline and prone to "syndicalist" outbursts. At the same time many skilled workers and technical *cadres* were expressing frustration at their lack of job-control. The calls for *autogestion* were largely ignored by the CGT ... in the early 1970s the vogue for "workers' control" reached a climax when watch-makers at the Lip factory sought to prevent the closure of their plant by staging a "work-in" and taking over the operation of production. (Magraw, 1992, p. 311)

In other words, the 1960s and 1970s demonstrated that French workers had legitimate concerns about work control, as did their American and British counterparts (Milner, 1995; Fairris, 1997). The inability or even their reluctance of the unions to act on rank and file demands is exemplified once more. In addition, this case demonstrates that political parties did not seem to respond to working class demands and goals. This

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was partially indicated by the British Labour Party, which did not hesitate to use state violence to control and contain strikers. Here, the same seems to hold true for the socialist and communist parties of France. Despite the political power of these left parties, not much was accomplished for the working class (other than an expansion of income) explaining the latter's disenchantment with the former. By this I mean that the political and economic structures of the country remained intact rather than being transformed to structurally privilege the working class. For example, the system of capitalism and private property relations could have been fundamentally challenged and self-direction of the workers could have been introduced. Thus, we see that direct political participation did not offer many of the promised benefits, as was the case in 1936. To the contrary, as in 1936, working class attainments had been won through direct confrontation via mass strikes organized by workers themselves and with unions and parties following at best.

The above also explains, in part, another French Exceptionalism. According to Milner (1995), the French have been characterized by their distrust of intermediate institutions, including unions. This has to do, in part, with the revolutionary syndicalist tradition. Thus, despite the widely identified French militancy in the literature, unions did not reach high levels of membership. In addition, employers did not recognize trade unions until 1969, when forced to do so by law. Thus, union density in France had reached a high point of 32% in 1950 and was stabilized at the lower to mid-twenty percent range up to 1980 (Lane, et al., 1991).

The reemergence of militancy among the rank and file was evident throughout the

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1970s, as indicated by strike data. For example, based on my calculations, the number of man days lost per 1000 workers reached 227 in 1976 and has not reached that level since. The frequency of strikes was particularly high, peaking at 21 and 20 strikes per 100k workers in 1971 and 1976; again, figures not seen ever since. The percentage of the civilian labor force on strike was also very high up to the mid 1970s and has declined dramatically thereafter. The strike activity, in turn, seems to have offered rewards to the working class. For example, according to data from the ILO (1996), the household income shares of the bottom 20 and 40 percents of the French increased to 6.3% and 18.4% respectively by 1979. The shares of the top 20% declined to 40.8% and the Gini dropped to 0.33. In short, these figures show France reaching its height of egalitarianism domestically and in comparison to other nations by 1979.

However, the 1980s were particularly fruitful for the working class, despite the existence of socialist governments. A major reason for the halt in workers' gains seems to have been the overall global economy. Specifically, authors such as Many (1998) and Milner (1995) argue that the international recession of the early 1980s depleted France of many industrial jobs. This means that union density was negatively impacted, since most union jobs were located in the primary/industrial sector of the economy, which was now slashing its workforce. In addition, the global recession of the 1980s had much to do with increased export competition by numerous nations that had fully recovered and or industrialized such as Japan, Germany, Korea, Britain, and others. As a consequence, unemployment began to increase rapidly to over 10% in the mid 1980s, reaching a high of 12.6% in 1996 (Table, 11). The economic decline, combined with the further

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disillusionment of workers with left wing parties, defeated the former's militant spirit. This can be argued by pointing out the dramatic decline in strike activity to levels never seen before, together with the simultaneous reversal of the income trend toward increasing inequality. The household income shares of the bottom 20 and 40% declined to 5.6% and 17.4% respectively by 1989. The share of the top 20% increased to 41%, as did the Gini coefficient to 0.35 in the same year (ILO, 1996).

The political developments of France have been distinct from those of other European nations, especially when compared to the Anglo-Saxon countries. According to Sellier (1973), two historically contingent factors can explain much of the French political "Exceptionalism." On the one hand, France was the first among OECD nations to achieve universal male suffrage back in 1848. This was largely a result of a revolutionary class alliances formed with the bourgeoisie against the monarchy. Although workers were suppressed later on by the state apparatus, they managed to hold on to their suffrage. A contributing factor toward workers maintaining their gains, according to Voos (1993), was that in the 1870s France still had a significant landed aristocracy. Aristocrats fearing total bourgeoisie victory over them used their influence over the state to the working class' benefit. The logic was that preventing the bourgeoisie from defeating labor would weaken it, thus strengthening the position of the aristocracy.

On the other hand, despite the fame of French romance, the working class did not procreate out of control. Instead, it was the benefactor of low birth rates. For example, according to Sellier (1973), the birth rate was on a declining trend well before 1870. From 1860 to 1939 births dropped from 1 million per year to 600,000. From 1830 to

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1938 the birth rate had dropped by 50%. This demographic trend favored the working class in more ways than one. First, in economic terms, it meant a lower supply of labor, putting upward pressure on wages. Thus, we see why employers in France have historically relied on immigration as a means of subordinating/controlling the work force. Secondly, low birth rates and higher wages meant a reduction of the wage differential between skilled and unskilled labor. For example, during 1830-1865, unskilled workers witnessed greater wage growth compared to those classified as skilled. By 1896, wages of workers in industry approximated those of craftsmen.

The effect of low wage differentials on the working class was twofold. 1. "Mass unionism became the only rational type of action as soon as high differentials had been lowered by a general scarcity of labor. But, after the rapid destruction of the basis of craft unionism many militant and well-educated workers remained and became the leaders of the new mass unionism" (Sellier, 1973, p. 97). In other words, the French had avoided many of the disastrous civil wars in labor between industrial and crafts based unions, as was the case in America with the AFL and CIO. In addition, the French unions benefitted by an enlightened and militant leadership. 2. "If the labor surplus is small, as in the French case, economic action through industrial unionism should rapidly appear; this occurred, in fact. But broad-based industrial unionism favors political action. This relationship between the tendency toward industrial unionism (or an organization of the whole working class) and the tendency toward political action is characteristic of the French situation" (Sellier, 1973, p. 93).

This brings us full circle in explaining the set of historically contingent

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circumstances which brought about a very early political involvement of the French working class. In short, winning political suffrage and being organized on an inclusive industrial class basis contributed to the early formation of left wing parties with parliamentary representation. Thus, according to Gruber (1986), Judt (1986), and Milner (1995), with some prompting from the Second International in 1905, the French established the Socialist Party (SFIO). Although I may be accused of playing with words, I think it is worth mentioning that the French working class established a "socialist" party, not a "labor" party, as the British did.. Yet as will be seen, even the establishment of a "socialist" party still has significant shortcomings for the working class. In addition, it was split in the SFIO, which led to the emergence of the communist party (PCF) in 1920 (Tiersky, 1974). At this point, it should also be mentioned that there emerged a French Paradox with the development of left wing political parties. Specifically, the general labor movement, as mentioned before, was going through a phase of revolutionary syndicalism well into 1920. But, such ideology was itself opposed to political incorporation with the bourgeois state. Yet despite this mentality, given the special set of circumstances discussed above, left parties did emerge. Thus, the paradox helps explain a historical uneasiness of labor and unions with political parties.

According to Tiersky (1974), at the time of the SFIO split, the communists managed to take away two thirds of the former's membership. One reason for the division was the spirit of revolutionary syndicalism shared by many SFIO and CGT members. They felt that the political party and the union had become overly attached to a reformist platform, thus ignoring labor opportunities with the upsurge in workers'

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militancy of 1919-20. In addition, the Bolsheviks' revolutionary successes contributed to the exuberance of the far left in France, calling it to identical social action, again putting it at odds with the reformist socialist party and CGT. However, employers engaged in a counter-offensive to stem off workers' actions marked by the failure of the 1920 general strike. The state supported the capitalist class through a series of crack-downs and jailings of militant labor leaders, many of whom belonged to the PCF. As a result, many of the communist backed strikes were defeated as capitalism reasserted itself, thus slowly disenchanting the membership with syndicalist action of "class-against-class." These events led to a reduction of the PCF's electoral support, down to 6.8% by 1932. However, the party did not disappear. Instead, it pursued a rather effective political strategy of "municipal communism" combined with the establishment of communist "factory-cells" in industry.

According to Judt (1986), the SFIO managed to recapture many of its supporters by 1932, in lightof the PCF's weakness. Thus, the socialist party at the time had 131 Parliamentary seats, making it the largest left wing party. But, the socialists did not represent the working class exclusively. Rather, much of their power base could be located among white collar employees. Although this group was not significantly better off than the general working class, it was still much more differentiated in the 1930s relative to the 1990s. The SFIO under Blum's leadership had become reformist, denouncing the communist party and syndicalist action. Thus, the working class was sufficiently divided, both politically and ideologically, by the mid 1930s. This fragmentation weakened labor sufficiently so as to result in an employers' victory during

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their assault on labor throughout the 1920s.

Working class unity managed to assert itself in the 1930s. The primary catalyst for the re-unification of the left in politics and labor unionism was the rise of fascism in both the international and domestic environment. For example, the fascists were already asserting their power over labor in Germany and Italy while Spain was entangled in a bloody civil war. The Spanish events struck a particular nerve among the French left. In addition, there was an emergence of fascist activity within France. For example, on February 6th 1934, there was a paramilitary right wing effort to storm parliament. However, Doumergue's government tolerated the act and even moved further to the right in order to appease these groups. Also, many large employers did not seem to be alarmed. Rather, many capitalists tended to openly favor and support fascism. These domestic events culminated in the February 1934 attack on Parliament and prompted massive action by the working class such as strikes and marches. The political unification of left factions became possible in the following summer of 1934, when the communist party decided to change its strategy of opposing the state and the SFIO called for a broad anti-fascist alliance (Tiersky, 1974). The reasons for this strategic about face were pressure by the PCF membership itself and the realization by the party leaders and Stalin himself that fascism was a greater threat than bourgeoisie democracies. This was exemplified by the crushing of German communism under the Nazi regime (Magraw, 1992).

Thus, according to Gruber (1986), was born the Popular Front, which won the elections of 1936, establishing the first left government of the SFIO under Blum's

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leadership. The communist wing was also strengthened, managing to double its share of the vote to 1.5 million. It was under this left government coalition that French workers obtained some of their greatest victories. It must be mentioned, though, that much of the working class' success over employers had more to do with the former's militancy and threat of social revolution. Still, though, a left government was helpful in that it had more sympathy for the working class and was less prone to use force against it. According to Colton (1969), this was demonstrated by Blum's part in the famous Matignon concessions. It was at Matignon that negotiations between employers, workers and the state led to paid annual vacation, meaningful wage increases, the 40 hour work week, and collective bargaining. The latter two gains had especially infuriated capitalists and the whole agreement was viewed as a humiliation to their class interests. Blum, in the spirit of Matignon, had also passed a Compulsory Arbitration law by December 1936 which was revised in Spring of 1938. Despite, though, the negative labor rulings of the arbitration mechanism under conservative administrations, the law was nevertheless considered a significant breakthrough in law for workers (Colton, 1951).

Despite the working class militancy and victories of the time, the fact remained that the Popular Front was an unstable coalition of the left. Thus, by 1937, due to economic reasons discussed shortly and trapped between workers and the need for capital investment, Blum resigned his office. The resignation marked the end of the Popular Front and the beginning of the right wing/capitalist counter-offensive. The political front of the capitalists offensive found expression in Daladier's administration, which succeeded Blum in April of 1938. Originally, Daladier was a participant of the Popular

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Front heading the Radicle party. However, upon taking office the Radicles soon dropped their left oriented stance and quickly took on a right-wing platform. Thus, as mentioned, the new administration abolished many of the workers' gains from Matignon during the Popular Front period. In essence, this came to be viewed by the working class as the employers "revenge" for the previous concessions squeezed out of them by labor's militant actions.

According to Milner (1995), the class assault lasted throughout the war period under Vichy. In fact, Vichy was characterized by even greater suppression of the working class, as demonstrated by the outlawing of the CGT and CFTC. War era events, though, came to convince many in the working class that the French capitalists and conservative politicians were indistinguishable from German fascists. For example, the former two groups were happy to collaborate with the Nazis for economic reasons discussed later. In addition, obligatory work service for the Germans significantly increased membership in the resistance and communist support because the communists had adopted early on a strategy of resistance to the Fascists, transforming themselves into the party of true French patriots. According to Magraw, by the end of WWII:

> The PCF's "reward" for its Resistance role was a huge membership growth in 1944-5, a massive increase in its vote in the first post-war elections and the capture of the refounded CGT. The SFIO, tarnished by the fact that many of its deputies had voted to accept Petain in the summer of 1940, had been less well-equipped for clandestine popular resistance activity and, even more than the interwar years, was now essentially a party of liberal professionals, teachers, and *fonctionnaires*. Hence by 1945-7 ... a sizeable majority of the blue-collar proletariat, which had been through its political baptism of fire in the conflicts of Popular Front and Resistance, had come to identify its interests with those of the PCF. And the Resistance years provided a heroic myth which continued to legitimize the party in the eyes of a whole generation of workers - who perceived

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> the French bourgeoisie, not without reason, as pro-fascist collaborators. (1992, p. 308)

Thus, the end of war found French conservatives and capitalists ideologically discredited. The left, in contrast, was transformed into a truly mass political movement, unlike the left in the United Kingdom and United States. Therefore, the postwar French SSA was largely shaped by a powerful working class with significant militancy and little desire for class compromise, in contrast to the Anglo-Saxon countries. However, the political strength of the left was restrained to a large degree by the postwar international SSA.

Specifically, the international SSA was constructed by the United States as the emergent superpower of the West. As such, one of its primary concerns was to check communism's power and to secure Western Europe's alignment with American interests. To this end, the Marshall Plan served as a carrot to induce Western governments to "contain" their domestic communist groups (Reynolds, 1997; Jenkins, 1997; Keohane, 1984; Reich, 1994; Kotz, 1994; McDonough, 1994). For example according to Reynolds:

> The whole continent [Europe] had swung left-ward, blurring any ideological lines between the communist and capitalist worlds. The successes of left-wing parties in postwar elections made clear that Europe's experiences in the depression of the 1930s and the war that followed had discredited capitalism as well as fascism. ... The Labour Party surged to power in Britain, ... and center-left coalitions, including the communists who had been in the vanguard of wartime resistance, governed France, Italy and Belgium. ... But then came Marshall's promise of more comprehensive aid if "Europe" would define its collective needs, and the offer forced the Europeans to choose sides. ... France was among Washington's principle anxieties. ... The promise of American aid helped persuade the center-left in both of these countries [France and Italy] to break with the communists and, in France's case, with Soviet foreign policy. (1997, pp. 171-182)

Thus, on the one hand, the PCF succeeded in securing 27% of the vote in the first postwar

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elections. And up to 1947, it was always included in the coalition governments of de Gaulle 1944-45 and 1945-46, Gouin (SFIO) 1946, Bidault (Moderate Independent / Religious) 1946, and Blum (SFIO) 1946-47 (Lane et al., 1991). But in January 1947, the government coalition led by the SFIO's Ramadier excluded the PCF from participating in government for the reasons just mentioned. This resulted in retaliation through the massive wave strikes of 1947, which reached 1091 man days lost per 1000 workers, a figure never even approximated since. The government response, despite its "left" face, was to mobilize troops and tanks to contain the workers (Tiersky, 1974). The PCF would not participate in government again until 1981 (Lane, et al., 1991). In short, the balance of political power up to the 1960s was based on roughly 25% of the vote going to the communists, 15% to the socialists, 30-35% to the conservatives, and 10% to the liberals.

By the 1960s, the communists had dropped to roughly 20%, the socialists fluctuated from 12.7% to 17.7%, the liberals vanished, and the conservatives reached a stable 45% (Lane, et al. 1991). It was becoming clear that the Communists were losing their support as the socialists and conservatives were gaining. A number of factors contributed toward these trends. First, according to Many (1998) and Lijphart (1984), the electoral structure of the Fourth Republic, running from 1946-1958, was based on list proportional representation using the Sainte-Lagune method, which is considered more favorable toward small parties. Thus, the PCF, although excluded from government, still managed to have its fair proportion of the Parliament's seats. As such, votes were not considered as "wasted" if cast for a smaller party, thus maintaining the incentive to vote for smaller parties. The Fifth Republic changed the electoral structure toward a majority-

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plurality formula: "The National Assembly in the Fifth Republic is elected by a mixed majority-plurality formula in single-member districts: on the first ballot an absolute majority is required for election, but if no candidate wins a majority, a plurality suffices on the second ballot. Candidates failing to win a minimum percentage of the vote on the first ballot - 12.5% since 1976 - are barred from participating on the second ballot" (Lijphart, 1984, pp. 151-152). Therefore, the French electoral system became more like that of the United States and United Kingdom. However, it has already been established that such majority systems in the former two countries have been notoriously anti-third party. Thus, I argue that this contributed to the fall in electoral power of the PCF by the 1980s, when the effects of the system were felt by voters, who probably thought of not wasting their votes for candidates who would not gain representation in Parliament.

Second, in 1968, the labor unrest that hit France indicated workers' dissatisfaction with their share of economic prosperity and job control issues. But the rank and file dissatisfaction went beyond work issues and had much to do with the labor movement. According to Magraw (1992), these worker demands were not adequately addressed by the left political or union leadership. For example, the communist-dominated CGT had largely ignored rank and file concerns over job control during this period. The PCF itself was also unable to incorporate these demands into a coherent political agenda.

Third, the composition of the labor force had changed significantly by the 1970s. A higher percentage of the working class was occupied in white-collar services, which made it difficult for them to identify with the traditional blue-collar strategies and rhetoric of the CGT and expansion of the PCF. Fourth, the traditional industrial strongholds of

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the PCF/CGT were hard hit by the global recession of the early 1970s, which had much to do with the decline of the international postwar SSA. Consequently, many union jobs were lost and, with them, both CGT membership and belief in the PCF's ability to help. Finally, although the center-left coalitions were not of particular help to the working class, they were, at least, not hostile. Thus, the 1974-81 administration of the Republican Party (PR) did not make things better.

The continuation of the postwar SSA decline in the 1980s brought a second round of global recession, worsening the situation of the working class. Deindustrialization, recession, and technological change resulted in the loss of two million industrial jobs from 1975 to 1987, union density fell to 15% in 1985, strikes as of the same year were effectively non-existent as in the United States and United Kingdom, and unemployment sky-rocketed to historically high levels. Upon its deathbed, the working class turned to ultra right wing parties but mostly to the Socialist Party (PS). Unfortunately, as with the British Labour Party in the 1990s, Mitterrand's PS in 1981 was not even "socialist," let alone "Marxist." "Led by technocrats, it emphasized that its sole role was to manage a rationalized mixed economy. Increasingly, ... there appears no language with which to be "left-wing" in modern France" (Magraw, 1992, p. 313). But, as mentioned, such governments, at least, are not openly hostile toward labor. Thus, according to Milner (1995), some major social legislation during this period included the Auroux laws of 1982-83 which gave workers the "right of expression" and made negotiations with labor unions obligatory. Also, the retirement age was lowered to 60 for men and 55 for women. In 1988, a minimum income was established as a social safety net which,

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ironically, originated from regional right wing pilot projects. "However, by 1990 the differences between right and left on social reforms, as on economic policy, which by now of course was no longer the party of the workers but represented a much wider electorate, had lost its specificity as the party (or at least, a constituent member of the bloc) of social reform; the Communist Party, which maintained a class-specific stance, saw its electoral support shrink to 4.6 per cent in the first round of the 1993 legislative elections" (Milner, 1995, pp. 233-234).

We see, therefore, that under democratic political structures parties will run to the center. As a result, true working class interests will not be represented by such parties, which must incorporate the class interests of other groups in order to secure electoral victory. Political parties that maintain their working class "purity" will likely alienate middle and upper class voters, rendering them third parties, at best. Third parties, though, under plurality/majority systems have traditionally not fared well, leading many voters to cast their votes for less desirable but winning center parties. All this would not be as bad if the same could be said about capitalist interests going through a similar watering down. The problem, though, is that it does not happen. As argued previously, it does not happen because the capitalist economic structure is reflected in the political structure. And if that does not suffice, well then, democracy provides a safety valve for capital since it can "buy" politicians through campaign contributions and outright blackmail of capital outflow, which is what brought down Blum's Popular Front in 1937!

It should be acknowledged, however, that the historically high levels of French working class militancy have not been inconsequential. For example, in an employment

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protection index for 1989-1994, France's score was 14, while the United Kingdom's was 7 and America's was 1 (Nickell, 1997). In the labor standards index of the same source, France scored 6 while the United Kingdom and United States scored 0. In addition, as mentioned in a previous chapter, the French as well as the British enjoy far greater legally guaranteed benefits such as health care and longer paid vacation time. The common characteristic of Britain and France are labor/socialist parities even if they are "watered down." The American working class, though, lacks independent political representation.

In terms of economic institutions, the election of the Popular Front in the summer of 1936 brought about a new set of economic programs for the country, which was facing continued difficulties from the Great Depression. According to Gruber (1986) and Colton (1969), the socialist coalition under Blum's leadership was familiar with the new Keynesian economics which was emerging at the time. In fact, the New Deal policies of the United States prompted Blum to believe that he could engage in similar policies in order to revive the French economy. At this point, it was felt that a partial nationalization of key industries would help. However, the government needed to achieve two basic goals if it was to revive the economy. First, the value of the currency had to be devalued in order to stimulate export competitiveness. Secondly, investment had to increase in order to spark both jobs and economic growth. Devaluation, though, was delayed in order to gain consensus from America and the United Kingdom so that competitive devaluations could be avoided. Deflation, which was the other side of the same currency "coin," was unsuccessful largely as a result of working class gains following the 1936 strike wave and the Matignon concessions. Blum had argued that concessions would

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serve to stem underconsumptionism by increasing workers' purchasing power. "By stimulating worker' purchasing power it would increase domestic consumption thereby stimulating production, lowering unit costs (since plants would be no longer left underused) and reducing unemployment" (Magraw, 1992, p. 260-261).

Here lay the problem with the French Keynesian policy. In the United States and Britain, New Deal policies were largely based on corporatist consensus between government, big business, and labor. As such, these policies had greater chances of success. In France, the concessions gained by workers did not have a consensual basis. Instead, the gains were a result of significant class conflict expressed through massive strike waves. In fact, the situation during 1936 was so volatile that social revolution was feared by the employers. According to Blum, the concessions at Matignon were "ransom paid to avoid civil war" (Magraw, 1990). As a result, all this impacted negatively on the government's goal of increasing investment. According to SSA theory, capitalist investment depends on profit expectations which, in turn, are shaped by the external environment, including economics and politics. From the events of 1936, it became clear to employers that the economic environment was unfavorable to their interests. The political environment, dominated by the left coalition of the Popular Front, was also considered incongruent with capitalist interests. Consequently, investment dropped off significantly for that period until the defeat of labor by the fascist collaborators.

According to Colton (1969), employers had argued that concessions such as the 40 hour work week were hurting them economically. For example, reducing the work week made skilled labor scarce, thus impacting on production. In response, employers

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raised prices in an effort to pass increased production costs onto the consumer. This effectively counteracted the first government goal of deflation to gain export competitiveness. In addition, it is argued that employers deliberately withheld domestic investment, preferring to invest abroad, given their hostility toward the socialist government. All this led Blum to seek exchange controls in an effort to prevent capital outflows. But, the proposal was rejected by the Senate, prompting Blum's resignation and the collapse of the Popular Front in 1937. Thus, we see that even in the 1930s, the power of capital to move freely cross-nationally was the power to topple governments.

In addition to the problems of capital outflow, it should be mentioned that the government itself did not invest adequately in the domestic economy. For example, the government was still fearful of large budget deficits. Thus, when deficits began to grow, public works and social welfare benefits were "paused" in 1937. This prompted left-wing critics to characterize the Popular Front's economic policies as "Rooseveltism for Lilliputians" (Colton, 1969).

The political and economic events of the mid 1930s eventually resulted in the fall of the left and the rise of conservatives under Daladier, backed by capitalists which led to Vichy. During the period of French collaboration with the Nazis under Vichy, investment increased. For example, the capitalists who had supported French conservatism and Fascism managed to effectively crush labor before and during Vichy. Having defeated labor, the French employers engaged in state corporatism, efforts to rationalize the economy, and increase productivity. "Modernizers' like Pucheu of *Comite des Forges* and Renault's nephew, Lehideux, frustrated by the weak executives and

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economic stagnation of the Third Republic, envisaged a rationalized, corporatist economy and technocratic management. SNCF bosses made plans for railway rationalization. The *patronat* emphasized productivity and profits" (Magraw, 1990, p. 89). French capitalists also had an eager customer in Germany to absorb production. Thus, Azema (1984) mentions that two thirds of French aircraft were made for the Luftwaffe, 90% of Renault's production was exported to Germany, and Berliet supplied the Wehrmacht with tanks. However, even as the capitalists' collaboration proved profitable during the war, it would eventually come back to haunt them politically after the defeat of fascism.

The liberation of France found labor defeated by the Vichy regime, capitalists/conservatives ideologically discredited, and the working class as militant as ever. With the end of the war, the primary emphasis was on building the economy back up. Thus, the French postwar expansion that was to follow had its economic origins in the physical destruction of the war. It should be noted that WWII itself was a historically contingent event. I mention this to indicate that, as SSA theory argues, many of the events and institutions of an SSA expansion do not necessarily exhibit any cyclical/chronological regularity. Instead, these tend to be random events and developments.

By most accounts, such as that given by Foley (1998), France came out of the war with its economy "wrecked', its infrastructure destroyed, and its productive apparatus in ruins. In addition, as the author argues, the country, in contrast to other nations, had not fully recovered from the effects of the Great Depression. Much of the lingering stagnation had to do with a lack of confidence by businesses that were hesitant to invest.

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The French economy was also in need of more extensive modernization in order to catch-up to international standards of production. Thus, the impetus behind economic policy makers was a desire to achieve recovery and modernization during the period of rebuilding.

According to Lynch (1997) and Reynolds (1997), a key component of the French postwar economic expansion was the Monnet Plan. The socialist government had proposed the Monnet plan, which was approved in January 1947, as part of its reconstruction effort. The plan identified key industries such as electricity, coal, cement, transportation, agricultural machinery, and steel for massive investment. The government was, in essence, forced to engage in massive public expenditures given the overall low level of private investment. Had the government avoided such investment plans, the economy would have run the risk of serious stagnation. Thus, there was an effort to engage in a type of Keynesian policy, but this time on a more meaningful scale than the insufficient spending levels of the Popular Front years.

In addition, the French government had proposed and implemented a series of medium-term investment plans which targeted varius sectors of the economy. For example, the original Monnet Plan was revised and expanded into the early 1950s to include agricultural reforms and investments. These were followed by a series of government plans designed and run by techno bureaucrats. By the mid 1950s, private investment began to increase as businesses were encouraged by the overall climate of expansion (fulled by government policy) and by the prospects of continued growth in aggregate demand. All this contributed, by the 1960s, to a phenomenal growth of the

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French economy and of living standards in general (Lynch, 1997; Foley, 1998).

Also, the French, as well as most other European nations, benefitted by the Marshall Plan up to the 1950s. This was another factor behind the French economic expansion. France, in particular, received a fifth of the overall aid (Reynolds, 1997), which was the most obtained by any other nation with the exception of Britain (Lynch, 1997). Of course, the Marshall Plan in itself was not solely responsible for Europe's recovery, but it nevertheless contributed in a meaningful manner (Lynch, 1997; Jenkins, 1997). For example, the Marshall Plan provided a source of financing for the Monnet Plan. This was significant, given the estimated high cost for French reconstruction. Had France relied exclusively on domestic sources for borrowing capital funds, she would have run the risk of crowding out private investment. This would have occurred as interest rates would have been driven up by the greater demand for money by the government, thus making it more expensive for private firms to borrow. Therefore, one of the Monnet Plan's goals, which was to spark private economic activity, would have been undermined. Overall, France used much of the aid to support her own efforts toward reconstruction by engaging in strategic capital investments like those under the country's own Monnet plan. "The French used the counterpart funds for a bold program of investment in their national infrastructure, laying the groundwork for the pre-eminence of the French railway system from the 1950s on and, more generally, transforming the rather backward industrial society of the Third Republic into the advanced technological power of the Fifth" (Jenkins, 1997, p. 203).

However, the impact of the Marshall Plan was more profound in regard to the

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terms of trade. Specifically, France was faced with a shortage of dollars with which to trade at the end of the war. The American plan provided those dollars and credits that allowed France to purchase its needed capital and consumer goods. Also, the United States had initially tolerated unfair trade practices by European countries in the form of accepting import taxes and restrictions on her own products by the Europeans without reciprocating on the latter's goods and services exported to America. The reason behind this was the understanding that if European economies were to recover they would have to be helped by American trade tolerance (Keohane, 1984; Lynch, 1997).

It was not only the massive reinvestment programs which benefitted industry. According to Milner (1995), the French economy also went through more extensive rationalization and intensification based on large scale production. As part of the economic restructuring, French businesses adopted Fordist production methods. French management was also successful in securing control of the production process. This was a natural outgrowth of the Fordist/Taylorist form of organization which is conducive with management control (until workers learn how to break down the system of control). Another reason for the acceptance of the Fordist form of organization was the involvement of the state. According to Smith: "despite the initial hostility in France, acceptance was achieved because the state took responsibility for the distribution of surplus generated through the use of Fordist production techniques" (1994, p. 447). In other words, state redistribution and social expenditures programs were offered in return for this concession by labor.

All of the above was complemented by a highly skilled and productive workforce

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which contributed to increasing industrial efficiency. Thus, the growth of total productivity from 1954 to 1960 reached an annual average of 4.83%; from 1960 to 1970 it was 4.59%, which was higher than the rates of the United States and United Kingdom during the comparable periods (Liesner (1989). These high productivity rates were reflected in the astonishing growth of Gross Domestic Product per capita, which climbed by 343% from 1950 to 1970, surpassing both the United States and United Kingdom's comparable growth rates (Author's calculations). As for unemployment, it fluctuated around one and a half percentage points for most of the period from 1945 to the late 1960s (Table 11).

But was there anything else other than rationalization within the structure of the economy that explained the great boom from the mid 1950s to early 1970s? For example, the Marshall Plan ran out by the end of the 1940s, as did the Monnet Plans by the mid 1950s. According to Foley (1998), the growth of this period has remained somewhat of a mystery:

> Denison's (1967) early study found that, for France in the period 1950-62, almost three-quarters of the rate of growth was unexplained. Similarly Carre, Dubois and Malivaud (1972) quantified *seven* contributory elements and, in their case, the proportion of the growth of GDP unaccounted for remained close to 50 per cent. More recently, Maddison (1991), with a set of eight variables, reduced the size of the residual yet further. But even in the period when its contribution is smallest, that is, 1973-87, it still accounted for over a quarter (28 per cent) of the annual growth rate. (1998, pp. 52-53)

One possible explanation for the French growth could be the residual effects from the initial investments in the economy. In other words, the growth of this period could have resulted from a large multiplier effect in ways which are not picked up by studies for

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whatever reasons. Foley argues that two possible hypotheses may explain the unexplained growth: catching up and openness in the economy.

In terms of catching up, it is argued that since the Great Depression, generally low levels of investment resulted in the obsolescence of production techniques, methods, and machinery. World War II further retarded the application of new technologies in France. After the war, though, defusion of accumulated existing technological innovations occurred at a rapid pace. This was made possible due to the destruction caused by the War and the opportunities that this presented. Another point to consider is this: "Political authorities in the US were very keen to encourage the process-partly for economic reasons, but also for strategic, geo-political reasons, given post-war competition with the communist bloc" (Foley, 1998, p. 55). This indicates that the growth within France and other European nations was a result of "technological defusion" from the world's hegemonic power due to the historically contingent event of the Cold War. In addition, as we will see in a later section, this process undermined the international SSA, contributing to its decline.

As for openness in the economy, this refers to the promotion of international trade as part of the postwar international the SSA constructed under the auspices of the United States. Specifically, the United States demanded an opening up of national European economies in exchange for their participation in the postwar international financial institutions and postwar aid through the Marshall Plan. America also demanded intra-European cooperation toward recovery rather than bilateral agreements in return for financial assistance. Eventually, all this led to European customs and trade

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unions/agreements such as the 1958 Treaty of Rome that evolved into the European Union. Thus, not only did the United States eventually gain access to European markets but European nations gained access to each other's markets as part of the liberal trade regime. "The boom in international trade in the post-war period was a common experience for the whole of the capitalist world and reflects the process of trade liberalization embarked upon under the tutelage of the US" (Foley, 1998, p. 56).

The regime of trade liberalization benefitted France more than other nations such as Germany or the United Kingdom because these countries were already more open than the relatively autarchic French economy. One reason why France benefitted from trade is that, by opening up her economy, she obtained access to other powerful European markets (and the American market), which increased exports. For example, from 1958 (the year the Treaty of Rome was signed) to 1973, French exports increased at an annual average of 9.5%, in comparison to an annual average increase in GDP of 5.2% (Foley, 1998). Thus, we see that much of the national postwar SSA's were dependent on exports for their continued expansion. Much of these exports, in turn, were absorbed by the United States, which had the financial capability to absorb them.

France also benefitted from trade because it acted as a stimulus toward increasing the competitiveness of domestic industry. In addition, trade liberalization brought with it a lifting of barriers against foreign investment. Thus, after 1959, French laws were changed, allowing for foreign investment. This type of investment was beneficial not only as an added source of capital but also as a spur to the evolution of their economy, given their "focus on high-tech, high value added outputs, such as electrical and

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electronic goods, precision machinery, chemicals and pharmaceuticals, plastics, non-ferrous metallurgy, oil and oil refining" (Foley, 1998, p.58).

By the 1970s, though, the economy took a turn for the worse. Many factors contributed to the economic decline. According to Gordon, et al.:

> At some point barriers to accumulation begin to appear that persist through the short-term business cycle. These barriers develop because successful capital accumulation ultimately either runs up against limits imposed by the existing institutional structure or begins to destabilize that structure. In the first case, the institutions themselves produce the constraints; in the second case, the disruption of the institutions produces the constraints. In either case, further rapid accumulation becomes more problematic within the existing set of institutions. (1984, p. 29)

One pertinent factor was that the world had entered a period of recession that was partially due to the oil shocks of 1973 discussed previously. For example, the significant increases in oil prices were particularly harmful to the French economy, which imported 75% of its energy requirements, versus a European economy, which imported an average of 50% of its energy (Foley, 1998). The sharp rise in oil prices caused significant inflation coupled with high unemployment rates (stagflation). This can be considered an exogenous factor contributing to the decline of the postwar social structure of accumulation to which France was tied for its own prosperity.

Another factor in the decline was the obsolescence of the set of institutions that were the organizing principle behind the economic upturn of the postwar national social structures of accumulation. According to Kotz:

> An example involves the institution of "technical control," which refers to the adoption of technical production systems which have, built into them, effective modes of control over the labor process. The assembly line is viewed as an instance of technical control. Growing use of technical control is viewed as one

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> of the institutions of the early twentieth-century social structure of accumulation. While this institution initially was effective, in that it forced individual workers to perform at the desired intensity of labor, eventually workers learned to use that institution to their advantage: a strike by part of a plant's workers could quickly shut down an entire plant complex. Thus, technical control was transformed from an aid to accumulation into an obstacle. (1994, pp. 57-58)

Thus, these developments were apparent in France at the start of the 1970s. According to Milner (1995), France had already gone through extensive rationalization and, by the 1970s, had reached the limits of Taylorist production. According to Smith (1994), the globalization of the economy that had begun in the 1970s-80s contributed to the obsolescence of the system. The author argues that Fordist production was based on national production and specialized labor. Competition in the 1980s from the new global environment, though, required flexible specialization of labor. Also, globalization shifted production from from a national to an international basis that was incongruent with Fordism.

In addition, the workers themselves had become more militant and demanded greater control of the work process. By 1968, the wave of strikes had already increased, thus contributing to the erosion of the postwar economic institutions. With declining profit rates and increasing unemployment, the economic situation deteriorated further into the 1980s.

The response of the Mitterrand presidency in the 1980s was a combination of nationalizations and monetary policy. The monetary policy, however, was not very effective and some times even hurt the economy because many of the financial institutions had become privatized and the power of global finance hampered national

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governments from effectively applying monetary policy. Later in the 1980s, the government moved toward deregulation and reduced taxation levels, partially due to pressures from the EU.

Consequently, the exogenous economic factors and the increased worker militancy resulted in the slowing of productivity growth to an annual rate of 3% from 1970 to 1980 (Liesner, 1989). Unemployment climbed to 6.5% in 1980 (Table 11) and, as with the United States and the United Kingdom, Keynesian prescriptions did not seem to work. After 1980 things became even worse. By 1996 unemployment had reached 12.6% (Table 11). Productivity declined to an average annual growth rate of 1.9% during 1979-89 and 1.2% from 1989 to 1994 (Mishel, et al., 1997). The Growth of Gross Domestic Product had also stagnated, rising by only 57% from 1970 to 1995 (Author's calculations).

Lastly, it should be noted that the French economy in the 1990s is primarily tied to EU policy and the Maastricht Treaty (1991) movement toward economic conversion and monetary union. Thus, in the 1990s, we are seeing the development of what seems to be a new European economic regime that may be significantly independent and different from the American hegemonic regime of the postwar era. Therefore, a consideration of European economic structures after the 1990s would involve an extensive examination of the European Union. This, though, would be too much to handle within the current work and is better left for a separate study.

In conclusion, we have seen that the French working class experience exemplifies the theoretical model on class conflict more closely than either American or the United

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Kingdom experience. Prior to World War II, the French working class has been characterized by very high levels of violence in regards to class relations. In fact, France many times has reached revolutionary levels of class conflict. Also, French workers have been historically more conscious of their class position and left ideology. This working class heritage was combined with historically contingent developments after World War II to yield a capital-labor accord that was closer to a labor victory than to a labor compromise. For example, the collaboration of the right and the capitalist class with the Nazis during the war period resulted in their ideological discrediting within French society. On the other hand, the left and the communists, in particular, had been actively involved in the Resistance and were successful in establishing a popular image as patriots and guardians of the Republic. Thus, the left and, even more so, the communist party came out of the war as ideological victors with popular support that gave them 25% of the vote. In addition, labor had showed high levels of militancy after the war that culminated in the massive strike waves of 1947-1950.

In light of these events, the French capitalist class, aided by the American Marshall Plan moved to contain labor. Specifically, the French capitalists attempted to appease workers with wage increases and an overall favorable economy that would provide jobs, among other things. The political aim/aspect of the Marshall Plan was, as we have indicated, a containment of working class militancy and communism in many European countries, including France. There was a real fear that class revolutions that would challenge the capitalist structure of these nations and the American-led international SSA of the West in general could break out from domestic groups.

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Containment of the left was supported by the Marshall Plan through funding of anti-left propaganda and through efforts to rebuild national economies and provide jobs to appease workers, and to indicate capitalism's ability to function. The result was a labor accord based on class compromise that was closer to a working class victory.

On the other hand, the Marshall Plan provided one aspect of the economic postwar French SSA. The funds that went toward France were used for investment purposes and domestic rebuilding of infrastructure. Interestingly, World War II was another major contributor toward the postwar economic boom in France. With much of the nation's infrastructure and private establishments ravaged by war, there was an imperative need for reconstruction. This, in turn, translated into massive economic activity/job creation. It also meant that the country's productive facilities could be rebuilt with state-of-the-art technology. Lastly, the French even had their own economic plan for reconstruction on which the Marshall Plan was modeled. This was the Monnet Plan, and it pumped massive amounts of investment into the French economy.

Thus, after the war was concluded, history found France in a position of massive potential. The postwar SSA upswing lifted the fortunes of the French working class significantly well into the 1960s and 1970s, as exemplified by the income shares of this class. In fact, France went from having one of the Western world's poorest working classes to one of the world's better-off working classes by the 1970s. Of course, it must be reiterated that if the working class benefitted from the upswing, it was due to its militancy and constant threat to the capitalist system. Had French labor been totally defeated by the capitalist class at the beginning of the upswing, the benefits of the

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positive economic environment would have mostly accrued to the victorious capitalist class.

By the 1960s and 1970s, full employment (with an unemployment rate around 1%) encouraged the working class to challenge the postwar labor accord. Specifically, French workers were becoming increasingly dissatisfied over issues of workers' control. They even clashed with their union and political party leaders over this issue. Wages were also at the center of the workers' demands. Thus by the 1960s and 1970s, strike activity increased, indicating a renewed class conflict at high levels of violence. The result was a destabilization of the postwar labor accord that was a pivotal institution for the expansion. Eventually, productivity declined due to labor's militant activities. In addition, the oil shocks of 1973 contributed to France's economic downturn, as happened with most industrial economies. Also, the limits of Taylorist forms of production had been reached by this period, turning them into impediments of capitalist accumulation. All this resulted in a capitalist counteroffensive. By the 1980s, the capitalist class seemed to gain the upper hand, aided by the global recession of the time and deindustrialization that continues to our day.

As a consequence, the 1990s have been characterized by unemployment rates in the double digits, declining income shares for the working class, and a disillusionment of workers with left parties that have failed to respond to workers' demands. As I see it, all this is indicative of a defeated working class. In contrast, the 1990s have been a decade of positive macroeconomic developments in France. For example, inflation has been tamed, budget deficits have been significantly reduced, and productivity seems to be

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growing. If all this indicated that there will be a renewed era of economic expansion, labor would not be in a position to obtain anything close to the gains of the postwar period, when it was victorious. Thus, France, like the United States and United Kingdom, is facing the possibility (and in America's case the fact) of economic growth without gains and even reduced benefits for the working class. This is true, at least in relative terms, for factors such as income shares, insecure or underemployment, and unemployment.

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Germany

Germany is probably one of the most interesting and unique countries of the four examined in this work. For one, the country has a highly revolutionary past much like France's. According to Levine:

> The level of antagonism between labor and employer in Germany was intense. There were the socialist laws and, on the other side, suspicion of anything emanating from government. During the revolution of 1918, there was vicious warfare with machine guns and flame throwers--and this was at least partly class warfare. There was great bitterness before World War I, and even more for the entire between-the-wars period. The level of conflict across the social gulf was far angrier and far bloodier than in Great Britain. A feeling of solidarity on the part of the workers against the rest of society was more pronounced. (1988, p. 275)

This conflictual past goes even further back, to 1848. It was during that era that Germany had begun to resemble a modern nation state rather than its fragmented gathering of states and kingdoms. It was also during this period that the feudal institutions and the Monarchy were challenged. No less a figure than Marx himself was involved in the revolutions of 1848, thinking that supporting the capitalists would help to ensure the overthrow of the absolutist Monarchy. However, although this revolution was supposedly a bourgeois revolution, the bourgeoisie failed to assert itself, choosing to support the Monarchy instead. Having witnessed these events, Marx called for workers to assert themselves instead through a proletarian revolution. Although a workers state was not achieved, the point remains that German workers were not strangers to revolutionary high levels of violent class conflict. Given Germany's labor history, it is

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also interesting to note a far greater (greater than what? Than who?) involvement and active role of intellectuals in its labor movement.

Secondly, Germany is a unique case in terms of what was won by its class conflict. The high levels of class violence in Germany had much to do with working class emancipation. Thus, one consequence of the desire for political participation on behalf of the working class was a fight to win such rights. This resulted in the emergence of an organized working class movement accompanied by a number of institutions, something that did not occur in the United States, where political rights were expanded voluntarily by the state. In Germany, after years of high level violence, partial male suffrage was achieved in 1869. Political suffrage resulted in an early independent working class political movement, as was not the case in the United States, where it would flourish after 1890, when anti-socialist laws were removed.

Third, according to Losche (1973), the early establishment of left political organizations in Germany resulted in the setting up unions by political parties rather than vice versa, as in the United Kingdom and most other countries. This meant that their unions, by nature, would be political rather than strong advocates of Anglo-Saxon business unionism. The political orientation of their unions, combined with the highly antagonistic class relations, had another strong impact on the shape of German unionism. Specifically, despite high wage differentials between skilled and unskilled workers, industrial unions emerged as early as the 1890s, as all workers felt opposition to the class state to be of paramount importance.

Thus, given these historically unique characteristics of Germany, the

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revolutionary spirit of the working class reemerged in the revolution of 1918. Before reviewing the events of the time, some facts must be noted. First, according to Roll (1939), unlike the other countries examined previously, Germany was a relatively late "bloomer." The country did not industrialize until after the 1850s. In contrast to the United Kingdom, prior to 1848 2/3 of Germans were occupied in agricultural activities and only 25% lived in cities. German industrialization, though, increased at a dramatic pace, catching up to the other world powers by the late 1800s. By 1914, German production was increasing at a greater pace than England's, thus presenting a formidable economic challenge. With rapid industrialization came an equally rapid "proletarianization." By 1925, industry and handicrafts employed 42% of the working population (Salter, 1990). On the other hand, the capitalist class comprised about 1% of the population. Thus, I argue that the typically repugnant working conditions during early stages of development together with a rapid growth in the proletarian population provided fertile grounds for socialist ideology resulting in an explosive social mix. For example, according to Roll, despite significant progress in social insurance, German social legislation lagged behind that of the other industrial countries such as the United Kingdom. This was true in areas ranging from accident prevention and 11 hour work days, to freedom of association and assembly.

Secondly, until 1914, the political institutions had yet to be transformed despite the gradual expansion of suffrage. Specifically, the political structures of Germany overstated feudal and Monarchical interests relative to their actual class power. Thus, the capitalist class had not achieved political representation equivalent to its true power. This

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was reflected "in political struggles over representation, recruitment for the public service and civil liberties, and in the economic conflict over agrarian and fiscal policy" (Roll, 1939, p. 69). The same held true for the working class.

Given this state of affairs, German society entered a revolutionary period after its defeat in World War I in 1918. The revolution, as we saw according to Levine (1988), was partially class based. This is supported by Roll, who went further in arguing:

> The November revolution was the outcome of a spontaneous rising of the masses, and it was precisely because it remained spontaneous and because it had to be carried out in defiance of the party and trade union leadership that it did not result in the establishment of a socialist republic. The 1918 revolution was not a liberal, bourgeois revolution, as it has sometimes been described. (1939, p. 99)

According to Perlman (1928), the revolution failed for a number of reasons. First, the German peasants, unlike their Russian counterparts, had been emancipated for 50 years prior to 1918. They were not forced into communes and each peasant was allowed to own their own land. Thus, they sided with the conservatives, fearing loss of private property. Secondly, the labor movement had been politically divided itself between revolutionaries such as Rosa Luxemburg and Franz Mehring and reformists such as Edouard Bernstein. Third, the leaders of many trade unions themselves opposed the revolution.

Why, though, would political and union leaders oppose a workers' revolution? The answer according to both Roll and Perlman, was connected to their being "tied" to the state. On the one hand, it was the state during the first World War period that eased labor legislation. For example, it legally recognized shop representation in certain industries in 1916 along with joint boards. On the other hand, capitalists fearing a

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Bolshevik-style government as the revolution was getting out of hand attempted to "buy off" the unions as a means of obtaining support. This was accomplished in November of 1918, when the central trade union organizations and the employers' associations signed the formation of the Central Joint Council known as *Arbeitsgemeinschaft*. In essence, the capitalists offered unions most of their long held demands such as official recognition, end of company unions, an 8 hour day, no strike-breaking, no anti-union membership discrimination, collective bargaining, and joint conciliation boards on an industry and national basis.

Because they allowed themselves to be thus bought off, it became clear that unions and Social Democrats had become dependent on the capitalist state for these gains. Consequently, many of the political and trade union leaders saw workers' and soldiers' councils as revolutionary rivals/threats to union leadership. Thus the "Social Democrats used the army and right-wing paramilitary groups to put down the Spartacist rising in January 1919" (Berger, 1995, p. 79). Clearly, these actions were the result of the November "sell out" of workers. In turn, the SPD's "silver coins" were in the form of participation as a main coalition partner from 1918-1922 and 1928-1930.

In addition, the Weimar constitution later on institutionalized certain working class gains. For example, it guaranteed the right of association of workers, social insurance, the 8 hour day, and proportional representation for both parliaments. More importantly, it provided for joint economic regulation by employers and workers with state supervision. Thus, the roots of corporatism had been laid in Germany far deeper and earlier than in the other major industrial nations. Berger goes even further, arguing

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that "The Weimar constitution even incorporated a vague commitment to the setting-up of a welfare state" (1995, p. 77).

One point was very clear. The state and capitalist concessions were a result of revolutionary action and threat by the working class that trade unions were able to exploit. It also became clear that as soon as the threat disappeared, employers would engage in a counteroffensive. This should have been expected, since the unions and the SPD had prevented the revolutionaries from establishing and protecting worker gains through new political structures. Thus, the counteroffensive did occur during the interwar years of inflation and depression to which we turn next.

German labor entered the interwar years relatively powerful, although somewhat divided, as a result of its 1918 revolutionary actions. Labor had already established an independent political party, the social-democratic party (SPD), since 1890, when Bismarck's anti-socialist laws were lifted. This party managed to obtain 4.5 million votes, or roughly 33% of the vote, in 1914. Its trade union counterpart was the *Generalkommission* with a membership of two million in 1914 (Roll, 1939). By 1918, the revolution had split labor politically into the SPD and the communist party (KPD), which together accounted for 40.5% of the vote in 1928 (Salter, 1990). In 1919, the *Generalkommission* was succeeded by the General Federation of Free Trade Unions (ADGB). This was by far the largest of all the unions, with a membership of 7.89 million in 1920. It was followed in size by the Christian (*Gesamtverband*) union with 1 million members and the Liberal (H-D) union with 226 thousand members in 1920. These trade union figures of 1920 represented a peak and declined throughout the interwar period

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(Roll, 1939).

According to Roll, the economy during the Weimar period went through major changes. Initially, after the defeat of World War I, the reparations had two destructive effects. First, the country entered a period of what is currently termed "hyperinflation" that lasted up to 1923. Thus, the inflation rate soared to astronomical levels, making the currency virtually worthless. On the one hand, this wiped out the savings of most people. On the other hand, the "reparations" coupled with "hyperinflation" led to liquidity problems. Specifically, Germany experienced a severe shortage of short term capital for which it had a dire need. The solution came in the form of borrowing from international credit markets. As a result of the capital squeeze and the terms under which loans would be distributed to domestic producers by the German government, the economy went through significant concentration. Although the initial impetus of economic conditions sparked an increase of business start ups, the end result was concentration. This took the form of trusts, cartels, vertical, horizontal, and conglomerate combinations. In other words, the economy was entering its "monopoly" or technically "oligopolistic" phase.

During the recovery of 1924-29, concentration continued to favor mostly horizontal combinations. It was at this time that efforts toward increased rationalization and efficiency were undertaken by the capitalist class. All this was in an effort to export the country out of its hard times. Then the world depression hit Germany the hardest of all countries. The extreme impact of the depression on Germany was a result of her dependance on short term capital (ironically, the identical factor behind the collapse of Asian economies in the 1990s, as we will see later). For example, according to Salter:

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"By 1932, national income had fallen to 62 per cent of its 1928 level; gross fixed investment to 30 per cent; industrial production to 61 per cent, with capital-goods sector being more severely affected (50 per cent) than the consumer-goods sector (78 per cent)" (1990, p. 100). One consequence of the depression was a far greater concentration of industry and greater inter-dependance/cooperation within the state. However the problems would not go away easily, given the world closure of national markets through protectionism in an interdependent world economy while all nations tried to export their way out of depression. In short, the world was going through its *Great Transformation* (Polanyi, 1957).

As for labor during the interwar period, according to Roll (1939), it saw its purchasing power diminish during the hyperinflationary period. Wages during the recovery period managed to return to their prewar levels. The ADGB was largely credited with the increase of wages and the reduction of hours up to the depression. However, unemployment remained relatively high even during the recovery years of 1924-29, often reaching high double digits. This was largely due to reduced labor demand emanating from industrial rationalization and the simultaneous increase of labor supply as more people, such as small store owners, were forced to work after being whipped out by the great inflation. According to Salter (1990), the depression itself created massive unemployment, reduced real wages, and curtailed social insurance benefits. Benefits were reduced because of the strain on the system from widespread need. Overall, unemployment in 1932 had reached 29.9% and up to 43.7% for trade union members. Of those who had jobs, 16% were forced into part-time work. Real

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wages for industrial workers declined from 18% during 1928-32 (Salter, 1990) to as much as 40% from 1929 to 1931 (Roll, 1939). In short, the situation was dire.

Politically, as Salter writes, the working class became more radical, as indicated by the decline of the SPD's vote in favor of the KPD. For example, the SPD vote fell from 24.5% in May 1928 to 20.4% in November 1932. During the same period, the KPD increased its vote from less than 13% to 16.9%. It should be noted, though, that the Nazi (NSDAP) party never really managed to secure the working class vote. Instead, it found significant support among the lower middle class. The decline of the SPD, in turn, is explained by its policy of toleration toward the Bruning government, fearing that its collapse would strengthen the NSDAP while the KPD pursued strategies appealing to the unemployed such as rent strikes (Geary, 1987).

The interwar period, though, saw some of the most strategic gains for workers. For example, in a 1920 Act, works councils were established that were charged with the general function of protecting workers' interests. In fact, works councils, even in the modern era, are considered a major step toward industrial democracy that would be unthinkable in the United States of the 1990s. In addition, the Federal Economic Council was formed on a national scale and consisted of workers, employers, and experts, signifying once more the first efforts toward the corporatist state. The unions, though, feared the councils would either be used against them by employers or would be turned into revolutionary tools by the communists. Thus, eventually, the councils came under the structural control of the unions (Roll, 1939).

The second major advance was the collective bargaining agreement and the

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government institutions for arbitration set up by 1923. Thus, strike activity was limited by arbitration and collective bargaining. This prompted the revolutionary wing of the labor movement to oppose these mechanisms, arguing that they only made labor dependent on the capitalist state. The reformist SPD and ADGB, though, did not resist making them, in essence, dependent on the state, as the communists had argued. This would be the cause for German labor's temporary defeat under the Hitler regime which, in all practicality, abolished all of these gains.

According to Mason (1995), the NSDAP had created a myth about how WWI was lost. For the Party, defeat in war was due to the betrayal of the working class with its revolutionary actions of 1918. Had the working class remained loyal to the State, the argument went, the war would have been won. Consequently, in order to achieve its foreign policy aims, the Nazi party believed it had to achieve domestic unity, or, at least, domestic "control" of the non-compliant social classes. Thus, it became policy early on to reduce the working class into a docile mass. This would be accomplished by depriving labor of its weapons. Interestingly enough, the Nazis identified the most serious working class weapons as being those focused on by this study, namely, unions, collective bargaining, left political parties (primarily the revolutionary communists), and strikes.

Consequently, this is indicated by the NSDAP actions after 1933 when it was effectively in control of the state apparatus. For example, according to Salter (1990), the burning of the *Reichstag* on the night of February 27, 1933, prompted the Decree of the Reich President for the Protection of People and State on the very next day. This led to massive arrests of KPD leaders and members and eventually forced the party to go

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underground. The SPD was also harassed, although probably to a lesser extent. But after the March elections of 1933 none of this mattered, since the Nazis on July 14 imposed the Law Against the Establishment of Parties. Basically, all political parties were banned except for the NSDAP. Thus, the first of labor's weapons was neutralized.

According to Broszat (1982), during the summer of 1933, unions were also under attack. Their offices had already been harassed and occupied repeatedly; but in May, they were also eliminated. This was accomplished through the forceful establishment of the Nazi German Labor Front (DAF) that replaced existing unions. By January 1934, the Law for the Ordering of National Labor effectively striped workers of any power in relationship to employers. Factory councils were replaced by Nazi puppet "Councils of Trust" and strikes became outlawed. From this time on throughout the war years, not much can be said about the labor movement in Germany. This is argued by various scholars that point out that labor activity was next to impossible in a Nazi totalitarian state.

The events leading up to 1933, though, pose some interesting questions. For example, why did the trade unions and political parties such as the SPD not react? Broszat (1982) seems to argue that the SPD did not react by returning the acts of violence, in part, due to intimidation and based on its self image. Accordingly, the SPD believed itself to be a democratic party and chose to resist based on legal grounds that indicated the illegality of the NSDAP. Also, the SPD refrained from resisting in the hope that the Nazis would at least allow it to maintain its rich organizations. This indicates that the SPD had already accepted the Nazi rise to power as given. As for the unions,

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these were virtually overpowered by the economic force of high unemployment rates.

More importantly, however, the following point is illustrated by these events. The era is a clear and powerful example of the importance of violence at high levels. When used by the working class in 1918, it resulted in significant gains. When used by the state under a Nazi regime, legalistic non-confrontational non-violent tactics of unions and left parties failed, leaving the working class was virtually stripped of all of those weapons that it failed to utilize. Secondly, the interwar period demonstrates that at least the concepts of corporatism, up to the Nazi era, were firmly taking hold in Germany. Thus, the corporatism that was to emerge after the war was not wholly new. Rather, it had its foundations in the Weimar republic which, in turn, was responding to the revolutionary wing of the working class.

The history of Germany after the war is not as dramatic as its prior history. Rather, it seems to reflect a very stable state of affairs resulting from certain historical developments. The reason for this seemingly stable state of affairs up to 1989 was due to the following events. First, Germany had virtually ceased to be independent as an allied run/occupied territory that would soon be divided into east (GDR) and west (F.R.G.). Secondly, both "Germanies" would be shaped by the cold war era in which they were caught in the middle. Third, the F.R.G. with which I am concerned here went through an unprecedented economic rebirth commonly know as the second German miracle.

We begin our examination of the immediate postwar period with the German economy. As was mentioned in regard to the other countries in this work, the influence of the Marshall Plan was relatively significant for various reasons. In terms of Germany,

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however, the United States' aid was not as significant. To some extent this is to be expected, since Germany, after all, was a defeated nation, although an economically important one for the emerging new world order. Thus, Germany had received about 11% of the Marshall Plan, most of which was used for capital investment (Herrera, 1997). According to Carlin, the importance of the Marshall Plan for Germany was that it helped restore business confidence. Specifically, Germany at the time had a problem similar to France's, in that its capitalists were not ready to take up productive activity. Instead, companies opted to wait until signs of a favorable business environment emerged. The Marshall Plan offered such a sign for German investors, restoring confidence in their economy. For example, by including Germany in the plan, the United States and its allies were indicating to her that she would be incorporated in the world trade economy rather than be held back and weakened economically. This was actually an early demand of French policy makers, namely, to keep Germany weak and replace her with France as Europe's leading economy. But, by the late 1940s, the French realized, as the Americans were arguing, that for Europe to succeed in reconstructing its national economies it would have to incorporate and accept the preponderance of Germany's productive capacities. In fact, America was hoping that the German economy would be able to pull the rest of Europe out of the devastation of war. Consequently, the Marshall Plan in 1947 firmly incorporated Germany into the West, since it signaled the start of the Cold War and offered her access to Western export markets.

In addition, according to Herrera (1997), Carlin (1998), and Forbes (1993), Germany's economic miracle resulted in large part from the policies of Ludwig Erhard,

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the man who set the nation's economic policy from the 1940s into the 1960s, later becoming Chancellor himself. These writers argue that Germany's growth was due to currency reform (which curved inflation) combined with deregulation of markets, reduction of trade barriers, and tax cuts. In short, they pointed to supply side free market ideology and policies well before these were applied in America and the United Kingdom by the Reagan and Thatcher duet.

The currency reform of 1948 was of particular importance for the German economy. Carlin (1998) argues that productive activity/investment in postwar Germany was moderate because a coherent economic policy was absent. For example, after the war, price control mechanisms were kept in place. These fixed prices distorted true market values of capital and consumer goods in light of inflationary pressures from an expanded money supply. Thus, capitalists withheld investment decisions until market prices were restored and property ownership itself was defined. "For forward-looking decision making, such as investment in fixed capital or the pursuit of markets abroad, it was necessary for there to be clarity over who owned industry and for price, wages and money to be in appropriate relationship to each other" (Carlin, 1998, p. 28). The currency reform and Erhard's policies brought about low inflation and the conditions required for the postwar economic expansion.

Another factor contributing toward the German Miracle had to do with the country's productive capability. First of all, the nation was not underdeveloped. Germany before the war was already well on her way toward becoming an international 400 pound economic guerilla, challenging the predominance of Britain as a hegemonic

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power. Thus, both World Wars were consequences themselves of economic hegemonic rivalry. The defeat of Germany in the 1940s had not changed her basic economic structure and growth trend. If anything the war increased technological innovation in industry, especially in the areas of engineering, chemicals, and fuels -industries that fulled postwar economies. Thus, one consequence of the war was a slowing or containment of Germany's power. This is acknowledged by America's de facto recognition of its need to secure an economic trading partner in Europe for its own economic benefit which, in turn, meant that it wanted a strong German economy. For example, the writers mentioned above point out that it was Germany's economy that pulled Europe's Western economies out of the devastation.

Second, Germany was virtually destroyed after the war, far more so than any of the allied powers. This meant general rebuilding of everything. For example, it was not just housing that needed rebuilding, but industry and infrastructure as well. This had two consequences: on the one hand, massive rebuilding meant massive economic activity and thus massive postwar growth rates. On the other hand, there is a debatable argument popular among political economists. Specifically, when your 50 year old factory is destroyed you either rebuild it or not. If you build again, what are you going to invest in? Will you replicate the old factory with the old technology, equipment, and productive techniques or will you prefer new, state-of-the-art technologies and production methods? Also, when the factory is destroyed, do you really have any labor opposition in terms of what technologies will be utilized in the new factory, or will labor be happy to see any new factory built? Thus, the war gave the impetus not only to the destroyed economies

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of Europe, but even more so to the ravaged Germany (and Japan) to modernize industry. This is one reason why America's productive supremacy would be challenged in the late 1960s and after by the recovered world economies--interestingly, led by Japan and Germany, the most devastated war economies.

Third, what was Germany's (and Japan's) military budget? This is a question that often seems to be neglected. For example, Greece in modern times has had to devote a huge part of its GNP toward military expenditures, given the perceived or real Turkish threat. In 1995, Greece spent 5.5% of GNP on its military, an amount far greater than any other western nation in relative terms. In 1995, West Germany in 1990 spent 1.9%, America spent 3.8%, France 3.1%, the United Kingdom 3%, and Japan 1% of their respective GNPs (U.S. Bureau of the Census, 1997b). Thus, massive investment opportunities are drained by massive military burdens. Postwar Germany up to the 1990s did not have this burden; therefore, capital was freed up for infrastructure and capital investment.

Interestingly enough, all this was made possible for Germany thanks to the Cold War between the United States and Soviet Union that was well underway with the Soviet blockade and the Berlin airlift of 1948-49 by the Allied forces. These events indicated to Germany (F.R.G.) that its safety would be provided for by the United States' nuclear umbrella, thus freeing up money from military expenditures. In fact, Germany was not allowed to re-militarize even if it wanted to. In the words of former F.R.G. Chancellor from 1974 to 1982, Helmut Schmidt: "The Berlin airlift of 1948-49 and the formation in 1949 of the North Atlantic Treaty Organization (NATO), which West Germany joined six

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years later, alleviated the first concern [of Soviet invasion], convincing me that the United States, Canada, and their European allies had irrevocably decided to jointly defend Western Europe in case of attack. We appreciated the risk the American government had assumed and saw the United States as the military, political, and economic anchor of the security and well-being of Western Europe" (Schmidt, 1997, p. 216).

But there is more to say regarding Germany's productive capacity after the war. Although basic infrastructure was destroyed by bombings, not all industrial capacity was destroyed. Actually, German industrial capacity was relatively large in relationship to that of the other European economies, given its massive war-time expansion. "The extent of destruction was insufficient to offset the new capacity installed during the war years, with the result that West Germany entered the post-war era with a capital stock more than one-tenth larger than it was before the war: neither the UK, Italy, nor France were so fortunate" (Carlin, 1998, p. 27). Lastly, German growth from 1950 to 1962 was helped by a massive influx of East Germans. This created a condition of an elastic supply of labor for the West German economy. Furthermore, the East Germans represented an influx of significant human capital as skilled workers and engineers.

Consequently, Germany's postwar economic social structure of accumulation was tied to the American international postwar SSA. Also, as a result of all of the factors discussed above, Germany did, in fact, demonstrate tremendous growth. For example, the German economy grew at an annual rate of 8.2% in the 1950s, compared to a growth rate of 4.6% for France and 2.8% for Britain (Herrera, 1997). These growth rates were reflective of Germany's growth in total productivity. For example, total productivity was

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growing at an annual rate of 5.25% from 1950 to 1960 and 4.33% during 1960-70 (Liesner, 1989). Thus, unemployment rates declined from their high of 10.2% in 1950 to 5.1% in 1955 and from 1961 to 1971 remained at less than 1% for most years (Table 11). In essence Germany had reached full employment, even experiencing severe labor shortages that prompted the influx of over two million foreign workers (Losche, 1973).

By the 1960s, the German economy began to slow down, although it still maintained significant growth. During this period, though, the economy was fueled primarily by its exports. For example, the modernization efforts of France and Italy created strong demand for German exports of capital goods. The German economy was also supported by the general labor peace during the early 1960s. In fact, despite labor shortages due to full-employment, unions had moderated their wage demands. It is argued that union leaders accepted moderate wage demands in recognition of the need to preserve the economy's competitiveness, since it was dependent on exports (Carlin, 1998).

However, by the late 1960s, rank and file wage demands did increase, resulting in strike activity. When the Social Democrats introduced voluntary wage restraints around this time, things deteriorated further. Specifically, union leaders' agreement to such restraints caused a severe backlash by the rank and file against their union policy in the form of "wild cat" strikes. Eventually, union policy shifted to reflect the members' demands, hampering business competitiveness to some extent.

By the 1970s, there was a further deterioration of the German postwar SSA. According to Carlin:

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> One of the important post-war international institutions which had helped to lock countries such as Germany into an open world trading system, began to collapse. This was the Bretton Woods fixed exchange trading system in which the US dollar was the anchor currency. As US economic dominance diminished with the growth in strength of European and Japanese economies, the dollar's key currency role was undermined. The Deutschmark appreciated rapidly between 1969 and 1973, and this combined with the high nominal wage increases to produce a deterioration of German competitiveness. (1998, p. 30)

As a result, the author mentions, labor costs in Germany were rising 8% faster per year than they were in other industrial nations at the time. In addition, the oil shocks of 1973 and 1979 were another source of increased production costs. Although companies tried to maintain their competitiveness by not passing along the increased costs, their bottom line was eventually affected. The decline of profitability since 1973 is considered a major source of the economic slowdown.

The 1980s continued to show moderate economic performance, especially in domestic investment. For this, employment rigidities such as labor protections, the welfare state, high wages, etc. are commonly blamed. This is also the same list of factors to which the 1990s slowdown of economic performance is attributed to. Actually, in the 1990s, these factors seem to be even more relevant, given the transformation in the nature of international trade–namely, that in the 1990s trade went "global," which introduced competition from extremely low wage nations that were previously not a consideration.

> "We have a cost crisis that built up slowly and gradually ever since the 1970s," said Froehlich, whose institute is supported by German business. "It became much more apparent in the past five years as new markets have opened up in Asia and Eastern Europe. All of a sudden, new countries, new continents have appeared on the scene, competing on the basis of much lower labor costs and much higher working hours." (Quoted in Walsh, 1996, p. 1)

One implication of this is that for the first time in postwar Germany, the living standards

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of workers, their institutional protection, codetermination, corporatism, and the welfare state are threatened:

> Some observers say the predicament of German companies signals something much bigger: the demise of this country's postwar socioeconomic compact, a much-admired agreement that gave workers a significant voice in the running of their plants, ensured generous wages and job security for all, and helped this country avoid much of the labor unrest that plagues nearby Italy and France. (Walsh, 1996, p. 2)

In addition, the German economy has been significantly hurt by the reunification of the two Germanies in 1990. Originally, the reunification resulted in an expansion of domestic aggregate demand. However, it soon became clear that in order to bring the East up to West German standards, there would be an extremely high bill to pay. For example, before unification, the East had 25-30% of the productivity levels of the West; in 1993, the East was 20% of the unified population but accounted for less than 10% of GDP (Carlin, 1998). Thus, roughly 5% of West German GDP is transferred to the East each year to modernize and support it!

Another difficulty cited in the popular press for Germany's economy in the 1990s in addition to globalization, labor conflict, and reunification is the European Union. Specifically, Germany herself is experiencing difficulties meeting the economic requirements set out by the Maastricht Treaty that she had insisted on back in 1991, such as budget deficits no larger than 3% of GDP. Thus, in order to meet the conditions for economic convergence and the establishment of a European currency, Germany and the other European countries have been under pressure to moderate their inflation rates and budgets. This, in turn, has translated into increased unemployment levels at historic

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highs and a simultaneous pressure to cut social expenditures. This is a particularly difficult combination to deal with, since increased unemployment and economic hardships naturally demand an increase in social expenditures instead of a reduction. Also, budgetary pressures have meant an attack on the social protections of labor that are treated as "rigidities" in the labor market within the popular press and blamed for the high unemployment rates.

Overall, though, Germany does not seem to have suffered in the 1990s as much as the other European countries from the global economic downturn of the postwar SSA. To understand more about the nation's economic and even political institutions, and developments in the 1990s, one would have to devote a great attention to the emergence of the European Union. This, however, is a far more complicated and involved subject that cannot be treated in this work. Moreover, it is not a specific focus here. The only thing that could be mentioned is that this rapid development of significant European institutions such as monetary unions point to the construction of a new 21st century national European SSA. Its implications would be a separate topic of examination.

Having examined the postwar economic developments and institutions, we now turn to labor during the postwar years up to the late 1960s. It is worth noting that economic growth does not necessarily result in egalitarianism, as the United States case indicates. However, German workers had managed to obtain relatively high income shares early on. For example, based on ILO (1996) data, the German bottom 20% received 5.5% of household income in 1950 while their American counterparts received only 4.5%. The bottom 40% in Germany did not do as well up to the late 1960s but was

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relatively close to American levels and well above the French figures. A number of factors explain the relative prosperity of the German working class.

According to Berger (1995) and Losche (1973), after the war was concluded, German labor unions reestablished themselves very quickly. This indicates that the Nazi regime had not crushed labor, but rather suppressed it. Upon the end of totalitarianism, the unions had not only emerged but also managed to "unify" into the German Trade Union Federation (DGB) founded in 1949. The unification came at the cost of political neutrality. However, neutrality in this case meant independence from specific political parties rather than noninvolvement in politics. In fact, the DGB was highly political and probably provided the best articulation of working class interests in light of the SPD's enlargement discussed later. In short, the German union density rate had remained very stable, between 33-35% from 1950 to 1990 (Lane, et al., 1997). Even more importantly, collective bargaining coverage was also very high.

What distinguished the DGB from most Western unions was not only its political involvement but its ideological platform. Thus, while American and British unions practiced business unionism, the DGB, with its considerable membership, was not as complacent within the capitalist system. For example, although its 1963 program had made efforts to sound less like a Marxist movement, it still indicated its socialist orientation. From Losche (1973) we read a portion of the DGB's 1963 program:

> While the concentration of capital continues to grow the employees, who represent a majority of the population, are still excluded from ownership and control of the means of production. Therefore, for the DGB, co-determination is the key to social and economic change in order to enable more and more citizens to become participants both politically and economically, in the shops, factories,

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and offices. (1973, p. 106)

This ideological stance becomes significant when viewed in historical context. Specifically, with the Soviets, the GDR, and the Cold War raging, it would not have been very prudent of capitalists to push West German labor too much. This, combined with the healthy economy, allowed German working class wages to increase, thereby reducing wage differentials and inequality. Thus, a capital-labor accord was formed based on a compromise leaning toward the benefit of labor yet was short of a total working class victory. This was accomplished, in turn, through the credible threat of high level violence by workers. The threat itself was credible, given the historical background of German labor relations that have often been revolutionary. Also, the threat was credible, given the high level of organization of labor in terms of unionization and political involvement. Thus, workers were appeased with growing wages, partial codetermination, and state corporatism.

Consequently, actual strike activity as an ultimate weapon of class conflict was remarkably low in Germany compared to France, Britain, and the United States well into the late 1960s. Strike activity flared up only briefly during 1952-55. For example, the number of strikes per 100k workers in 1952 reached 11.15, the highest ever since and greater than at any time relative to the United States (Author's calculations). Man days lost per 1000 workers in 1953 and 1954 reached 64.1 and 67.2 respectively, both numbers being relatively high for Germany. The strike data around this time reflected efforts by the DGB toward industrial democracy. Given the German workers' long tradition of demanding economic democracy as through the works councils in the Weimar period,

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they were now seeking co-determination. This was, therefore, indicative of the unions' continuing socialist ideology, which emphasized not business unionism but fundamental economic equality over the means of production. Clearly, this was not well received by either German capitalists or the allied forces. According to Berger (1995), the works council law of 1952 marked the defeat of co-determination and sparked the reaction of unions. However, by 1955, economic prosperity led to the reduction of conflict as wages began to rise.

In terms of the political parties, once the war was over the KPD would be virtually eclipsed, owing much of this to the Cold War. For example, many Germans would equate the KPD with its activities in the Soviet zone, where living standards had lagged behind those of the West. Secondly, the Cold War itself led to hostility against communism in the West by the allied forces. As for the SPD, it emerged as a strong party that did not manage to obtain power until the late 1960s. Berger (1995) identifies three main reasons for the SPD's inability to form a postwar government.

First, the party's postwar platform was based on socialization and economic planing. This platform, though, was not viewed favorably by the occupying forces of the West, who by that time did not have a labor movement as advanced in its demands. In addition, the SPD was not able to attract many votes from the middle class and the Catholic population that has traditionally been a major political force in Germany. The greater public was also unfavorable to the SPD's program because it closely resembled GDR policies that had failed to raise living standards as rapidly as in the West.

Secondly, the postwar economic prosperity basically "bought off" the working

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class. This was quite similar to the situation in the United States, where workers had achieved higher wages in return for job control. Thus, as German wages increased, conflict decreased. Workers felt, in part, that their living standards were rising and that they were finally integrated into the broader German society. This is a special point for the German case, since, by the consensus of authors such as Berger (1995), Losche (1973), Levine (1988), etc., the country was virtually divided culturally. By this they refer to the existence of the working class as a society unto itself with its own social clubs, insurance programs, etc., that effectively isolated it from interaction with the broader society, which had strong class disdain for workers. In other words, the working class had formed what Lipset (1994) called "integrative parties" that isolated their members' activities from multiple societal associations. The economic prosperity, though, raised workers living standards and their belief that they could be part of a "respectable" bourgeois middle class life style. This economic attack on workers' "cultural ideology" was reinforced by the growth of the welfare state that prosperity made financially possible. Thus, conservative governments, by increasing the size of the welfare state in times of economic expansion, took on the functions of traditional working class self-help institutions. By doing so, government strengthened workers' dependence on the state and weakened working class institutions such as political parties and unions, which had previously provided these social services. In short, Lipset's arguments of economic integration of the working class with industrialization and prosperity seemed to be justified by German facts.

Finally, the SPD was hurt by the environment produced by the Cold War. Thus,

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the anti-left, ant-communist policies of the United States and of the conservative segment of the German population took their toll on the SPD as well as on the KPD in the West. Consequently, the KPD in the F.R.G. saw its electoral strength drop from its 16.9% high in 1932 to 5.7% in 1945-49, 2.2% in 1950-54; it virtually vanished at that point until the re-unification in 1989 (Lane, et al., 1997). The socialist parties from the postwar years up to 1959 retained a stable support around 30%, while the conservative parties (including the CDU and CSU) in 1945-49 had 38.1% (Lane, et al., 1997). By 1955-59, once economic prosperity kicked in, the conservatives reached a historical high point of 53.6%.

According to Braunthal (1994), as a result of its political defeats, the SPD in 1959 changed its strategy, as indicated in the Bad Godesberg conference and reform program of the same year. Accordingly, the party aimed at widening its appeal to professionals, middle class voters, and Catholics. The goal was to become a party for all; to do this, they officially dropped Marxist ideology and adopted various programs appealing to other classes. Even more surprising was the party's entrance into the "Great Coalition" with the CDU/CSU in 1966. This broadening led to electoral victory during 1969-1982 in which the SPD formed a coalition government with the FDP (German Free Democratic Party--liberals) of which it was the senior partner. Although the SPD was still preferable in terms of policy toward the working class (i.e., with its insistence on regulating the economy), versus conservatives it indicated a fundamental weakness; i.e., as argued repeatedly in various sections of this work, politics is a form of compromise, not maximization. By running toward the middle to capture votes the SPD and left parties in

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general, they sacrificed working class interests in order to broaden their appeal. Thus, the question becomes whether this compromise can yield workers as many benefits as direct action can on their behalf in support of class interests. Can compromise benefit workers even when the economy enters downturns? The answer in the late 1960s and 1970s seemed to be in the affirmative, but, in the latter 1980s, the answer is no.

First, by the late 1960s, workers had become disenchanted with their choice of left political parties as well as their union leadership. This was not surprising, given the overall about face and compromises made by the SPD leadership at the time to broaden its appeal. In addition, as in America, there was a limit to how much conflict wages alone could buy off. Thus, the German rank and file became increasingly angered by the lack of job control and the overall working arrangements. Reading a passage from Losche written in the early 1970s on German workers is like reading the cultural arguments of Aronowitz (1992), Fairris on shop floor matters (1997), and a host of authors writing in the SSA tradition. Furthermore, the passage seems as if it could be referring equally well either to Americans, French, or English workers, indicating that cross-national forces were at work rather than isolated events. From Losche we read:

> It is quite obvious that a large number of the workers in the shops are dissatisfied with the trade union leadership because the unions have not been able to deliver as they were expected to. Wild-cat strikes in the fall of 1969 were directed not only against management, but against unions as well. Thus a divergence in the attitudes and behavior of the rank and file in the shops and the national union leadership emerged. While workers are frustrated by the dullness and emptiness of their jobs, their low wages compared to growing-and manipulated-needs, and the increasing importance of local issues, union leaders at the shop level do not take full account of these grievances. Moreover, national union leaders have not transformed these complaints into political action. They failed to use the pressure of their members in order to obtain legislation which could provide for improved

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> nationwide working rules. Instead, they often remained concerned with the framework of traditional social security policies. The economic demands of the rank and file became more and more urgent. It appears inevitable that union leadership will emphasize these issues if it does not wish to lose support of the shops. (1973, p. 108-109)

Second, by the late 1970s, the problems were not only related to control as the end of the above quote anticipated, but to deteriorating economic conditions as well. Thus, Germany, along with the rest of the world, fell into economic difficulty in the 1970s. This is exemplified by the slowdown in productivity, which fell from a high of 5.25% annual rate of increase during 1950-60 to 2.81% in the 1970-80 period and 1.81% from 1980 to 1986 (Liesner, 1989). Mishel, et al. (1997) put the productivity slowdown at 1.1% from 1979 to 1989. As a result, GDP also suffered and unemployment rates increased. In 1972, unemployment adjusted to U.S. definitions entered an upward trend, reaching 3.4% in 1975 and 7.2% by 1985, with fluctuations between these years (Table 11). Strike activity, although traditionally low in Germany, also indicated workers' dissatisfaction. According to my calculations, in 1971, 1978, and 1984, man days lost per 1000 workers reached 166.3, 157.3, and 196 respectively, all three figures marking by far postwar historical high points. In addition, the number of strikes per 100k workers for German society was very high during 1973-78 and in 1984.

However, the economic slowdown of the 1970s and early 1980s did not have the same effect on German workers as it did on American workers. For example, according to ILO (1996) data, the income share of the bottom 20% of Germans continued to rise throughout the 1960s and 1970s, reaching a high point of 8% in 1978. This figure is the highest for any year compared to America, France, the United Kingdom, and among the

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highest from 22 OECD nations. The bottom 40% of Germans also experienced increasing income shares in the 1960s and 1970s, reaching a historical high of 20% by 1978. This figure is also higher than for any year in America, France, the United Kingdom, and among the highest ever from 22 OECD countries. During these years, the share of the top 20% of Germans has been steadily declining, as has the Gini coefficient.

We see, therefore, that absolute economic conditions do not necessarily impact relative living standards as does income distribution. Thus, although America and the United Kingdom have seen the income shares of their working class populations decline, the Germans and the French managed to make gains. How was this done in Germany? On the one hand, as mentioned, the SPD, despite its catch-all appeal, was nevertheless preferable as a left party for the working class. This was due to the regulatory policies pursued by the SPD as senior coalition partner in the governments of 1969-1982 (Braunthal, 1994). These are the years in which income shares for the working class reached historical peaks. An example of the policies pursued is discussed by Siebert (1997). The author argues that during the late 1960s and 1970s, Germany passed legislation that made its labor markets more rigid. This is the same period in which working class income shares increased, as mentioned. Among these policies was "harmonized action" (*Konzentriete Aktion*) of 1968-73 or, as Berger (1995) calls it, "concentrated action." The policy was a major example of corporatism - cooperation between employers' associations, the government, and unions on matters of macroeconomic, fiscal, income, and social policies. From this period came an extension of six weeks sick leave at full pay for broader categories of workers in 1969 and the legal

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requirement of social plans before a company could be shut down in 1972. Social insurance payments increased to 18% of GDP from 13% during 1970-75, and in 1975, unemployment benefits were raised in response to increasing unemployment rates. Next, in 1976, came a development that to this day is anathema to American business and would probably lead to revolt by the capitalists themselves! In that year, Germany passed its codetermination law so eagerly demanded by the DGB. According to the law, half of the supervisory boards of large companies must consist of workers' representatives. Interestingly, although such a move would be an unimagined gain for American unions, the DGB was unsatisfied with the scope of the law!

On the other hand, 1969-1982 was a period in which the working class asserted itself, as indicated by the rise of strike activity. Thus, if a left government was able to pursue pro-labor policies, it could be argued that this was made possible by the backing it received for these policies from the expressed intent by workers for violent action. Unions had also indicated hostility toward non-favorable policies and made it clear they would react. Thus, according to Berger (1995), in 1977 the DGB withdrew from the corporatist policy setting mechanisms in protest over economic policy and the refusal of employers and government to widen the scope of codetermination. By 1981, the union organized massive protests against the government budget, calling it an attack on workers' living standards. Thus, not only left wing parties but the right, as well, had to decide whether it was ready for a political confrontation that would be carried into the workplace and the streets.

By 1982, the SPD-led government of Schmidt fell victim to increasing

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unemployment, difficulties with the economy, its friendly approach toward immigrant workers who, by now, were viewed by Germans as competing for jobs, its widening political scandals, and the internationally popular conservative supply side rhetoric. Consequently, Germany would be governed by Helmut Kohl and his CDU/CSU - FDP conservative coalition from October 1982 into 1998 (Lane, et al., 1997). According to these parties ideological orientation, we read in Siebert (1997) that unemployment benefits were reduced in 1982 and 1994. In 1985, the Employment Promotion Act was passed, legalizing temporary work for up to a year and a half in duration. In 1996, the law was expanded further. Increases in health care payments were constrained in 1989, 1992, and 1996. More importantly, strikes were assaulted indirectly by the government, in contrast to the direct and even violent attacks by the Reagan and Thatcher sibling administrations. "In 1986, it was ruled that unemployment benefits would not be available at all for workers temporarily underemployed due to strikes in the same industry" (Siebert, 1997, p. 42).

Thus in the spirit of the Social Structures of Accumulation Theory, we see that the Fordist organization of production originally led to control over workers and increased productivity. However, workers eventually learned to manipulate this form of organization to their advantage. For example, it was not necessary for the whole labor force to go on strike in order to shut down the assembly line of the firm. Thus, a much more limited amount of wages would be lost, all workers affected would be supportive of the strikers since they would still get paid, and the strikers did not have to worry about costing their fellow workers down the assembly line their wages. The assembly line, I

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argue, was by the 1980s extended into an assembly line involving multiple companies of an industry in the production of a final product as a result of various parts being produced and assembled in multiple locations. Thus, shutting down one plant shut down many plants in an entire industry, as the 1990s GM strikes demonstrated in America. Therefore, what the German government did was to extend the pain of a company strike to all workers of the industry, leading to breakdown of solidarity and hesitation for those considering strike activity.

Added to all of the events that have occurred since 1982 is the increasing globalization in the 1990s stemming from a new emerging international SSA. This 21st century SSA will be examined shortly in terms of its disastrous impact on workers and its relationship to the collapse of left wing ideology. Up to this moment, though, the results have been clear. Although the German working class has fared better than that of America, the United Kingdom, and France, it has done so by deteriorating at a slower rate than have the latter nations. For example, since the peak of 1978, income shares for the bottom 20 and 40 percents of Germans have entered a declining trend into the 1990s although at a slower rate relative to America, the United Kingdom, and France. The income share of the top 20% has increased and so has the Gini coefficient and unemployment.

Having examined the historical details of the institutions behind Germany's postwar expansion and slowdown, we now turn to how this all fits into the broader theoretical model of this work. First, we have seen that after the end of WWII German workers were successful in reestablishing their labor institutions that were effectively

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shut down under Nazi totalitarianism. For example, independent unions were re-formed soon after the war. In addition, the unions had achieved a high level of unification and coordination of activity. Also, the German working class was coming out of the war with a militant labor history and desire to reassert its strength. This willingness by labor to engage in both high and low levels of class conflict was exemplified by the strike activity during the early years after the war and the independent political involvement of left wing parties.

On the other hand, the capitalist class and political right came out of the war largely discredited in German society. This made it more difficult for these groups to assert their class interests within broader society. In contrast, the left was "clean" of any Nazi collaboration and, if anything, had suffered from Hitler's policies. This gave left wing groups an ideological upper-hand in politics and in the negotiation of a new labor accord. Those who benefitted on the political left were primarily socialists rather than communists, given the events of the Berlin crisis and the cold war climate that followed. Of course, labor was not in a position to exert a total class victory over capitalists, partially due to American efforts to contain left ideology throughout Europe as part of the plan for a postwar international order.

Overall, though, workers had the power to obtain various state protections and a labor accord comparable to that of France, based on a class compromise with significant benefits for labor. Thus, German workers exchanged strike activity in return for high wages and social protections. For example, the country's welfare state and levels of corporatism are often cited in the relevant literature as being more advanced and

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significant compared to the United States, Britain, and, to a lesser degree, France. Such benefits for the working class, though, were clearly not "handed out." There was significant fear of labor unrest during that time. Both German capitalists and American policy makers were eager to appease labor in order to stem of potential left wing uprisings. Thus, it was the use of violence at high levels (strike activity) and the *threat* of class violence that accounted for the postwar German labor accord being favorable toward labor.

However, although class peace was achieved, this was not the only condition necessary for the postwar expansion. As SSA theory points out, economic institutions congruent with labor institutions are also needed. These structural economic requirements did present themselves after the war. For example, many sources discuss the sound macroeconomic policy of German officials as providing the economic framework for a favorable environment of investment. Also, although devastated by bombing, Germany's productive capacity was still vastly superior to that of other European countries. This translated into a domestic "boom" as Germany rebuilt its own infrastructure and housing. But, this also meant an export boom of capital and consumer goods to European nations whose own productive capacities were significantly reduced by war.

In turn, the export boom that fueled the German economy was largely possible thanks to the institutional arrangements of the American postwar international SSA. Specifically, it was America's decision to include Germany in the Western postwar trading system that made German exports and growth a reality. Had America gone with

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the early French proposal to weaken Germany and replace her with France as Europe's central economy. history would have turned out very differently.

As a result of these conditions, Germany experienced a phenomenal postwar growth as indicated by its productivity and GDP figures. This translated into a general increase of working class living standards and equality, given a labor accord leaning in favor of workers. But, given the general rise in prosperity and the environment of full employment, labor in the 1960s presented new demands, as it did in most countries. In other words, since class conflict is endemic to capitalist relations it can be suppressed but never eliminated. During this period, general economic prosperity led workers to feel the balance of power had shifted sufficiently to challenge existing class arrangements. Thus, the time was right to confront the capitalist class for more gains. Consequently, the rank and file of unions began to demand higher wages and greater work control. Thus, strike activity increased, often in opposition to political and union leaders, as was the case in France, America, and the United Kingdom.

By the early 1970s, the economy took a turn for the worse, given domestic labor unrest, the oil shocks, and global slowdown. As a result, unemployment increased, productivity suffered, and GDP growth was moderate. In addition, strike activity increased even further, due to workers' demand for wage increases. During the 1980s, the economy continued to slow down, as it was given increased global competition by Third World wage nations. Labor was still militant and strike activity persisted into the early 1980s. Even widespread street protests were threatened. In 1982, though, the election of Kohl's conservative government led to an attack on labor that has continued

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into the late 1990s because labor rigidities were and are considered by conservatives as a cause of Germany's loss of international competitiveness and reduced domestic investment levels. Overall in the 1980s and 1990s, monetary policy has continued to focus on inflation rather than unemployment, privatization is now seen as desirable, and social programs have been under attack while the working class has been pitted not against German capitalists but Third World wages.

It should be noted, though, that German labor has continued to fare relatively well compared to labor in the other nations of this study. One reason is that in the 1960s and 1970s, labor's militant activity resulted in the passage of legislation that granted greater protections to workers. Also, during 1969-1982 Germany had a socialist government that was reluctant to repeal this legislation. Thus, by the 1980s and 1990s, there were more legal institutions in place to safeguard workers' interests. This did not mean that workers did not experience a deterioration of their position with the attacks by capitalists and Kohl's conservative regime. Rather, these institutions "softened" and prolonged the process of dismantling labor's gains. Thus, German workers are better off than their American, British, and French counterparts because their gains have been deteriorating at a slower rate. Thus, the structural problems have remained as globalization has eroded the foundation of the postwar SSA institutions.

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Conclusions

From these historical case studies of the United States, France, Germany, and the United Kingdom that use a social structures of accumulation framework, we realize that many of the developments in each have been outcomes of unique factors. For example, why does the United States lack any left political parties? As was argued, one reason was its unique position as one of the most resource rich countries with abundant land. Thus, a large segment of the population, such as small property owners, was in strong support of private property rights. Workers did not seem to mind much, either, given the relatively high living standards that they enjoyed relative to their European counterparts as documented by Gompers himself. Also, the New Deal essentially "robbed" the labor movement of an impetus to establish an independent party.

The United Kingdom had its share of historically contingent events. For example, unions were tolerated early on due to the unique economic prosperity enjoyed by British capitalists as the beneficiaries of England's productive predominance and world hegemonic status during the 19th century. In the United Kingdom, the development of independent left parties was largely a response to negative court rulings and legislation prompting unions and workers to take class conflict into the political sphere. The development of postwar Labor governments was also partly due to people's perceptions that it was best suited for compromise, based on the party's performance during the war time coalition government.

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In Germany, the role of the intellectual has been probably the greatest anywhere in the labor movement. For example, Marx himself was involved in the revolutions of 1848. The high levels of class antagonism and the desire for political suffrage resulted early on in the formation of an organized working class movement. Upon the extension of suffrage, the organized labor movement was able to form independent left wing political parties. In addition, the development of left parties prior to unions meant that these organizations helped to establish unions. This resulted in unions that were highly political, unlike their American and, to a lesser degree, British counterparts. Armed with high levels of class antagonism, Germany also developed industrial unions much earlier than did the United Kingdom or United States. Thus, Germany and France, which had the greatest levels of working class benefits and protections, also had the earliest formation of inclusive industrial labor movements.

In France, its revolutionary past contributed to the earliest political emancipation of its citizens. Unique demographics created labor shortages that diminished the gap between skilled and unskilled workers. This resulted in an incentive to form industrial versus craft or trade unions early on. In turn, political emancipation and mass industrial unionism led to the next logical step of class conflict--conflict for control of the state through independent left political parties. The war period, as documented, also resulted in discrediting capitalists, with the communists taking the role of patriot fighters. Thus, after the war, French communists had significant mass appeal and power. These were clearly unanticipated events under any kind of academic theory.

What else did the case studies reveal to us? Germany and France have been

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shown in prior sections to have greater working class relative gains compared to America and the United Kingdom. In fact, Germany is ahead in absolute terms, as well. Thus, we ask, what do Germany and France have in common regarding weapons of class conflict? First, these two nations developed inclusive industrial unions early on during their industrialization. This was in contrast to the craft based unionism that was common until fairly recently in the United States and United Kingdom. The importance of industrial unionism is that it creates a united working class front. (In the French case, the left and unions were split into socialist, catholic, and communist factions but still maintained unity most times when confronting employers). This has three significant implications. First, employers have been less capable of fragmenting workers by pitting the skilled against the unskilled, thereby diverting attention from themselves. This was often exemplified in the historical case studies of United States labor relations. Secondly, with the establishment of industrial unions, the labor movement avoided bitter inter-union conflicts, as was the case with the American AFL and CIO. Such inter-union rivalry weakened unions not only by fragmenting labor but also through the financial and psychic drain that the competition imposed. Third, industrial unions proved to be a somewhat more solid basis for independent political action because the united working class interests of the industrial unions could fight for their common interests in the political arena which requires mass participation.

In this section, it was also documented that Germany and France had higher historical levels of significant class conflict. In fact, these two nations had been characterized not just by strike activity (i.e., France) but by straight out revolutionary

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working class activity. These high levels of societal conflict, even for the United Kingdom to a lesser degree, are documented by Lijphart (1984), who ranks them as having high salience on the socio-economic dimension versus medium salience for the United States.

Another interesting point is the result of class conflict. Specifically, working class benefits were not handed out at any time in any nation. Instead, these were always working class "attainments" that were often won either through intense conflict or the *threat* of violent conflict. This is supported by the German and French cases--the two countries that have the greatest working class attainments in relative terms. In Germany, many of the modern working class attainments such as the eight hour day came after and were due to the revolution of 1918. In France, revolutionary action had the same effects throughout its history. For example, we saw that France after the war was feared the most by America as being in imminent danger of a communist takeover from within. And even in America, much of the New Deal itself was not a result of benevolence. Rather, it was a response to the breakdown of capitalism during the Great Depression that caused fears of a mass uprising in the face of 25% unemployment rates and the successful "communist" Soviet Union. From depression eras of America and postwar France and Germany we see that high levels of conflict were not needed to be physically manifest in order for workers to obtain victories. Instead the *credible threat* of high level violence, such as through mass strikes and even revolution, had an effect on the capitalist class. This is what leads me to argue that institutional means of conflict through politics or labor arbitration are dependent on the credible threat of high level class violence should

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these institutions lead to perceptions of ineffectiveness and unfairness by the working class.

The above leads us to another point. The fact that workers may be willing to engage in or threaten high levels of violence does not guarantee their victory. In other words, the outcome depends on relative power between classes and a host of historically contingent factors. For example, the bourgeois class in Russia, by most accounts, did not rush to defend itself, just as the Soviet Union did not defend itself from self-dissolution. This is what makes this topic inappropriate for regression analysis. Specifically, regression analysis assumes a constant relationship, if any, among variables. From this work we see that high levels of class conflict and working class attainments are not guaranteed to be unidirectional. Rather, it depends on relative power and a host of unique exogenous factors. All this, though, does not hide the fact that, absent conflict, society will most likely not favor egalitarianism.

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The International SSA

Having reviewed the above national case studies, we have developed an understanding of how each nation has differed from the other in regards to the achievements of its working class. This is in accordance with the suggestion by Gordon, et al., (1984) that "The analysis [within a SSA framework] must also focus on the structure and contradictions of the social structure of accumulation within specific nations. While international factors provide pressures on national institutions, the content of the social structure of accumulation may vary significantly from one country to another, and many institutions are determined primarily by domestic forces" (p.37). Thus, we indicated that although the basic underlying trends were similar in the four countries examined (i.e. collective bargaining, etc.), two cases were significantly different in terms of the working class achievements and overall character of the state due to historically contingent events. Specifically, France and Germany had developed greater relative gains for the working class, a higher degree of corporatism, and a more significant welfare state. However, all of these countries have been fundamentally "tied" to the general international 20th century SSA. In turn, the international SSA was constructed by a global hegemonic power as have been past regimes of accumulation. As the above authors wrote:

> We suspect that the relative synchronization of long swings among individual national economies within the world capitalist economy as a whole depends upon the character of the respective stages of capitalist development. In both the 1840s-to-1890s stage and the post-World War II stage one group of national

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> capitalists, first the British and then the Americans, dominated the world capitalist economy. In each case the hegemonic power was able to create a relatively stable international environment, and the rhythms of many countries closely followed the rhythm of the dominant power. (Gordon, et al., 1984, p. 37)

Therefore, to fully comprehend the developments of class relations in the 20th and 21st centuries, we now turn to the examination of the international environment and the related institutions established by the hegemonic power that has been the United States. "Since Capitalism operates on a world scale, one should analyze its contradictions and social structures of accumulation on a world scale" (Gordon, et al., 1984, p. 37). In order to fully comprehend the international forces of the late 20th century, we need to go further back in time to the elementary expression of what we now call SSA theory. I argue that Karl Polanyi in his classic work, *The Great Transformation* (1957), presented the best possible analysis of international economic transformation in the late 19th century and its core relationship with social and human factors. In fact, we could consider him a proto-social structure of accumulation theorist. Why give him this credit? First, Polanyi demonstrated how international economic prosperity emerged in the early 19th century and how it collapsed by the end of that century based on a specific set of institutions. In other words he explained back in 1944 (first edition) how an international long wave, as we would call it, emerged and ended! What is even more interesting is the core of his argument: regulation. In establishing that labor is a fictitious commodity he demonstrated the dangerous consequences of *laissez-faire* ideology absent regulation! Before looking at his work more closely, it can be said that in an industrial era regulation is necessary. This is regulation not only of commodity and goods markets, but of

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international trade flows as well. In order to obtain such international regulation, however, later theorists such as Keohane (1984) and Gilpin (1993) also argued that there must be an international hegemon that will set up and support the international regulatory mechanisms. Having mentioned the basic thesis of Polanyi that will be the basis of understanding the second "Great Transformation" of the late 20th century, we now examine his arguments in greater detail.

Polanyi argued that the 19th century prosperity that lasted for a hundred years (1815-1914) was based on four institutions: balance of power, the international gold standard, self regulated markets, and the liberal state. At the heart of this international system was Pax Britannica. With the industrial revolution came the need for continuous and uninterrupted production. This resulted in the fictitious commodification of land and labor in order to secure a constant flow of material inputs toward industrial production. In order for this type of production to continue unhampered, the idea of self regulated markets was introduced. For industrialists, this primarily meant lack of regulation in the commodity markets but not in the goods markets. Thus, industrialists promoted the idea of competition in labor markets, which means reduced average wages and, thus, lower labor costs to the producers. In the goods markets, though, producers were not opposed to regulation, knowing that high levels of competition erode profit margins. In addition, large business wanted to be sheltered by the negative effects of insufficient money supply. If *laissez-faire* did not keep up with the growing needs of business, there would be cash flow/liquidity/tight credit market problems. As a result, *laissez-faire* contained a contradiction that would inevitably lead to international economic collapse.

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In the meantime, 19th century market prosperity at the state and international level had become dependent on regulation of trade and peace. This was a result of the growing European interdependence, since markets recognized no borders and large scale production became dependent on international markets for its absorption. During the years of prosperity, regulation was achieved at both levels through the workings of the balance of power and the international financial system. With the balance of power achieved in Europe, trade flows were able to operate without disruption. However, the balance of power was not the only necessary condition. In addition, the international financial system set up by Pax Britannica's gold standard ensured smooth trade flows. In fact, it was the international financial system that made the balance of power possible.

> Trade had become linked with peace. ... Trade was now dependent upon an international monetary system which could not function in a general war. It demanded peace, and the Great Powers were striving to maintain it. But the balance-of-power system, as we have seen, could not by itself ensure peace. This was done by international finance, the very existence of which embodied the principle of the new dependance of trade upon peace." (Polanyi, 1957, p. 15)

Accordingly, international finance was invested in multiple international industries, explaining its interests in avoiding major war between the Great Powers. This was achieved by the diplomacy and coordination of international financiers such as the Rothschilds, who were located in England yet had no national loyalties. Thus, trade was dependent on the international monetary system which depended on peace between the Great Powers that was kept by international financiers.

With the breakdown of the core 19th century institutions came an international collapse that was expressed by the World Wars that followed. Polanyi explains that once

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England achieved peace with France and Russia, that peace led to the collapse of the balance of power with the emerging German alliance of Italy and Austria-Hungary. As Waltz (1979) would write, much later than Polanyi himself, a balance of power between two blocks is the most unstable balance possible because increases of power by one block can be checked only by internal efforts by the other. When more than two blocks are involved, a shift in alliance by a third or fourth party can quickly restore balance, thus making such a system more stable. By bringing the interests of England, France and Russia together on the one hand and Italy, Germany, and Austria-Hungary on the other, we had the emergence of an unstable bipolar system.

Why would the bipolar system that was emerging by the late 19th century be unstable? First, according to Polanyi, once national interests became opposed in bipolarity, the hegemonic race was on for power, which meant a race for control of trade. With this came the erection of trade barriers and protectionist policies that financiers were no longer able to prevent. Secondly, and more importantly, the self regulating markets had begun to exhibit a breakdown due to their internal contradictions emanating from the fiction of labor as a "commodity." The author argued that as industrialization and free trade spread to other nations, the negative effects of free markets were being felt on the social organization of life in events such as the great depression of 1873-86. Thus, in order to avoid the harmful market effects on society, tariffs and protective labor laws had to be introduced. As a result, in order for the Great Powers to export they had to seek out unprotected markets such as colonies, which explains the origins of imperialism, according to Polanyi. This drive to expand colonial influence was partially a contributing

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factor to the clash of interests among the Great Powers. But since the whole system depended on international trade flows, it eventually collapsed into war. The end of World War I simply contained Germany and delayed the inevitable collapse of the 19th century SSA. By 1930, most of the basic institutions of the 19th century SSA had been eroded and new institutions were developing. For example, Britain's hegemonic decline meant she could no longer maintain the international institutions set up by her was exemplified by the abandoning of the Gold Standard. This brings us to the emergence of the 20th century SSA that was forming prior to World War II and was firmly in place at its conclusion.

As we have seen before, a new long wave expansion will emerge from the destruction of the previous one when a set of institutions is in place that will create a favorable investment environment (SSA). For example, in the sphere of class conflict, capital/labor relations would be stabilized either through compromise or the victory of one class over the other. Thus, stability achieved in the area of production would be translated into predictable estimations of profitability and, thus, safer and increased investment. The capital labor accord would typically be backed by numerous other institutions in the political and ideological sphere such as the New Deal in America. Once this environment is established its benefits will continue for a prolonged period of time because:

> First the previous crisis is likely to have restored many of the conditions of profitability in the economy, for example, through depreciation or abandonment of less productive capital or through the stimulation of new technological and managerial innovations. Second, the initial investment necessary to form the social structure of accumulation are likely to provide a large

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> (multiplier/accelerator) stimulus at the beginning of this period of expansion. Most importantly, the boom period is long because favorable conditions for capital accumulation have become institutionalized. (Gordon, et al., 1984, p. 28)

With the review of the four historical case studies we have documented that, in fact, the stabilization of class conflict did result in rapid expansion after World War II. In all of these countries, for example, there was a legitimation of collective bargaining and unionism, giving workers high pay in return for management's control of production. The expansion was also maintained, despite the destruction of the war, since it resulted in the need for massive rebuilding in Europe, but there were new technological discoveries, as well (i.e., nuclear power). In this section we look at the principle factors behind the international SSA that was, in fact, congruent with each of the national SSA's of the United States, Germany, the United Kingdom, and France.

According to Bowles, Gordon, and Weisskopf (1990), the postwar SSA rested on four principal groups of institutions. These were Pax Americana, the limited capital-labor accord, the capitalist-citizen accord, and the containment of intercapitalist rivalry. Within the United States, the authors argue, capitalist competition was contained. For example, the mergers of the late 19th century and the Great Depression had significantly concentrated capital. By the end of World War II, the American economy had entered its *Monopoly Capital* stage of development (Baran, and Sweezy, 1968). Thus, the oligopolization of the domestic economy created higher profit rates than had existed under conditions of competition. As we have seen, the European economies had gone through a similar process of consolidation prior to the war. In addition, American firms were strengthened after the war, given their international position. Specifically, the war

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had destroyed most of the European continent and Japan, thus eliminating potential competitors. As a result, American firms were in the monopolistic position of being able to meet the international demand for a wide range of products.

To this extent, the capital-labor accord would serve as a complimentary institution to American corporations. By being able to make high levels of profits, key corporations were able to limit labor conflicts through the offering of union recognition, high wages, stable employment, and regular pay raises, all in the form of peaceful collective bargaining. In return, the corporations received a management rights clause in most collective bargaining contracts. This gave companies control over marketing, investment, production, plant location, and technology decisions. Thus, the labor accord, by stabilizing conflict at home through bureaucratic control of labor, allowed firms to make production predictable and uninterrupted.

The capitalist-citizen accord served as a means of stabilizing broader social class conflict. It was understood, as Polanyi had argued regarding the 19th century, that the destructive social effects of capitalism had to be accounted for. Thus, people as well as capital would have to be "sheltered" from the consequences of the free markets (i.e., unemployment and depressions)! To this extent, Keynesian management was used to smooth out the business cycles through fiscal policy at first and monetary policy later. Military expenditures also helped keep aggregate demand at high levels. Lastly, a basic welfare state was established to provide citizens with a minimum living standard. This was done through the increase and expansion of unemployment insurance and social insurance programs in general. In other words, this is almost an exact repetition of the

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time that English capitalists gave labor concessions during Britain's hegemonic peak around the 1870s in order to secure continued output as the most competitive international producers (see the section on the United Kingdom).

Pax Americana brought all of the above together in constructing an international environment where the U.S. corporations could take full advantage of their productive superiority in the world setting. First, it was clear after the war that America's self interest did not coincide with isolationism. Her vast productive apparatus was unchallenged, and it needed greater markets than the homeland alone to support it. This translated into the need for a free trade regime and the limitation of protectionism that brought the world to its 19th century collapse. Thus, America had to secure access of its corporations into European markets that would eventually recover.

According to Keohane (1984), Bowles, et al. (1990), and Wolfson (1994), in 1944 the United States, leading Britain and the allies, set up the mechanisms of a new world financial and trade order in what was known as the Bretton Woods system. The principle architects were the legendary British economist and diplomat John Maynard Keynes and Harry Dexter White. Two of the key institutions of the Bretton Woods system were the now famous International Monetary Fund (IMF) and the International Bank for Reconstruction and Development, a predecessor of the World Bank. Through this system, the United States wished to facilitate multilateral liberal trade, reduced trade barriers, tariffs, and protectionism against American products. Despite objections from the British, the U.S. dollar became the key international reserve currency and it, in turn, was fully convertible into gold at a fixed price. The purpose of this was to establish fixed

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exchange rates among national currencies that would enhance trade and international investment. Thus, the 19th century SSA was based on Britain's Gold Standard, which eventually collapsed, and the 20th century SSA was based on the U.S. dollar convertible into gold. "The dollar was king, Wall Street replaced the City of London as the world's financial center, and the International Monetary Fund and the World Bank set up shop within a stone's throw of the White House" (Bowles, et al., 1990, p. 51).

According to Wolfson (1994), Bretton Woods was buttressed with a number of supplementary institutions such as the 1947 General Agreement on Tariffs and Trade (GATT) later transformed into the World Trade Organization (WTO) had the following advantages. First, the system of fixed exchange rates provided stability in trade in contrast to the beggar thy neighbor policies of the interwar period. Thus, competitive and destructive currency devaluations were averted, and, along with them, trade wars. As a result, trade flourished, with export volume growing at an annual rate of 8.6% during 1950-73 among OECD nations versus 1% growth during 1913-50. Secondly, free trade benefitted primarily American corporations, which were in a more competitive position. Third, international Capitalist class conflict was regulated by the supremacy and policies of the United States hegemony. Fourth, the use of the dollar as an international reserve currency meant that America could spend more freely since there was also a shortage of dollars in the system. This is similar to printing a hundred dollar bill at a penny's cost and then using it to buy a hundred dollars worth of goods from other nations. For the United States, this worked as long as the other countries kept the dollars as reserves, (i.e., out of circulation). As a result, America could finance its institution building, military

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bases and other activities.

However, the system of international trade did not function immediately. The problem was that although the U.S. dollar had become the international currency, other nations did not have dollars to trade with. For example, Europe was destroyed and had little to trade in exchange for her massive reconstruction needs. This is where the Marshall Plan helped the U.S. economy just as much as it helped the Europeans. By providing Europe with billions of dollars worth of aid and credit, America ensured that these nations were able to finance their rebuilding effort. For example, countries now had the dollars and dollar credits they needed to trade with. But, since domestic industries were destroyed across Europe, from whom would Europeans purchase a host of products, ranging from industrial to consumer goods? The answer was American corporations. Thus, the availability of dollars and the promotion of free trade led to one of the greatest booms in U.S. history. This was intensified by the favorable terms of trade American companies were able to negotiate. On the one hand, corporations, backed by American financial and military hegemony, were able to obtain raw resources such as oil at very favorable terms. On the other hand, American exports commanded favorable terms and lacked any significant world competition (Bowles, et al., 1990; Keohane, 1984; McDonough, 1994).

Lastly, America's military supremacy backed her global economic interests. When carrots failed, the stick of the military and CIA prevailed. For example, Bowles, et al. (1990), discuss the coup against the Iranian government of Mohammed Mossadegh in 1953. This came as a result of Mossadegh's insistence on nationalizing the Anglo-Iranian

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Oil Company, a decision that would have hurt not only America's access to cheap oil, but also other direct American economic interests in the region. The authors also mention the overthrow of the democratically elected government of Guatemala in 1954. The cause was the nationalization of some land owned by the United Fruit Company at a rate of compensation that was lower than that which the company demanded.

The American military also served another purpose, as mentioned before. The establishment of a massive peacetime military industry assured that government spending would prop up falling aggregate demand to the benefit of private corporate interests during downturns in the normal business cycle. Interestingly, though, the military expenditures became possible, in large part, thanks to the emerging Cold War ideology. Thus, before the American-Soviet war cooperation was even over, relations cooled down fast as the two nations soon found their interests standing in opposition. "Militarization of the economy provided a means of operating a policy of demand management, and it created a large base of support for the Cold War" (Kotz, 1994, p. 66). Interestingly, various historical documents now support that it was American expansionist policies that accounted mostly for the Cold War environment. "The Cold War developed very rapidly in the context of American worldwide expansion and can be said to have been fully recognized in the promulgation of the Truman Doctrine of containment in 1947" (McDonough, 1994, p. 118).

How exactly was Europe tied to the new world order? To begin with, the United States and the Soviet Union had emerged as the only standing superpowers at the conclusion of World War II. America realized that her international capitalist economic

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structure would have to achieve two goals in order to survive. One goal was to secure a considerable trading partner, which, clearly, would be Europe. The other goal was to combat the domestic European left ideological challenge to her own economic structure. Both goals would be achieved through integration. Thus, according to Hogan (1987), America was involved in Europe through the Marshall Plan not just to suppress communism, but also to reconstruct these countries in her own political-economic self-image. According to McDonough (1994) and Hogan (1987), such integration, although not absolute, did occur, given the destruction of existing institutions by the war in Europe and the continent's reconstruction under American supervision.

The Europeans themselves had reason to join the new economic order under American Hegemony. Despite various disagreements with the United States, many European nations realized that they needed a stable international trading environment in order to survive; this is what America was offering under her rules as hegemon. In addition, the European capitalist and middle classes were themselves threatened by the rise of left wing ideology after the war because both capitalists and the political right were discredited as a result of the war. In Germany and Italy, both groups led to fascism and the destruction of the nations. In France, both groups were all too eager to collaborate with the Nazis; the national and Soviet communists were the groups that fought against right wing totalitarianism. As mentioned in the case studies, France and Italy in particular were considered to be in imminent danger of communist takeover from within. Thus, the upper classes needed to stabilize their domestic economies in order to stem off real challenges to the fundamental capitalist structure of their respective states. In other

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European nations, where communists had been weak, the socialists were feared in terms of their ability to fundamentally alter the capitalist state structure.

When the United States offered first the new international system of Bretton Woods, and Marshall Aid shortly thereafter, European capitalists, who realized they were too weak to recover independently, realized they were being offered a way to achieve the growth and stability they so badly needed at the price of accepting American leadership. America, in turn, was very clear in her intention to integrate Europe by in essence forcing the Europeans to choose sides at the outset of the Cold War in return for aid and participation in the new financial regimes. The Marshall Plan demonstrated this point clearly: "Many in Europe hankered after a 'third force' strategy that would avoid close alignment with either of the new superpowers. American aid had been available after the war on a bilateral basis to countries ranging from France to Poland. But then came Marshall's promise of more comprehensive aid if 'Europe' would define its collective needs, and the offer forced Europeans to choose sides" (Reynolds, 1997, p. 172).

In addition, as Keohane (1984) wrote, Europeans had an added inducement to participate in the new international financial system. Specifically, although the American goal was free trade, at first America tolerated some European tariff discrimination against her products in recognition of Europe's weak economic state. Also, many necessary goods for Europe simply were produced at inadequate quantities. This created the need to trade with the United States, who, by 1945, was responsible for half of the manufactured goods produced in the world. However, the Bretton Woods world was faced with a dollar shortage. The shortage was dealt with by the United States' offer of

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massive credits and aid that allowed Europeans to purchase the goods they needed (from America) and America to sell its massive surplus production.

As a result of all this, according to Reynolds (1997), Europe managed to stem off the domestic postwar communist wave. This was partially accomplished through the offering of higher wages and through propaganda aimed at winning labor away from communists unions. Also, Europeans benefitted from this international SSA because: "Conflicts among capitalists from different nation-states were moderated because international economic and financial relationships were carried out under the umbrella of US hegemony" (Wolfson, 1994, p. 139).

In the 1960s, however, the 20th century SSA began to crumble and entered a decline by the early 1970s. Why would an SSA end, and why would a hegemonic power behind the SSA decline? In reference to SSA's, according to Gordon, et al. (1984), these eventually deteriorate due to the presence of barriers to the accumulation process:

> These barriers develop because successful capital accumulation ultimately either runs up against limits imposed by the existing institutional structure or begins to destabilize that structure. In the first case, the institutions themselves produce the constraints; in the second case, the disruption of the institutions produces the constraints. In either case, further rapid accumulation becomes more problematic within the existing set of institutions. (p. 29)

Gilpin (1993) argues that a hegemon will eventually fall because the costs of maintaining the international system favorable to the hegemonic power will eventually surpass the benefits, thereby making it difficult to maintain that system. The hegemon eventually enters a fiscal crisis that ultimately makes it impossible to maintain the international regime. How does this happen? Gilpin mentions there are internal and external factors

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accounting for the hegemon's decline. The first internal factor is the stagnation of growth. It is argued that at some point a society will reach a point where its technological innovations reach the limits of their potential. Gordon (1984) makes a comparable argument, writing that a specific social structure of accumulation will eventually exhibit diminishing returns to scale as the limits of existing institutions are reached in much the same way that existing production techniques reach their maximum potential. Second, there is a diffusion of military capabilities to other nations that eventually makes it more expensive for the hegemon to exercise military supremacy. Third, as society becomes more affluent, there is a tendency for consumption levels to increase proportionately to GDP relative to investment that ultimately hurts production. Fourth, changes in the economic structure may result in reduced productivity, and fifth, "moral" values may become corrupted. In general, all of this leads to class conflict within the hegemonic power, further sparking the decline, as the SSA theory would argue. From Gilpin we read:

> These internal changes [mentioned above] manifest themselves in an increasingly severe political conflict over the allocation of national income among protection, consumption, and investment. This, of course, is the classic conflict between guns and butter ... As a dominant power ages, the struggle over these conflicting demands transforms a relatively benign politics of growth into a more virulent politics of distribution. Although the growth of wealth and the advance of society produce social fissures, the fissures can be contained as long as the income of the society continues to increase. The conflict over shares is muted because of an increase in the overall amount of wealth, whether that increase comes from tribute, economic growth, or some other source. As the flow of tribute or economic growth slows, however, the conflict over relative shares of the economic surplus intensifies, despite its detrimental consequences for the overall welfare of society. As a result, periods of decline tend to be characterized by exacerbation of internal social and political conflicts, which in turn further weaken the society... (1993, pp. 166-167)

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Again, Gordon (1984) makes a comparable argument, writing that as a society enters a period of economic stagnation, all social classes attempt to protect their gains. With the onset of crises, these classes try to further their interests by incorporating them into emerging institutions. The outcome of such efforts will depend on the relative power of each class and, therefore, historical contingency.

The basic external factors of decline are the increasing costs of maintaining the international system and the loss of economic and technological leadership. First, for example, once the hegemon has set up an international financial system, various nations can reap the benefits of this system without necessarily contributing toward the cost of establishing and maintaining it. This is what economists call the "free rider problem" once a "public good" is produced. However, the financial strain at some point surpasses the capabilities of the hegemon (i.e., due to internal decline) and thus becomes difficult to maintain. Secondly, over time, the most productive of the techniques and technology that gave the hegemon his predominance will eventually be diffused into other nations either through copying, innovation, and/or sale of these techniques/technologies. This means that the hegemonic power will find itself facing increasing economic challenges that have the effect of destabilizing the original international system. This is comparable to the SSA argument of barriers to accumulation rising from the de-stabilization of the existing SSA.

How, then, did we see all this in the years of 1960 and after manifesting themselves in the decline of the 20th century SSA and the American hegemony behind it? According to Kotz (1994), Bowles, et al. (1990), and Gilpin (1993), one indication of the

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SSA's decline was the weakening of the U.S. military. Specifically, the Soviets quickly built their nation into a true superpower that could challenge international American interests. This became particularly true once the Soviets broke the American monopoly on nuclear weapons. This meant that the military cost of maintaining the international system increased for the United States, i.e., through the arms race. Also, it became impossible to ignore the need for an effective military, since "sticks" were just as important as "carrots" for maintaining the international regime. In addition, by the 1960s, military challenges, particularly Third World challenges, to the U.S. hegemony/policies began to increase, therefore, increasing military costs further. For example, many Third World left liberation movements fighting against colonialism soon adopted opposition to American policies. This happened as a result of America's extensive involvement in these countries through military interventions or the backing of coups, when necessary, to promote the interests of large corporations.

The signs of American weakness became apparent with the failed Bay of Pigs invasion of Cuba in 1961. The Vietnam war was the last straw that, in essence, broke America's unquestioned predominance. In fact, the Vietnam war was significant for a number of reasons. First, as mentioned, it weakened the American military. Second, it increased the military cost of maintaining international capitalist interests. Third, increasing military costs meant reduced resources for investment, which meant weakening of productive capability. Bowles, et al. (1990) speaks of these second and third points:

It seems likely that the decline in the U.S. competitive strength was attributed, at

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> least in part, to the size and relative importance of the U.S. military machine. The military role of the United States was indispensable in helping to police the postwar international system, but it also constituted an enormous drain on the productive capacity of the United States. [There was a] negative correlation between the growth of export shares and the rate of military spending during the decade of the 1960s. Because the United States and the United Kingdom were devoting substantially higher proportions of aggregate domestic product to military spending, they had significantly less available to devote to productive capital formation. (1990, p. 64)

Thus, we see what Gilpin called an increasing cost relative to benefits for maintaining the system by the hegemon. This also demonstrates the author's "guns" versus "butter" argument. As the United States was spending increasing amounts for the military while simultaneously experiencing an erosion of its international economic position, budgets became strained. In other words, America experienced a "fiscal crisis" in trying to fight a war on one hand while facing increased domestic demands for social expenditures on the other. For example, the financial drain of the Vietnam War was a major reason why President Johnson's "War on Poverty" failed due to underfinancing (Harrington, 1985). Consequently, with the diminishing "tribute" from America's international position, the reduction in productive investments, and the increased domestic demands, the country experienced an increasing level of class conflict over the distribution of the economic pie, as Gilpin wrote. However, according to SSA theory, since all of the institutions of accumulation are interrelated, erosion of one will lead to erosion of the others. Thus, the fourth outcome of the military strain and America's budget deficits were financial policies that strained the international financial system.

Consequently, the international financial system that provided a stable environment of accumulation experienced an erosion in the 1960s that culminated by

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1973. Specifically, according to Wolfson (1994), Gilpin (1993), and Bowles, et al. (1990), in order to finance the costs of the international financial system and military expenditures, America did the following. Gilpin writes that the United States financed its domestic and international policies by depleting its trade surplus and gold reserves and by "printing" money. The United States was able to do this because of the status of its currency as the currency of international reserves. This, together with fixed exchange rates, forced other countries to accept dollars at their "fixed" value. Eventually, this meant that the dollar was overpriced and it resulted in a glut of dollars in comparison to the shortage of the postwar years. But, since the dollar was convertible into gold at a "fixed" price that was below market price, it made sense for reluctant holders of dollars to exchange them for gold. This meant a further drain on American gold reserves, prompting Nixon in 1971 to take America off the gold standard. This move ended fixed currency exchange rates and the Bretton Woods system and resulted in international financial instability.

Another consequence of "printing" money to finance budgets was the huge inflation of the 1970s, which only became worse with the oil shocks. According to Wolfson:

> The Vietnam War ... was disastrous for the US economy and the international financial system. The inability to finance an unpopular war by taxation resulted in an "overheated" economy, which worsened the profitability of US corporations and resulted in strong inflationary pressures. Inflation, along with the direct foreign exchange costs of waging the war, significantly worsened the US balance of payments. The dollar shortage had become a dollar glut. US hegemony, which underlay the use of the dollar as a reserve currency, was being challenged. The Bretton Woods system came under increasing pressure, exacerbated by foreign-exchange speculation by multinational banks and corporations, and was finally

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dismantled in the early 1970s. (1994, p. 140)

Lastly, according to Bowles, et al. (1990); Keohane (1984); Kotz (1994); and Gilpin (1993), the international SSA entered decline in the 1960s due to what Gordon (1984) described as obstacles to accumulation from the contradictions of the system. Thus, one of the foundations of the postwar international SSA was an environment of free trade maintained by the Bretton Woods financial institutions. In this world, U.S. corporations experienced large growth through investments in the European and Japanese nations. Such investments were successful due to the competitiveness of American companies whose rivals were destroyed in the war and whose interests were protected internationally by U.S. economic and military dominance. Thus, the United States experienced a huge trade surplus up to the 1960s. This surplus made it possible to finance military and economic dominance throughout the world. It also paid for the large cost of maintaining the international financial and trade regimes that benefitted other nations as well, although not to the same degree. Finally, the surplus and gold reserves allowed America to help in the reconstruction of Europe and Japan through various programs and credits explaining the incentive of the latter to accept American led hegemony. Here, though, lay the contradiction. By helping to reconstruct Europe and Japan, America reaped huge rewards in return through trade that was a result of her corporations' unique competitive position. By the 1960s, though, these economies had fully recovered. Part of the recovery also included technological transfers through international investment. This was an example of economic and technological diffusion, a factor mentioned as a cause of hegemonic decline. Thus, European capitalists,

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particularly the Germans and the Japanese, reached a position of competitive parity with their American counterparts. Given the institutions of free trade, it was now more difficult for American companies to compete. This translated into reduced profitability and, thus, reduction of the trade surplus that in later years became a large deficit for America. This eroded America's ability to maintain the international institutions she had set up, ultimately resulting in the collapse of Bretton Woods. All this, in other words, describes the fall of the 20th century SSA, in part, due to the increase in international intercapitalist rivalry. "The pace of capital accumulation is conditioned by the structure of intercapitalist competition, namely, the degree to which elements of competition and monopoly are present and the various forms of that competition" (Gordon, et al., 1984, p. 24).

Thus, since all the institutions of an SSA are interdependent, the crumbling of the American-made hegemonic SSA prompted the demise of other domestic national SSAs. For example, the increased export competition for all nations, and particularly so for America, undermined the postwar capital-labor accord. As we have documented, modern production was based on the bureaucratic control of labor. Workers accepted managements' control of production in return for high wages and regular raises. However, the increasing global competition reduced the corporations' ability to provide continued high wages. The periods of high inflation caused by America's printing of money and oil shocks further eroded wages. In addition, Fordist production in industrial nations had reached its productive limits, and workers had become familiar enough with the system to be able to sabotage it. All these events made the postwar labor accord void.

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"Overall, the new corporate agenda constituted an end to the class compromise that characterized the period 1947-1972" (Brecher, 1997, p. 310). Companies, in turn, engaged in a ruthless attempt to defeat their labor forces. But, the ongoing class conflict only served to further erode productivity, thus profits, and, in turn, the environment favorable to capital accumulation.

Secondly, with the rise of domestic class conflict, each class attempted to secure its position. One consequence of the conflict was the right wing ideological attack on the welfare state. In other words, the upper classes, with some support from the middle, tried to reduce their share of the social expenditures bill by blaming the workers and the lazy welfare-state-poor for the economic downturn. This could be easily achieved, given the upper/corporate class financial and staffing control of major think tanks and institutes as documented by Domhoff (1998). As a result, the state-citizen accord was also nullified by the 1980s. However, the cause for this nullification had another side to it. Specifically, the accord also included provisions for the regulation of industry (i.e., environmental laws, labor protection laws, etc., all of which spelled higher production costs. By destroying the welfare state provisions, capitalists, through their corporations, were able to increase profits at the cost of labor and the citizenry while simultaneously creating a more docile work force, given the reduced safety nets. "Corporations increasingly saw Keynesian economic regulation and class compromise as barriers to increasing their profits. ... Instead of encouraging government to manage social conflict through interventionist economic and social policies, the new corporate agenda promoted deregulation, privatization of government functions, acceptance of high unemployment,

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gutting of the welfare state, and government encouragement for wage reductions and corporate attacks on labor" (Brecher, 1997, pp. 308-309). All this was most clearly demonstrated with the American case study by Harrison and Bluestone (1988) in the 1980s under the Reagan administration.

Third, as a result of the decline of the favorable environment of accumulation into the 1980s, capitalists engaged in activity anticipated by Gordon (1984). The author had argued presciently that as crises deepen during the end of an SSA, capitalists avoid productive investments. They do this because the lower rate of return from financial investments is preferred to the riskier productive investments in an unsure environment. Thus, the 1980s provided some proof that we were going through such a period. For example, by this time, productivity in all nations examined had dropped to historically low levels. Also, productive investment decreased following a frenzy of mergers and financial investments. The United States during the 1980s provided one of the best examples of the enormous financial investment climate of the time and its negative consequences such as high unemployment. Thus, as it will be argued shortly, the world was experiencing the insecurity of the final declining phase of the 20th century SSA during the 1980s and into the early 1990s. This opened the way for the formation of the new institutional structures of the 21st century.

Having outlined the decline of the 20th century SSA, we notice that much of the discussion of the time was tied to the decline of the United States hegemony. This point indicates that the international SSA was, in fact, a regime of accumulation established and maintained by America. It also demonstrates that international SSA's can eventually

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decline due to the disruption caused by their own institutions, as Gordon had argued. In Marxist terms, the SSA contained the seeds of its own destruction due to its internal contradictions. For example, the 20th century SSA was based on free trade and European reconstruction. However, reconstruction eventually meant increased competition through free trade, thus undermining a system based on American predominance. In addition, the similarities between the decline of both the 19th and 20th century SSA's are remarkable. In both cases, the international financial system was undermined by war--World War I in the first case, the wars in the Third World in the second. In both cases, the hegemon's currency was the basis of the financial system and contributed to its decline when the currency was taken off the system (i.e., England's Gold Standard) and her withdrawal from this standard in the first case and American dollar/gold convertibility and fixed exchange rates and the dropping of this system by the United States in the second. In both cases, we witness the ultimate Marxist contradiction of the capitalist system; free trade and markets were requirements for the functioning of the system while the resulting competition raised the need for social protection from the consequences of this system. In the 19th century these protections/regulations came at the cost of the collapse of the international economy; in the 20th century the economic system avoided total collapse by not providing social protections. In other words, the decline of the 20th century economy escaped collapse at the expense of the working classes. This does not mean, however, that the working classes have not suffered in the 20th century by preventing the total collapse of the system. What it means is that the capitalist interests have been saved from destruction at the expense of a working class society that has been suffering in the 20th

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century as it was in the 19th century. How is it that workers suffer today? The answer to this question will also provide light as to the emergence of the new 21st century SSA institutional structures.

As was demonstrated previously, the decline from the 1970s and after stimulated intense class conflict within most developed capitalist nations. The high levels of conflict were demonstrated by the significant increase in strike activity throughout the period. Furthermore, each class attempted to influence the new institutions that would emerge to its own benefit. By the 1980s, though, as the national case studies indicated, it was becoming clear that the capitalist classes were obtaining the upper hand to a larger extent in America and England, and to a lesser extent in Germany and France, the two nations with the highest levels of class antagonism. How was this done? As the theory states, accumulation resumes upon the establishment of a new environment favorable to capital accumulation. I argue that during the late 1980s and early 1990s, such changes did occur, and we are witnessing the creation of the first institutions of accumulation that make up an emerging 21st century SSA. This is based on a premise of:

1. An emergence of a victorious capitalist ideology.
2. The evolution of a new capital-labor accord.
3. The rise of a new international "global" environment.
4. The withering of "states."

I begin with a short discussion of the first statement and will continue with a detailed analysis of the other three.

In terms of ideology, the late 1980s saw capitalism victorious. In part, this was

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due to the seeming successes of supply side economics. For example, the Reagan administration, at the prompting of the upper class and corporations, promoted various anti-labor and supply side policies. Deregulation, mass exemplary firings of strikers, and massive tax cuts were some of the outcomes. All this coincided with a brief burst of good times in the 1980 economy under Reagan. Although authors such as Harrison and Bluestone (1988) documented later that the "boom" was borrowed from the future by deficit spending, at the time it was the economic policies that were credited for the economic upturn. Thus, throughout the world, supply side free market ideology had become the fad. England was already practicing it, with minor successes, if any, as shown later in history, and most European countries were experimenting with the idea. This was a result of the belief that the European labor market problems resulted from too much rigidity emanating from labor protection laws, regulations, and social net protections. Thus, even nations like Germany began to weaken their labor markets in the spirit of free marketeerism.

Of course all this, as Bowles, et al. (1990) and Brecher (1997) argue, was encouraged by the corporations of the world. These companies had seen their profit rates steadily decline throughout the 1970s as regulations increased. Thus, one solution to the declining profit rate problem was an attack on the welfare/corporate state. In other words, one of the base institutions of the 20th century SSA that had been needed to provide reduction of class conflict was now viewed as an obstacle to accumulation. This was believed to be true since class conflict had already broken out and profits were being threatened; therefore, ideologies of deregulation and free markets were endowed with

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magical powers that would cure society's ills such as a slow economy, poverty, and "welfare laziness."

However, the triumph of capitalism was not endogenous. Rather, de facto victory was handed to capitalist ideology with the collapse of the Soviet Union and the East European block. First, it should be noted that it was not communism that had collapsed. The Soviet Union and its satellite states were anything but communist societies. This becomes immediately clear to anyone who has read communist theory (e.g., Marx's writings). For example, communist societies would have had neither a government nor "party" members being "more equal" than other citizens. Instead, these countries can be more accurately described as a form of socialist dictatorships that maintained a low emphasis on consumer goods production (probably the true cause of their collapse). Unfortunately, due either to propaganda or plain ignorance, the fall of the Soviet Union was trumpeted in the Western media as the fall of communism itself. Left ideology had been discredited and capitalism had won the Cold War. The truth, though, is that both systems in the West and East were sick and slowly dying. It just happened that the Soviet patient died first, as Denitch (1992) has argued.

In any case, the collapse of the "representative" of communism gave Western free market capitalism new legitimacy. This was also helped by the reports and sight of Western "wise men" economists from places like Harvard and Chicago being asked by the former Soviets to show them how to establish free market capitalism! I believe that this had numerous significant consequences for the working class of the Western world. First, it legitimized the continuing attack on the corporate welfare state. Why pursue

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economic policies that have been "proven" to lead to national collapse? Secondly, it truly took the air out of the left wing ideological camp. How can labor provide successful opposition with a discredited ideology? How can left parties win in elections when their Soviet model was shown to be incapable of prosperity? Again, it was not communism that died with the Soviet Union, but this was the perception. However, when actions (i.e., voting or union membership) are based on perception, then perception becomes the reality. In short, the left has demonstrated since the early 1990s an amazing poverty buttressed by the sterile business unionism practiced in many countries such as America. As Marx had written: there is a production of dominant ideology by the upper class that is used to justify/legitimize their position of power. Without a counter-ideology, the cultural/mental grip of capitalism over people has become increasingly stronger! Overall, it will be argued that the victorious ideology of capitalism has not just served as a rallying cry by corporations, but it also has underpinned the emergence of new institutional structures.

This brings us to the formation of a second set of institutional underpinnings toward a new social structure of accumulation that I and many others put under the label of globalization. The ideological background for new institutions has been set up, and now we look at the actual institutions themselves. First, we have seen that the 20th century SSA was partially based on the limitation of intercapitalist competition. Early on, this meant limitation of rivalry among domestic corporations. This was accomplished primarily by the great wave of mergers, cartels, and trusts that limited competition. For example, the United States and the other European nations had entered a phase of

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"Monopoly Capitalism" by the end of World War II. After the war, intercapitalist competition took on an international dimension but was still regulated by the presence and predominance of U.S. hegemony. Since 1970, the international intercapitalist competition intensified as the United States regulator was weakened. However, it is my belief that in the 1980s we entered a period of renewed capital concentration that is becoming the basis of a 21st century SSA. Specifically, in the 1980s, as numerous authors have documented and has been mentioned earlier in this work, corporations went through a "violent" urge to merge, concentrating capital further at the national level. This solved some of the intra capitalist competition problem but not all of it. By the mid 1990s, though, we have been witnessing an *international consolidation* of capital of unheard of proportions. This involves cross national deals involving billions of dollars. For example, the German Mercedes corporation has bought the American Chrysler corporation; Ford in 1999 has announced the buying of Sweden's Volvo corporation, and it already controls Britain's Jaguar and Japan's Mazda companies, to name a few car companies; national telecommunications giants are merging with other national giants, thereby forming supercorporations; financial companies such as banking houses are merging at great rates; international airline companies are merging, or, if faced with regulatory problems, entering into strategic alliances with other international airline companies; and the list goes on. Thus, I believe, in the absence of a dominant hegemon to regulate international intercapitalist competition, corporations solved their problem on their own through international mergers and concentration of capital.

Secondly, the growth of capital concentration at the international level has been

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simultaneously followed by a globalization of production. Up to the 1980s, corporations did have an international character that earned them the title of multinationals. However, production of goods was still primarily carried out at the national level and then either traded on the world markets or consumed domestically. Since the 1980s, though, in light of new cross national mergers, technological advances, and corporate strategies, production has become "global." This means that a final product could have been partially assembled in a number of countries on what has been called the "Global Assembly line." For example, the labels that used to read "Made in Taiwan" or "Made in Korea" are quickly being replaced by labels that can say things like "Partially made in Taiwan, Korea, America and other areas"! What is true for production is even more true for financial capital. Currently, trillions of investment dollars can enter or leave a country within seconds thanks to modern telecommunications and free capital flows. In fact, the latter-- free capital flows--are part of the new international regime. Through maintaining such an environment, corporations are able to move capital rapidly in pursuit of the highest returns.

Third, globalization means that companies are expanding their employment pool. It use to be companies were dependent on the skills and human capital of the people located in the region of primary production because production was nation based. Today, virtually the whole population of the earth is a potential pool of labor supply thanks to technology. For example, a number of films produced for PBS have documented American corporations farming out computer programing work to India at closing time and, thanks to the time zone difference (when we sleep they have day), the work is

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electronically delivered to American companies the next morning. Also, it is much easier today to set up state of the art plants in regions where governments bend over backwards for investment capital, and, if that is not enough, labor immigration, especially he illegal kind, is increasing. In other words, business and labor migration are on the rise.

What does all this mean for capital? Basically, it translates into increased profitability. This is a natural outcome, since corporations are able to pit government against government for investments and workers against workers for jobs. For example, capital flows will typically be negative if governments do not offer demanded tax breaks and incentives and positive if they do. In turn, workers will bid their wages down for jobs. This is a result of an increased labor supply effect when moving from national to international production. Thus, Americans will compete to some extent with Mexicans for the same GM jobs. Unfortunately, the world's living standards are greatly unequal, meaning that jobs will tend to flow to the poorest areas since workers will work for less, be happy for having a job, probably be forbidden by their governments from forming unions, and will be overall a docile work force. Thus, the Indian programers mentioned above will earn roughly 10 to 15K per year while their counterparts earn over 35-40K in America. The Indians are happy because, relative to their living standards, the wages seem great, but, in reality, they could never afford anything remotely close to an American living standard since, in international prices their purchasing power is negligible.

Of course, in order to maintain this system, corporations have lobbied hard to promote international global free trade. The tools for this regime are the World Trade

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Organization, the IMF, and regional agreements such as the European Union and the North American Free Trade Agreement (NAFTA). These allow companies to move production and financial capital freely according to corporate needs. The whole system of globalization has been nicely summed up by Brecher (1997), whom I shall quote at some length:

> Gradually a new corporate agenda emerged that aimed to replace nationally regulated capitalism with a new "global free-market capitalism." At the core of the new agenda was economic globalization. While in a sense the economy had been global for 500 years, in the 1970s corporations developed an unprecedented ability to move capital around the world with little regard for national boundaries. Goods and services were increasingly produced by a "global assembly line" in which different phases of production occurred in a series of locations in different countries. Corporations promoted government policies designed to reduce barriers to capital mobility worldwide. This included the reduction of protectionist measures and the creation and/or expansion of global institutions such as the World Trade Organization, the World Bank, and the International Monetary Fund and regional ones such as NAFTA (the North American Free Trade Agreement) and the European Union to create a global governance structure to protect and further their interests. Globalization allowed business to pit workers, communities, and whole countries against each other worldwide, establishing what has been called a "global hiring hall." Globalization was in some ways comparable to the shift from local to national corporations and markets in nineteenth-century America-and had similarly drastic effects on unions and workers. (1998, pp. 308-309)

The global system described here has given rise to a new capital-labor accord. Basically, the class conflict of the 1970s seems to have been decided by the victory of the capitalist class. As an indication of this, we notice that in many OECD countries, the 1970s were a period of intense strike activity that has dropped off to historically low levels ever since the 1980s. This could demonstrate that the conflict has been resolved, as SSA theory predicts does ultimately happen. However, this resolution or "containment" of class conflict seems to be at the expense of the working class, since

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working class income shares have been on a steady downward trend in virtually all OECD nations! Thus, if it seems that the Germans or the French are doing better than the English or Americans, the reason lies in the former's deterioration of income share at a slower *rate* than the latter's. In other words, the Germans had more institutions in place favoring workers compared to America had; thus, the corporate attack has been more effective in unprotected labor markets while companies had to first attack labor protection mechanisms in protected markets.

Globalization has made a victory by national working classes next to impossible. As mentioned, now companies do not pit workers in a New York firm against "scabs" in New York. Rather, New York workers are pitted against workers in Mexico City, Bombay, Taipei and so on. Given that institutions of labor protection such as unions or law are still nationally based, they have become antiquated tools of conflict in the face of the corporate Leviathans. Companies have recognized their bargaining leverage and have fully exploited it. Long gone is the 20th century labor accord based on class compromise. Now Western nation labor unions are given choices such as "take the offer or we go south." Union employees have turned from demanding concessions from the company to being its ally in the effort to become more competitive in the hopes that some union jobs will be saved. Now, unionized companies like GM have two tiered labor forces. The older workers keep their benefits and new workers are hired with lesser benefits and lower wages. This means the union wage is dead, leading to divisions among workers themselves. Unions are now accepting "outsourcing" to non-union plants and are faced with permanent replacement workers or company relocation should they strike. In

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general, labor seems dead, and contrary to the hopes of Aronowitz (1998), the "ashes of the old" do not seem to contain any kind of labor rebirth any time soon. Consequently, the 21st century labor accord seems to be based on the defeat of labor.

The final pillar of what I see as an emerging 21st century SSA is the destruction of the "state." The destruction of the state has been occurring on two levels. First, as we have already discussed, is the corporate elite's attack on the Keynesian welfare/corporatist state. This was a result of the upper class's belief that the cost of social policies and regulation was exceeding the benefit. In addition, the attack on the welfare state was made possible by the decline of left ideology with the collapse of the Soviet Union and its East European satellites. Recall that after World War II a major concern of the United States and many national elites was the threat of communist takeover from domestic groups. This was due to the legitimation of communism as a force opposed to fascism. For example, the French communists had become the sole group credited with resisting the Nazis. The Soviets on the other hand, had probably been the true force behind Germany's defeat and had the highest death toll to support the argument: over 20 million dead accounted for by the Nazis. Also, the world was not yet familiar with what was truly going on under "Uncle Joe's" regime. On the other hand, the right in most nations (i.e., Germany and France) either supported the establishment of fascist regimes or happily collaborated with them. In short, it was the ideological poverty of the right and capitalism in Europe that "scared" the national elites of Europe and America into buying off workers from their potential membership in communist parties and unions. In the mid 1990s, the tables are turned. In removing an alternative to

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capitalism and the free market right, capitalists found that attacking workers and their living standards has become feasible since there is nothing currently with which to replace the existing system! Basically, capitalists have become encouraged to blatantly engage in the dismantling of labor institutions that were offered in the face of a credible ideological challenge to their own hegemony.

There is also another facet of the attack on the state. This one is a challenge to the power of the national governments to control their domestic economies. The transformation of capital from nationally based to cyber-based has given it unprecedented liquidity. It moves at the speed of light around the globe without recognizing any national boundaries. For the First World, this means a credible challenge by individual investors to the nations' economic policies, with the former often wining. For example, the Bank of France has publicly stated that it was crippled by a challenge from the international financier George Soros. For developing nations, capital liquidity can literally mean overnight collapse. Examples of this abound: Thailand's currency and economy collapsed when investors pulled funds out of the country, Indonesia was equally hit, as was South Korea and other countries. In Latin America, similar fears loom over governments each day. The moral of the story is that if the national policy makers resist international capital interests, the country will suffer capital flight and even depression.

This state of affairs is totally desirable for international investors. It gives them the power to pit country against country in a biding war for investment dollars. Of course, this translates into favorable terms and policies for the capitalists (i.e., through special low tax rates) at the cost of citizens who must either pick up the tax bill or make

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do with fewer social services. The effect of the withering state, though, has a deeper and more profound effect. It discredits the national political structure in the eyes of its citizens as being incapable to run the country. For example, in the European Union, citizens often will feel their governments are directed either by global economic forces or the newly emerging supper national structures like the E.U. or trade agreements like NAFTA. So what? The problem is that by disenchanting citizens in such a fashion, you also remove their belief in unions and other workers' institutions as a means of achieving class goals.

Thus, having outlined the rise of each new SSA structure, we see that they are complementary to each other. The ideological victory of capitalism supported the attack on the welfare state as has globalization, all of which have made possible the defeat of national working classes by capitalists. Stated otherwise, the new SSA seems to be based not on class compromise, as was that of the 20th century, but on the crushing of one class by the other. This was, in fact, one possible way of resolving class conflict according to Gordon, et al. (1984). Next I look at some real world examples that are indicative of some of the trends and their effects mentioned above. Namely I will examine the effects on the working classes of new free trade regimes such as NAFTA as well as labor and business migration in the NAFTA and European Union. areas.

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NAFTA

NAFTA emerged in 1992 from the 1988 US-Canada Free Trade Agreement (CFTA) when Mexico requested permission to participate in these agreements. From that point on, controversy in the United States regarding the desirability of the pact has flourished. The central point of this controversy almost always comes down to the question of whether U.S. jobs are adversely affected by the agreement. Consequently, two camps have formed, one opposing NAFTA and the other supporting it. To understand who gains, one need only ask who supports the agreement.

Those who benefit by NAFTA and thus support it are the wealthy and their multinationals because Mexico's high quality-cheap labor results in job and wage losses for the U.S. working class. Therefore, the big businesses forming the USA-NAFTA coalition (a Who's Who of U.S. corporations) are the supporters (Grayson, 1993). They find political support from American ex-presidents such as George Bush and Ronald Reagan and the current President, Bill Clinton. In fact, Clinton's cabinet has often included free traders and corporate lobbyists such as Treasury Secretary Lloyd Bentsen, Commerce Secretary Ron Brown, and U.S. Trade Representative Mickey Kantor (Tasini, 1993).

The opposition to NAFTA consists of unions (most notably the AFL-CIO), environmental groups, Mexican intellectuals, and everyone else to the left, forming a new lobby called the Citizens Trade Campaign (Kilborn, 1993). Political support for the group is expressed by Ross Perot, Patrick Buchanan, David Bonior the majority whip,

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and Richard Gephart, the House majority leader, the latter two having strong union constituents.

In order to support their view, both sides have used and quoted numerous studies based on theoretical models of what will and is happening to U.S. jobs. NAFTA proponents believe American jobs would increase, slightly, as a result of free trade. For example, a macroeconomic model by Gary Hufbauer of the Institute for International Economics found the United States would gain 170,000 jobs in the 1990's (Nasar, 1993). Obviously, such gains are not very impressive and, therefore, do not provide strong political ammunition. This becomes more apparent when a supporter admits gains will be limited. Specifically, Alan Madian states: "analyses, such as those of the Economic Strategy Institute, which suggest that employment is likely to increase by 250,000 jobs...are not realistic" (1993, pp. 90-91).

Opponents of free trade with Mexico have also used theoretical models. Their models, though, have given them considerable political ammunition, since most have consistently predicted large losses of employment. Tim Koechlin of Skidmore College, using an investment/employment model, predicted a reduction of up to 290,000 jobs. Clyde Prestowitz of the Economic Strategy Institute admitted that when more realistic assumptions were made on the macroeconomic model, it forecasted a loss of 420,000 jobs. The last point becomes very valuable since the same institute re-evaluated its estimate from a 250,000 gain to a loss of 420,000 jobs (Nasar, 1993).

Finally, it is important to remember that both sides are using mostly theoretical and not empirical models in their estimates. These theoretical models, furthermore, are

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not as accurate as we may think. This point is made by Stanford, who states: "More realistic trade and investment models are needed in order to fairly judge the risks and opportunities posed to labor by continental integration" (1993, p. 92). However, the empirical evidence indicates that there are job losses due to NAFTA, as is exemplified by the Mexican *maquiladoras*. These free trade zones along the U.S.-Mexican border are occupied by 2000 companies. Reading the list of *maquiladora* companies gives people the impression that it is a Fortune 500 list. General Electric, Whirlpool, and Zenith are a small sample of corporations that have chosen to migrate south of the border; a fact that engenders no surprise, given the one dollar per hour (at most) wages these corporations must offer. Environmental pollution, disease, and sub-poverty, if not sub-human living conditions for Mexican workers, are also characteristic of *maquiladoras* and corporate social responsibility.

A favorite argument of NAFTA proponents, related to that of the models, is the law of comparative advantage. Accordingly, two nations can both gain (a positive sum) if each concentrates on producing that which it are most efficient in, relative to the other, and then exchange their goods via free trade. Perry (1993) advocates this law by citing America's leading capability in farmland production and technical areas.

A problem with this law, though, is that it states nothing about the distribution of the economic surplus. For example, Mexico's advantage would be its cheap labor. As a result, labor-intensive work, according to the same law, should take place in Mexico. America would be left with production requiring a small labor force like the modernized farmland production. U.S. industrialists of firms with a comparative advantage could

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increase profits via a Mexican market, but at a cost of unemployed (surplus) American workers.

In this case, the scenario can be equally negative for Mexican workers. This is true, as will be explored later, because the Mexican government is repressing wage increases, unionization, and fundamental rights of the Mexican workers. Consequently, increased production from the law of comparative advantage raises Mexico's employment rate but not living standards, due to the accumulation of economic surplus by a Power Elite (Compa, 1998).

Having examined the distributional problems stemming from the law of comparative advantage, we now look at an additional problem. Supporters of NAFTA argue it "... will encourage production of technologically-intensive goods with economies-of-scale in the United States, and their export to Mexico" (Madian, 1993, p. 85). In other words, if you work in a hi-tech or highly skilled area, don't worry about losing your job to "sloppy', "inefficient" Mexicans. This is not true. Mexican workers are, in fact, as good as, if not better than, as U.S. workers in terms of productivity. American factories in Mexico are as productive as American factories in America. For example, Ford produces top quality cars in its state-of-the-art factory in Hermosillo, contributing toward making Mexico the third largest exporter of cars to America (MacEwan, 1995). To further depress things, "Mexican auto-workers receive about one-eighth the compensation of their U.S. counterparts, even though productivity and quality sometimes exceeds U.S. levels" (Shaiken, 1993, p. 28). In addition, sophisticated automobile engine production is rising in Mexico along with state-of-the-art television

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circuits by companies such as Sony. Thus, it becomes clear that America does not have too many "naturally" protected industries based on technological superiority. Shaiken summarizes the problem well, fearing for the future of U.S. jobs given that "Mexico's advanced industrial sector combines world-class productivity and quality with Third World wages and working conditions" (1993, p. 28).

Here we are lead to another critical point, low Mexican wages and their overall effect. As mentioned previously, Mexico's wages have been cited as ranging from one-eighth to one-seventh those in the United States (Kilborn, 1993). These levels, though, are "average" at best, because many Mexicans do not earn more than a minimum wage of 50 to 60 cents per hour, compared to the minimum U.S. wage of over $5 and an average wage of $10 per hour. In addition to low wages, Third World countries like Mexico provide lower costs due to low, non existing, or non enforcement of environmental and social program regulations (MacEwan, 1995). Therefore, no clear answer is given when asking why should any company should produce in the United States! The fact is, large enough companies will migrate south, attracted by cheap labor of excellent quality, opportunity to freely pollute (an economic externality and thus market failure), and an environment of minimal social benefits. Smaller companies with limited resources will remain in America. Those companies, though, will eventually be forced out of business by the fierce competition of firms enjoying subsistence wage levels in Mexico or other Third World areas. A further consequence is that various governments are forced to the lowest common denominator of wage levels, environmental regulation, and social programs in order to attract industry.

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A solution would be to restrict capital production within the United States, but NAFTA proponents disagree. They cite illegal immigration as the reason. Thus, if jobs were restricted within the United States, Mexicans and others would come after them. Contrarilt, as Mr. Clinton put it, if Mexico creates jobs, its workers will remain there (Kilborn, 1993). Ex-president Ford agreed with Mr. Clinton when the latter gathered former presidents Bush, Ford, and Carter to assist in getting NAFTA passed. Specifically, Mr. Ford said, "If you defeat NAFTA, you have to share the responsibility of increased immigration to the United States, where they [Mexicans] want jobs that are presently being held by Americans, it's that cold-blooded and practical, and members of the House and Senate ought to understand that" (Ifill, 1993, p. B12).

These presidents seem to think that Mexicans are going to take American jobs anyway. Therefore, we should at least keep them away from our borders by shipping jobs to them. In fact, I think this is a very poor, and even an ethnically biased, argument. First of all, why can Mexicans cross the border? If the government is concerned about this, it should increase border patrols or create alternatives rather than call it quits. If the government announces its border policy has failed, who is to say that its new NAFTA border solution will not also fail? Thus, Clinton's argument loses credibility. Second, why do Mexicans cross the border? It is not for jobs themselves, but for the better standard of living expressed by those jobs. Consequently, if Mexican jobs pay 60 cents an hour in American factories, Mexicans will still cross the border to work in American firms for five to seven dollars an hour in the United States. As a result, NAFTA is by no means a solution to illegal immigration because of the structural and economic reasons

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outlined above.

Having accepted the persistence of illegal immigration, we must examine the effects of company migration to Mexico's low wage environment upon U.S. wage levels. These effects can be predicted with basic economic theory and real life experience. Economically, when firms go south, the demand for workers decreases in the U.S. labor market. On the other hand, the supply of U.S. workers increases as the newly unemployed flood the labor market. Once workers outnumber available positions, we automatically have downward pressure on wages. This happens as workers bid down their asking wages in order to get the few available positions. Employers, as buyers of labor, will hire the lowest bidder and overlook those who do not accept working at a discounted rate. Thus, theory shows wages in America will be pressured downward. The opposite scenario should occur in Mexico, if the labor market is allowed to freely adjust. The problem is that the Mexican semi-dictatorship is interfering with free market forces and artificially keeping Mexican wages low (Business Week, 1993). Therefore, the inflow of U.S. corporations into Mexico is kept at an artificially high rate, rather than at a naturally decreasing one, and neither American nor Mexican workers really benefit.

The downward pressure on American wages is also evident empirically. Even prior to the shift of so many corporations to Mexico, cheap labor from other countries has been depressing U.S. wages. Stanley J. Mihelick, a vice president for Goodyear, identified this when he stated "until we get real wage levels [in America] down much closer to those of the Brazils and Koreas, we cannot pass along productivity gains to [U.S.] wages..." (Shaiken, 1993, p. 29). This statement was made in the 80's when the

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problem was smaller, since companies found it very costly to relocate in Korea or Brazil given factors such as distance, cultural barriers, and inadequate technological telecommunications. Thus, firms suppressed U.S. wages while maintaining operations in America. Today, Mexico has multiplied the problem, because relocation costs have been minimized; i.e., the geographical distance is smaller; relative political and environmental stability exists in Mexico; its work force is of high quality; and the government is actively encouraging business relocations, as evidenced by the *maquiladora* projects. As a result, U.S. firms find it cost efficient to migrate rather than attempt to keep wages low at home. All these forces have contributed to a 13% decline in real earnings for U.S. workers since 1969. For men without a high school degree, the decline has been 23% from 1979 to 1991 (Shaiken, 1993). Similar findings are quoted by MacEwan: "Some recent empirical studies have confirmed what formal economic theory, common sense and casual observation have long been telling us, namely that rising openness of the U.S. economy in recent decades has contributed to the increase of income inequality" (1995, p. 23).

Unfortunately, the problem is compounded by the unethical bargaining tactics of business executives. A 1992 poll by The Wall Street Journal found companies were likely to use NAFTA as a threat to keep wage demands by their employees low. Of 455 corporate executives, one-fourth admitted to the likelihood that they would use NAFTA as a bargaining chip in wage negotiations and 40% were considering moving to Mexico sa part of their production strategies. This form of blackmail becomes evident when Shaiken writes "... in the early 1980's many large unionized U.S. companies sought to

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downplay their investments in Mexico; in the 1990's, they take union leaders on tours of Mexican facilities" (1993, p. 29). MacEwan, (1995) also makes this point, stating that the downward pressure on American wages is not exclusively a result of business migration as much as the "threat" of relocation in order to keep U.S. workers docile.

Zenith is a characteristic example of the situation. In 1987, the company's employees agreed to an 8.1% pay cut and a five year contract in hopes of keeping operations from migrating south. When the contract expired, Zenith moved anyway. Today, Mexican workers are employed at Zenith plants doing the same work as the laid-off American workers and are paid only $35 a week. Sadly, these Mexican workers have not really gained much despite their employment. They live in sub-poverty housing and often go hungry due to low wages. Additionally, working conditions (for example, safety and health) are years behind the American levels, and workers are treated with little respect at best (Tasini, 1993).

Ross Perot has given a typical description of how Mexican workers live. Responding to Mr. Carter's support of NAFTA, Perot stated "I think if he ever goes to Mexico and sees how Mexican workers live in one-room shacks with dirt floors, no electricity, and no plumbing that work in these big U.S. companies, he will be shocked" (Bradsher, 1993, p. A20). Thus, U.S. jobs are "sacrificed" without true benefit to anyone except for multinationals.

The most credible point of NAFTA proponents, the reason why U.S. jobs are not adversely affected, deals with the issue of exports. Despite the argument's truthfulness, though, it, too, can be discredited with a closer look. Supporters of free trade have

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pointed out that Mexico's trade barriers (tariff and non-tariff) hampered American products from reaching its markets. These barriers were often much higher than those imposed by America on Mexican goods. Thus, U.S. exports to Mexico have been limited, suppressing job growth in this sector while allowing imports from Mexico to grow. A natural outcome was America's trade deficit with Mexico.

Now, in the light of NAFTA, this situation has changed. Mexico is progressively opening up its markets and eliminating trade barriers. Grayson (1993) notes Mexico dropped its highest tariffs from 100% to 20% and reduced licensing requirements by 95%. This lead to an expansion of U.S. exports and job growth for the U.S. industry. Consequently, a fully operational NAFTA should spark an expansion of the United States' economy and generate more jobs than those lost.

Things are not that simple. NAFTA supporters have argued numerous times that Mexico's economy is too small to steal American jobs. Dornbusch (1993) compares Mexico's $300 billion gross domestic product (GDP) to America's $6 trillion GDP and Madian (1993) mentions that Mexico's GDP in 1990 was less than 4% of America's. Therefore, they argue that U.S. jobholders have nothing to fear from such a small economy. Under the same logic, though, how could Mexico's small economy generate many jobs for America? Thus, we see a logical contradiction within this argument, hinting that job growth probably will not occur, and, at the very best, that jobs will not be lost, either.

As for the numerical fact of increasing exports to Mexico, the traditional mistake between cause and effect has been committed once again. We are left to believe that

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exports grew due to a lowering of Mexican trade barriers. This simply hides other facts that may prove that export growth happened to occur simultaneously with barrier reduction without the latter being a true cause. The real factor has been multinationals like Ford. These companies invested $26 billion in Mexico within five years to prepare production facilities (Business Week, 1993). Thus, these rising U.S. exports are largely a reflection of the amounts of capital investment goods exported by large corporations to their new production facilities. Once all the new factories are built, exports to Mexico will decrease considerably, as is recently demonstrated by the new trade deficit with Mexico. From here on, it seems that most exports will be shipments of raw materials by multinationals to themselves in Mexico that will be re-shipped as finished goods to America in this cross national "assembly line."

This argument underlines the fact that U.S. jobs are being shifted to low wage Mexico. It also explains why the main NAFTA proponents, which are the multinationals, want to see trade restrictions eliminated. Therefore, exports in this case are just a euphemism for a shift in production that ultimately reduces U.S. jobs.

Related to this issue is the idea of an expanding Mexican middle class. This middle class will theoretically increase demand for American goods and raise U.S. exports again, generating more jobs for America. As one author wrote, "By going south, American companies have helped boost Mexican gross domestic product by nearly 60% since 1988. An expanding middle class has doubled its imports of American goods to $40.6 billion, generating jobs and income north of the border" (Business Week, 1993). First, notice this dominating fact: big companies are moving south. Why? For cheap

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labor (that's not mentioned). Second, imports are assumed to be for Mexican consumers, not for these companies' raw materials as mentioned previously. Finally, there is the problem of an "invisible" Mexican middle class.

In reality, countries like Mexico, India, etc., do not have a middle class (as Americans understand it) with living standards and purchasing power comparable to that of Western countries, due to the prevalent norm of dirt-poor wages and economic underdevelopment in these countries. Their notion of "middle class" is more proximate to that of America's lower working class. However, this does not mean that these poor nations do not have billionaires. Rather, as many statistics that I will not review for this work indicate, wealth is extremely concentrated. Thus, Mexican imports of consumer goods are nothing but a myth. An AFL-CIO president, summarized the situation nicely by saying "Mexico's poverty rate is 40 percent, its unemployment rate in excess of 20 percent... Average Mexican families simply cannot afford to purchase the products they make, much less buy goods made in the United States" (1993, p. A26). In addition, recall Perot's description of how poorly Mexican workers live. Thus, we come to a greater underlying issue than the non-existence of a middle class.

Mexico is at a much different economic and political stage of development compared to America. Therefore, we must ask if integration is possible. For example, the legitimacy of the Mexican government in conjunction with the electoral process is questioned by the opposition. Wages are artificially kept low, and unions are governmentally controlled while labor organizing is suppressed. Environmental and labor laws, where they exist, are rarely enforced (MacEwan, 1995). These are a few

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points raised by doubters of NAFTA that will have a political impact. In order to deal with this impact, proponents of such trade agreements have devised political strategies that can help ease various concerns and pass free trade agreements in Congress.

A major political compromise to aid integration and NAFTA was the idea of side agreements. Their goal is to limit the negative effects of NAFTA on environmental and labor issues. Interestingly, side agreements were not considered until Mr. Clinton felt overwhelming pressure from numerous action committees and the possibility of rejecting the agreement in Congress. Thus, the president signed an agreement by which NAFTA members could not lower environmental standards to gain competitiveness. In addition, the enforcement of each country's laws will be monitored and a $4 billion fund set up to clean up the Mexican border (Schneider, 1993).

Environmental groups, though, such as the Sierra Club, Green Peace, etc., have denounced Mr. Clinton's environmental side agreement. They believe the agreements were worded too vaguely, thereby reducing their ability to effectively solve disputes between countries. Also, the agreements are largely keep out public input from the resolution process. Finally, it is argued that U.S. environmental standards are compromised downward because of Mexico's poor record in such areas (Schneider, 1993).

Side agreements for labor have also been criticized as being too vague and lacking in substance. These are, ironically, compared to specific provisions in NAFTA to protect copyrights and patents. Comparable provisions are not made for labor standards and worker rights. In fact, the side agreements are limited to issues of job health and safety,

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child labor, and minimum wages, excluding all other issues and limiting the power of current U.S. laws to NAFTA committees (Cleary, 1993). Compa (1998) citing the need to get real global agreements with "teeth" passed, wrote that NAFTA side agreements have been shown to lack any real significance.

The idea of expanded job training for unemployed workers has also been offered in an effort to compensate for weaknesses of the side agreements. This idea is considered an overhaul of existing government programs that would include training for high-skilled jobs. But, even this concept runs into problems, as was demonstrated by a worker who asked what would workers be retrained for; most jobs will be lost anyway to Mexico (Kilborn, 1993).

Generally, side agreements are viewed for what they are, political and corporate propaganda to support free trade agreements while lacking real substance. More importantly, opposing action committees fear U.S. laws will be weakened, since responsibility for resolutions would shift to trade committees (Ifill, 1993).

Another idea geared toward helping pass NAFTA was that of gradual adjustment. Accordingly, the agreement would not automatically take full effect. Instead, "Trade restrictions on protected sectors are likely to be reduced over a period of at least 10 years" (Madian, 1993, p. 83). This "... would make it easier for U.S. firms and workers to adjust without interfering with the longer-run allocation of production dictated by free trade" (Perry, 1993, p. 47).

Most people affected, and I, do not see gradual adjustment as a solution. Rather, this only delays the eventual loss of jobs and economic hardship for U.S. workers. The

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long-run allocations mentioned before differ from the short-run only in their time frame, not their effects. Factories will eventually migrate, resulting in chronic structural unemployment for U.S. workers until their wage levels reach those of Mexican workers, thereby making firms indifferent as to where production takes place. In addition, gradual adjustment is mentioned for "sensitive industries." What are these industries and how many are there? This does not answer the problem all other workers will face who are not covered by gradual adjustment, which is the crushing majority anyway.

American workers have their own ideas that may lessen NAFTA's impact. Most importantly, they want Mexicans to receive more worker rights. For example, Mexicans should be allowed to organize freely without suppression and with good international enforcement mechanisms of labor rights. In addition, there should be efforts toward a continental minimum wage, compromising wages upward to U.S. levels. Other requests include tougher rules of origin, maintaining U.S. trade remedy laws unchanged, and denial of NAFTA benefits to companies migrating south (Madian, 1993). Obviously, such requests are contrary to NAFTA's goals (e.g., exploitation of cheap labor), and do not even enter political debates.

Having reviewed how NAFTA reduces U.S. jobs and some of the related issues, we now address the future. We have shown why NAFTA is bad for U.S. jobs, but did not research what would happen if the agreement did not exist. This is explained by a sad fact. America has lost and would lose jobs to underdeveloped countries anyway. The cause is capitalism's search for lowest cost production and capital's extreme flexibility in moving across borders, given modern financial and technological innovations (MacEwan,

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1995; Compa, 1998). The only way to really keep jobs from being "exported" is to adopt radical political and economic structural changes.

Political philosophy aside, one may ask why free trade agreements like NAFTA should be opposed, given the economic determinism of international capitalism that I mentioned? I believe the reason lies in the essence of such agreements. Corporations are transferring plants anyway; thus, a NAFTA is not needed to this end. The true reason for creating such agreements is to protect investments made by multinationals ranging from intellectual rights to physical plants. These corporations cannot freely take advantage of cheap inputs (i.e., labor) without securing their investment. For example, the nationalization of the oil industry in Iran and Libya was costly to U.S. firms that had investments in those countries. A similar case is Cuba. Therefore, agreements like NAFTA are prerequisites to large-scale investments. Without them, multinationals would have to scrutinize investment decisions' the result would be a much slower transplant rate. This means jobs losses from the United States would be noticeably slower than a a sudden drainage.

In conclusion, an overwhelming number of models, arguments, and existing empirical data show NAFTA impacting negatively on U.S. jobs. Among the most important factors for this outcome are the non-existence of a substantial middle class in Mexico and its high quality cheap labor force. Those who benefit are the capitalist class through their corporations. Ironically, it is only the elite who benefit, not Mexico's poor, who shall continue to live a life of subsistence. Clearly then, free trade may increase the economic pie but retards its distribution. MacEwan summarizes the impact of NAFTA

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well:

> The important point in all this is that the most direct impact of the integration of the Mexican and U.S. economies is a shift in class power. In effect, the integration alters the social structure of accumulation - through its impact on, for example, the institutions of capital-labor relations and the institutions of state intervention - in favor of capital.
> [NAFTA] greatly expands the supply of labor and can hardly have any other effect than the depression of wages. This is the immediate consequence. There are also longer-run consequences that work in the same direction. The greatly expanded supply of labor will (further) undermine organized labor in the United States, with far-reaching implications for the political as well as the directly economic role of labor. Furthermore, ... free trade policies generally come as part of larger packages, and those packages are often held together by a conservative or "neo-liberal" ideology that advocates the reduction of a wide array of social programs, the reduction in support for public education, and limited government investment in physical infrastructure. (MacEwan, 1995, p.26, 30)

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The E.U. and East Europe

An important change has begun since the end of World War II and is still developing steadily. This change refers to the construction of a European Union. For the first time in Europe's history, nations are taking serious measures toward peace and cooperation as opposed to war. Of course, as with most things, the European Union has its problems. Thus, a careful examination reveals that the E.U. is neither a Union nor a common market nor, technically, a customs union. Also, some members are more equal than others (in terms of influence), some (such as England with its opt-out, or as the English call it, the opt-in clause) resemble "part-time" members, dropping in and out of agreements such as the EMS, and some, such as Greece, are opposed (even threatened to be kicked out of the E.U.) by other members in favor of non-members such as Turkey. However, we cannot ignore the fact that some form of unification is occurring with great political and economic implications.

One goal of these unification efforts, supposedly, is a better standard of living for the peoples of their member states. Thus, the E.U. has already contributed to the quality of life issues by diminishing possibilities of inter-European war. But what about economic aspects of life? Here the E.U. has specific goals and policies aimed at helping producers rather than consumers and wage earners. The question is not why the latter groups are not targeted with policies geared to benefit them. Instead, we should question whether economic reality would even allow desired outcomes to be realized via such policies (i.e., an improved social charter signed by all members).

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Specifically, I argue that citizen workers of developed high-wage European Union countries are facing, and will face, a decline in their wealth, given the existence of capital movement out of and labor migration into these countries. Thus, regardless of E.U. policies and solidification of European unification, workers' fortunes in high wage countries has and will decline, leaving them little to celebrate about–for example, high unemployment, the attack on the welfare state, the undermining of union power by cheap immigrant labor, the stagnation of citizens' real wages, etc. To see why this is true, we first examine labor migration, beginning with a widely accepted theoretical model.

According to classical economics, we can illustrate effects of labor migration upon two regions through Figure 1 (Appendix). However, certain qualifications should be made beforehand in order to keep the model simple and clear regarding the overall negative effects of labor migration. Therefore, the model that shall be presented is one of a single labor market. Obviously, in reality, we have a series of unrelated labor markets encompassing many kinds of workers (with significant differences in human capital investment) and many types of positions (with varying degrees of skill requirements, riskiness, and work environment). These factors do account for some wage differentials, but not for all of the wage variance. The purpose here, as with economics, is to abstract and use a simple model that can help illustrate an economic issue.

Given the above qualification, area **A** represents the E.U. labor market and **B** that of poorer regions such as Eastern Europe. The same model would apply for the Americas with area **A** representing the United States and **B** Mexico, or any other combination of First and Third World nations. The demand for labor is higher in **A** ($\mathbf{D}_{EU}$) due to better

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technology and more capital that increases labor productivity relative to **B** ($\mathbf{D_{EE}}$). Pre-migration wages and quantity demanded are **W1, Q1** for region **A** and **WA, QA** for **B**. If we assume full employment, low costs for migration, and no barriers to free movement, then immigration will occur toward **A** until wages in both areas equal out at **W**. As a result, output increases in **A** from **oabQ1** to **oacQ1'**. This is good for the capitalists because business income raises from **W1ab** to **Wac**, but wages decline to **W** from **W1** which is bad for workers. The exact opposite effects occur in area **B**. Thus, we establish theoretically that E.U. workers are hurt by immigration via reduced wages despite assumptions of full employment, while workers of poorer areas benefit. Peter Kuhn and Ian Wooton (1991) have reached similar conclusions regarding the negative impact of migration upon local labor in their study, which used U.S. data. Specifically, "Increased immigration of either skilled or unskilled workers to the United States will, in the long run, hurt U.S. workers of both types and benefit owners of capital" (Kuhn and Wooton, 1991, p.300).

Now let us expand our model by assuming costs to migration, barriers to free movement, and unemployment in both regions. Looking at Figure 2, we see that labor supplied exceeds the amount demanded in both areas given various reasons such as: wage price stickiness at **W1** and **WA** respectively, and/or unwillingness of companies to hire employees given negative economic forecasts and high non-wage costs (benefits). The higher wages in area **A** will still attract immigrants hoping to find jobs. Barriers to migration will not change anything other than by turning legal migration into illegal migration. Costs of migration resulting from barriers or transportation will also have no

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significant effect if expected wage differentials are great enough. This is the case between the E.U. and Eastern Europe, where wage differentials can approximate 1000% (The Economist, 1992, November 28).

Thus, some surplus labor leaves from area **B** (supply shifts inward reducing unemployment levels), giving it a relief valve without changing wages or output. In other words, labor migration to the E.U. reduces labor pressure and possibly social unrest in the labor exporting countries (LEC), not to mention that much of the income earned abroad flows back to the home countries, helping families left behind (Molle, 1990). This is important, given the slow economic growth in many LEC's which will be further examined shortly. However, in area **A,** conditions deteriorate further as supply increases, thereby raising downward price pressure on wages. Output may increase, since immigrants will work at the lower wages that are still higher than those at home. Unemployment, though, may increase for E.U. workers if wages are suppressed further by immigrants and the former continue to be inflexible on wages or are fired (given proper labor law procedures) and replaced by cheap immigrant labor. Therefore, under the expanded immigration model, E.U. workers are even worse off than the prior model indicated while Eastern European workers neither gain nor lose.

At this point a difficulty in my static model should be noted. Namely, the impact of labor migration on wages is highly dependent on the rate of job and economic growth of the receiving country. If the high wage economy is expanding quickly (as Germany's did in the 1960s), it imports guest workers and local workers are moved "upmarket" to less dirty, better paid jobs. There is no general drop in the wages of citizens. However, if

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job growth slows, pressure on host-country wages increases. Currently, this is the situation in most of the E.U. countries whose economies have stagnated for the last decades. This would explain French and German workers' anger at cheap immigrant labor. In the United States, the situation is mixed. Job creation and immigration have both been high for over a decade. This contributed to a collapse of sub-high school wages coupled with a rise for highly skilled labor. The result has been income polarization.

Economic models so far have indicated that migration toward high-wage countries raises their output. However, these models also indicate that distribution of the increased output is uneven within these countries, mainly benefitting capitalist income. At this point, most economists would rest their case, being satisfied with theoretical findings. Such findings, though, are much easier to come up with than real life evidence that often contradicts theoretical predictions. Fortunately, my argument becomes much more compelling in the light of actual facts which, in this case, support the theoretical findings. Thus, we now examine labor migration toward developed E.U. countries by beginning with its causes.

Immigrants are generally selective in their choice of destination. They are not forced to migrate to specific countries; their decisions are based on a variety of factors. Familiarity with the language and culture of the destination country are often important factors. Also, immigrants tend to prefer countries in which there already exists an established community of their own countrymen, or in which they have relatives. In addition, the levels of education and skills of the immigrants will also affect the choice of

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destination (Molle, 1990).

However, the most common reason workers immigrate to Western Europe and other developed areas is monetary. Western European wages, which average over $10 per hour, are among the highest world wide. However, "In Eastern Europe and the former Soviet Union ... the average wage is less than $1 an hour" (The Economist, 1992, November 28, p. 75). This wage differential between Western and Eastern Europe is a dominant cause of Eastern workers' migration. In other words, "Individuals choose their country of residence according to the principle of wealth-maximization. That is, given the institutional constraints, they move (or stay) in the country which provides them the highest earnings opportunities (net of migration costs)" (Borjas, 1988, p. 96). Additionally, even if immigrants do not receive wages equivalent to those of their local counterparts, it can still be rewarding to migrate. For example, Polish workers in a German factory can make $3 an hour, which is a quarter of Germans' wages in the same factory and yet 400% above Poland's wages (Reichlin, 1992).

A second reason laborers immigrate to wealthy E.U. countries is, ironically, the trade policies of the E.U. itself regarding core industries. As one academic noted, when our exports are doing well, we are competing, and when others' exports are doing well, they are dumping! Thus, some European Union trade policies restrict competition from outside. Consequently, countries dependent on exports to the E.U. find that their markets have closed, leading to layoffs at home. These unemployed people, therefore, see moving to the E.U. core as an economic solution.

This scenario is very common in Eastern Europe, where industries are attempting

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to embrace capitalism after years of planned economies. The E.U., for example, imposed anti-dumping duties on imports of Czech steel. Thus, "The same [E.U.] that sends money and teachers of market economics to Eastern Europe slaps a fine on producers striving to make money from trade, not charity" (The Economist, 1992, November 28, p. 75).

Finally, there is a new major factor influencing labor migration primarily from Eastern Europe. This is the fall of communistic governments employing state planned economic policies. Thus, capitalistic reforms have lead to plant closures and layoffs in state-run industries which were inefficient. Actually, such industries were not inefficient when examined in a Socialist framework, which emphasizes full employment. Rather, inefficiency became a problem under capitalist organizations, which emphasize profits over employment. Unfortunately, state-run industries were major employers in former communistic countries. And, when layoffs began, huge masses of people became unemployed (Reichlin, 1992).

The problems of capitalist reform have been compounded by the restrictive trade policies of the E.U. core mentioned previously, relative to key industries. Therefore, unemployment becomes problematic for both competitive and non-competitive industries of the former communist block. Thus, "as reform in these countries proceeds, unemployment will mount, perhaps for years; that adds to the incentive to move. If reform fails, conditions are likely to deteriorate faster ... in either case, the pressure to migrate will be strong" (The Economist, 1992, November 28, p.75). In other words, we see, as Molle (1990) notes, that migration to the E.U. is due to "push factors" (even though Molle disagrees that this is still relevant). Push factors, though, are still relevant

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because, as we have seen, the above economic conditions (i.e., wage levels and demand for labor) in LEC's are still inferior to those of labor-importing countries. This does not mean that economic conditions in the labor-importing countries are good; in fact, they are quite depressing for native laborers. What this does mean is that labor-importing countries provide immigrants higher hopes than do the depressed economies of LEC's.

Given the causes for immigration toward core E.U. countries (all translating into expectations of a better life), let us see what immigrants truly receive. Is it good pay, a respectable living, and all that goes into dreams of migrant workers? Not really. First, some of the newest arrivals find themselves working off the books at a fraction of going wages. Thus, these people lack legal rights and are therefore effectively deprived of benefits, such as health care, they would otherwise be guaranteed in their homelands. Additionally, working off the books means they cannot receive minimum wages. Therefore, immigrants (i.e., in Germany) often work for a fourth of regular wages as mentioned before. The question arises: are immigrants satisfied receiving fractional wages? They are not, because they understand the extent of their exploitation, but they feel compelled to accept the situation given that even fractional E.U. wages can be four times those of their home countries (Reichlin, 1992).

Secondly, let us see if immigrants are living respectably. Here the answer is definitely no, unless life in squalid housing and working from 5 a.m. to 10 p.m. is considered wonderful. Here, though, we must distinguish between newcomers (i.e., Poles) and workers invited long ago to do the "dirty" jobs. The latter group, composed mostly of North Africans and Turks, has some minimal working and living status

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performing shunned tasks (Reichlin, 1992).

However, Turks and other similar ethnic groups, while enjoying a better working status, are increasingly worried about their personal safety. Thus, we see in Germany a new ethnic hatred arising that is focused on immigrant workers and political refugees. This hatred, mostly a result of the country's high unemployment, has manifested itself through the burning and beating of immigrants. However, it is unfair to think such actions are encouraged by Germany; racial hatred is not a government policy, and many Germans are strongly opposed to ethnic hatred (Maclean's, 1991, December 9). A similar example is occurring in France, where the large Algerian minority is often targeted by street thugs and right wing political parties alike.

Consequently, immigrants in developed E.U. countries have received a mixed bag of goods. Yes, their lives are miserable, in danger, and exploited by lower wages. However, they get jobs, as opposed to being unemployed back home, and at premium wages relative to those in their homeland. Now letus see what domestic workers of developed E.U. countries receive from immigration.

Do domestic E.U. workers benefit by cheap immigrant labor? Probably not, since this cheap labor is competing with them for existing jobs. Some economists, though, may argue that domestic workers benefit because cheap labor lowers production costs and, therefore, consumer prices. The problem, though, is that even if this were true and regardless of the level of consumer prices, consumers are unable to afford anything without jobs! Thus, as the economic models have indicated before, those who really benefit are E.U. producers, by raising capitalist income. (See Appendix)

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Academics may argue that immigrant workers are unskilled and taking unwanted jobs, thus leaving locals unaffected as with NAFTA. The argument was true of the E.U. a few years ago regarding Turkish workers. Currently, though, this is not the case, especially regarding East Europeans. As a group, immigrants from the East are highly skilled workers and often well educated. In Germany, for example, Poles are considered competent as metalworkers, Russians as bricklayers, Czechs as welders, and Croatians as mechanics (Reichlin, 1992).

Finally, some conservative labor economists may state that such immigrant workers, even though skilled, wind up in unskilled menial jobs, thereby not impacting on domestic workers. Again, however, reality is unfavorable to local workers. Skilled cheap-labor immigrants are found working with their skills in major companies and projects. Among these companies we find: Mercedes contractor Gebrueder Wackenhut; Bilfiger & Berger belonging to the 90% of German construction companies using immigrants; and, Costruzioni Callisto Pontello, a large builder in Florence. Skilled immigrants have also been employed in major E.U. projects such as Euro-Disney in France and Frankfurt's new airport. Of course, CEO's of these companies and project managers claim they are not responsible for hiring illegal aliens because immigrants were used by their subcontractors over whom they have no control. Even if we "pretend to believe" such claims, the fact remains that skilled immigrant cheap labor is admittedly employed in jobs that domestic workers would like to have (Reichlin, 1992). In addition, since migrants are illegally employed by major employers, the insider-outsider model regarding union wages may breakdown because, as we saw previously, immigrants are

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paid lower wages in comparison to other (unionized) employees of the same factories. As a result, employers do not hire workers who qualify to join the union. This translates into a long-run decline in union membership and a very possible downward wage pressure for union jobs.

What, then, is the impact of immigration on domestic workers? The answer, in short, is unemployment and reduced wages. To get an estimate of the impact immigrants have on core E.U. countries, let us see how many are already there and how many are moving into the area each year. It was estimated in 1991 that 8.2 million legal and 3 million illegal immigrants were working in the E.U. (The Economist, 1994). Thus, over one-third of the immigrants to the E.U. are illegal, creating a whole new question as to how E.U. governments should handle this problem (i.e., should there be stricter policing of borders). The immigrant flow, though, is continuing at a steady pace. In 1992, this flow was calculated at a rate between 300,000 and 500,000 per year, leading to predictions of 10 million additional workers migrating to the E.U. in a decade (The Economist, 1992, November 28). Now, such estimated flows have increased due to the enormous negative impact of market reforms upon employment in former "communistic" states, a trend economists do not foresee changing for years to come. In addition, the recent conflicts in Bosnia and Kosova have created an even greater refugee problem that will not go away any time soon. As a result, migration has partially contributed to chronically high unemployment rates in the E.U. that averaged 12% in 1994 (Wood, 1994), and to flat real income for E.U. workers (Milbank and Roth, 1994). Obviously, significant differences exist in the unemployment rate between E.U. countries and

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between deferent regions within the same country that may not be accounted for by international immigration. For example, Western Germany has a lower unemployment rate than the eastern region. However, this is a topic of its own that cannot be glossed, over given the complexities that exist.

Returning to Figure 2 (Appendix) we can "visualize" the impact of immigrants on domestic workers in area **A**. For purposes of clarity, the insider-outsider model is not incorporated here. It will suffice to say that in the real world, those who already have union jobs may not suffer lower wages in the short run due to migration. However, in the long run, all of the labor force will feel the downward pressure on wages due to the increased supply of labor from immigration. Given this qualification, the model shows that unemployment in core E.U. countries already exists at **S** prior to migration for various reasons mentioned earlier. When migration occurs for reasons also mentioned above, the labor supply curve for the E.U. shifts outward at **S'**, with very negative effects on native workers. First, wages are pushed to even lower levels. Second, native unemployment increases due to the substitution of cheap immigrant labor and because native wage stickiness is now at relatively higher levels than before. Of course, total output may increase due to employment of cheaper labor, but this is to an advantage to producers rather than to the citizen workers.

Thus, we see native E.U. workers are faced with an important challenge to their wealth by immigration. This argument has been demonstrated through theoretical models and is reenforced by existing evidence. Looking at the laws and regulations as they generally relate to the Maastricht Treaty and the Single European Act, one notices

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concern expressed by the European Commission regarding social justice and the unemployment problem. However, I and many others (such as the authors quoted in this paper regarding the negative impact of migration to the E.U.) believe the E.U. is doing little to help in terms of actual policies that are implemented and/or enforced. This is not striking when one considers that capitalist producers are gaining by these circumstances and that capital has "more equal political clout" than workers in most political systems. As my American friends put it, the Golden Rule prevails: he who has the gold rules!

E.U. workers' worries, though, do not stop with immigration. Instead they are magnified by the "Golden Rule" mentioned above. Specifically, those who rule with the gold, namely corporations, have found it is economically rational to invest in various Eastern European countries. The reasons for such investment decisions are actually valid and justified from a purely economic perspective, at least in the short run, because outcomes can be debated for the long run. Thus, workers' wealth in core E.U. countries is also challenged by investment flows into Eastern Europe.

A first explanation for investment flows out of Europe is the high cost of E.U. labor. Thus, we see that core E.U. wages are among the highest in the world. In addition, E.U. non-wage costs (i.e., health care, vacation pay, and other benefits) are also very high. For example, these costs are approximately 47% of wages in France and 46% in Germany compared to 24% in Japan and 27% in the USA (The Economist, 1993, February 6). This becomes a big problem for export oriented firms and E.U. workers, given the export globalization levels of most corporations. Therefore, European corporations faced with greater production costs relative to their competitors are at a

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disadvantage. Consequently, E.U. corporations are employing two methods toward solving their problem. One solution is laying off workers in the E.U. core. For example, Continental Tire fired 12,000 workers in from 1991 to 1994; that is over 20% of its work force (Echikson, 1994). Also, Siemens fired 13,000 workers and Daimler-Benz roughly 27,000 during 1993-94 (Wilsher, 1993).

The second method by which E.U. corporations are regaining competitiveness is via transferring production, and with it investment, to Eastern Europe. The driving force for this shift is a large pool of cheap, skilled and unemployed labor. Thus, the same firms that are firing E.U. workers are transferring production eastward. Continental Tire moved one quarter of its tire production to Poland, Slovenia, and the Czech Republic (Echikson, 1994). Asea Brown Boveri (A.B.B.), an international electrical and engineering company terminated 40,000 jobs in Western Europe and North America from the early to mid 1990s while moving production to Eastern Europe where only 21,150 jobs were created because: "On the average its [A.B.B.'s] employees in central Europe work 400 more hours a year than the company's workers in Western Germany do. Each hour a Polish worker spends on the job costs A.B.B. an average of $2.58 compared with $30.33 in Germany" (Whitney, 1995, p. D3). According to Dr. Von Koerber, A.B.B.'s head of European operations: "It's like a shot of adrenaline to sit in Berlin and realize that one hour away by car ... labor costs are only 5 to 10 percent of what they are in Germany" (Whitney, 1995, p. D3). Even more strikingly, here is what Heinrich von Pierer, CEO of Siemens, said in an interview published by Design News regarding Eastern labor:

Eastern Europe will have a considerable advantage at least for the next ten

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> or twenty years. And what is more important, low wages are combined with good skills and relatively high productivity. That makes Eastern Europe an attractive partner ...[for example] in the Czech Republic, workers are highly motivated ... you will find highly qualified engineers at one tenth of German labor cost. We already have established new factories and found several joint ventures in that part of our continent. (1993, September 20, p. 250)

Ironically, workers of wealthy E.U. countries are also in competition with each other. This was exemplified by Hoover's relocation from France to Britain. The reason was that British workers were willing to give away more rights such as strikes, work for lower wages, and have lower non-wage costs (The Economist, 1992, November 28). However, investment flows eastward are a more significant problem when compared to inner E.U. shifts. As Wilsher states, and as is also implied by Siemens' CEO Pierer, "investment will go where workers will take whatever comes" (1993, p.15).

Finally, investment is migrating east for another reason. This is the existence of economic business opportunities. Thus, many corporations are establishing themselves in Poland, Hungary, the Czech Republic, and Russia, foreseeing huge new markets being developed in the East. Consequently, these corporations are investing as a means of securing access to these future markets (Schares, 1992).

More importantly, though, corporations are investing eastward because business opportunities already exist there independently of expectations regarding future markets. These opportunities have emerged as a result of the Eastern political collapse's bringing market reforms and, with them, pressures for efficient and competitive market environments. In translation, this means Eastern countries have to catch up with the West. Thus, corporations recognize the high need of Eastern countries for investment to

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modernize various kinds of infrastructure. For example, Didier Pineau-Valencienne (CEO of France's Group Schneider) states that "Eastern Europe has immense needs in electrical terms, notably as regards the modernization of electrical distribution networks ... and determined governments offer a host of opportunities" (1993, March 22, p. 184). An example of the magnitude of Western investment into the East is given by Whitney (1995). The author quotes the Czech Economics Minister Karl Dyba, according to whom approximately $3 billion have been invested in the Czech Republic from 1991-94/95. In addition, comparable amounts have been invested in Poland and Hungary, whereas Russia has been receiving over $1 billion yearly. Also, we should keep in mind that each of these investment dollars represent forgone investment in the industrial high wage countries.

It is important, though, not to confuse investment in these countries with high employment levels. Despite this investment, Eastern unemployment remains high as previously state-run firms continue to shed workers in light of market reforms. Thus, the major benefactors remain investing corporations, not the majority of Eastern or E.U. workers.

Therefore, we see that the wealth of core E.U. workers is adversely affected not only by migration of cheap skilled labor from the East, but also by investment migration in the opposite direction. Thus, investment migration out of the E.U. has contributed to its 0.4% contraction in aggregate output in 1993, reflecting problems with unemployment and flat real income for E.U. workers (Milbank and Roth, 1994).

The effects of investment migration upon E.U. workers are graphically

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demonstrated in Figure 3 (Appendix). Here, we see the hardship already facing workers in area **A** from migration which increases labor supply to **S'**. The increase of labor supply has lowered wages and raised unemployment, as explained previously. Now, though, conditions in the labor market are even worse as a result of investment migration.

The flow of investment outside the E.U. translates into a decrease of labor demand in our model to **D'**. Therefore, wages are pressured even lower by job scarcity from **W** to **W'**. Again, though, if it were not for various reasons such as wage stickiness, wages would drop even lower than **W'**. Of course, **W'** and the natural wage below it where equilibrium exists would both be theoretically above existing wages in area **B**. Unemployment in area **A** also rises further via lay-offs by corporations moving production eastward and output originally gained by immigration is offset from **Q1'** to **Q1''**. Thus, E.U. workers are affected by the negative movement of both forces shaping labor markets, namely increasing Supply and decreasing Demand. Unfortunately, there is little hope of these trends reversing themselves in the near future, as evidence has indicated.

The worries of core E.U. labor are not unique. Other workers of developed world economies are facing similar problems. A striking example, as we have already seen, is the United States. Thus, in looking at the E.U. and U.S,. we find that real wages are declining because of the availability of cheaper labor alternatives. Therefore, firms taking advantage of this cheaper input will have a competitive advantage over firms that do not, all things being equal. As a result, the less competitive firms will become bankrupt. Thus, we see the rise in global mergers that has the ultimate goal of exploiting

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opportunities of cheap docile labor and weak governments around the world.

Given that in both NAFTA and the E.U. we have high wages in one area confronted by temptingly cheap skilled labor nearby, we should expect two basic outcomes. The first natural outcome is for this cheap labor to migrate toward the high wage area. Thus, it is estimated that between 1970 and 1988, 4% of Mexico's population migrated to the US (The Economist, 1992, November 28).

A second outcome also reflected by NAFTA is migration of investment into cheap labor areas (i.e., Mexico). This is empirically evidenced by Mexican *maquiladoras*. These free trade zones along the U.S. border are inhabited by over 2000 multinational corporations. The *maquiladora* companies range from smaller firms to multinationals such as General Electric, Whirlpool, Ford, GM, and Zenith, all examples of corporations that migrated south to take advantage of the advantage of, at most, $1 per hour wages over US average manufacturing wage costs of $18 per hour (Roth, 1994). Environmental pollution, disease, and sub-poverty conditions for Mexicans are also characteristic of *maquiladoras* and corporate responsibility. In addition, NAFTA demonstrates that the cheapness of available labor does not necessarily imply that this labor is unskilled or unproductive, as the Eastern European case has already indicated.

Finally, had we examined the new hot spots of investment such as China, Thailand, the Philippines, etc., we would have found the same effects and outcomes upon the world's working classes discussed here. The only difference would be that the negative consequences would be multiplied ten-fold. For example, Chinese economic refugees are currently "flooding" the United States while American, European, and

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Japanese investment is "flooding" China!

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IV.

Conclusion

Having seen that European Union workers are not the only ones facing challenges to their standard of living, we ask why this is happening. Of course the easy answer that has been demonstrated finds high wages and the availability of abundant skilled cheap labor are primary causes. Accordingly, solutions to workers' problems are as simple. For example, labor migration can be limited and strictly monitored, not only core but also all industries can be protected, companies producing in cheap labor areas can be either prohibited from exporting to industrialized high wage nations or slapped with tariffs, etc.

Is, then, this the true answer to workers' woes in industrialized nations? No, it is not, because there is a more significant cause for the problems faced by workers of developed countries. Specifically, the root cause of primary significance behind labor's declining wealth in developed countries is world capitalism and market organization, not the high living standards into which good wages translate. This, because capitalism's driving force is lowest cost production for maximum profit while modern technological and financial innovations provide capital with extreme flexibility in moving across national boundaries. Thus, global capitalism as an environment is the true cause of declining wages in high wage countries at a systemic level. Therefore, capitalist organization and the systemic environment are the prime cause for workers' declining wealth in advanced countries, whereas their high wages are a secondary condition in the

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mentioned environment.

Given this view, protectionist policies mentioned before will not improve American or European Union workers' wealth. This, though, is true, because industrialists under the "Golden Rule" can find ways to circumvent or eliminate such policies prohibiting them from making bigger profits via exploiting cheap labor. But, even if free socially exploitative trade was successfully limited, it would lead to a 19th century style collapse given the capitalist system on which economies are structured and tied to. Specifically, a "closing" of one major economy would lead to a domino effect of economic collapse since all major national economies are extensively interconnected and internationalized. This means it is next to impossible to untie the "Gordian knot" of interdependent market capitalism while preserving capitalist structures. Thus, the only true solution to labor's challenge for long term success is either changing or significantly modifying the systemic environment of capitalism at the national and international level. Unfortunately, though, I do not see laborers having the power, will, or knowledge to do this any time soon.

Specifically, since the problem is at the world level of capitalism, in contrast to the national capitalism of the 19th and 20th centuries, the solution must also be formed at the global level. You cannot have a Europe or Germany on one hand and a United States and South Carolina on the other where the world's BMW's can relocate for lower labor and social costs. The existence of nations like Mexico, China, and Indonesia drive the point further. Thus, national working classes must prevent global corporations from pitting them against each other in a downward spiral of living standards. To accomplish

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this, workers must go beyond antiquated regional or national union and labor movements. As Aronowitz (1998) and Brecher (1997) mention, union leaders of developed countries must reach out to those in the Third World to help them organize as some Americans have done in Mexico. I believe the goal, ideally, should be a global unionism with global cross-national labor standards, contracts, and union rates! Under such conditions, global capital would be confronted by global labor on relatively equal grounds, thereby ending the former's international divide and conquer strategies. An example of the emergence of such a strategy is given by the European Union. Within the E.U., national unions have long identified the need for cross European coordination in order to effectively deal with capital. Unfortunately, the success of the E.U. case, which is probably more successful than that of American/Mexican cooperation, is probably due to the lower economic divergence of the region. For example, the wage and social legislation differences between the poorest and richest E.U. nations are not even remotely as gross as those between America and Mexico or between any other industrialized nation compared to any other Third World country.

This gross gap between national haves and have-nots is one reason why I believe a global working class consciousness will remain a utopian concept, because the hungry will take what is offered them for bread and water. A second and related reason is what I believe to be an insufficient spiritual and intellectual development of the working classes. Most human animals are governed by the part of the soul that Plato called the appetites. These appetites desire immediate physical pleasures such as food and sex and have little interest for higher ideas and values. This was, in fact, realized by the Roman upper

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classes which argued that the masses only need "bread and entertainment" to be pacified. In other words, take away hunger (by food stamps) and add entertainment (today it would be TV), and you have a non-revolutionary, non-active working/lower class. This also demonstrates that most people are easily made complacent once basic appetites are satisfied. Ironically it was not a capitalist but Lenin who said the masses need Communist Party leadership because they are: "slumbering, apathetic, hidebound, inert, and dormant" (quoted in Lipset, 1994, p. 115). If man is an egotistic animal, then he will not see the poor Third World man as a fellow worker but as a competitor for scarce jobs. This is why I believe Brecher (1997), along similar lines as Perlman (1928), is correct in making one consistent point throughout his book. Specifically, it is not the union or other leader that can bring workers to challenge the fabric of capitalist organization (private property). Instead, this was and can only be possible only when workers understand their true class situation/obtain class consciousness and take control of production by self-direction. Therefore it is through the enlightenment of workers that capitalism can be challenged.

However, all of the above, even if the national working classes were successful in forming a "working class of the world," would ultimately be in vain unless self-direction is founded in new global socio-economic structures. Why? According to all of the social structures of accumulation theorists, in order to have a long wave of economic prosperity, there must exist an environment viewed as favorable by the capitalists toward investment. Therefore, all of the interconnecting institutions, whether economic, political, or ideological, must ultimately lead to the establishment of a favorable investment climate.

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Thus, investment is of singular importance for the prosperity of the working class. Without it there is no work, no growth, and no surplus value to fight over in the sphere of production. Ultimately, even productivity itself is not important to the fortunes of the working class. The reason for this is that productivity can be high with a victorious working class labor accord, but it can also be high with a defeated working class labor accord. In the first case, labor would benefit from productivity increases; in the second, distribution would not favor labor.

Consequently, given the primary significance of investment, we see the privileging of the capitalist classes in the world capitalist system because the institution of private property (one of capitalism's pillars) allows investment to be determined by the owners of capital. In other words, capitalists can withhold their investments if they believe the environment is not adequately favorable to their class interests. This is a problem related to what Marx wrote in terms of a dichotomy between civil society and the state. To some extent, this is exemplified by Europe. Common statistics show that real investment levels leading to job creation have been stagnant or low for decades. The reasons often quoted are the working class gains and social protections that increase production costs relative to Mexico's or even America's South Carolina's. Thus, we see BMW transferring great German jobs to South Carolina for a fraction of the job (company) and legal (national) benefits, given the lack of unionization and highly anti-labor legislation such as right to work laws.

Therefore, the answer is ultimately not in the emergence of a global working class consciousness. Rather, this would be the beginning of a solution. Since investment

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determines economic well being for the majority of the world's citizens, *it* must be determined by those that *it* affects so greatly. This is an argument comparable to the right of a factory to pollute the environment. The factory has the right to use its private resources in its own interests but not if that use results in spillover costs (i.e., damaging the health of a third party). Investment decisions have such externality effects in that the social cost of the type of or not investing can be so large to a community that it overshadows the interests of a small capitalist group. Ironically, by using classical economics, the same point can be demonstrated through total utility. Given the law of diminishing marginal utility, an extra billion for the capitalist will not yield as much utility as to persons in poverty. Thus, based on classical economics, total utility is increased by redistribution and the control/allocation of investment dollars by society.

Thus, I argue using an SSA approach that the true conclusion can only be a Marxist solution: we will achieve human emancipation only when the individual man of civil society absorbs the abstract citizen, ending the dichotomy between state and civil society. Accordingly, by making the individual capitalist interests congruent with society's interest, we will see the emergence of a lasting answer to the issue of fairness in the distribution of societal resources. However, this cannot be achieved within a dominant global system based on individual self-interests because, as Marx and the SSA theorists argue, capitalism is ridden with contradictions and built-in disadvantages to labor such as the surplus and labor theory of value. As a result, capitalism must be transformed into a fundamentally different socio-economic structure that will allow the fusion of self and societal interests. Whether such a system is possible or demonstrated

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by socialism, communism, or Plato's Republic remains to be seen.

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APPENDIX

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Table 1. Household Shares.

Household Income Share %[1]				Real GDP Per Capita at Current Prices & Current	GDP Share of Households Per Capita (1996 U.S. $)[3]		
	Bottom 20%	Bottom 40%	Top 20 %	PPP's (1996 U.S. $)[2]	Bottom 20%	Bottom 40%	Top 20 %
U.S.							
1950[4,7]	4.5	16.5	42.7	6401	288	1056	2733
1959[4,6]	4.9	17.2	41.1	13797	676	2373	5671
1960[4]	4.8	17	41.3	13797	662	2345	5698
1962[4]	5	17.1	41.3	14500	725	2480	5989
1964[4]	5.1	17.1	41.2	15553	793	2660	6408
1966	4.3	15.4	44.7	17206	740	2650	7691
1967	4	14.8	43.8	17452	698	2583	7644
1968	4.2	15.3	42.8	18084	760	2767	7740
1970	4.1	14.9	43.3	18258	749	2720	7906
1972	4.1	14.6	43.9	19438	797	2838	8533
1973	4.2	14.7	43.6	20366	855	2994	8880
1974	4.3	14.9	43.5	20050	862	2987	8722
1975	4.3	14.9	43.6	19768	850	2945	8619
1978	4.2	14.4	44.1	22292	936	3210	9831
1979	4.1	14.3	44.2	22672	930	3242	10021
1980	4.2	14.4	44.1	22335	938	3216	9850
1984	4	13.9	45.2	23964	959	3331	10832
1985	3.9	13.7	45.6	24600	959	3370	11218
1988	3.8	13.4	46.3	26378	1002	3535	12213
1989	3.8	13.3	46.8	27007	1026	3592	12639
France							
1962	N/A	10	54	9167	N/A	917	4950
1970	4.3	14.1	46.9	12961	557	1828	6079
1975	5.5	17	42.2	14814	815	2518	6252
1979	6.3	18.4	40.8	16720	1053	3076	6822
1989	5.6	17.4	41.9	19880	1113	3459	8330
FRG							
1950[5,7]	5.5	16.2	45.1	2713	149	440	1224
1960[5]	6	16.7	43.9	9928	596	1658	4358
1968	6.2	16.8	45	12646	784	2125	5691
1970	5.9	16.4	45.6	14003	826	2296	6385
1973[5]	6.5	16.8	46.2	15425	1003	2591	7126
1974	6.9	17.9	44.8	15436	1065	2763	6915
1978	8	20	40	17207	1377	3441	6883
1984	6.8	19.5	38.7	18834	1281	3673	7289
1988	7	18.8	40.3	20609	1443	3874	8305
U.K.							
1959[5,8]	6	17.8	40.9	9791	587	1743	4005
1964	5.1	15	44	10819	552	1623	4760
1967[5]	7.1	19.1	39.5	11358	806	2169	4486
1968	6.6	18.5	40.3	11766	777	2177	4742
1973	6.3	18.9	38.8	13670	861	2584	5304
1977/8	7.4	19.1	39.5	14044	1039	2682	5547
1979	5.8	17.3	39.5	14922	865	2582	5894
1988	4.6	14.6	44.3	18223	838	2661	8073

[1]Sources: World Bank (1996). Supplementary Data: U.S. Bureau of the Census, Historical Income Tables.
[2]Source: U.S. Department of Labor, Bureau of Labor Statistics (1996e).
[3]Source: Authors calculations.
Notes: [4]data reflect Family Income Share which is generally higher for the bottom quintiles versus Household Shares.
[5]source: OECD (1976). [6]GDP figure is for 1960. 7GDP at 1980 prices and exchange rates.

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Table 2. Total Compensation, PPP Basis.

Purchasing Power Parities for GDP (United States = 1.00)[1]					Hourly compensation costs in national currency for production workers[2]					Total compensation converted to U.S. dollars at purchasing power parities[3]				
Year	U.S.	France	FRG	U.K.	Year	U.S.	France	FRG	U.K.	Year	U.S.	France	FRG	U.K.
1975	1	5.6	2.4	0.5	1975	6.36	19.34	15.59	1.52	1975	6.36	3.45	6.50	3.04
1976	1	5.6	2.4	0.5	1976	6.92	22.45	16.94	1.78	1976	6.92	4.01	7.06	3.56
1977	1	5.6	2.4	0.5	1977	7.59	25.32	18.25	1.98	1977	7.59	4.58	7.60	3.96
1978	1	5.6	2.4	0.5	1978	8.28	28.93	19.35	2.3	1978	8.28	5.17	8.06	4.60
1979	1	5.6	2.4	0.5	1979	9.04	32.71	20.7	2.68	1979	9.04	5.84	8.63	5.36
1980	1	5.6	2.4	0.5	1980	9.87	37.73	22.39	3.25	1980	9.87	6.74	9.33	6.50
1981	1	5.6	2.4	0.5	1981	10.87	43.39	23.73	3.61	1981	10.87	7.75	9.89	7.22
1982	1	5.6	2.4	0.5	1982	11.68	51.66	25.13	3.96	1982	11.68	9.23	10.47	7.92
1983	1	5.6	2.4	0.5	1983	12.14	59.01	26.21	4.28	1983	12.14	10.54	10.92	8.56
1984	1	5.6	2.4	0.5	1984	12.55	63.71	26.84	4.52	1984	12.55	11.38	11.18	9.04
1985	1	6.6	2.2	0.5	1985	13.01	67.49	26.23	4.84	1985	13.01	10.23	12.83	9.68
1986	1	6.6	2.2	0.5	1986	13.26	71.23	29.15	5.22	1986	13.26	10.48	13.25	10.44
1987	1	6.6	2.2	0.5	1987	13.52	73.91	30.61	5.54	1987	13.52	10.87	13.91	11.08
1988	1	6.7	2.1	0.6	1988	13.91	77.17	32.13	5.95	1988	13.91	11.52	15.30	9.92
1989	1	6.7	2.1	0.6	1989	14.32	82.02	33.45	6.45	1989	14.32	12.24	15.93	10.75
1990	1	6.6	2.1	0.6	1990	14.91	87.05	35.62	7.12	1990	14.91	13.19	16.96	11.87
1991	1	6.5	2.1	0.6	1991	15.58	92.59	37.85	7.77	1991	15.58	14.24	18.02	12.95
1992	1	6.6	2.1	0.6	1992	16.09	98.36	39.92	8.14	1992	16.09	14.90	19.01	13.57
1993	1	6.6	2.1	0.6	1993	16.51	101.2	42.2	8.27	1993	16.51	15.33	20.10	13.78
1994	1	6.6	2.1	0.7	1994	16.87	103.96	44.1	8.36	1994	16.87	15.75	21.00	11.94
1995	1	6.6	2.1	0.7	1995	17.19	106.1	46.23	8.66	1995	17.19	16.08	22.01	12.37
1996	1	6.5	2	0.7	1996	17.7	108.42	47.96	9.05	1996	17.70	16.68	23.98	12.93

[1]Source: OECD (1998b).

[2]Source: U.S. Department of Labor, Bureau of Labor Statistics (1998d).

[3]Source: Authors calculations.

Notes: Years 1975 - 1979 and 1981 - 1984 assume PPP of 1980

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Table 3. Consumer Goods per 1000 People.

Radios											
Year	**1945**	**1950**	**1955**	1960	1965	1970	1975	1980	1985	1990	1995
U.S.	**236**	**269**	**277**	941	1235	1414	1857	1996	2097	2118	2122
France	**134**	**165**	**213**	240	313	315	325	741	870	888	891
FRG	**N/A**	**190**	**234**	287	305	824	342	893	942	878	935
U.K.	**203**	**237**	**213**	297	318	624	694	950	1006	1141	1429
TV's											
Year	**1950**	**1953**	**1955**	1960	1965	1970	1975	1980	1985	1990	1995
U.S.	**26**	**125**	**187**	255	273	413	560	684	797	812	776
France	**0.1**	**1**	**6**	42	133	236	268	353	390	402	579
FRG	**N/A**	**0.04**	**2**	84	194	363	288	439	484	554	550
U.K.	**7**	**42**	**88**	200	244	324	359	401	432	433	612
Telephones											
Year	**1945**	**1950**	**1955**	1960	1965	1970	1975	1980	1985	1990	1995
U.S.	**199**	**282**	**339**	411	482	586	690	792	760	554	626
France	**48**	**58**	**72**	95	125	173	262	458	616	495	557
FRG	**38**	**48**	**77**	108	150	228	317	464	621	378	494
U.K.	**82**	**108**	**134**	157	195	267	372	495	357	441	503
Passenger Cars											
Year	**1945**	**1950**	**1955**	1960	1965	1970	1975	1980	1985	1990	1995
U.S.	**184**	**265**	**314**	341	387	435	494	534	553	574	513
France	**24**	**41**	**72**	121	197	254	290	355	382	415	432
FRG	**N/A**	**10**	**32**	81	158	230	289	377	424	387	494
U.K.	**31**	**45**	**69**	106	164	207	245	262	290	374	375

Source: Authors analysis of United Nations Statistical Yearbook (1945-1998); U.S. Bureau of the Census, International Data Base; B. R. Mitchell (1992; 1993).

Notes: Telephone data for 1990 & 1995 indicate main lines per 1000 people.

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Table 4. Energy Consumption per Capita.

Kg of oil equiv.				
Year	U.S.	France	FRG	U.K.
1970	7539.1	2900.22	3920.14	3734
1971	7632.61	3024.73	3953.43	3790.29
1972	7932.11	3180.22	4090.25	3811.79
1973	8146.15	3405.85	4319.22	3946.05
1974	7882.86	3288.61	4219.46	3786.36
1975	7624.6	3078.05	4017.34	3591.22
1976	8057.57	3283.39	4334.4	3660.65
1977	8240.75	3208.12	4350.76	3738.21
1978	8403.91	3415.45	4515.27	3718.18
1979	8296.89	3547.61	4751.41	3905.05
1980	7907.55	3536.6	4586.87	3571.81
1981	7619.87	3440.25	4438.17	3437.82
1982	7233.33	3334.85	4295.64	3424.75
1983	7175.26	3396.69	4303.68	3417.36
1984	7418.17	3512.87	4476.27	3406.98
1985	7430.41	3637.3	4632.41	3585.96
1986	7362.24	3679.24	4621.28	3637.47
1987	7604.59	3751.97	4638.87	3671.45
1988	7832.4	3712.19	4648.6	3688.23
1989	7901.8	3861.36	4554.77	3677.11
1990	7684.74	3891.53	4474.01	3689.71
1991	7758.95	4072.79	4352.47	3782.6
1992	7775.56	4040.56	4240.23	3744.35
1993	7918.35	4030.84	4170.45	3718.47
1995	7905	4150	4156	3786

Table 5. All Food Expenditures (% of GDP)

Year	U.S.	France	FRG	U.K.
1975	9.2	12.3	9.9	11.2
1980	8.2	11.9	10.2	10.2
1985	6.84	11.25	8.29	8.51
1990	6.82	9.46	7.03	7.11

Source: World Bank (1998).

Kg of coal equivalent				
Year	U.S.	France	FRG	U.K.
1954	7768	2166	3257	4993
1958	7640	2420	3438	4741
1959	7817	2332	3374	4587
1960	8047	2419	2673	4907
1961	8046	2508	3632	4902
1962	8263	2591	3884	4948
1963	8507	2788	4121	5090
1964	8913	2945	4225	5097
1965	9202	2968	4239	5121
1967	9828	3093	4199	5003
1968	10331	3282	4484	5004
1969	10784	3514	4833	5151
1970	10811	3837	5171	4874
1972	11611	4153	5396	5398
1973	11738	4480	5885	5599
1975	10468	3749	5304	4820
1976	11554	4380	5922	5268
1977	11095	4219	5571	4884
1978	11186	4174	5827	4964
1979	11120	4465	6103	5188
1980	10628	4355	5729	4791
1981	10204	4081	5614	4641
1982	9431	3995	5510	4538
1983	9316	3946	5500	4772
1984	9577	3923	5564	4760
1985	9543	4020	5741	4842
1986	9446	3834	5657	4956
1987	9721	3811	5603	5011
1988	10070	3723	5551	4993
1989	10124	5184	6119	5043
1992	10562	5591	5776	5374
1993	10574	5418	5724	5350
1994	11197	5149	5477	5261
1995	11312	5309	5650	5315

Source: United Nations Statistical Yearbook (1959-1996).

Table 6. Infant Mortality Rates Per 1000 Births (Both Sexes).

Year	U.S.	France	FRG	U.K.
1940	47	91	64	57
1941	45	75	N/A	60
1942	40	77	N/A	51
1943	40	81	N/A	49
1944	40	82	N/A	45
1945	38	114	N/A	46
1946	34	78	97	43
1947	32	71	88	41
1948	32	58	68	34
1949	31	60	60	32
1950	29	52	55	30
1951	29	50	53	30
1952	28	45	48	28
1953	28	42	47	27
1954	27	41	44	25
1955	26	38	42	25
1956	26	36	39	24
1957	26	34	37	23
1958	27	32	36	23
1959	26	30	34	22
1960	26	27	34	22
1961	25	26	32	21
1962	25	26	29	22
1963	25	26	27	21
1964	25	23	25	20
1965	25	22	24	19
1966	24	22	24	19
1967	22	21	23	19
1968	21.2	20	22.6	18.6
1969	20.4	19	22.2	18.2
1970	20	18	21.8	17.8
1971	18.8	17	21.4	17.4
1972	18	16	21	17
1973	18	15	23	17
1974	17	14	21	16
1975	16.1	14	20	16
1976	15.2	13	17	14
1977	14.1	11	15	14
1978	13.8	11	15	13
1979	13.1	10	14	13
1980	12.6	10	13	12
1981	11.9	9.6	12	11
1982	11.5	9.32	11	11
1983	11.2	8.86	10	10
1984	10.8	8.2	10	10
1985	10.6	8	9	9
1986	10	8	9	10
1987	10	8	8	9
1988	10	8	8	9
1989	10	8	7	8
1990	10.4	7.41	7.19	8
1991	8.9	7.31	6.53	7.36
1992	8.5	6.82	6.04	6.46
1993	8.36	6.4	5.76	6.26
1994	8.01	5.99	5.46	6.06
1995	7.57	5.88	5.4	6.14
1996	7.2	5.82	5.33	6.05
1997	6.58	5.78	5.26	5.98
1998	6.44	5.69	5.2	5.87
1999	6.33	5.62	5.14	5.78
2000	6.67	5.69	5.09	5.7
2001	6.11	5.6	5.02	5.62
2002	6.01	5.44	4.97	5.54
2003	5.9	5.38	4.92	5.47
2004	5.8	5.32	4.87	5.4
2005	5.7	5.26	4.81	5.33

Sources:
1990-2005 data: U.S. Bureau of the Census, International Data Base, 1998
1940-1990: B. R. Mitchell, European Historical Statistics, 1983; International Historical Statistics, 1993, & Datapedia of the U.S., 1994.

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Table 7. Life Expectancy at Birth.

Year	U.S.		France		FRG		U.K.	
	Male	Female	Male	Female	Male	Female	Male	Female
1946	N/A	N/A	61.9	67.4	57.7	63.4	N/A	N/A
1947	N/A	N/A	61.9	67.4	57.7	63.4	N/A	N/A
1948	64.6	69.9	61.9	67.4	57.7	63.4	66.4	71.2
1949	65.2	70.7	61.9	67.4	64.6	68.5	66	70.6
1950	65.6	71.1	63.6	69.3	64.6	68.5	66.5	71.2
1951	65.6	71.3	63.6	69.3	64.6	68.5	65.8	70.9
1952	65.7	71.6	65	66.8	64.6	68.5	67.1	72.4
1953	65.9	71.9	65	66.8	64.6	68.5	67.3	72.4
1954	66.7	72.7	65	66.8	64.6	68.5	67.6	73.1
1955	66.6	72.7	65	66.8	64.6	68.5	67.5	73
1956	66.6	72.8	65	66.8	64.6	68.5	67.8	73.3
1957	66.3	72.5	65.7	72.4	64.6	68.5	67.9	73.6
1958	66.4	72.7	67	73.4	66.8	71.9	68	73.7
1959	66.5	73	67	73.6	66.7	71.9	68.1	73.8
1960	66.6	73.1	67.2	73.8	66.9	72.4	68.3	74.1
1961	66.6	73.1	67.2	73.8	66.9	72.4	68	74
1962	66.8	73.4	67.3	74.1	66.9	72.4	68	74
1963	66.6	73.4	67.2	74.1	66.9	72.4	68	73.9
1964	66.6	73.4	68	75.1	67.6	73.5	68.3	74.4
1965	66.8	73.7	68	75.1	67.6	73.5	68.3	74.4
1966	66.7	73.8	68	75.1	67.6	73.5	68.3	74.4
1967	66.7	73.8	68	75.1	67.6	73.5	68.3	74.4
1968	66.7	73.8	68	75.1	67.6	73.5	68.3	74.4
1969	66.8	74.3	68	75.1	67.3	73.6	68.5	74.8
1970	67.1	74.8	68	75.1	67.4	73.8	68.8	75.1
1971	67.4	74.8	68.5	76.1	67.4	73.8	69.3	75.4
1972	67.4	75.1	68.6	76.4	67.6	74.1	68.9	75.1
1973	67.6	75.3	68.9	76.5	67.6	74.1	69.1	75.3
1974	68.2	75.9	69	76.9	67.9	74.4	69.6	75.8
1975	68.7	76.5	69	76.9	68	74.5	69.6	75.8
1976	68.7	76.5	69.2	77.2	68.3	74.8	69.6	75.8
1977	69.3	77.1	69.7	77.9	68.6	75.2	70.2	76.4
1978	69.5	77.2	70.1	78.2	69.6	76.4	70.4	76.6
1979	70	77.8	70.1	78.2	69.9	76.7	70.4	76.6
1980	70	77.5	70.1	78.2	70.2	76.9	70.4	76.6
1981	70	77.5	70.4	78.5	70.5	77.1	70.4	76.6
1982	70.8	78.2	70.4	78.5	70.5	77.1	71.3	77.4
1983	71	78.3	71	79.2	71.2	77.8	71.6	77.5
1984	71.2	78.2	71.3	79.5	71.5	78.1	71.6	77.5
1985	71.2	78.2	71.3	79.5	71.8	78.4	71.9	77.6
1986	71.3	78.3	71.3	79.5	71.8	78.4	72.2	77.9
1987	71.3	78.3	72	80.3	71.8	78.4	72.4	78
1988	71.5	78.3	72.3	80.5	N/A	N/A	72.4	78
1989	71.8	78.6	72.3	80.5	N/A	N/A	72.4	78
1990	71.8	78.6	72.8	80.9	72	78.5	N/A	N/A
1991	72	78.9	72.9	81.1	72.3	78.8	73.2	78.8
1992	72	78.9	72.9	81.2	72.6	79.3	73.6	79.2
1993	72.2	78.8	73	80.1	72.7	79.3	73.9	79.4
1994	72.5	79.3	73	80.1	73.1	79.6	74.2	79.5
1995	72.5	79.3	73	80.1	73.3	79.8	74.1	79.4
1996	73	79	74.3	82.4	73.5	80	74.2	79.6
1997	72.8	79.5	74.4	82.5	73.6	80.2	74.4	79.8

Source: United Nations (1979-1996).

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Table 7.1. Life Expectancy at Birth.

Life Expectancy Both Sexes				
Year	U.S.	France	FRG	U.K.
1967	70.41	71.56	70.63	71.37
1968	70.59	71.72	70.66	71.5
1969	70.77	71.88	70.69	71.63
1970	70.8	72.04	70.72	71.76
1971	71.13	72.2	70.75	71.89
1972	71.3	72.36	70.78	72.02
1975	72.6	72.9	NA	NA
1976	72.9	73.1	NA	NA
1977	73.3	73.7	72.17	72.77
1978	73.5	73.9	NA	NA
1979	73.9	74.1	NA	NA
1980	73.7	74.2	NA	NA
1981	74.1	74.4	NA	NA
1982	74.5	74.65	73.47	74.02
1987	74.97	76.05	74.87	75.03
1990	74.7	76.98	75.15	NA
1991	75.5	77.17	75.38	75.93
1992	75.8	77.48	75.85	76.36
1993	75.54	77.52	75.91	76.56
1994	75.7	77.99	76.24	76.78
1995	75.79	78.12	76.43	76.67
1996	76.1	78.25	76.63	76.84
1997	76.04	78.38	76.81	77.02

Sources:
1990-2005 data: U.S. Bureau of the Census, International Data Base, 1998
1940-1990: B. R. Mitchell, European Historical Statistics, 1993; International Historical Statistics, 1993; & Datapedia of the U.S., 1994.

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Table 8. Hours of work per week in non-agricultural activities.

Year	U.S.	France	FRG	U.K.
1945	45	44	N/A	47.4
1946	43	44	N/A	46.2
1947	42.3	45	N/A	45.2
1948	41.6	45	N/A	45.3
1949	40.9	44.5	N/A	45.4
1950	40.7	45	N/A	46.1
1951	41.3	45.2	47.8	46.1
1952	41.6	44.9	47.6	46.1
1953	41.1	44.8	47.9	46.3
1954	40	45.2	48.5	46.7
1955	40.9	45.4	48.7	46.9
1956	40.9	46.4	48.2	46.6
1957	40.5	46.7	46.5	46.4
1958	40.1	46.2	45.7	47.7
1959	40	46	45.6	48.5
1960	40	46.5	45.6	48
1961	40.1	46.7	45.5	47.4
1962	40.1	46.9	44.9	47
1963	40.1	46.8	44.7	47.6
1964	39.7	46.7	44.1	47.7
1965	40.2	46.4	44.3	47
1966	38.6	46.6	43.9	46
1967	38	46.1	42.3	46.2
1968	37.8	46	43.3	46.4
1969	37.7	45.9	44	46.5
1970	37.1	45.5	44	45.7
1971	37	45.1	43.2	44.7
1972	37.1	44.6	42.8	45
1973	37.1	44.4	42.8	45.6
1974	36.6	43.7	41.9	45.1
1975	36.1	42.7	40.5	43.6
1976	36.2	42.4	41.6	44
1977	36.4	42	41.7	44
1978	35.8	41.5	41.6	44.2
1979	35.7	41.2	41.9	44
1980	36.3	41.1	41.6	43
1981	35.2	40.8	41.2	43
1982	34.8	39.6	40.7	42.9
1983	35	39.3	40.5	43.3
1984	35.2	39.1	40.9	43.4
1985	34.9	39	40.7	42.8
1986	34.8	39.1	40.5	42.7
1987	34.8	39.1	40.2	43.1
1988	34.7	39.1	40.2	44.1
1989	34.6	39.1	40.1	44.3
1990	34.5	39.1	39.7	44.2
1991	34.3	39.1	39.3	43.5
1992	34.4	39.1	39	43.6
1993	34.5	39	38	43.5

Source: International Labor Organization (Yearbook of Labor Statistics, 1950-1995).

Notes:

1. 1958 - 1984 U.K. data are for males only.
2. 1954 - 1993 data indicate hours actually worked for both France and the U.K., and for W. Germany hours paid for.
3. 1954 - 1961 U.S. data indicates hours actually worked and from 1961 - 1993 hours paid for.

Table 8.1. Legally mandated paid vacation.

Country	# of weeks
U.S.	1
France	5
FRG	3
U.K.	3

Source: Mishel; Bernstein; & Schmitt (1997).

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Table 9. Hours Worked per Employee in Manufacturing, Compared to the United States, 1970-95 (U.S.=100)

Country	1970	1979	1989	1995
Canada	100	98	95	96
Denmark	96	86	82	80
France	98	90	83	81
West Germany	99	91	82	76
Italy	100	92	95	94
Japan	119	114	111	101
Netherlands	98	88	83	82
Sweden	91	80	76	83
United Kingdom	105	101	96	93
United States	100	100	100	100
Average	107	101	97	92

Source: Reproduced from Mishel, Bernstein, & Schmitt (1997, p.412).

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Table 10. Poverty rates.

U.S. poverty rates[1]	
Year	%
1959	22.4
1960	22.2
1961	21.9
1962	21
1963	19.5
1964	19
1965	17.3
1966	14.7
1967	14.2
1968	12.8
1969	12.1
1970	12.6
1971	12.5
1972	11.9
1973	11.1
1974	11.2
1975	12.3
1976	11.8
1977	11.6
1978	11.4
1979	11.7
1980	13
1981	14
1982	15
1983	15.2
1984	14.4
1985	14
1986	13.6
1987	13.4
1988	13
1989	12.8
1990	13.5
1991	14.2
1992	14.8
1993	15.1
1994	14.5
1995	13.8

% of people below 50% of national mean income[2]				
Year	U.S.	France	FRG	U.K.
1979	19.7	N/A	10.5	17
1980	N/A	19.1	10.8	14.6
1985	N/A	15.7	9.9	18.2
1989	N/A	19.4	14.3	18.7

% of people below 40% median family income[3]				
Year	U.S.		France	
	pre trans.	post trans.	pre trans.	post trans.
1979	18.5	10.8	N/A	4.6
1981				
1984			26.4	4.5
1986	19.9	13.1		
Year	FRG		U.K.	
	pre trans.	post trans.	pre trans.	post trans.
1979				
1981	N/A	2.7		
1984	21.6	2.8		
1986			27.7	5.2

[1]Source: U.S. Bureau of the Census.
Note: Rates indicate persons below 40.7% of adjusted median income.

[2]Source: ILO, Statistics on Poverty and Income Distribution, 1996.
Notes: Data for 1979 reflect 50% of median disposable income and FRG figure is for 1981.

[3]Source: Smeeding (based on LIS).
Note: Adjusted median family income after tax & transfers.

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Table 11. Civilian Unemployment Rates.

Year	U.S.	France	FRG	U.K.
1940	14.6	N/A	N/A	N/A
1941	9.9	N/A	N/A	N/A
1942	4.7	N/A	N/A	0.4
1943	1.9	N/A	N/A	0.3
1944	1.2	N/A	N/A	0.3
1945	1.9	1	N/A	0.4
1946	3.9	0.8	5.2	1.7
1947	3.9	0.6	3.6	1.3
1948	3.8	1	4.2	1.3
1949	5.9	1.2	6.3	1.4
1950	5.3	1.4	10.2	1.4
1951	3.3	1.2	9	1.1
1952	3	1.2	8.4	1.5
1953	2.9	1.5	7.5	1.5
1954	5.5	1.5	7	1.2
1955	4.4	1.6	5.1	1
1956	4.1	1.4	4	1
1957	4.3	1.1	3.4	1.3
1958	6.8	0.8	3.5	1.8
1959	5.5	1.6	2	2.8
1960	5.5	1.5	1.1	2.2
1961	6.7	1.2	0.6	2
1962	5.5	1.4	0.6	2.7
1963	5.7	1.6	0.5	3.3
1964	5.2	1.2	0.4	2.5
1965	4.5	1.6	0.3	2.1
1966	3.8	1.6	0.3	2.3
1967	3.8	2.1	1.3	3.3
1968	3.6	2.7	1.1	3.2
1969	3.5	2.3	0.6	3.1
1970	4.9	2.5	0.5	3.1
1971	5.9	2.8	0.6	3.9
1972	5.6	2.9	0.7	4.2
1973	4.9	2.8	0.7	3.2
1974	5.6	2.9	1.6	3.1
1975	8.5	4.2	3.4	4.6
1976	7.7	4.6	3.4	5.9
1977	7.1	5.2	3.4	6.4
1978	6.1	5.4	3.3	6.3
1979	5.8	6.1	2.9	5.4
1980	7.1	6.5	2.8	7
1981	7.6	7.6	4	10.5
1982	9.7	8.3	5.6	11.3
1983	9.6	8.6	6.9	11.8
1984	7.5	10	7.1	11.7
1985	7.2	10.5	7.2	11.2
1986	7	10.6	6.6	11.2
1987	6.2	10.8	6.3	10.3
1988	5.5	10.3	6.3	8.6
1989	5.3	9.6	5.7	7.2
1990	5.6	9.1	5	6.9
1991	6.8	9.6	4.3	8.6
1992	7.5	10.4	4.6	10.1
1993	6.9	11.8	5.7	10.5
1994	6.1	12.3	6.5	9.7
1995	5.6	11.8	6.5	8.7
1996	5.4	12.6	7.2	8.2
1997	4.9	12.6	7.8	7.1
1998	4.3	12	7.6	6.4

Sources:
1940 -1958: International Labor Organization (Yearbook of Labor Statistics, 1950-1960); Liesner (1989).
1959 - 1998: U.S. Department of Labor, Bureau of Labor Statistics (1998a).
Note: For 1959 -1998 Civilian Unemployment Rates Approximating U.S. Concepts.

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Table 12. Total Gross School Enrolment Rates.

Year	Primary			
	U.S.	France	FRG	U.K.
1950	88	79	81	69
1955	88	81	64	74
1960	83	74	69	62
1965	81	71	68	68
1970	109	117	160	104
1975	99	109	100	105
1980	100	111	99	103
1985	101	109	98	104
1990	105	108	101	104
1993	107	106	97	114
Year	**Secondary**			
	U.S.	France	FRG	U.K.
1950	60	35	77	72
1955	64	46	99	83
1960	76	83	78	107
1965	100	76	100	125
1970	100	74	61	73
1975	92	82	89	83
1980	91	85	94	83
1985	98	90	98	84
1990	92	99	98	86
1993	97	106	101	94
Year	**Tertiary**			
	U.S.	France	FRG	U.K.
1960	32	10	16	9
1965	40	18	19	12
1970	50	20	13	14
1975	58	24	25	19
1980	57	26	28	20
1985	60	30	29	22
1990	74	40	34	29
1993	80	50	36	41

Source: UN: Statistical Yearbook, 1950-1995.

Note: The gross enrollment ratio is the total enrolment, regardless of age, divided by the population of the official age group which corresponds to a specific level of education. The ratios for the first and secondary level of education have been calculated taking into account the different national systems of education and the duration of schooling at the first and secondary levels (general). At the tertiary level the ratios are expressed as a percentage of the population in the five-year age group following on from the official secondary school leaving age.

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Table 13. Public Expenditures on Education.

Public Expenditures on Education as a % of GNP[1]									
Primary & Secondary					Higher Education				
Year	U.S.	France	FRG	U.K.	Year	U.S.	France	FRG	U.K.
1960		1.89			1960		0.14	0.24	
1965	3.04	2.08	1.36	2.32	1965	0.9	0.17	0.35	0.64
1970	3.85	2.5	1.59	2.55	1970	1.44	0.36	0.43	0.76
1971	3.9	2.54	1.68	2.7	1971	1.48	0.41	0.48	0.78
1972	3.79		1.62	2.85	1972	1.42		0.51	0.85
1973	4.12	2.4	1.71	2.84	1973	1.49	0.45	0.52	0.83
1974	3.81	2.48	1.87	3.5	1974	1.62	0.43	0.58	0.89
1975	3.78	2.57	2.1		1975	1.65	0.37	0.48	
1976	3.92	2.59	1.96		1976	1.49	0.39	0.42	
1977	3.7				1977	1.48			
Public Expenditures on Education as a % of GDP[2]									
Primary					Secondary				
Year	U.S.	France	FRG	U.K.	Year	U.S.	France	FRG	U.K.
1985	1.5		0.6	1.2	1985	1.9		2.2	2.2
1986	1.5		0.6	1.2	1986	1.9		2.1	2.4
1987	1.6		0.6	1.3	1987	1.9		2.1	2.3
1988	1.7			1.3	1988	1.9		2	2.3
1989	1.8			1.3	1989	1.9			2.2
1990	1.8			1.3	1990	2			2.3
1991	1.8		0.5	1.3	1991	2		1.9	2.2
Tertiary					All Levels				
Year	U.S.	France	FRG	U.K.	Year	U.S.	France	FRG	U.K.
1985	1.3		1	1.1	1985	5		4.6	5.3
1986	1.4		1	1	1986	5.1		4.5	5
1987	1.4		1	1	1987	5.2		4.4	5.1
1988	1.4		1	0.9	1988	5.2		4.3	5
1989	1.2			0.9	1989	5.1			4.9
1990	1.5			0.9	1990	5.6			5.1
1991	1.5		0.9	1	1991	5.7		4.1	4.9

[1]Source: OECD (1981).
[2]Source: OECD (1992).

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Table 14. General Government Expenditures as a % of GDP.

Year	Total Social Expenditure				Public Health Expenditures				Total Health Expenditures			
	U.S.	France[1]	FRG[1]	U.K.[1]	U.S.	France	FRG	U.K.	U.S.	France	FRG	U.K.
1960	10.9	N/A	20.5	13.8	1.3	2.5	3.2	3.4	5.3	4.3	4.8	3.9
1965	12.3	N/A	22.4	16.2	1.6	3.6	3.6	3.6	6.1	5.3	5.1	4.2
1970	15.7	N/A	23.5	18.5	2.8	4.3	4.2	3.9	7.6	6.1	5.6	4.5
1975	20.8	24.2	32.6	22.4	3.7	5.5	6.6	5	8.6	7.6	8.1	5.5
1980	20.7	28.3	30.8	22	4.1	6.1	6.5	5.2	9.5	8.5	8.1	5.8
1985					4.3	6	6.6	5	10.7	8.5	8.5	5.9
1990					5.2	6.6	6	5.2	12.4	8.8	8.8	6
1995	16.4	28.8	29.8	23.7	6.6	7.7	8.2	5.9	14.2	9.8	10.4	6.9

Year	Educational Expenditure (all levels)				Social Security Transfers			
	U.S.	France	FRG	U.K.	U.S.	France	FRG	U.K.
1950					4.9	11.2	12.3	5.4
1955					3.8	13.1	11.4	5.4
1960	3.6	N/A	2.4	3.6	5.1	12.9	12.6	6.2
1965	4.5	N/A	3.5	4.5	5.2	16.1	13	7.4
1970	5.3	N/A	4	5.3	7.9	17.2	13.4	9.4
1975	6.3	5.8	5.4	6.8	11.5	20.6	18.4	10.9
1980	5.7	5.7	5.1	5.6	10	23.3	17.3	12.5
1985	5		4.6	5.3	11	26.6	16.6	14.6
1990	5.6			5.1	11.3	21.5	15.9	12.8
1991/2	7	6	5.4	N/A	13.1	22.4	14.8	14.3

Source: OECD, National Accounts 1950-1996.

Notes: Last year for educational expenditures is 1991. Last year for social security transfers is 1992.

[1]1995 Social Expenditure figures are for 1993.

Table 15. Institutional Protections of Labor, 1989-1994.

Country	Employment Protection	Labor Standards	Benefit Replacement Rate (%)	Benefit Duration (Years)	Active Labor Market Policies
U.S.	1	0	50	0.5	3
France	14	6	57	3	8.8
FRG	15	6	63	4	25.7
U.K.	7	0	38	4	6.4
Austria	16	5	50	2	8.3
Belgium	17	4	60	4	14.6
Denmark	5	2	90	2.5	10.3
Finland	10	5	63	2	16.4
Ireland	12	4	37	4	9.1
Italy	20	7	20	0.5	10.3
Neth.	9	5	70	2	6.9
Norway	11	5	65	1.5	14.7
Portugal	18	4	65	0.8	18.8
Spain	19	7	70	3.5	4.7
Sweden	13	7	80	1.2	59.3
Switzerlan	6	3	70	1	8.2
Canada	3	2	59	1	5.9
Japan	8	1	60	0.5	4.3
Australia	4	3	36	4	3.2
NZ	2	3	30	4	6.8

Source: Nickell (1997).

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Table 16. Poverty Correlations

		POVERTY	EMPLPROT	LABORSTA	TOTSOCEX
POVERTY	Pearson Correlation	1	-.804(*)	-.714(*)	-0.674
	Sig. (2-tailed)	.	0.016	0.047	0.067
	N	8	8	8	8
INCBOT20	Pearson Correlation	-0.747	0.601	0.734	.907(**)
	Sig. (2-tailed)	0.054	0.154	0.06	0.005
	N	7	7	7	7
INCBOT40	Pearson Correlation	-0.739	0.586	.768(*)	.878(**)
	Sig. (2-tailed)	0.058	0.167	0.044	0.009
	N	7	7	7	7
INCTOP20	Pearson Correlation	0.681	-0.443	-0.728	-0.749
	Sig. (2-tailed)	0.092	0.319	0.064	0.053
	N	7	7	7	7
GINI	Pearson Correlation	0.584	-0.238	-0.6	-0.397
	Sig. (2-tailed)	0.169	0.607	0.154	0.378
	N	7	7	7	7
EMPLPROT	Pearson Correlation	-.804(*)	1	.852(**)	.769(*)
	Sig. (2-tailed)	0.016	.	0.007	0.026
	N	8	8	8	8
LABORSTA	Pearson Correlation	-.714(*)	.852(**)	1	.793(*)
	Sig. (2-tailed)	0.047	0.007	.	0.019
	N	8	8	8	8
TOTSOCEX	Pearson Correlation	-0.674	.769(*)	.793(*)	1
	Sig. (2-tailed)	0.067	0.026	0.019	.
	N	8	8	8	8
UNEMPL	Pearson Correlation	-0.086	-0.24	-0.286	0.024
	Sig. (2-tailed)	0.839	0.568	0.492	0.954
	N	8	8	8	8
COMPENS	Pearson Correlation	0.272	-0.027	0.249	0.303
	Sig. (2-tailed)	0.514	0.95	0.553	0.466
	N	8	8	8	8
GDPCAPIT	Pearson Correlation	0.113	0.269	0.47	0.356
	Sig. (2-tailed)	0.789	0.52	0.24	0.386
	N	8	8	8	8
GDPGROW	Pearson Correlation	0.111	-0.264	-0.516	-0.522
	Sig. (2-tailed)	0.794	0.528	0.19	0.185
	N	8	8	8	8
UNIONS	Pearson Correlation	-0.3	0.163	0.256	0.136
	Sig. (2-tailed)	0.47	0.7	0.541	0.749
	N	8	8	8	8
BARGCOV	Pearson Correlation	-.821(*)	.777(*)	.726(*)	0.506
	Sig. (2-tailed)	0.013	0.023	0.042	0.201
	N	8	8	8	8
STRIKES	Pearson Correlation	0.028	-0.247	-0.06	-0.531
	Sig. (2-tailed)	0.948	0.555	0.887	0.176
	N	8	8	8	8
LOSTDAYS	Pearson Correlation	0.233	-0.586	-0.526	-0.702
	Sig. (2-tailed)	0.579	0.127	0.181	0.052
	N	8	8	8	8
COMMUN	Pearson Correlation	-0.282	0.574	0.55	0.351
	Sig. (2-tailed)	0.499	0.137	0.158	0.394
	N	8	8	8	8
LIBERAL	Pearson Correlation	0.646	-.729(*)	-0.606	-0.259
	Sig. (2-tailed)	0.083	0.04	0.111	0.535
	N	8	8	8	8
SOCIALST	Pearson Correlation	-.792(*)	0.63	0.572	0.291
	Sig. (2-tailed)	0.019	0.094	0.138	0.484
	N	8	8	8	8
CONSERV	Pearson Correlation	0.646	-0.522	-0.681	-0.437
	Sig. (2-tailed)	0.084	0.185	0.063	0.278
	N	8	8	8	8
LEFT	Pearson Correlation	-.783(*)	.731(*)	0.673	0.369
	Sig. (2-tailed)	0.022	0.039	0.067	0.375
	N	8	8	8	8
RIGHT	Pearson Correlation	.709(*)	-.711(*)	-0.698	-0.362
	Sig. (2-tailed)	0.049	0.048	0.054	0.379
	N	8	8	8	8

* Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2-tailed)

Source: Author's Calculations.

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Table 17. Correlations (page 1)

		EMPLPROT	LABORSTA	TOTSOCEX	PUBHELTX	COMPENS	LIFEMALE	INFMORT	UNEMPL
EMPLPROT	Pearson Correlation	1	.758(**)	(a)	(a)	-0.098	0.019	-.562(*)	0.346
	Sig. (2-tailed)		0			0.682	0.949	0.029	0.147
	N	20	20	0	0	20	14	15	19
LABORSTA	Pearson Correlation	758(**)	1	(a)	(a)	0.181	0.381	-.551(*)	0.274
	Sig. (2-tailed)	0				0.444	0.179	0.033	0.256
	N	20	20	0	0	20	14	15	19
TOTSOCEX	Pearson Correlation	(a)	(a)	1	.730(**)	.266(*)	.418(**)	-.499(**)	.406(**)
	Sig. (2-tailed)				0	0.041	0	0	0
	N	0	0	111	109	59	92	111	111
PUBHELTX	Pearson Correlation	(a)	(a)	.730(**)	1	.590(**)	.701(**)	-.696(**)	.523(**)
	Sig. (2-tailed)			0		0	0	0	0
	N	0	0	109	151	91	125	148	147
COMPENS	Pearson Correlation	-0.098	0.181	.266(*)	.590(**)	1	.618(**)	-.661(**)	.101(*)
	Sig. (2-tailed)	0.682	0.444	0.041	0		0	0	0.035
	N	20	20	59	91	462	322	453	436
LIFEMALE	Pearson Correlation	0.019	0.381	.418(**)	.701(**)	.618(**)	1	-.875(**)	.345(**)
	Sig. (2-tailed)	0.949	0.179	0	0	0		0	0
	N	14	14	92	125	322	721	721	673
INFMORT	Pearson Correlation	-.562(*)	-.551(*)	-.499(**)	-.696(**)	-.661(**)	-.875(**)	1	-.227(**)
	Sig. (2-tailed)	0.029	0.033	0	0	0	0		0
	N	15	15	111	148	453	721	1076	991
UNEMPL	Pearson Correlation	0.346	0.274	.406(**)	.523(**)	.101(*)	.345(**)	-.227(**)	1
	Sig. (2-tailed)	0.147	0.256	0	0	0.035	0	0	
	N	19	19	111	147	436	673	991	1000
INCBOT20	Pearson Correlation	.977(*)	0.92	.697(**)	0.21	-0.235	.243(*)	-0.147	-0.041
	Sig. (2-tailed)	0.023	0.08	0.006	0.374	0.054	0.018	0.103	0.646
	N	4	4	14	20	68	95	125	125
INCBOT40	Pearson Correlation	.976(**)	.964(**)	.534(*)	0.104	-.235(*)	0.124	-0.05	-0.017
	Sig. (2-tailed)	0.001	0.002	0.049	0.664	0.049	0.226	0.579	0.852
	N	6	6	14	20	71	97	126	127
INCTOP20	Pearson Correlation	-.876(*)	-.985(**)	-0.285	-0.029	0.221	-0.199	.383(**)	-0.055
	Sig. (2-tailed)	0.022	0	0.323	0.904	0.066	0.051	0	0.518
	N	6	6	14	20	70	97	125	126
GINI	Pearson Correlation	-0.224	-0.496	-.757(**)	-0.252	0.097	-.203(*)	.315(**)	-0.074
	Sig. (2-tailed)	0.718	0.395	0	0.224	0.377	0.022	0	0.348
	N	5	5	18	25	85	127	161	163
LOSTDAYS	Pearson Correlation	-0.079	-0.038	-0.026	-0.043	-.244(**)	-.090(*)	0.054	.118(**)
	Sig. (2-tailed)	0.741	0.872	0.788	0.609	0	0.02	0.094	0
	N	20	20	109	144	425	669	968	946
STRIKES	Pearson Correlation	-0.059	0.184	-0.105	-0.115	-.320(**)	-.124(**)	-0.053	-0.032
	Sig. (2-tailed)	0.81	0.45	0.287	0.179	0	0.001	0.108	0.328
	N	19	19	104	137	414	651	934	914
CLFSTRIK	Pearson Correlation	0.32	0.321	0	-0.023	-.305(**)	-.082(*)	-0.007	.128(**)
	Sig. (2-tailed)	0.169	0.168	1	0.781	0	0.033	0.832	0
	N	20	20	110	145	422	668	972	950
GDPCAPIT	Pearson Correlation	-0.294	-0.047	.479(**)	.677(**)	.724(**)	.672(**)	-.696(**)	.076(*)
	Sig. (2-tailed)	0.208	0.843	0	0	0	0	0	0.037
	N	20	20	111	151	462	554	785	756
UNIONS	Pearson Correlation	(a)	(a)	.303(**)	0.003	-0.114	0.042	-0.005	-0.093
	Sig. (2-tailed)			0.006	0.976	0.262	0.597	0.947	0.197
	N	1	1	80	106	99	160	201	196
BARGCOV	Pearson Correlation	(a)	(a)	.648(**)	.337(*)	0.142	-0.136	0.034	.260(*)
	Sig. (2-tailed)			0.001	0.024	0.237	0.293	0.78	0.04
	N	0	0	22	45	71	62	68	63
COMMUN	Pearson Correlation	(a)	(a)	0.028	-0.01	-.344(*)	-.285(**)	.281(**)	0.082
	Sig. (2-tailed)			0.8	0.914	0.03	0.001	0	0.288
	N	0	0	83	113	79	130	178	171
LIBERAL	Pearson Correlation	(a)	(a)	-0.197	-0.089	-0.058	-0.095	0.036	.262(**)
	Sig. (2-tailed)			0.07	0.346	0.611	0.282	0.632	0
	N	0	0	85	114	79	131	182	174
SOCIALST	Pearson Correlation	(a)	(a)	0.058	0.011	-.219(*)	0.115	-0.068	-.221(**)
	Sig. (2-tailed)			0.589	0.906	0.046	0.183	0.353	0.003
	N	0	0	88	120	84	136	188	181
CONSERV	Pearson Correlation	(a)	(a)	-0.208	-.321(**)	-0.09	-0.118	0.133	-0.07
	Sig. (2-tailed)			0.051	0	0.414	0.167	0.066	0.348
	N	0	0	88	121	84	138	191	184
LEFT	Pearson Correlation	(a)	(a)	0.112	0.026	-.327(**)	-0.018	0.053	-.200(**)
	Sig. (2-tailed)			0.297	0.774	0.002	0.832	0.468	0.006
	N	0	0	88	121	84	138	191	184
RIGHT	Pearson Correlation	(a)	(a)	-.228(*)	-.249(**)	-0.083	-0.139	0.125	0.132
	Sig. (2-tailed)			0.031	0.006	0.45	0.104	0.086	0.074
	N	0	0	88	121	84	138	191	184

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

a Cannot be computed because at least one of the variables is constant.

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Table 17. Correlations (page 2)

		INCBOT20	INCBOT40	INCTOP20	GINI	LOSTDAYS	STRIKES	CLFSTRIK	GDPCAPIT
EMPLPROT	Pearson Correlation	977(*)	976(**)	-.876(*)	-0.224	-0.079	-0.059	0.32	-0.294
	Sig. (2-tailed)	0.023	0.001	0.022	0.718	0.741	0.81	0.169	0.208
	N	4	6	6	5	20	19	20	20
LABORSTA	Pearson Correlation	0.92	.964(**)	-.985(**)	-0.496	-0.038	0.184	0.321	-0.047
	Sig. (2-tailed)	0.08	0.002	0	0.395	0.872	0.45	0.168	0.843
	N	4	6	6	5	20	19	20	20
TOTSOCEX	Pearson Correlation	697(**)	.534(*)	-0.285	-.757(**)	-0.026	-0.105	0	.479(**)
	Sig. (2-tailed)	0.006	0.049	0.323	0	0.788	0.287	1	0
	N	14	14	14	18	109	104	110	111
PUBHELTX	Pearson Correlation	0.21	0.104	-0.029	-0.252	-0.043	-0.115	-0.023	.677(**)
	Sig. (2-tailed)	0.374	0.664	0.904	0.224	0.609	0.179	0.781	0
	N	20	20	20	25	144	137	145	151
COMPENS	Pearson Correlation	-0.235	-.235(*)	0.221	0.097	-.244(**)	-.320(**)	-.305(**)	.724(**)
	Sig. (2-tailed)	0.054	0.049	0.066	0.377	0	0	0	0
	N	68	71	70	85	425	414	422	462
LIFEMALE	Pearson Correlation	.243(*)	0.124	-0.199	-.203(*)	-.090(*)	-.124(**)	-.082(*)	.672(**)
	Sig. (2-tailed)	0.018	0.226	0.051	0.022	0.02	0.001	0.033	0
	N	95	97	97	127	669	651	668	554
INFMORT	Pearson Correlation	-0.147	-0.05	.383(**)	.315(**)	0.054	-0.053	-0.007	-.696(**)
	Sig. (2-tailed)	0.103	0.579	0	0	0.094	0.108	0.832	0
	N	125	126	125	161	968	934	972	789
UNEMPL	Pearson Correlation	-0.041	-0.017	-0.058	-0.076	.118(**)	-0.032	.128(**)	.076(*)
	Sig. (2-tailed)	0.646	0.852	0.518	0.348	0	0.328	0	0.037
	N	125	127	126	163	946	914	950	756
INCBOT20	Pearson Correlation	1	.948(**)	-.611(**)	-.760(**)	0.017	.186(*)	.180(*)	-0.174
	Sig. (2-tailed)	.	0	0	0	0.853	0.041	0.046	0.064
	N	126	124	123	110	123	122	124	114
INCBOT40	Pearson Correlation	.948(**)	1	-.703(**)	-.824(**)	0.075	.177(*)	0.142	-0.144
	Sig. (2-tailed)	0	.	0	0	0.403	0.05	0.112	0.122
	N	124	128	127	111	125	124	126	116
INCTOP20	Pearson Correlation	-.611(**)	-.703(**)	1	.890(**)	-0.105	-.187(*)	-0.014	-.208(*)
	Sig. (2-tailed)	0	0	.	0	0.245	0.039	0.88	0.025
	N	123	127	127	110	124	123	125	115
GINI	Pearson Correlation	-.760(**)	-.824(**)	.890(**)	1	-0.015	-0.128	-0.05	-0.159
	Sig. (2-tailed)	0	0	0	.	0.846	0.105	0.531	0.052
	N	110	111	110	163	161	161	162	150
LOSTDAYS	Pearson Correlation	0.017	0.075	-0.105	-0.015	1	.227(**)	.542(**)	-.183(**)
	Sig. (2-tailed)	0.853	0.403	0.245	0.846	.	0	0	0
	N	123	125	124	161	979	944	976	732
STRIKES	Pearson Correlation	.186(*)	.177(*)	-.187(*)	-0.128	.227(**)	1	.484(**)	-.128(**)
	Sig. (2-tailed)	0.041	0.05	0.039	0.105	0	.	0	0.001
	N	122	124	123	161	944	945	941	706
CLFSTRIK	Pearson Correlation	.180(*)	0.142	-0.014	-0.05	.542(**)	.484(**)	1	-.171(**)
	Sig. (2-tailed)	0.046	0.112	0.88	0.531	0	0	.	0
	N	124	126	125	162	976	941	983	736
GDPCAPIT	Pearson Correlation	-0.174	-0.144	-.209(*)	-0.159	-.183(**)	-.128(**)	-.171(**)	1
	Sig. (2-tailed)	0.064	0.122	0.025	0.052	0	0.001	0	.
	N	114	116	115	150	732	706	736	796
UNIONS	Pearson Correlation	.555(**)	.610(**)	-.574(**)	-.418(**)	-0.076	.217(**)	0.111	-0.045
	Sig. (2-tailed)	0	0	0	0.001	0.293	0.003	0.126	0.55
	N	48	48	48	58	193	187	193	177
BARGCOV	Pearson Correlation	0.242	0.215	-0.213	-0.275	0.136	0.24	0.217	-0.104
	Sig. (2-tailed)	0.695	0.728	0.731	0.654	0.287	0.062	0.09	0.388
	N	5	5	5	5	63	61	62	71
COMMUN	Pearson Correlation	0.073	-0.004	0.13	.366(*)	.160(*)	0.116	.420(**)	-.195(*)
	Sig. (2-tailed)	0.747	0.984	0.563	0.009	0.034	0.129	0	0.017
	N	22	22	22	33	176	171	177	149
LIBERAL	Pearson Correlation	-0.41	-0.293	0.108	-0.032	-0.016	-.262(**)	-.247(**)	-0.103
	Sig. (2-tailed)	0.052	0.175	0.63	0.865	0.835	0	0.001	0.207
	N	23	23	23	31	179	174	180	151
SOCIALST	Pearson Correlation	.494(*)	.414(*)	-0.246	-0.207	-0.026	.165(*)	0.029	-0.106
	Sig. (2-tailed)	0.017	0.049	0.257	0.249	0.729	0.026	0.695	0.188
	N	23	23	23	33	186	181	187	157
CONSERV	Pearson Correlation	-0.258	-0.228	0.202	0.175	0.014	0.026	0.058	-.251(**)
	Sig. (2-tailed)	0.234	0.295	0.356	0.329	0.846	0.721	0.43	0.001
	N	23	23	23	33	189	184	190	159
LEFT	Pearson Correlation	.468(*)	0.37	-0.178	-0.041	0.071	.229(**)	.264(**)	-0.14
	Sig. (2-tailed)	0.024	0.082	0.417	0.82	0.329	0.002	0	0.078
	N	23	23	23	33	189	184	190	159
RIGHT	Pearson Correlation	-.430(*)	-0.32	0.169	0.038	0	-.201(**)	-.173(*)	-.234(**)
	Sig. (2-tailed)	0.046	0.137	0.441	0.833	0.996	0.006	0.017	0.003
	N	23	23	23	33	189	184	190	159

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

a Cannot be computed because at least one of the variables is constant.

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Table 17. Correlations (page 3)

		UNIONS	BARGCOV	COMMUN	LIBERAL	SOCIALST	CONSERV	LEFT	RIGHT
EMPLPROT	Pearson Correlation	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)
	Sig. (2-tailed)								
	N	1	0	0	0	0	0	0	0
LABORSTA	Pearson Correlation	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)
	Sig. (2-tailed)								
	N	1	0	0	0	0	0	0	0
TOTSOCEX	Pearson Correlation	.303(**)	648(**)	0.028	-0.197	0.058	-0.208	0.112	-.228(*
	Sig. (2-tailed)	0.006	0.001	0.8	0.07	0.589	0.051	0.297	0.031
	N	80	22	83	85	88	89	89	89
PUBHELTX	Pearson Correlation	0.003	.337(*)	-0.01	-0.089	0.011	-.321(**)	0.026	-.249(**
	Sig. (2-tailed)	0.976	0.024	0.914	0.346	0.906	0	0.774	0.006
	N	106	45	113	114	120	121	121	121
COMPENS	Pearson Correlation	-0.114	0.142	-.244(*)	-0.058	-.219(*)	-0.09	-.327(**)	-0.083
	Sig. (2-tailed)	0.262	0.237	0.03	0.611	0.046	0.414	0.002	0.45
	N	99	71	79	79	84	84	84	84
LIFEMALE	Pearson Correlation	0.042	-0.136	-.285(**)	-0.095	0.115	-0.118	-0.018	-0.139
	Sig. (2-tailed)	0.597	0.293	0.001	0.282	0.183	0.167	0.832	0.104
	N	160	62	130	131	136	138	138	138
INFMORT	Pearson Correlation	-0.005	0.034	.281(**)	0.036	-0.068	0.133	0.053	0.125
	Sig. (2-tailed)	0.947	0.78	0	0.632	0.353	0.066	0.468	0.086
	N	201	68	178	182	188	191	191	191
UNEMPL	Pearson Correlation	-0.093	.260(*)	0.082	.262(**)	-.221(**)	-0.07	-.200(**)	0.132
	Sig. (2-tailed)	0.197	0.04	0.288	0	0.003	0.348	0.006	0.074
	N	196	63	171	174	183	184	184	184
INCBOT20	Pearson Correlation	.555(**)	0.242	0.073	-0.41	.494(*)	-0.258	.468(*)	-.420(*
	Sig. (2-tailed)	0	0.695	0.747	0.052	0.017	0.234	0.024	0.046
	N	48	5	22	23	23	23	23	23
INCBOT40	Pearson Correlation	.610(**)	0.215	-0.004	-0.293	.414(*)	-0.228	0.37	-0.32
	Sig. (2-tailed)	0	0.728	0.984	0.175	0.049	0.295	0.082	0.137
	N	48	5	22	23	23	23	23	23
INCTOP20	Pearson Correlation	-.574(**)	-0.213	0.13	0.106	-0.246	0.202	-0.178	0.169
	Sig. (2-tailed)	0	0.731	0.563	0.63	0.257	0.356	0.417	0.441
	N	48	5	22	23	23	23	23	23
GINI	Pearson Correlation	-.418(**)	-0.275	.366(*)	-0.032	-0.207	0.175	-0.041	0.038
	Sig. (2-tailed)	0.001	0.654	0.039	0.865	0.249	0.329	0.82	0.833
	N	58	5	32	31	33	33	33	33
LOSTDAYS	Pearson Correlation	-0.076	0.136	.160(*)	-0.016	-0.026	0.014	0.071	0
	Sig. (2-tailed)	0.293	0.287	0.034	0.835	0.729	0.846	0.329	0.996
	N	193	63	176	179	186	189	189	189
STRIKES	Pearson Correlation	.217(**)	0.24	0.116	-.262(**)	.165(*)	0.026	.229(**)	-.201(**
	Sig. (2-tailed)	0.003	0.062	0.129	0	0.026	0.721	0.002	0.006
	N	187	61	171	174	181	184	184	184
CLFSTRIK	Pearson Correlation	0.111	0.217	.420(**)	-.247(**)	0.029	0.058	.264(**)	-.173(*
	Sig. (2-tailed)	0.126	0.09	0	0.001	0.695	0.43	0	0.017
	N	193	62	177	180	187	190	190	190
GDPCAPIT	Pearson Correlation	-0.045	-0.104	-.195(*)	-0.103	-0.106	-.251(**)	-0.14	-.234(**
	Sig. (2-tailed)	0.55	0.388	0.017	0.207	0.188	0.001	0.078	0.003
	N	177	71	149	151	157	159	159	159
UNIONS	Pearson Correlation	1	.439(*)	-.194(*	-0.151	.444(**)	-.432(**)	.316(**)	-.388(**
	Sig. (2-tailed)		0.012	0.021	0.071	0	0	0	0
	N	202	32	140	144	149	149	149	149
BARGCOV	Pearson Correlation	.439(*)	1	0.227	-.391(*	.450(**)	-0.278	.538(**)	-.567(**
	Sig. (2-tailed)	0.012		0.176	0.018	0.004	0.087	0	0
	N	32	71	37	36	39	39	39	39
COMMUN	Pearson Correlation	-.194(*	0.227	1	-.268(**	-.311(**	-.181(*	.246(**	-.333(**
	Sig. (2-tailed)	0.021	0.176		0	0	0.014	0.001	0
	N	140	37	183	173	180	183	183	183
LIBERAL	Pearson Correlation	-0.151	-.391(*	-.268(**	1	-.626(**	-0.088	-.809(**	.748(**
	Sig. (2-tailed)	0.071	0.018	0		0	0.23	0	0
	N	144	36	173	187	183	187	187	187
SOCIALST	Pearson Correlation	.444(**)	.450(**)	-.311(**	-.626(**	1	-0.074	.842(**	-.573(**
	Sig. (2-tailed)	0	0.004	0	0		0.308	0	0
	N	149	39	180	183	193	193	193	193
CONSERV	Pearson Correlation	-.432(**)	-0.278	-.181(*	-0.088	-0.074	1	-.197(**	.579(**
	Sig. (2-tailed)	0	0.087	0.014	0.23	0.308		0.005	0
	N	149	39	183	187	193	197	197	197
LEFT	Pearson Correlation	.316(**)	.538(**)	.246(**	-.809(**	.842(**	-.197(**	1	-.796(**
	Sig. (2-tailed)	0	0	0.001	0	0	0.005		0
	N	149	39	183	187	193	197	197	197
RIGHT	Pearson Correlation	-.388(**)	-.567(**	-.333(**	.748(**	-.573(**	.579(**	-.796(**	1
	Sig. (2-tailed)	0	0	0	0	0	0	0	
	N	149	39	183	187	193	197	197	197

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

a Cannot be computed because at least one of the variables is constant.

Source: Author's Calculations.

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Table 18. Employment Protections and Labor Standards Correlations.

		EMPLPROT	LABORSTA
TOTSOCEX	Pearson Correlation	0.284	.577(**)
	Sig. (2-tailed)	0.226	0.008
	N	20	20
INCBOT40	Pearson Correlation	0.463	.651(*)
	Sig. (2-tailed)	0.111	0.016
	N	13	13
INCBOT20	Pearson Correlation	0.488	.541(*)
	Sig. (2-tailed)	0.065	0.037
	N	15	15
GINI	Pearson Correlation	-0.41	-.534(*)
	Sig. (2-tailed)	0.129	0.04
	N	15	15
INFMORT	Pearson Correlation	0.119	-0.133
	Sig. (2-tailed)	0.617	0.576
	N	20	20
LIFEMALE	Pearson Correlation	-0.264	-0.022
	Sig. (2-tailed)	0.261	0.927
	N	20	20
UNEMPL	Pearson Correlation	0.403	.485(*)
	Sig. (2-tailed)	0.078	0.03
	N	20	20
COMPENS	Pearson Correlation	0.049	0.228
	Sig. (2-tailed)	0.839	0.333
	N	20	20
EMPLPROT	Pearson Correlation	1	.758(**)
	Sig. (2-tailed)		0
	N	20	20
LABORSTA	Pearson Correlation	.758(**)	1
	Sig. (2-tailed)	0	
	N	20	20
GDPCAPIT	Pearson Correlation	-0.325	-0.054
	Sig. (2-tailed)	0.162	0.823
	N	20	20
GDPGROW	Pearson Correlation	0.408	0.101
	Sig. (2-tailed)	0.074	0.673
	N	20	20
UNIONS	Pearson Correlation	0.097	0.171
	Sig. (2-tailed)	0.683	0.471
	N	20	20
BARGCOV	Pearson Correlation	.693(**)	.775(**)
	Sig. (2-tailed)	0.001	0
	N	20	20
STRIKES	Pearson Correlation	-0.135	0.083
	Sig. (2-tailed)	0.571	0.726
	N	20	20
LOSTDAYS	Pearson Correlation	0.131	0.139
	Sig. (2-tailed)	0.583	0.558
	N	20	20
CLFSTRIKE	Pearson Correlation	0.295	0.349
	Sig. (2-tailed)	0.207	0.131
	N	20	20
LIBERAL	Pearson Correlation	-0.262	-0.407
	Sig. (2-tailed)	0.265	0.075
	N	20	20
SOCIALST	Pearson Correlation	0.152	0.266
	Sig. (2-tailed)	0.521	0.258
	N	20	20
CONSERV	Pearson Correlation	-0.241	-0.231
	Sig. (2-tailed)	0.306	0.328
	N	20	20
COMMUN	Pearson Correlation	.562(**)	.462(*)
	Sig. (2-tailed)	0.01	0.04
	N	20	20
LFT	Pearson Correlation	.480(*)	.529(*)
	Sig. (2-tailed)	0.032	0.017
	N	20	20
RIGHT	Pearson Correlation	-0.386	-.503(*)
	Sig. (2-tailed)	0.092	0.024
	N	20	20

* Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2-tailed).

Source: Author's Calculations.

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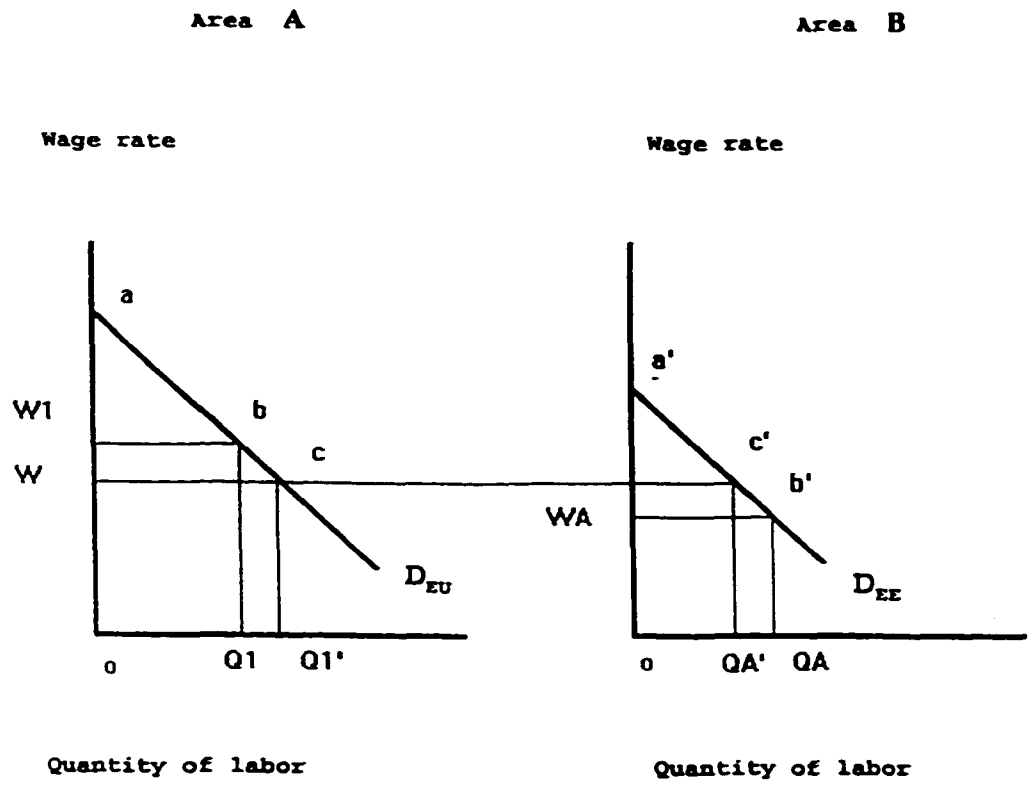
FIGURE 1



The migration of labor to the high-wage European Union (A) from low-wage East Europe (B) increases national output, reduces the average level of wages, and increases business income in the European Union while having opposite effects in East Europe.

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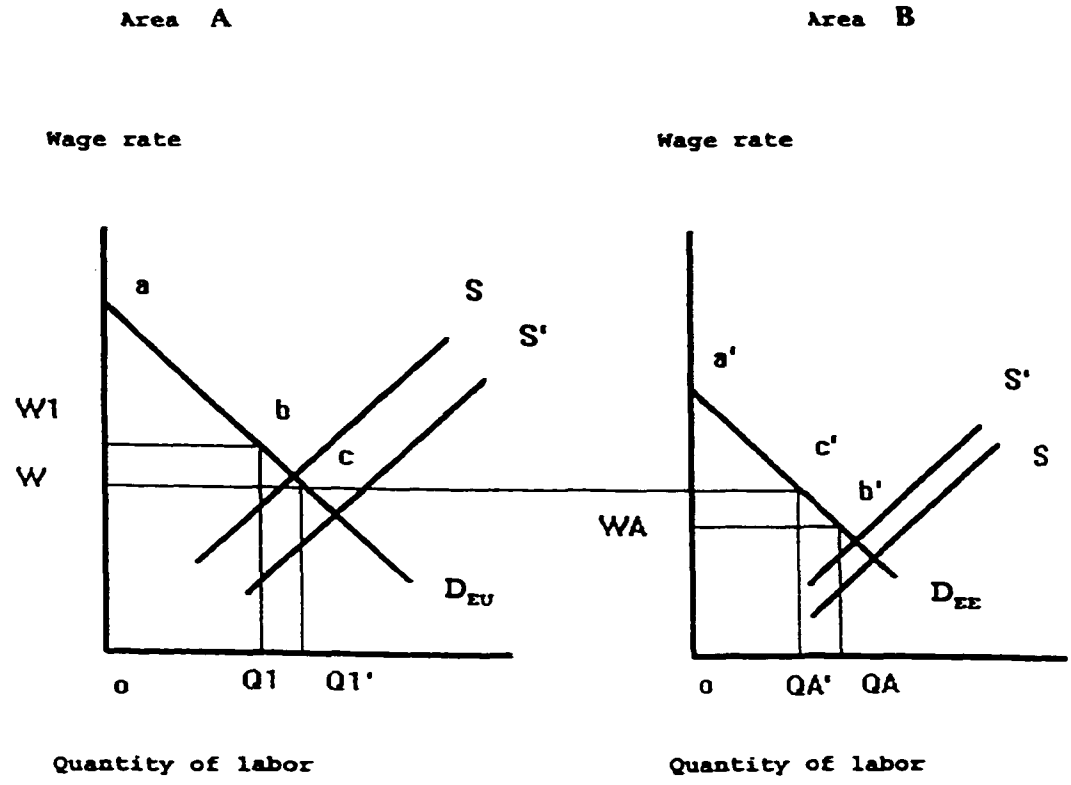
FIGURE 2



The model of labor migration between the high-wage European Union (area A) and low-wage East Europe (area B), under more realistic assumptions.

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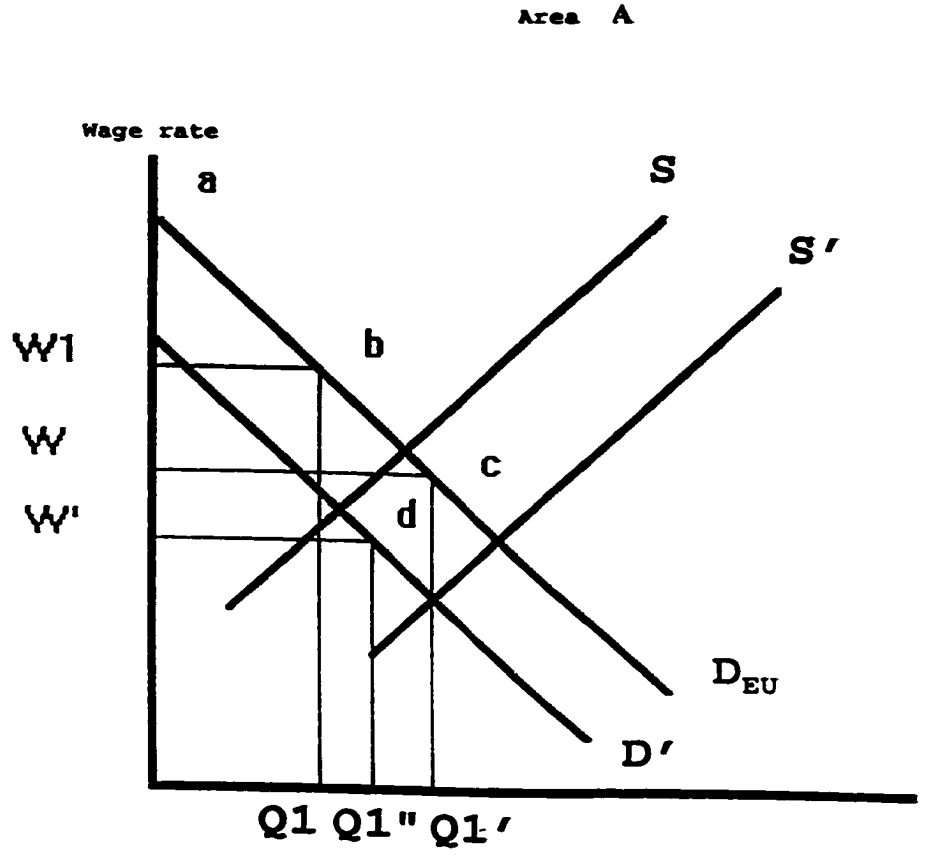
FIGURE 3



The combined effects of labor migration into and capital movement out of high-wage European Union (area A).

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