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**DECENTRALISATION AS A FORM OF
CORPORATISM: THE CASE OF
NORD-PAS-DE-CALAIS**

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**Thesis submitted for the degree of Doctor of Philosophy of the Open
University in the Urban and Regional Research Group, Discipline of Geography.**

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ABSTRACT

The world economy appears to have undergone profound changes since the end of the Second World War. Its regulatory nature has changed from being primarily national to become international. The "Golden Age", from the late 1940s to early 1970s, was based on a regime of accumulation and accompanying mode of regulation, commonly known as Fordism. At the heart of the mode of regulation in most European economies was the concept of corporatism, whereby economic and social interests were incorporated into some policy arena with the state. The stability conditions of Fordism, as a regime of accumulation, began to break down in the late 1960s. The national basis of economic regulation was weakened and the legitimacy of major components of the mode of regulation, like corporatism, undermined.

The ensuing changes in the world economy have been described as being part of the "new international division of labour". Essentially, technological changes offered the possibility production occurring around the globe without the constraints of time and space. The international economy took on the appearance of being global-local or international-regional. Consequently regions and localities attempted to develop a relative autonomy from the central state in making themselves attractive as sites across which international economic transactions would flow. In order to negotiate this autonomy and these transactions, local and regional interests are incorporating themselves into some policy arrangements with the local/regional state. Despite the demise of corporatism at a national level, it re-appears at a decentralised or devolved level as part of a mode or modes of regulation consistent with the new circumstances. What this research examines is the relationship between the decentralisation of state functions stemming from the decentralisation of production and corporatism. France and one of its largest regions was

chosen to study because they represent an unpromising case because of the historical antipathy to corporatism. What is argued is that the historical lineage of corporatism is stronger than conventionally thought. Furthermore, the nature of neo-liberalism in France leads logically to corporatism. In the circumstances of the "new international division of labour" and the formal decentralisation of state powers and means of financing them in France, since 1982, regional interest groups have organised within a concerted framework with the recently empowered local/regional state. Therefore, the logic of these circumstances leads to the argument that decentralisation is a form of corporatism.

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INTRODUCTION

The structure and development of capitalist economies have changed profoundly since the Second World War. In Europe, these changes have been no less profound but the continent's heterodox nature has meant that the regulation of its constituent economies has been more difficult than in the case of major and unitary capitalist economies like the United States and Japan. Regulation is taken to have two meanings here. The French sense of *régulation*, meaning macroeconomic dynamic adjustment, is combined with the Anglo-Saxon meaning of rule making in order to make sense of the rapid developments in post-war Europe. The contribution of the French Regulation School to understanding these developments has been immense (see Aglietta 1979, 1982, Boyer 1986, Boyer and Mistral 1978, De Bernis 1983, Leborgne and Lipietz 1988, Lipietz 1982, 1987). Taking the Marxist concept of modes of production, these scholars periodise developments in twentieth century capitalism by reference to regimes of accumulation and modes of regulation.

Regimes are theoretically distinguished by the way in which surplus value is extracted from the process of valorizing commodities, lying at the heart of capitalist reproduction. Empirically they are distinguished by the nature of the labour process, with the pre-war system of craft based manufacturing being part of an extensive regime of accumulation. The post-war semi-automatic production system is part of an intensive regime of accumulation. The post-war regime and its accompanying mode of regulation has been given the generic term of Fordism. In the same way that one finds remnants of pre-capitalist forms of economic organisation operating alongside capitalist ones, so one finds earlier regimes co-existing with later ones like Fordism. Examples include Taylorism, which can be described simply as a rationalisation of production based on management principles, generically known as scientific management. These principles sought to separate

mental and manual functions in production. Its organisation is undertaken by engineers and maintenance staff with the repetitive tasks of manufacture being done by semi-skilled operatives. Mental aspects were not completely denuded as Taylorist principles sought to incorporate the best craft and specialist worker skills into routinised production whilst denying the ability of these workers a monopoly over the exercise of their skills (Lipietz 1992). Incorporation of worker knowledge into production advanced within the semi-automatic systems developed under Fordism.

Regulation theory, which is examined in chapter 2, distinguishes regimes of accumulation from modes of regulation. A mode of regulation includes the gamut of institutions, practices and policy arenas which govern the manner in which a regime of accumulation develops. To put it more simply it is the "rules of the game" (Dunford, 1988). Corporatism, as a formal or informal arrangement in which economic interest groups are incorporated into a policy arena with the state, has been central to the mode of regulation in Europe. The nature of regulation in its broadest sense was national in the post-war period until the collapse of the Bretton Woods system. That is, nation-states had discretion over a large measure of economic policy and management subject to the constraint of relatively fixed exchange rates. It was the Bretton Woods system which established the international parameters of this predominantly nationally based system of regulation. As such, the regime of accumulation which underlay this system, Fordism, acted as a kind of thermostatic device for capitalist reproduction in most advanced economies.

Since the early 1970s the stability conditions of this system have broken down to be replaced by an uncertain internationalism, under the rubric of the "new international division of labour" (Froebel et al 1980). This newness dates from the last thirty years,

although some of the characteristics of the current division of labour can be dated from the turn of the century (Henderson 1989). The development of the new international of labour is based on a significant increase in foreign direct manufacturing and portfolio investment in the major of core capitalist economies. At the same time there has been a significant increase in foreign direct manufacturing investment in the peripheral economies or what were termed the newly industrialising countries (NICs). This dual development has given rise to a process of "global shift" (Dicken 1992). That is, the combination of new manufacturing and communication technologies, growth of foreign direct investment and new forms of financial capital shifted the locus of the world's economic and production systems from a predominantly national to a global basis. The resulting decentralisation of production, away from traditional sites, is a corollary of the decline in nation-state discretion over economic policy. These changes impacted on the labour process, leading to a spatial differentiation in the manner in which labour tasks were divided. Capital accumulation became globally organised with production occurring in local transplants, giving rise to the salience of global-local interplay (Stohr 1990, Cooke 1992, Swyngedouw 1992). That is, transnational or multinational enterprises invest in real and portfolio capital in localities around the world in order to gain economies of scale and scope. These economies are abstracted into a global production and financial system that, because of the benefits of technological change, is not constrained by territory nor space. This thesis brings these elements together by arguing that the corporatist arrangements which were central to the mode of regulation of many European economies have been re-structured. The shift in the regime or regimes of accumulation to a more international and decentralised basis undermined the legitimacy of many of the institutional bases of the mode of regulation at a national level. The enhancing of regional and local spaces and the

emphasis on "locality" as an economic and social entity has led to demands for more devolved forms of governance. In the case of France, these demands culminated in the passing of legislation which deconcentrated and decentralised state powers to local and regional tiers of government in the early 1980s. What is argued here is that this project of decentralisation has become part of the new mode of regulation. The decentralisation of administrative responsibilities to lower governmental tiers are constrained by the fiscal powers devolved to these tiers. As there are limits to these powers, the legitimacy of devolved policy actions depends on the degree to which local economic and social interest groups are incorporated into policy making. This outcome appears most pertinent in the case of economic development policies. Therefore, it can be argued that decentralisation of governmental functions can be conceived of as a form of corporatism. In effect, these functions can only operate efficaciously if they ^{are} part of a mode of regulation which incorporates local and regional interest groups. _h

Within a regional economic space like the European Union, the lowering of tariff and non-tariff barriers has encouraged the location of transplanted manufacturing facilities. In respect of Western Europe, a hierarchy of localities has developed. This hierarchy appears to be based on the level and comparative specialisation of economic functions. Clearly, higher order activities like finance and advanced producer services are located in the major urban nodes. Lower level activities are located further down the hierarchy in the more peripheral cities and regions. The major metropolises like London, Paris and Frankfurt have become key global urban nodes within a supra-national regional nexus. It appears that the new international division of labour has impacted upon Western Europe in the form of a core-periphery structure. The regional core is banana-shaped and covers the cities London, Paris, Brussels, Amsterdam, Cologne, Frankfurt, Munich and Milan. The

peripheral regions are mainly located in the more marginal economies of Greece, Ireland, Portugal and Spain. However, in the same manner that there is not a single urban hierarchy so a core-periphery regional structure is more variegated than described above. That is, peripheral regions are found cheek-by-jowl with core ones. In France for example, the declining region of Nord-Pas-de-Calais is located close to the wealthy Parisian region. In Germany, Cologne is the major media city which is located close to the declining Ruhr industrial area. With little hinderance to international capital mobility and technology overcoming the constraint of time and space, the new international division of labour has wrought profound changes in the localities of Western Europe. The outcome is too variable to be bound by notions of a single urban hierarchy or a simple core-periphery structure. By the same token the dominant regime and mode of Fordism has given way to a set of co-existing and alternative regimes and modes.

As the regime of accumulation came under pressure and altered it seems logical that the mode of regulation - the rules of the game - would alter. However, rather like the regime or regimes of accumulation which have been evolving after Fordism, the mode or modes of regulation under the new international division of labour will be rather less determinant than formerly. At the heart of developments in the international division of labour has been the decentralisation of production. At the same time, international market adjustment has become the objective function of economic management. The deregulated and liberalised nature of this objective function has decentralised market behaviour at its core. In many European states the institutional basis of the mode of regulation under Fordism had national corporatist arrangements as a core component. The erosion of national state regulatory powers over the macro-economy undermined the utility and legitimacy of these arrangements. Given this erosion and the salience of global-local interplay in the new

international division of labour, there appears to have been an evacuation of the *national*. This appearance is reinforced by the devolution state powers to regions and localities. At the same time there is a distribution of state powers upwards to supra-national levels. The traditional federalism of Germany and the decentralisation project in France are examples of the former. Even in a unitary state like Britain, pressures for devolution have never quite been assuaged. The European Commission's increased involvement in trade negotiations through the World Trade Organisation and the framing of continental-wide regulation of financial markets is an example of the latter.

The erosion of state powers and their redistribution away from the *national* needs to be set in the context of the role of the state and the distribution of functions within that role. There are two streams of analysis which can be followed. Musgrave's "Theory of the Multiple Household" has a threefold classification of the state's role (Musgrave 1959). They are allocation, distribution and stabilisation. The allocative role of government derives from market failure. In the presence of market failure the government intervenes in the allocative function of the market by introducing policies to compensate for this failure. These policies include the provision of social goods; the optimal provision of which would not adequately signalled by the market mechanism. Examples include public goods and merit goods, like street lighting education and health. Technological and pecuniary externalities are other examples of the allocative role. This latter example is important in regional economic development where regional states seek to stimulate technology transfers and the benefits of localised agglomeration of economic activities. The distributive role also stems from market failure. A non-optimal distribution of income and wealth may be produced by the market mechanism. Governments then intervene through the tax system and the provision of transfers in order to move towards a more optimal

distribution. Merit goods provided through the public budget can also be used for distributive purposes. The stabilisation role of government comes out of what is generally known as macroeconomic policy. Governments use fiscal and monetary policies to influence desired rates of growth, employment, price stability and terms of trade. As noted by Musgrave and Musgrave the various roles come into conflict with each other periodically (Musgrave and Musgrave 1963). The dictates of stabilisation in times of crisis feed through to a lower provision of social goods than is consistent with their optimal allocation. Similarly, the funding of social goods may have a distributive element which is inconsistent with allocative optimality. Finally, there may be a trade-off between stabilisation objectives and fiscal transfers re-distributed to the unemployed and those other sections of the population which are economically and socially excluded (op. cit).

The other stream of analysis sustains the view that the state has a dual determination. It has an institutional form and a material content (Offe 1984). That is, the rules of democratic and representative government derived from the electoral system and responding to the continual requirement of the process of capital accumulation. Offe's model of the capitalist state has a four-fold functional classification:

- (i) Private production
- (ii) Taxation constraints
- (iii) Accumulation *
- (iv) Democratic legitimation

Private production escapes polity because production processes are necessarily private. The state's power derives from resources gained through taxation of the accumulation process. Accumulation is beyond the state's power to organise but does depend on the environment engendered by (i) and (ii). It follows that state actors require a healthy accumulation

process for their own power. Finally, the electoral mechanism disguises the fact that state power derives its power gleaned from the accumulation process (ibid). Accumulation is based on the creation of value in the production of commodities. Commodities combine use value - the intrinsic utility of the commodity - and exchange value - the value placed on the commodity's use value which will be exchanged for another commodity. Offe refers to this relationship as the "commodification process" (op.cit). Labour and capital combine in production to create value. It is implicit that elements of labour and capital are units of value because they are the basis of the creation of value in the production of commodities. Periodically these units of value are expelled during the commodification process. That is, labour becomes unemployed and capital becomes obsolete. Within the capacity of the state's dual determination it responds to units of value being expelled through strategies of "administrative re-commodification" (op.cit). These include measures like regulations and financial incentives to deal with destructive competition. The social costs of private capital are socialised through public infrastructure investment. Joint decision making and financing arrangements under the rubric of private-public partnership are another example. Finally, schemes to assist labour mobility and re-training, stimulation of research and development and technology transfer and formation complete a fairly comprehensive list. These measures are seen by Offe as an example of the state's dual determination but they can also be seen as cross-cutting Musgrave's theorisation. Regulationists like Aglietta refer to these strategies as the "socialisation of consumption" (1979: 179). They can also be seen primarily as examples of allocation and distribution. The import of these measures, in respect of the state's stabilisation role and its erosion, is returned to below in the appraisal of the regional state. However, even if strategies of administrative re-commodification are successful in returning expelled elements of value to the commodification process, the

burden ultimately falls on the owners of capital because they are funded out of taxation.

The erosion of state functions in the post "Golden Age" period, particularly that of stabilisation, has undermined part of the state's dual determination: democratic legitimacy. The increasing international constraint on national macroeconomic policy meant that the state could less and less attain growth, employment and price stability targets. Conflicts between allocation, distribution and stabilisation became amplified. The net effect was to reduce economic welfare and net benefits flowing to the populace, which formerly flowed from state discretion over national economic regulation. Therefore, the degree to which the state could legitimate itself in the spheres of allocation and distribution was dependent on external and not internal macroeconomic adjustment. As an important component of the mode of regulation in many European states, corporatist institutions owed their legitimacy to the degree to which they had public status attributed to them by the state (cf. Offe 1985). This public attribution took the form of the constituent economic interest groups being incorporated into formal or semi-formal policy fora. Democratic legitimacy stems from forms of universal suffrage, whereas these groups' legitimacy flowed from the state's partiality. If the state's own legitimacy was coming under challenge, then privileged groups without universal approbation would find the partiality they enjoyed also challenged. A combination forms in which corporatism declines in importance and the conditions for devolution of state power arise. The ability of a powerful central state to endow economic and social welfare became materially and ideologically challenged. Overload of state functions and their apparent inability to maintain material and legitimate utility initiated local democratic responses. Simultaneously, liberal market ideology grew in importance, stressing the primacy of decentralised individual economic actors. The material counterpart of this ideology was the crisis of the state budget and the perception of crowding out of

private economic transactions by public ones. A unlikely mutuality of interest between left-of-centre demands for more a democratically accountable and locally devolved state and economic liberals, supporting the universal utility of the market, advanced decentralisation as a political project. More detailed assessment of this point is returned to below.

The fracturing of the stability conditions of Fordism or the end of the Bretton Woods era most notably eroded the stabilisation role of the state. In the increasingly international environment which developed from the 1970s onwards, national discretion over monetary policy, in particular, became progressively undermined. Although greater discretion over fiscal policy remained, the monetary implications of financing budget deficits constrained the degree to which stabilisation could be carried out through national fiscal policies. Where price stability became the institutional equivalent of the objective function of international market adjustment, domestic interest rates became determined through the exchange rate. In these straitened national circumstances, the state was confronted with a paradox. In most European states, the crisis of the public budget, wrought by the post-1973 economic crisis, forced central states to deal with the structure of their administrative and financial powers by devolving responsibilities to lower levels of government. The combination of material and institutional change generated decentralisation as an important component in the international environment. The mode of regulation came under pressure to respond to these decentralised imperatives, as a result. However, as chapters 3 and 4 argue, corporatism and social partnership appear historically intrinsic to the political economy of Europe. If the mode of regulation becomes devolved or decentralised then it seems intrinsic that corporatism will re-appear in a different guise or under new circumstances.

In the circumstances described above, the devolution of central state powers to the

periphery brings into focus the role of the regional state. At the same time, the ostensible reasons for the decentralisation of powers to region or locality enters the picture. In the case of France, there are a number of interpretations on the causes of the decentralisation project. Taking the role of the regional state first, it is apparent that the devolution of state powers will not include the stabilisation role. The state may be constrained in its discretion over macroeconomic policy but it still attempts to influence the level of the exchange rate, price stability and so on through monetary and fiscal policies. In federal systems like Germany, a regional distribution of taxation mechanism, *Finanzausgleichsetze*, acts as a parameter on fiscal policy and not a determining element. The devolution or decentralisation of state powers are therefore concerned with roles of allocation and distribution. For example, under the decentralisation legislation, responsibility for the provision of a merit good like education is divided between the different levels of government on a functional basis. Local authorities or communes are responsible for primary education and central government is responsible for university education, with intermediate levels being assigned to region or department.

The devolution of state powers to a regional or local level shifts the basis of the allocative and distribution role of the state downwards. The state's dual determination includes legitimacy, so it seems logical that in fulfilling these roles, the regional and/or local state must undertake measures which are seen to be legitimate by the local populace and constituent organised interests. Offe's notion of "administrative re-commodification" is important here. Where lower levels of government have been given responsibility for local or regional economic development, the outcome of development policies or measures are a means for the regional or local state to initiate and maintain the legitimacy of its devolved function. This is especially the case where it has been granted tax raising powers,

for example the region and commune in France, the Lander in Germany.

Regional and local economic development in Europe has two aspects, transition and modernisation. In the first instance, a region may have suffered decline of its traditional industries. For example in Nord-Pas-de-Calais coal, steel and textiles were the dominant industries which have undergone re-structuring and decline since the late 1960s. The newly empowered regional state has attempted to manage this decline and the transition to a new economically modern base. In the case of more successful European regions, for example the city-state of Hamburg, policy is orientated to maintaining the pace of economic modernisation and preserving Hamburg as a site for new technologically based activities. The degree to which regional states can undertake these dual roles successfully will in part determine their regionalised or localised legitimacy.

Returning to a consideration of decentralisation one finds a range of interpretations. In chapter 5, on the unpromising case of France, it is argued that decentralisation has re-structured and possibly reinforced the position of the central state by devolving power to the periphery. However, the history and context of decentralisation is also described and shows that it stemmed from democratic pressures, based on localities. In the 1960s and 1970s, the Socialist Party conducted its politics on a localised or regionalised basis. The animation of local power was the basis of opposition to a very centralist and Right dominated state. Despite the state's regional and departmental representatives, the prefects, attempting to respond to local demands, they were still agents of a distant state. One form of this animation was economic development programmes which could be seen as a direct response to the demands of local communities. The legitimacy of these programmes would be derived from their proximity to a community. They could be seen to be more democratic than centrally imposed policies. More prosaically a number of factors combined

gave decentralisation a powerful impetus. The Socialist government came to power through an unprecedented electoral popularity. At the same time, the Left dominated every level of government which was unprecedented in the twenty years prior to 1982. Secondly, many of the newly appointed members of the 1981 government and elected deputies (members of parliament) had developed their political careers at local level. As such, they had been subject to the guerilla warfare between central and local government which had endured under previous Gaullist administrations. Thirdly, reform was pushed through rapidly as a populist political project based on populist notions of increased political participation; the details could be worked out later (Meny 1987). In the post-war period the pressure for decentralisation can be seen as part of a Left-orientated programme for the deconcentration of power away from the centre and greater democratic participation. Increased citizen control of state-power and self-management were to be the keystones of this participation. By stressing the democratization of both public and private institutions, decentralisation appeared to combine the democratization of economic life and that of state institutions. It would be a mistake, however, to posit the history of decentralisation as a struggle between a centralist Right and a decentralist Left. This point is picked up and developed in chapter 6, which introduces the case study of Nord-Pas-de-Calais.

A more generalised account of decentralisation emphasises the notion of local indigenous development. Within the new international division the idea of the benefits of economic development "trickling down" from centre to periphery no longer seems to hold. As the state has seen its allocation role reduced, its ability to determine economic development in the periphery has been undermined. Therefore, local representative interests recognise the need to develop their localities as economic spaces within the international division of labour. Through allocative and distributional measures, endogenous activities are

encouraged and to form the basis of attracting exogenous activities inwards. In other words, "if central government can't solve our problems then it should give us the freedom and means to do so ourselves" (OECD 1986; 42).

It should be noted, however, that decentralisation to encourage indigenous local development does not represent an alternative to the allocative and distributional functions of the central state. The vagaries of the international division of labour will impact differentially on localities. Even where tax raising functions are devolved to the periphery they will not be of sufficient magnitude to replace those of the central state, even in the most federated system. Rather a complementarity of interest in terms of encouraging local development will occur from time to time. What this suggests is that the discrete separation of local from central is not as large as implied by the consequences of the new international division of labour. Given the reduction in the role of the state a continuum of functions between centre and periphery may occur. Moreover, it is possible to suggest that indigenous local development will have to include the incorporation of local interests into some policy forum for reasons of legitimacy. Corporatist-type arrangements like these may have had their utility undermined at a national level the shift in the continuum makes them a necessary part of stimulating development in many localities. Moreover, local indigenous development aligning itself to the international division of labour holds out the prospect of increased discretion and relative autonomy. The possibility of challenging their position in the urban hierarchy occurs as result.

The changes in the international economic environment and the restructuring of the role of the state, describes briefly above, undermined the legitimacy of corporatist arrangements because they could no longer render efficacious economic management in a national setting. The breakdown of the regime of accumulation altered the rules of the game so that

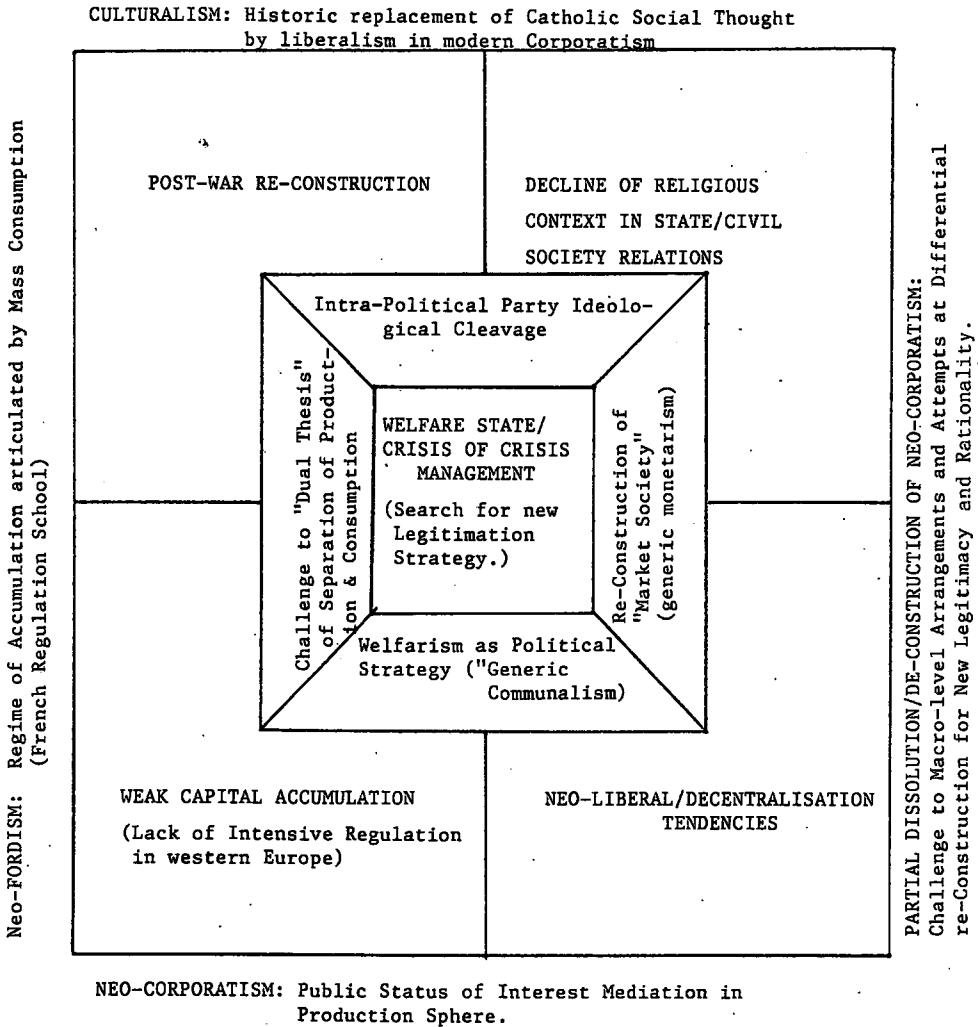
corporatism, as one of the mode's important components in Europe, became displaced. In the new, simultaneously international and regional, economic environment this displacement shifts corporatism into local and regional spaces. In the face of declining national legitimacy, corporatist institutions re-appear where local/regional organised interests attempt to respond to the demands of the international economy and maintain the economic utility of their territory. This response comes about because locality and region seek to position themselves to be recipients of international economic activities such as inward investment and so on. Given devolved financial and administrative powers, the location of these activities are negotiated in concert with local/regional interests. National corporatism may have come under pressure because of changes in the world's economic structure but the essence of consensual arrangements or social partnership remains, albeit at this displaced and decentralised level. The only question to their existence is legitimacy. Projects of economic modernisation have been advanced with deregulation and liberalisation at their heart. These projects are a response to an explicit recognition of the altered international economic circumstances. Although their ideology does not come from an orientation towards consensual arrangements or social partnership, they are centred on a conception of decentralisation. The objective function of the international economy is market adjustment and this is negotiated through localised social partnership. If this is the case, decentralisation arising from a change in regimes of accumulation corresponds to decentralisation arising from accommodating changes in the modes of regulation.

The logic of decentralisation and corporatism therefore comes together in the environment which has developed in the last two decades in Europe. These developments provide the context for the discussion which follows. A number of organising concepts, which chapter 1 sets out, are used to examine both their historical and contemporary

relevance in underpinning the relationship of decentralisation and corporatism. Figure 1 below displays the relationship of these organising concepts to each other and gives a general diagrammatic overview of the important factors of the analysis presented here. In particular, the relationship between regimes of accumulation, modes of regulation and cross-cutting regulation is used to structure much of the analysis. The unpromising corporatist case of France and one of its regions, Nord-Pas-de-Calais, is used as a study to explore these developments and give some empirical setting for the discussion. Within the research methodology, the empirical work is not used to substantiate a hypothesis. It is used to assess the degree to which the theoretical claims of this research have some empirical resonance. It acts as a kind of sensitivity analysis of the theoretical work. Furthermore, the empirical work is subject to another type of sensitivity analysis in the form of structured interviews with representatives of various interests in the Nord-Pas-de-Calais. A type of feedback is provided in that the discussion of the experience of this region was structured around the theoretical claims of this research.

The relationship between decentralisation and corporatism in France is complex to the point of being almost impossible to construct. The former part of this relationship is relatively easily to identify, through the prominence of the decentralisation governmental project of the 1980's (*la grande affaire du septennat* - the most important project of Mitterrand's first seven year term as President). The latter is far more difficult because of a lack of public status being attributed to intermediating institutions and a history of intellectual antipathy to corporatism going back to the 18th century. Furthermore, there is a linguistic problem. *Corporatisme* crudely translates from the french as group ego. In the French version, corporatism refers to the defence of sectorial interests of particular social groups. *Corporatisme fermée* is often referred to in academic literature (Segrestein

Figure 1: Structural Relationship of Organising Concepts



1985) and the more intellectual press. This "closed corporatism" is frequently mentioned during industrial disputes where particular syndicated unions or professional groups are seen to defend particular interests such as working practises, entry conditions etc, in the labour market. In discussing corporatism with French people one has to be careful to distinguish between the French and conventional versions.

Given the cultural differences above, is there any convergence between the two types of corporatism? The answer is a guarded "yes" for the universal and particular European experience of contemporary economic life. A simple prognosis which suggests that French experience of corporatism will either come to replicate the stronger German or the weaker British versions of the conventional model must be resisted. The degree and intensity of corporatist intermediation is very weak in France. Indeed some writers would suggest that given the centrality of the French state such institutions will not develop (Birnbaum 1982). Others (Wright 1983), suggest that as one of a typology governmental models, corporatism is not strongly exhibited in France, whilst different commentators think the corporatist model is inapplicable (Cox and Hayward 1983) and furthermore, that the standard features of neo-corporatism are not easily identified (Grant 1985). Certainly at the macro level, France is very weakly represented by intermediating institutions. Where there are identifiable agencies of intermediation, like the Planning Commission and the Economic and Social Committee, trade union influence is marginal. This is exacerbated by comparatively low trade union densities and a pluralism of trade union syndicates. The traditional ideologies of the Communist dominated syndicate, *Confédération Générale de Travail* (CGT), and the Socialist dominated syndicate, *Confédération Française Démocratique de Travail* (CFDT), stress primacy of the state in economic and social spheres. Such an ideology mitigates against corporatist institutionalism. In the face of this

evidence why is the possibility of conventional type corporatism in France being advanced as a thesis here?

The global reasons have been simply described above, whilst the specific reasons are explained in chapters 6 and 7. The election of a Socialist government in 1981 and again in 1988 had given organised labour access to important decision making institutions, albeit in mediated form. This operates more through the GCT's and CFDT's relation to their political partners rather than through direct institutional incorporation of those organisations. Goetschy (1987) gives the unemployment insurance and social security system as two examples of where French trade unions have been involved in neo-corporatist institutionalism. However, the decentralisation legislation of the 1981-1986 administration has probably been a more important factor. This factor has become more central because of the election of a right-wing government in 1993, to whom the idea of social partnership rather than market adjustment is anathema. The example of the Nord-Pas-de-Calais region is very apposite to the case being made here and this is why it has been chosen as a study.

The decentralisation project was closely associated with Pierre Mauroy, Prime Minister from 1981-84, who is the Mayor of the Urban Community of Lille, the regional capital of Nord/Pas de Calais. One of the more important parts of the decentralisation project was the establishment of the regions as representative entities, with an elected regional council having certain powers devolved to it. A particular example is the ending of the prefects' tutelage and the passing of many of the prefects' powers to the newly elected presidents of the regional councils. The prefect is the state's direct representative in the departments and regions of France, to whom all state regional power was formerly devolved. Responsibility for regional economic development was included under this devolution and now has been

passed to the presidents of the elected regional councils.

The legitimacy of the prefect rested on his or her relationship with local notables, and this relationship was at the heart of the system of "cross-cutting regulation" of French polity (Worms 1966, Meny 1985) as chapter 5 argues. The prefect remains the representative of the central state in the regions and departments. Their contemporary role as a channel for central state initiatives sits a little uneasily alongside the regional agencies with newly devolved powers. This unease tends to be greater in more activist regions. It does add to the complexity of the decentralisation project and does lend itself to a little cynicism about the real degree of devolution.

Under the 1982 legislation, regions became directly involved in the National Plan through the procedure of the Contract of the Plan between the State and the Region. Under this procedure respective roles and actions are laid out and particular objectives are specified for each region. Organised interests in the region, like the chambers of commerce, are party to the negotiations over economic development planning. Many of the objectives of the chambers of the commerce are mediated through their strong representation on the Regional Economic and Social Committee. Although the budget for the regions is inferior to that of the departments or the local communities, the political significance of regionalisation is far greater than its public budget would suggest. This significance is displayed, firstly by the fact that there is an alternative political and administrative career structure away from traditional central dominance. Secondly, regional social actors and agencies have been incorporated into neo-corporatist bargains to which they would have no formal or direct access at the national level. This second factor is especially important for the trade union syndicates. The most notable quasi-corporatist body in the Nord/Pas de Calais is the *Comité Économique et Social Régional* (Regional

Economic and Social Committee). Here, regional employers and the chambers of commerce, trade unions and other regional representatives meet to diffuse information through undertaking studies and address themselves to social re-construction in the region. The CESR in a sense replicates the national *Comité Social et Économique* but at the regional level trade union representation is greater and access to decision making easier. The CESR receives its budget from the Regional Council but attempts to maintain its autonomy and thus legitimacy. Despite its relative corporatist appearance the CESR has little formal power and regional actors need access to other forms of interest representation. Part of this is due to strong political competition in the region, especially between factions of the powerful Socialist Party (Giblin-Devallet 1987).

As chapter 6 shows, it is apparent that even at the regional level, neo-corporatist arrangements sit uneasily within French political culture. It seems to confirm Wright's conclusion that a complex of political models is appropriate to the French case, where no one discrete model encompasses the whole French experience. In regions where economic intervention is stated as an important objective, neo-corporatist arrangements are of more significance than formerly. In the face of an internationally and regionally differentiated division of labour, decentralisation has allowed the French state to re-structure its legitimising function at a regional/local level. This re-structuring can only be achieved where devolved responsibility for economic development is accompanied by some degree of concertation of the principal economic actors. Concertation allows the Regional Council to maintain some relative autonomy viz a viz the centre and allows direct negotiation with international capital, in order to establish branch circuits of capital, (Lipietz, 1977), in competition and sometimes co-operation with other European regions.

Despite the fluidity of the present experience, where decentralisation is a relatively

recent phenomenon, some corporatist-type institutionalism can be perceived. Moreover, the incorporation of regionally based private interest associations in neo-corporatist type arrangements is important in mediating their national interests, as well as giving them greater external legitimacy. At least for France decentralisation and regionalisation in combination with some neo-corporatist intermediation appears to provide a new channel of legitimacy for the state. The challenges and difficulties that the French case poses for the discussion which follows gives a context to explore the relationship between regimes of accumulation and modes of regulation which account for the international division of labour as it impacts of the regions of Europe.

The argument begins with an overview of developments in the international economy during the post-war period, with reference to the inter-war period where appropriate. In chapter 1 a number of key organising concepts are established in order to give the argument some theoretical and empirical grounding. What follows, in chapter 2, is an assessment of Fordism as the thermostatic device by which economic policy and management was regulated. The generic and elastic nature of Fordism is recognised in this assessment but as it is biased towards seeing Fordism as predominantly a regime of accumulation, a theoretical account of capitalist reproduction during the "Golden Age" of the post-war period can be made. The history of corporatism is examined closely in chapter 3, in order to establish its longer lineage and therefore intellectual legitimacy. In particular, its place in the historical polemic of state and civil society allows it to be connected to Fordism, through a reading of the work of Antonio Gramsci (1971). In doing so the roots of Fordism as an analytical entity are uncovered.

The charge that corporatism is not specifically relevant to a contemporary discussion of state and civil society, because it is just another variant of pluralism, is rebutted in

chapter 4. This rebuttal centres on the relationship of corporatist organisations to the material interests of the state. Having established the theoretical framework by which decentralisation and corporatism is to be examined an empirical assessment is made through the use of a case study. This case study of one of France's largest regions is undertaken in chapters 6 and 7.

The French experience and particularly the region of Nord-Pas-de-Calais was chosen for two reasons. Firstly, the French experience explicitly challenges the use of corporatism as an analytical concept because of historical antipathy and the non-acceptability of concerted politics. Secondly, the region of Nord-Pas-de-Calais has undergone severe industrial decline and is attempting to develop new economic activities and make itself attractive to inward investment. This particular European region is interrogated in order to draw out conclusions that are not apparent at first sight. These conclusions are drawn from a reading of the developments in the international division of labour. Furthermore, why corporatism remains an important concept in examining the experience of an increasingly international-regional or global-local economy as its impacts on Europe. One of the most unpromising cases like France is used in order to substantiate the robustness of the research.

This research takes a critically rationalist approach in uncovering the complex relationship between decentralisation and corporatism and an evolving international division of labour. By searching the literature published in English and French, backed by structured interviews with relevant individuals, the relationship between these concepts can be interrogated both theoretically and empirically. In following this approach a deeper and broader account can be made of this relationship and a richer account made of two important elements in the altered spaces of contemporary economic and social life.

Chapter 1. DECENTRALISATION AS A FORM OF CORPORATISM:

The Regional Case.

Introduction

There is a wide contemporary interest in the analysis of what has been called the new international division of labour. Various terms have been constructed to describe this development but with stress being placed on the "post". Such stress suggests a confusion or an inability to theorise on the part of some narrators. What most of the accounts do describe is the decline of the nation-state in macroeconomic policy. Disappointingly there is little or no analysis of how the state may be re-structured to maintain legitimacy in these new and less explicable circumstances. These less explicable circumstances can be analysed from both abstract and concrete standpoints, the former stressing hitherto different forms of capital accumulation, the latter being derived from an observation of the "regional problem". Indeed, the weakness of nation-state macroeconomic policy in the face of new forms of capital accumulation has been experienced most strongly at the level of the region in the last two decades.

Constructing an analysis of the relationship between new forms of accumulation, the nation state and the region is less simple than mere description of the three elements implies. There is a complex cross cutting of phenomena and forms of analysis associated with different structures. If one does not want to undertake too simple an account nor construct a conundrum then some organising concepts must be advanced. These organising concepts are important in structuring the ensuing discussion. In particular, the relationship between corporatism, Fordism and neo-liberalism is crucial in accounting for the changes in the mode of regulation which have occurred since the end of the Bretton Woods era. Corporatism, as a concept of mediation between state and civil society, and

decentralisation, as a concept representing an affirmation of the neo-liberal belief in market or communal values, present the means of organisation. Neo-liberalism is used here to explore theoretically decentralisation of government and industry. As a key organising concept, neo-liberalism connects the decentralised nature of a free exchange economy to the state's patronage of a legitimate social order. It can be connected to both the historical and contemporary importance of corporatism from a perspective of decentralisation. Where the basis of legitimate social order has shifted from a centralised to decentralised one, neo-liberalism and corporatism become closely connected. An account is written of the experience of one particular region in later chapters of this thesis in order to draw together these connections. Such an account may then provide some empirical reference point for the thesis advanced here.

The new international division of labour (Froebel et al 1980) is a term which attempts to describe changes in the organisation of the world economy that followed the collapse of the Bretton Woods system. At the heart of the Bretton Woods system was a national form of economic regulation, whereby nation-states had discretion over monetary and fiscal policy. This national form of regulation was subject to the international constraint of the United States and the dollar acting as the guarantors of the exchange rate mechanism. All convertible currencies were quoted against fixed amounts of gold, denominated in dollars. The collapse of this fixed rate form of international monetary order in the early 1970s, occurred for a number of material reasons. These reasons come under the rubric of the end of "Global Fordism" (Lipietz 1982); a rubric which suggests there was a particular regime of capitalist accumulation¹, with its own set of stability conditions, which operated during this period.

The two key conditions for the stability of global Fordism are firstly, that mass

purchasing power is matched by rising labour productivity, secondly, that the technical composition of capital (per capita volume of fixed capital) does not rise significantly above the rate of productivity (cf. Lipietz, 1982). Fordism became "global" in the post-war era as worker knowledge and skills were incorporated and appropriated by an automatic production system. The golden age of the post-war era saw widespread and unprecedented rises in mass consumption and labour productivity. This mass consumption was articulated by new forms of credit money which were internationally stabilised by a financial system, predicated on the hegemony of the dollar². International trade was based upon a regime of fixed exchange rates with governments operating a form of national economic regulation, through discretion over fiscal and monetary policies. Given the external constraint of a fixed exchange rate, any domestic disequilibrium in prices, output and employment would be overcome by adjusting fiscal and monetary variables. This form of national discretion in economic regulation was fictional to a large extent³. If the external constraint was based upon the hegemony of the dollar and Fordist production was global, then there was never sufficient external stability for domestic policies to fully adjust to any disequilibria. The basis of the crisis and subsequent breakdown of global Fordism was always implicit within this form of monopolistic and nationally based regulation.

The role of the state is an "integral element in the expanded reproduction of Fordism" (Jessop 1992; 5). Thus, it is tied up with the mode of regulation underlying Fordism. From an economic perspective, Jessop analyses the state's dual role. Firstly, it attempts to create the conditions within which valorization of commodities can occur. Secondly, it attempts to maintain the environment in which labour-power is reproduced. These twin functions operate to "promote the expanded reproduction of capitalism" (ibid: 5). The gamut of macroeconomic policy measures, outlined above, form part of the state's role in

ensuring this reproduction. This role does not encompass the whole of the mode of social regulation, underpinning the dominant regime of accumulation. The state form appropriate to Fordism was the Keynesian welfare state (KWS) . It was involved in several aspects of the mode of regulation such as the wage relation, money and credit, the circulation of capital and international integration (cf. Jessop 1992). It was also involved in substantiating these aspects in the form of what it termed "administrative commodification" (Offe 1984). That is, measures to re-commodify units of value that have been expelled from the commodification process (production of commodities which create value). They included labour mobility subsidies, research and development grants and regional assistance. The limits of KWS were drawn by the relatively closed nature of economies under Fordism. As the regime of accumulation came under pressure so did the accompanying mode of regulation and the role of the state.

The crisis of Fordism first became apparent in the 1960s with a decline of productivity growth. Given the stability conditions above, this amounted to an increase in the technical composition of capital (or a rise in the organic composition of capital). Nominal profitability could be maintained through monopolistically administered price increases, but the wage and general price increase implications of such a strategy merely led to an investment crisis and the exacerbation of an existing inflationary climate⁴. The differential outcome for separate economies and the subsequent responses of national governments meant that ensuing balance of payment difficulties could not sustain a fixed exchange rate regime. National governments then had less discretion over fiscal and monetary policies and strategies to control wages at the point of production were limited by that lack of discretion⁵. As these conditions became violated it led to a period of economic crisis. As such, capital sought to mitigate the effects of the crisis by looking at re-structuring

production around the globe. Consequently, the division of labour became simultaneously more spatial and international.

These international and spatial divisions have generated different versions and terms. "Spatial divisions of labour" (Massey 1984), "flexible specialisation" (Sabel and Piore 1984), "neo-Fordism" (Palloix 1976), post-Fordism, and "global-localisation" (Stohr 1990),(Cooke et al 1992) comprise a cursory list. Emphasis on the specificities of industrial space has developed a complementary literature including "new industrial spaces" (Scott 1988), "neo-Marshallian networks" (Thrift 1992). At the same time, a host of literature on globalisation and regionalisation has developed to analyse the increased internationalisation of economic and social life (Wallerstein; 1974),(Storper 1993). The concept of globalisation has been more developed in social and cultural theory, particularly its impact in urban studies (Giddens 1990), (Robertson 1990), (Featherstone 1990), (Friedman 1982). These theoretical influences further inform debates concerning new modes of economic regulation and the spatial re-structuring of production (Harvey 1989). Without exploring all of these concepts in detail, one can generalise about the debates they have generated.

It is apparent the regime of accumulation which operated during the period of Bretton Woods began break down around the late 1960s. The regime of this period has been designated intensive (Aglietta 1979, Lipietz 1987) in that mass production using semi-automatic or automatic techniques was matched to mass consumption by rising labour productivity. Increased productivity was achieved through temporal re-structuring of production. That is, the amount of worker time used in producing commodities was constantly squeezed to maintain profitability. The technical limits of this regime and the mass production/mass consumption was reached and capital sought to avert crisis by

seeking to structure its production along more spatial lines. In other words, for lower order production activities it sought cheaper and less developed sites around the world. By doing so capital partly reverted to an earlier extensive regime and created a new division of labour that was both technical and geographical.

A new technical and spatial hierarchy of production was created with particular regions of the world specialising in higher order financial control and production control atop this hierarchy. These regions included Japan and parts of Asia, some areas of the United States, including East and West Coast and the southern "Sunbelt" and to a lesser extent the "core regions" of Europe. The next level in the hierarchy is concerned with production of capital goods, often operating robotic production systems and includes some research activities in manufacturing systems. Within this segment of the hierarchy, consumption good kits are produced to be assembled in the next lower segment of the hierarchy. The divisions within the hierarchy are not so discrete, for example the small and medium sized firm networks and industrial districts in northern Italy, known as "Third Italy", fit somewhere between the lower two levels. In *toto*, this hierarchy can be described using the term "regional worlds of production" (cf. Storper 1993). The respective positions in the hierarchy are distinguished by levels of factor productivity and value-added, with the highest strata of the hierarchy generating the largest amounts. The regime of accumulation that encompasses this hierarchy is much more variegated than the intensive regime which operated under the rubric of Fordism. Under this apparently new order, different regimes co-exist and can be organised under the generic term of an extensive regime of accumulation. It is extensive for the reasons given above, in part. The extensive regime that operated in the inter-war period was according to Aglietta (*ibid*: 1979) one dominated by craft based manufacturing, with production broken into components parts, put together

as finished commodities on assembly lines. As such the relations between the two goods sectors, capital and wage (or consumption), are extended and unmodulated causing frequent disjunctures in the process of creating value.

Under the new order, previous modes of production coincide with new or existing ones. Marx pointed out that pre-capitalist modes co-existed with capitalist ones, therefore it is logical to observe less advanced modes co-existing with new ones. The difference under the new international division of labour is that innovations in technology and communications give much more centralised control over both technical aspects of production and its geographical dispersion. Following the collapse of Bretton Woods or the crisis of Fordism, production became decentralised, organised along regional lines. Therefore, the modes of regulation, for example the Bretton Woods system, which accompany the regimes of accumulation were no longer nationally based, except in one or two cases. Accompanied by ideological shifts towards neo-liberalism (in both classic and Anglo-Saxon versions; see below) which enhanced decentralised decision-making by economic agents in markets, forced the state to seek new modes of regulation that were decentralised. The changes in the international division can be organised under the rubric of "global shift" (cf. Dicken 1992). The challenge to the state's dual determination and its three functional roles led to increased devolution of its powers. The enhancement of the regional and local state in many European countries appears to be a regulatory response to more decentralised and regionalised production. To explore this argument a number of organising concepts are developed.

Organising Concepts 1: Regulation Theory and Fordism

The French term *régulation* translates into macroeconomic dynamics whereas the straightforward English meaning of regulation is rule making. The former refers to

environmental regulation whilst the latter refers to behavioral regulation. Theories of regulation stem from the work done by two research teams in France, who became concerned with modelling, in the widest sense, the dynamics of capitalist development from an alternative perspective to neo-classical theory. The most renowned exponent of regulation theory, Michel Aglietta was a member of the *Centre d'Études Prospectives d'Économie Mathématique Appliquée à La Planification* (CEPREMAP). This research team essentially did contract work for the Planning Ministry on the National Plans. Other members of the team who have contributed significantly to regulation theory are Alain Lipietz, Robert Boyer and Robert Delorme, in part reflected in their published work in both French and English. The other major research team, *Groupe de Recherche sur la régulation de l'Économie Capitaliste* (GREEC), is associated with the Communist Party dominated trade union syndicate *Confédération Générale du Travail* (CGT). Its major figure is de Bernis, and although less well known than the CEPREMAP researchers their work has received plaudits (Caitaife 1989) in that they attempt to maintain the "social procedures of regulation" (ibid: 42) within the laws of value and profit. These procedures are ones whereby dominant fractions of capital (ie industrial, banking and so on) impose a social order most favourable to themselves. They are akin to the modes of regulation⁶ which accompany regimes of accumulation in Aglietta's work. In post-war western Europe and up until the late 1960s, a degree of national institutional concertation operated through the representative groups of capital and labour. This institutionalism formed part of the mode of regulation in Europe and operated under the name of corporatism.

"Theories of regulation offer explanations not only of growth but also of crises and of the movement from one to another" (Dunford 1990: 309). What connects both GREEC and Aglietta is Marx's labour theory of value and in the latter case, a particular periodisation

of twentieth century capitalism. This periodisation is based on a distinction in the appropriation of absolute and relative surplus value, as examined in chapter 2. The difference between extensive and intensive regimes is based on this distinction. Aglietta's early work was rooted in Marx. But according to Dunford, as Aglietta's later work moved away from Marx, he "developed instead an individualistic view of value rooted in the ideas of French philosopher Rene Girard" (ibid: 302). At the heart of much regulation theory is Fordism. The influence of the Ford Motor Company's introduction of semi-automatic production in the early 1920s and the development of F.W Taylor's scientific management, giving impetus to mechanisation, helped to generate Fordism as an analytical category. The claims for Fordism's analytical categorisation stems from the work of Antonio Gramsci, the Italian Communist leader imprisoned by Mussolini in the 1920s. In the section "Americanism and Fordism" of one of his most celebrated works, *Prison Notebooks*, he explored what John Foster Bellamy described as "the emerging dialectic between the system of mass production and what appeared to be a new hegemonic ideology" (1988: 23). In this study of the United States, Gramsci observed the relationship between Taylor's principles of scientific management (generically known as Taylorism) and the social relations surrounding the introduction of mass production. In doing so, he raised the question of to what degree did Fordism not only re-structure production but also the hegemony of particular classes in the modern world. It is out of this emerging dialectic that extensive regimes of accumulation could give way to intensive ones. At the same time, the possibility of a new hegemonic ideology provided the stability conditions for accompanying modes of regulation. The problematic nature of Fordism has created a gamut of literature attempting to specify the limited conditions under which it operated (Davis 1986, Harrington 1986, Bellamy 1988, Brenner and Glick 1992). Some of this literature attempts

to take an empirical approach to deny Fordism's universality. This approach is akin to taking a sledgehammer to crack a walnut. At the level of abstraction, Fordism plays a useful role as a descriptive rubric, parts of which provide us with an analytical category. The regulatory basis of Fordism, and thus its relevance as an analytical category, is taken up and examined in chapter 2.

Organising Concepts 2: Neo-Liberalism

At its simplest neo-liberalism is characterised by the active guarantee of a free exchange economy⁷ by the policy arrangements of the state. These policy arrangements seek to reinforce the co-ordination of the price system as the organising principle of the economic process. Classic neo-liberals equally reject laissez-faire and centrally planned economies. However, there is an Anglo-Saxon variety of neo-liberalism which developed in the 1970s and 1980s in America and Britain. Its greatest or most renowned exponents were Ronald Reagan and Margaret Thatcher, formerly President and Prime Minister in their respective countries. The use of the term neo-liberal is made to describe the ideology they represent which also has been represented as the New Right. Anglo-Saxon neo-liberalism can be said to comprise of six elements which are: liberalisation, deregulation, privatisation, commodification of the public sector through use of market forces and private tendering, tax reduction and incentives, internationalisation (Jessop and Stones 1992). In this chapter, neo-liberalism is taken to be the classic German version, associated with the Freiburg School. Where appropriate the Anglo-Saxon version is termed neo-conservatism because of the particular interpretation placed here on Anglo-Saxon neo-liberalism.

Neo-liberalism was born in Europe between the two world wars and its major founders were von Mises, Knight and Cannan respectively from Austria, U.S.A. and England dating from the 1920s. The most significant and modern interpreters were the *Ordoliberalen* group

of German economists known by this title through their association with the journal *ORDO: Jahrbuch für Ordnung von Wirtschaft und Gesellschaft*, published in 1948. Through members like Erhard, Muller-Armack and Röpke the intellectual basis of the German social market economy of the 1950's was developed⁸. The purpose of the neo-liberal project was to establish a constitutional "state of law": *Ordo*. This state guarantees a private property in consumer and producer goods, freedom of opportunity for enterprises and labour and freedom of contract with the exception of monopoly behaviour. Market competition governs prices, structure of output, pre-tax distribution of income. Social and stabilisation policies were only to extend to conform with the optimal operation of a market economy (cf. Riha 1986). The most advanced form of neo-liberalism is associated with the Freiburg School. This school was forged in the political cauldron of 1930s continental Europe; reacting to the alchemies of communism and fascism. Ordo-liberals, as they became known, beheld freedom as an ethical idea embedded in a market economy to act as a bulwark against the totalitarian tendencies of these alchemies.

Unlike *laissez-faire*, the aim was to create a new liberal social order which was appropriate to the twentieth century, with distributive justice at its core. At the heart of the neo-liberals' prescriptive model is the German notion of *Ordnung*. At its simplest, it translates as order which Ordo-liberals conceived of in two respects. Firstly, as "the totality of forms through which the everyday economic processes at any particular time or place, past or present, is actually controlled" (Eucken 1952, quoted in Riha: op.cit). Secondly, "a natural order of pre-established harmony and equilibrium containing a meaningful synthesis of parts into a whole" (ibid). According to Riha, Ordo-liberals distinguish between "the concrete order (*Wirtschaftsordnung*) and the ideal order of the economy (*Ordnung der Wirtschaft*) - *Ordo*." (ibid). Therefore, the conduct of socio-economic life

could not rest on abstractions like laissez-faire, but on an institutional framework which obtains public attribution. Eucken describes the neo-liberal quest in the following manner:

"One of the great tasks of the present age is to find an effective and lasting system, which does great justice to the dignity of man, for this new industrialized economy with its far-reaching division of labour. This means that the shortages of goods pressing everyday on nearly all households must be as far as possible, and for as long as possible be relieved. At the same time, a life of individual freedom must be possible...The problem will not solve itself simply by letting our economic systems grow up spontaneously. The history of the last century has shown itself plainly enough. The economic system has to be consciously shaped. The detailed problems of economic policy...are part of the great problem of how the whole economy, national and international, and its rules are to be shaped." (Eucken op.cit, quoted in Riha op.cit).

Under the Ordo-liberal system the role of economists is to prepare the economic constitution with the help of the legal profession .The search for the most optimal form of constitution goes via determining a role for the state and the institutional relationship between it and the interests of civil society. The objectives of the constitution were to be the preservation of individual freedom and ensuring distributive justice. These objectives were to be set within a framework of legitimate order (*Rechtsordnung*). The state was to limit its role to the minimum and act as the guarantor and executor of the general will of civil society. At the same time, any interests' or what Eucken called power groups' influence should be limited in order not to promote monopolies. According to Riha, the model for the Ordo-liberals' economic constitution was to be based one the following principles (ibid; 38).

- (i) complete competition
- (ii) primacy of monetary stability
- (iii) free access to markets
- (iv) private ownership of the means of production
- (v) freedom of contract
- (vi) full corporate liability
- (vii) constancy of economic policy

Given these principles the basis of the State's organisational policy (*Ordnungspolitik*) would be used to shape the forms and conditions of the system without interfering in the behaviour of enterprises and households. Interventions by the state were to be distinguished by compatible and incompatible kinds. The former could be routine but the latter should happen only in exceptional circumstances. Despite opposition to state intervention Ordo-liberals accepted a limited form, used to prevent social and political disharmony. Ropke went further in abhorring the unequal distribution of income, he proposed a more advanced version of regulation policy to be undertaken by the state. Along with Rostow and Muller-Armack, they went beyond Eucken's vision of social policy. They approved of regional and town planning and that the inter-relatedness of constitutional principles was central to the totality of economic policy.

The prescription of this neo-liberalism was articulated by Rostow in two respects. Firstly, the principle of liberal democracy "as a conduct of life worthy of human beings". Secondly, the programme of "vital policy" to pursue the goal of the individual as an entrepreneur of himself with economic and non-economic bunches of enterprises structuring individual life" Gordon (1987; 314) sums up this neo-liberal or social market project thus:-

"The economic market, as the space of freedom for the competitive game of enterprise, provides an acceptable rationale for the re-generation of the state as its promoter and curator: an engine of prosperity that, at the same time and ipso facto, recreates political order and legitimacy out of the vacuum of national destruction".

Gordon gives a quixotic and original account of neo-liberalism using Foucault as a would be narrator for the treatise on the state that Max Weber never came to write. Gordon links Weber to *Ordoliberalen* via the Weberian notion of *das Wirtschaft*; a self sustaining community that is akin to the trading catallaxy described by Friedrich von Hayek. In the hands of the *Ordoliberalen*, these communities become self sustaining social spaces operating under the patronage of the state. Within the Ordo-liberal model, the limits of the state are quite tightly drawn. The state knows what spheres it can and cannot operate in and what it should and should not concern it. Also acting as "an energetic umpire" without interfering in the game of the market economy nor prescribing the movements of the players; the exception being where players threaten the welfare of the economic constitution.

The possibility of activating the neo-liberal economic order in civil society rests on the development of an institutional framework. The social market economy, in Germany of the 1950s, came closest to this possibility. In reality the economic order is made up of a variety of institutional forms and structures. They are combined in different proportions and ways. The identification of these forms and structures was the first step towards the understanding of economic reality (cf. Riha 1986). This institutionalism encompasses the manifold interests of civil society which imprint themselves on the whole economic process through such a mode of operation. The institutional basis of the social market economy was corporatism and this developed as the generic mode of regulation in Europe during the

period of Fordism. The particular aspect of Germany is described by Erhard:

"We shall only be able to master the great future problems of German politics, if the sociological power of the associations is not exclusively harnessed to selfish interests. It would simplify public affairs of our state if the great power and expert knowledge of the pressure groups and the plenitude of skills were also available for the general tasks of the community" (Erhard 1963 quoted in cf. Riha 1986).

The legacy of *Ordoliberalen* and its relationship to corporatism in Germany is described in Appendix II.

The influence of the Anglo-Saxon version of neo-liberalism can be seen in France. In spite of shared antipathy to the Keynesian economic orthodoxy and state intervention, French neo-liberals are quite distinct from their Anglo-Saxon counterparts. Their roots are nearer to Ordo-liberals but are closer to the Hayekian version of paleo-liberalism. Because of their subscription to a neo-liberalism of a truer kind than the Anglo-Saxon version, one can connect the French version to the development of corporatism though a *Rechtsordnung*, which has become decentralised. This argument is picked up below but is developed in more detail in chapters 4 and 5.

Present day French neo-liberals are characterised by two strong beliefs, anti-statism and anti-corporatism. They have termed new liberals by Suzanne Berger (1981) in that they can be distinguished from the neo-liberals of the 1950s who were influenced by the German model with its limited state intervention to aid modernisation and a market economy. The contemporary neo-liberals in France have been associated with the journal "*Quatres Verités*" and their dominant spokesmen have come from a group of economists known as "*les nouveaux économistes*". Their common starting point was to re-but Keynesian

orthodoxy, sharing a similar intellectual formation with Anglo-Saxon monetarists but French neo-liberalism displays a marked difference. That is, despite sharing the influence of Hayek, French neo-liberals do not subscribe to the primacy of absolute prices, as in monetarism, nor the sanctity of the individual. This departure stems from the experience of indicative planning and particular French historical and philosophical reference points. This difference leads one of the *nouveaux économistes*, Yves Benoist, to argue that it is the enterprise and not the individual capitalist which is the basis of liberalism and thus freedom. His argument stems from a particular reading of Rousseau and Hayek. Therefore corporatism is rejected, because Benoist argues that the general will is not the same as the sum of particular interests. This appears to be at odds with the argument of Erhard, above. Corporatism is taken here to mean the public attribution of the interests of particular groups. The stress laid on the enterprise, with a redefinition of the rights of individual ownership as the rights of enterprise leads French neo-liberals into an historical irony. That is, enterprise as having the equivalent of civic and national rights of citizenship is but an expression of the corporate self. Such a corporate self can only exist under the patronage of the state. If the state is to guarantee the enterprise in a free exchange economy, the state can only limit its patronage and thus its legitimacy through some bargain with the general will of enterprises. One is immediately back in the realm of Rostow and the notion of economic and non-economic clusters of enterprises structuring individual life (cf. Gordon 1987). There can be no natural limit to the patronage of the state save its legitimacy, within a liberal order, which is best maintained through some process of mediation. If that mediation occurs through the "cluster of enterprises" under state patronage it does not take a great leap of imagination to come up with a rubric of corporatism. Indeed French neo-liberals explicitly include some role for the state, usually

as an agent of last resort.

The influence of Catholic social thought and its importance in the historical development of corporatism also appears as an important reference point in the writings of French neo-liberals. The influence of Catholic social thought on the development of corporatism is examined in chapter 3 . What French neo-liberals propose is similar to the group of liberals, including Hayek, whom the Ordo-liberals termed "paleo-liberals; old timers who had not learned the lessons of fascism and communism. What French neo-liberals share with Ordo-liberals is the attempt to rebut the view that alienation and anomie in modern society is a function of a liberal economic system (cf. Gordon 1987). In this respect modern French neo-liberals and Ordo-liberals share a common ethical project. Gordon claims that the Ordo-liberal project has displayed an innovative capability in the post-war period in promoting a collective lifestyle. As such the influence of Ordo-liberals can be discerned in governmental styles (which encompass anglo-saxon neo-liberalism) in several Western societies. The promotion of the social utility of enterprise, responsibility of citizenship and so are characteristic of the Ordo-liberal project (ibid; 315). The stress on enterprise and not the individual by French neo-liberals takes them further than paleo-liberals. Despite their anti-corporatist position, the contemporary French neo-liberal project thus leads back to *Ordoliberalen* and subsequently to corporatist intermediation. The unpromising case of France seems to worth exploring in order the aseess the relationship between decentralisation and corporatism.

The ending of the concrete moment of neo-liberalism and breakdown of global Fordism occurred simultaneously. In the abstract, neo-liberalism still informs much of European political culture and has been is a crucial element in the process of re-structuring the rationality and legitimacy of the state. Why should this be so? The crisis of global

Fordism showed the limits of state discretion in its patronage of the free exchange economy and thus the concrete moment of neo-liberalism passed with the breakdown of global Fordism. The institutional basis of the Fordist mode of regulation in Western Europe was corporatist, informed by the influence of neo-liberalism. As stated above, this influence still pervades governmental styles so that some appropriate institutional form will still be necessary after the demise of Fordism. The national basis of economic regulation under Fordism gave way to a more uncertain and simultaneously international and sub-national kind. It is logical to expect that some form of corporatist institutionalism will survive or develop in the latter case so as to negotiate the new contingencies of the international economy. This logic appears to be borne out by the increased power of regional and local states. Because they are restricted to allocative and distributional functions, their legitimacy will depend on the degree to which the organised interests of economic and social actors enter into policy formation. The decline of corporatism then appears to be a relative national phenomena and not an absolute one.

Organising Concepts 3: Corporatism

Corporatism derives from an analysis of the organic process of state and civil society relations, in respect of the division of labour. It follows that as the dynamic of state and civil society changes so will corporatism alter. Consequently, and simultaneously, the institutional framework that comes under the rubric of corporatism will also be subject to change. In other words, as the dominant regime of accumulation experienced crisis so did the accompanying mode of regulation, of which corporatism formed a major part, at least in Western Europe. The re-structuring of a regime of accumulation along more spatial lines will similarly re-structure the mode of regulation. It follows that the basis of corporatism will be altered along spatial and by implication decentralised lines.

The history of corporatism can be traced back to the development of Catholic social thought (Grant 1985), through Hegel's "corporations" to the present Liberal/Social Democratic mode. This history is described in some detail in chapter 3. In this chapter, two models of corporatism are explored in order to assess changes in the mode of regulation of which corporatism has formed a central part in post-war Europe. The two varieties are "state corporatism" (Schmitter 1979) and "societal corporatism" (Cawson 1986). The distinction rests on the degree to which the state organises the involvement of economic interest groups (trade unions, business associations etc.,) in some policy arena which has public status attributed to it. The influence of Catholic social thought on the development of corporatism stems from two major Papal encyclicals⁹. They were published in the late 19th and early 20th centuries under the authority of two different Popes. At their heart was a concern with the conditions of the working class and an attempt to steer them away from socialism through the development of Church-approved institutions to maintain their economic position. From a different and earlier perspective, Hegel's Corporation was a body based on medieval trade and workingmen's guilds. The tendency of society to atomise led Hegel to advance the family and the Corporation as fixed points in civil society to combat this tendency. The Corporation, therefore, had the attribution of civil society and included representative interests. The other forerunner of corporatism as generally understood, under both "state" and "societal" versions, was developed by Gramsci (1971). Gramsci develops a relationship between the economic-corporate stage of society, Fordism and Americanism and the role of the state. The economic-corporate stage of history stems from a period of Italian feudalism when the Church and Empire constituted significant States in their own right. This feudal legacy was maintained in the early twentieth century in Italy, through the development of blocs of economic and social groups and became the

basis of later corporatism of a more socialdemocratic kind. It is often argued that corporatism is just another variant of pluralism (Cox 1988). The formal distinction is set out in a review of this debate in chapter 4. The distinction between corporatism and pluralism rests on the former case including the quasi-formal negotiation of economic interests with the material interests of the state. The latter includes interests groups negotiating discretely over a particular rather than general interest.

In the last twenty years the social democratic mode has come under severe pressure, as has the social democratic project in general. The challenge to the social democratic project has occurred in two respects. Firstly, the end of Keynesian politics (Skidelsky 1979) undermined the central legitimisation role of the welfare state as a mediating agency of the division of labour. Secondly, the attempted re-construction of market society (Polanyi 1944) simultaneously undermined the state, both as the guarantor of economic stability and social order. The constructions are congruent to the change in the nature of capitalist accumulation and regulation; from the intensive Fordist regime to the neo or post-Fordist flexible (or fragmented) regime. At first sight the globalisation of the world economies, that is a consequence of the latter regime, undermines the possibility of national mediation, based upon the relationship of corporatism and the welfare state. Such undermining appears to be a logical consequence of the breakdown of Fordism as a national and monopolistic form of regulation. Despite a change in the nature of the regime of accumulation, the relative weakness of capital accumulation in Western Europe remains (Aglietta 1982, Boyer and Mistral 1983). Unless a combination of trans-national European capitals develops to overcome this weakness, the search for new channels of mediation will continue. These channels of mediation form the basis of the mode of regulation. In suggesting that corporatism has been re-structured along decentralised lines, it is apparent

that the "societal" version of corporatism has become the more appropriate model. This suggestion corresponds to the decline of the stabilisation role of the state and the ability of incipient regional states to fulfil this function.

Singly, European economies display corporatist forms to varying degrees and at different levels. They can be analysed in two ways:

- "Structurally"; to the extent that the organisation of private interest groups is the basis of negotiating compromise with the state's institutional interests.
- "Functionally"; to the extent that the structural interdependence between groups and the state is legitimised by the relation to social actors and agencies to class and/or fractions of class.

Overdetermination in the first case, leads to the charge of reducing corporatism to pluralist bargaining. In the second case, that corporatism could be seen merely as a hegemonic project organised through the class relation of the state to monopoly capitalism. If one considers the two elements in combination, it allows a less singular analysis of each element, in turn, to be broadened and deepened.

The state can be defined generally as an institutional ensemble, that in seeking to encompass the interests of all citizens, does so in a class biased way (Jessop; 1982). By an institutional ensemble one means a set of institutions whose coming together does not presuppose a determinant structure. The state can also be said to suffer a crisis of legitimacy and rationality (Habermas 1973). That is, the material basis of the state is its ability to raise taxation. Taxation is gleaned from the process of capital accumulation.

The state's rationality is thus based on assisting capital accumulation. However, the

state also undertakes a variety of functions that seek to legitimise the accumulation process. At times of periodic crisis, both accumulation and the state legitimising functions come under severe pressure (cf. Offe 1984). The ability of the state to deliver various functions, and thus its own legitimacy, becomes subject to fiscal stress periodically. At the same time, capital will seek ways of maintaining current levels of accumulation, sometimes by seeking to reduce its liability to taxation. Consequently, the state faces a double crisis and contradiction, particularly in attempting to fulfil the three functions of allocation, distribution and stabilisation. Furthermore, the devolution of central power to the periphery often increases the overall fiscal burden as lower tiers of government take over new responsibilities. However, the degree of discretion for local and regional government depends on their fiscal capacity. In legitimately developing the utility of their locality, it follows that interests groups will be incorporated into policy fora. Therefore, the institutional approach to the state is helpful in developing a relation to private interests. It has been the incorporation of private interest groups into arrangements with the state that mitigates crises of legitimacy and rationality. These private interest groups are not formed at the behest of the state, nor do their intentions always coincide or accord with the structural and functional roles of the state. The groups' legitimacy however, is crucially dependent on gaining public attribution via some bargaining arrangement with the state. Such bargaining can occur singly or in concert.

As stated above, the functional role of the state is to assist and legitimise the accumulation process. The functioning of the state in a legitimate way, depends on the resources at its disposal which are gleaned from the accumulation process itself. At times of stress, the legitimacy (or relative autonomy) of the state may depend on the incorporation of private interest groups into corporatist arrangements. The objective, at

such junctures, is to re-distribute tensions or crises amongst the incorporated interest groups. One effect may be to change the balance of class forces, so that the functional role of the state is supplanted by a new structural bargain. However, a change in the balance of class forces cannot be concluded from the incorporation of private economic producer groups alone. At one turn or another the balance of class forces or fractions may be altered, but this cannot be the basis of a strategy or project to challenge the accumulation process itself. Any structural outcome of such a challenge would be merely epiphenomenal. Indeed, it can be argued that corporatism is a deepening of the legitimacy of capital accumulation and a means of distributing the state's functional role. Only to this extent can corporatism be viewed as a hegemonic project of a particular class or fraction, through the agency or arena of the state (Jessop 1989). The functional role of the state is cross-cut by the objectives of allocation, distribution and stabilisation. The decline of nation-state discretion in macroeconomic policy has undermined the legitimacy of the state's stabilisation role. The demise of the dominant regime of accumulation and mode of regulation resulted in the restructuring of state power downwards and upwards at sub-national and supra-national levels. The appearance of this dual regionalism invokes the need for a different kind of state legitimacy and search for new channels of mediation between the state and the interests of civil society.

Incorporation, as outlined above, can only be a legitimising strategy in a limited sense. That is, the degree of compromise (by the private interest groups) and the complexity of the incorporation arrangements may generate inter and intra group disputes. The limitation of incorporation is reinforced where intra-political party cleavages may extend themselves into group interest representation (Wilson 1983). Political identity becomes less clear and may serve to undermine the structural goals and identification of private interest groups

who have been accorded public status. These groups may seem too particularistic in following their objectives during economic crises. Given that the groups are not subject to universal suffrage, in the way that political parties are, the public may be less willing to accord them quasi-public status at such times. Despite this caveat, the vulnerability of the welfare state is to some extent, dissipated by the association of private interest groups with corporatist arrangements. The limits placed on this dissipation is that the internal legitimacy and rationality or cohesion of the groups may be undermined. It may occur because of the groups' association with state bargaining arrangements when the welfare state is facing crisis. Therefore, corporatist arrangements become increasingly questioned at large as a result of the undermining of group cohesion and public acceptability of the privileged access that interest groups have in bargaining with the state. Another effect may be that groups evacuate themselves from previous structural bargains with the state. This line of reasoning stems from Keohane's view that the demise of corporatism as being part of the "crisis of embedded liberalism" (1984).

The phrase is taken from Ruggie (1982) and can be described as the neo-liberal basis of the mode of regulation in the post-war period. It consists of two dimensions which encompass the political-economic choices made by governments. These dimensions are the extensiveness of the welfare state and the degree of liberalism or protectionism in foreign trade and international monetary policy (cf. Keohane 1984). Embedded liberalism was not some organic process nor a result of domestic political bargains. The dominance of the Fordist or Americanism (in the Gramscian sense) regime of accumulation meant that American state devoted a great deal of resources to ensure the ideological dominance of embedded liberalism in the mode of regulation, according to Keohane. The maintenance of American-dominated international capitalism and the welfare state could be delivered if

the stability conditions of Fordism were maintained. That is, a balance between mass production and mass consumption through rising productivity; elsewhere called the "politics of productivity" (Maier 1978). Because liberalism was not deeply rooted in continental Europe in the inter-war period, and the fact that Britain returned to protectionist trade stance in the 1930s, influenced America's post-war construction of embedded liberalism.

The more developed vestiges of the welfare state and its corporatist institutionalism was a necessary condition for the maintenance of embedded liberalism in Europe. The macroeconomic institutionalism of the Fordist mode of regulation under Bretton Woods generated a number of externalities and thus delivered widespread legitimacy to international liberalism in the 1950s and 1960s. The virtuous circle of increased aggregate demand, near to full employment and increased terms of trade for the major economies was the basis of these externalities. The underlying stability of non-inflationary growth engineered by the social *Ausgleich* (balance) of rising real incomes matching productivity changes stabilised the circle during this period. It gave way to the vicious circle of spasmodic inflationary growth, rising unemployment and trade protectionism in the following two decades. Essentially, the transmission mechanisms of the benefits of increased international trade and liberalism delivered both increased growth, import penetration and export growth in the 1950s and 1960s. It meant that the material demands of the welfare state could be funded on the back of this *Ausgleich*. In the subsequent decades the transmission mechanisms were less benign with Europe being forced to import the negative effects of international monetarism from America, reinforced by an antediluvian ideology which preached the liberation of the market. The transmission mechanism for these negative externalities was the breakdown of the fixed exchange rate system of Bretton Woods, determined by the hegemony of the dollar. The move towards

a flexible exchange rate regime allied to the objective of a strong state advancing a *laissez faire* ideology were the elements in this later mechanism. The degree to which European states could negotiate these vicious circles and maintain viable welfare strategies and institutions is something Keohane explores via a two-type model.

This model is based on the degree of concertation between economic interests and the state across the different industrial sectors. Type A countries are ones like Britain and France where there have been sporadic periods of socialist or social-democratic government. As a consequence the amount of corporatist institutionalism has been limited. Type B countries are ones like Austria and Sweden which exemplify concertation and corporatist institutionalism. Here, there has been a history of left-wing governments, strong trade unions and clearly defined and publicly legitimate policy forums for business and labour leaders to participate in with the state. The elemental difference between the two types is the degree of distribution between capital and labour and whether equity forms an important part of public discourse. Keohane claims that international liberalism is biased against social democracy taking root in type A countries but not in type B. He cites the experience of the Labour Party in Britain in the mid-1970s and that of the Socialist Party in France in the early 1980s. In both cases, national economic projects ran into the constraint of a liberal international economy. However, this correlation may be marked by another elemental difference in the two types: size.

Maier (1984) points out that in the post-war period small countries developed corporatist type institutions more fully than larger ones. In assessing the experience of the Scandinavian countries he states (*ibid*; 50):

"What remained in each of these cases, I believe, was a clear sense of economic *vulnerability*. Small countries, highly

developed, clearly had to create and maintain the conditions for export viability at a time when the economic level of demand throughout Europe was reduced. At the same time, the presence of strong social-democratic parties, their legitimacy enhanced by earlier repression in the occupied countries, meant that any bargain to secure wage restraint could not be one-sided. Institutions that promised equity even as they asked for restraint had to be invented."

The difference between type A and type B countries is less tied up with the development of social democratic forms and more to do with the manner in which they adapt to the dominant regime of accumulation. The mode of regulation in the smaller (type B) countries included a tighter social democratic form to negotiate their national vulnerability to international trade shifts. Capital in the larger type A countries was much more central to international economic flows and thus the discipline of international liberalism delivered necessary outcomes. It did not require such highly developed social democratic/corporatist institutionalism.

It is a mistake to focus solely on corporatist developments in the post-war period. As chapter 3 below shows, the historical lineage of corporatism is centuries old. In assessing twentieth century developments, some reference to incipient corporatism in the inter-war period is important (cf. Maier 1984). Some of the inter-war experience of France is described in chapter 5, particularly the attempt to establish a National Economy Ministry to oversee an institutional framework of concertation between economic interest groups. As Maier details, the focus on labour regulation at the beginning of the twentieth century was less on theoretical corporatist schemes and more on the relation of labour organisations to parliamentary arenas and the growth of socialist parties. The catalyst that made corporatist schemes a possibility was the Great War and economic and social ruptures it

brought in its aftermath. Maier states this proposition (ibid; 42):

"Given the fragile post-war economic performance and the growth of unions and social democracy, the corporatist accommodation of labour, whether along authoritarian or democratic lines seemed almost inevitable. Nevertheless, real corporatist institutions made only limited or ephemeral gains in most societies. What determined the differential degrees of progress that were chalked up?"

Maier then goes on to outline how even in the most unpromising cases, like France and the United States, corporatist experiments were undertaken; again, the experience of the former is detailed in chapter 5. What all these unpromising cases stemmed from was the significant strides that were made in labour regulation during the war, especially in European societies. One could discern two main lines of development in Europe. One, social democratic in orientation in Sweden, which survived World War II. The other, authoritarian in Spain and Italy where even the corporatist assurance needed by these authoritarian regimes extended into Nazi Germany in its organisation of labour. Maier concludes that during this period corporatist institutions remained rather *ad hoc* with little development in countries like Britain and the United States because of particular histories. What is apparent is that the extensive regime of accumulation in the inter-war period required a much lower degree of corporatist institutionalism in its mode of regulation. The lesson of this particular history is the following proposition. The relative success of corporatism in smaller countries suggests that, under the new international division of labour in the late twentieth century, corporatist institutions are more appropriately organised at a sub-national level. The logic of this proposition comes from the fact that as the regime of accumulation under this new division has become extended, the mode of regulation has also become extended.

The history of post-war corporatism in Europe is powerfully determined by the development and crisis of "embedded liberalism". The development of embedded liberalism is outlined above. Its crisis grew out of that facing Fordism in the late 1960s and early 1970s. As a consequence, a variety of responses developed. These included increased protectionism and state intervention and both the tendency towards socialism and national capitalism (cf. Keohane 1984). The major material reasons are summarised by Keohane as the move from the international transmission of prosperity to the transmission of stagflation, deterioration in the terms of trade, the rise of exports from the less developed countries and resultant shift of international capitalism to the periphery. Consequently consensual corporatist bargains began to weaken with the decline of American international economic centrality and hegemony. This provoked the crisis of embedded liberalism and its role in maintaining the post-war social *Ausgleich* in Europe.

The weakness of corporatist forms arose universally from the vulnerability of national mediation strategies in the face of new international forms of capitalist regulation. This weakness was particularistic for the following reasons.

- (i) The reaction to the first oil shock and the post-Vietnam financial re-construction which challenged the international monetary system. Subsequently, collective recessionary policies were followed by most OECD states.
- (ii) Simultaneously and concomitantly, the crisis of the welfare state. The crisis arose from attempting to manage the economic decline of the 1970s. The failure of what came to be generically termed "Keynesian politics" (cf. Skidelsky 1979) generated an ideological reaction. Market

society was to be re-constructed by embracing the tensions of the division of labour rather than mediating them through a welfare state and attendant corporatist institutions.

This ideological reaction gave vent to a dismantling of the mode of regulation which included corporatist intermediation. In type A countries, where the corporatist institutions were weak or limited, dismantling occurred at a faster pace. Given Maier's view that corporatism tends to be more successful in smaller countries, it is paradoxical that local or regional variants have begun to develop in the most unpromising of cases. The case of France, and in particular a study of Nord-Pas-de-Calais, is explored in chapters 5, 6 and 7 below. Although not quite fitting the type A model of Keohane, Maier terms the experience of France and Italy as being part of the Latin model. Here combinations of a strong state and concessions on collective bargaining to trade unions made the development of intermediary institutions relatively unimportant. With the breakdown in the Fordist regime of accumulation and the difficulties of transition in the mode of regulation, the position of the welfare state has become problematic. As one side of embedded liberalism, the regulatory mode of the welfare state has been weakened by the advance of decentralised market regulation. In the context of a decentralised international division of labour, the advance of market ideology and the inability of the Keynesian welfare state to function as the fulcrum of the mode of regulation, one finds attempts at corporatist intermediation in the most unpromising of places. France has become one of those places because of the impact of material decentralisation in the international economy feeding through into the decentralisation of government functions since the early 1980s.

Organising Concepts 4: Decentralisation

The manifold outcomes of the weakness of corporatist forms, discussed above, have led to the re-distribution of state overload through corporatism, being less formally underwritten than previously (Streeck and Schmitter 1984). Also a number of governments have undertaken decentralisation or deconcentration of central state functions. Perhaps this is an explicit recognition of the limited efficacy and legitimacy of corporatism at a national level, in a different international environment. This loosening of formal support occurs because the state's centrality to these arrangements has been seriously questioned to the point of being undermined. Such undermining was exacerbated in the ideological climate of the late 1970s and early 1980s. Consequent to the upheavals of this period has been the "language of realism". The accompanying narrative stresses market values as the guarantor of society's utility rather than the state. Most of this change came under the far from accurate rubric of "monetarism" and it brought in its wake a paradox, that is, the need to re-construct corporatism in some formal or informal respect, preferably the latter. The central argument of this thesis stems from this re-construction. The basis of economic regulation has shifted from a determinate one in which nation-states were the constituents of an international economy to one where nations or regions become economic sites across which international transactions flow. The decentralisation of production to regions and localities means that these economic and administrative spaces position themselves to be recipients of these flows. In doing so they gain a relative autonomy from the national state. However, the vestige of the Keynesian welfare state still has discretion over some distributional aspects of economic policy and remains the basis of legitimate polity through national parliamentary systems. In the new environment, the legitimacy of these regional spaces depends on incorporating local/regional interests into some policy forum of

framework that has some public attribution. At a smaller scale and decentralised level this kind of corporatist intermediation is more likely to maintain public legitimacy as it is consistent with the changed international material circumstances.

National forms of corporatism broke down because the participants could not deliver their sides of the bargain with the state. As the Keynesian welfare state became undermined so did the institutional basis of its negotiation with organised interests. The historical development of corporatism has been outlined above and analysed in detail in chapter 3 but the elemental question arises of why this form of institutional practice arose. Firstly, corporatism is a response to relatively weak capital accumulation inherent in most western European economies. Therefore, in a neo-Fordist world any affirmation of deregulated and liberalised market society will undermine the utility of national economies where accumulation is weak. Secondly, the internationalisation of the division of labour generates rapid adjustment in the labour process. In Europe it is the state and not some market abstraction that negotiates the adjustment of wage norms, arising from adjustments in the labour process. This happens because co-determination and confederation are the salient characteristics of labour organisation and its relation to the state. Given state overload, for example, where the state involves itself in more and more crisis management as in the early 1970s, the adjustment process must be mediated through some devolution to interest groups - sectorally or territorially distributed. The general argument leads to the paradox that re-creating nineteenth century liberal market society can only occur through some state patronage in the twentieth century, that is, neo-liberalism. State patronage of interest groups, as a basis of intermediation, is no longer legitimate nor sustainable at a national level. Therefore, such patronage will have to be consistent with the basics of market relations which means decentralised ones. The neo-liberal project as in the *Ordo*

and French cases leads to corporatist institutional outcomes. In the neo- or post-Fordist era, the ideological shift towards market liberalism has generated an Anglo-Saxon version of neo-liberalism, which should be termed neo-conservative, as distinct from the original version. However, this is an ideological construct that does not offer an operational basis to negotiate the new international division of labour in regionalised economic spaces.

At this juncture one has to ask why the social democratic project and its corporatist institutionalism was allowed to be undermined in the late 1970s and early 1980s? If the above paradox has any validity, surely the "own goal" of monetarism would have been a temporary set-back? Likewise, why did social democrats need to go on the defensive, where they have remained for most of the last twenty years? The material reasons for the setback of the social democratic project are analysed above. It is compounded by the dilemma of social democratic governments' own relation to the crisis of the welfare state; state overload and a retreat from the big state and the commitment to the nationalisation of the means of production. The retreat into communal socialism, the "going local", of the early 1980s seems merely an outcome of the importance of neo-liberalism in the abstract. A certain, but not sustainable, symmetry connects social democrats and conservatives alike, via neo-liberalism and decentralisation. That is, social democrats have experienced a decline in their project because of the crisis of embedded liberalism, especially the component of the welfare state. In a more simultaneously internationalised and regionalised (or global-local) economy the stress on decentralisation allows them to re-structure their project locally or regionally. They do this via notions of local empowerment and community whilst accepting the traditional neo-liberal objectification of the market economy. Conservatives accept the logic of the market economy but only grudgingly accept the institutional mediation required to maintain a free exchange economy.

This is despite their ideological antipathy to constraining the unfettered operation of the market.

Although decentralisation is taken as being implicit in classic neo-liberalism we can introduce decentralisation directly into an analysis of regional re-structuring in Western European economies. In particular, the case study region of Nord-Pas-de-Calais is used to exemplify this analysis.

The historical and technical limits on the ability of the welfare state to mediate the division of labour stems from the tension of the state's dual determination. That is, from assisting and legitimising the accumulation process (cf. Offe 1984). One concrete outcome of this tension, is state overload and the vulnerability of public finance to stress. The functional and structural roles of the state are then re-distributed through corporatist forms as a legitimising strategy of intermediation. The limits of concertation of economic producer groups and labour organisations, in relation to the state, are given for the universal and particular reasons above. Given the continuance of relatively weak national capital accumulation and the ideological pervasion of neo-conservatism, any new strategy must be decentralised in order to be legitimate. Simultaneously, the institutional form of the strategy must retain corporatist characteristics. The abstract logic of decentralisation as a form of corporatism now begins to become apparent. The concrete logic stems from the relationship between the organising concepts outlined in this chapter. Moreover, some evidence from countries with well developed corporatist systems such as Austria, as well as the French case study material, is assessed in later chapters.

The globalisation of the accumulation process, under an increasingly flexible regime, results in some decentralisation of industrial sectors. Thus, the centre-periphery thesis becomes more descriptive than analytical. Similarly, national strategies of modernisation

and re-structuring have resulted in sectoral and territorial decentralisation. Because the adjustment process of such strategies is painful and disruptive, channels of mediation must be established to mitigate and legitimise any disruption. The state can no longer directly organise these channels because of the limited viability of neo-corporatism in the current industrial environment. Therefore, the channels of mediation must operate through social agencies and actors acting in concert in an institutional form articulated, but not controlled, by the state. Inevitably, these institutional channels are corporatist in form but decentralised and regionalised. Hence formal governmental projects of decentralisation tend to lag industrial decentralisation. This lag occurs, firstly, because capital responded directly to the crisis of Fordism whereas the transition of the mode or regulation occurs less rapidly. However, economic decentralisation is not an autonomous process, so that state policy is part of the vehicle of decentralisation, stemming from changes in the mode or modes of regulation. Secondly, because of the public finance adjustment of localities as they respond to political and administrative decentralisation. The latter occurs where collective services, whether publicly or privately delivered, are constrained by a static or declining local tax base. It is apparent that the optimality of administrative decentralisation is tied to the local/regional material base as this has become decentralised in the international division of labour. The degree to which local interests groups are incorporated into decentralised decision and policy making fora will have a material bearing on the degree to which local and regional states can maintain their legitimacy and relative autonomy.

Concluding Remarks

The end of what has become known as the Fordist era brought in its wake no single dimension of economic regulation. Since the 1970s the international division of labour has

been fragmented temporally and spatially. The concomitant crisis of state budgets has led to a re-ordering of state priorities and an attempt to find a new channel of mediation between state and civil society. As the material base of civil society has become internationally determined, the notion of locality or region has become reinforced as international capital has sought to localise and regionalise its operations. State bargains with private interest groups now lack legitimacy at a national level. Due to the decline in the power of the nation-state to regulate the economy state discretion over the outcomes of corporatist institutional arrangements has lapsed. In a more fragmented environment and a developing climate of Anglo-Saxon neo-liberalism, private interest groups have tended to evacuate themselves from previous national bargains. However, the reasons for entering into those arrangements still exist, but have been spatially and temporally differentiated. Industrial decentralisation, through regionalisation of location, brings with it the imperative of state decentralisation as the relationship between the regime of accumulation and mode of regulation alters. The latter occurs in order to maintain the state's legitimising role. Given regional disparity and competition over location of branch circuits of capital, some institutional intermediation between localised/regionalised groups and the equivalent state may emerge.

In the case of Nord-Pas-de-Calais in France, the regional government's plans for economic development can only be made effective through some neo-corporatist intermediation. This is despite the historical antipathy towards conventional corporatism in France. The formal project of decentralisation since 1982, has tended to focus regional actors much more on forms of intermediation than previously. In other countries, for example Germany, a system of quasi-formal intermediation has operated at a national level, reflecting centralised economic power. In the fragmented environment of the era after

Bretton Woods or post- Fordism, regions have developed both convergent and divergent interests with regard to international capital and the prospect of federated regional states. Because of the complexity of centre-periphery relations in a country like Germany, the central state has been able to regain some discretion over the regions. It has been able to do this through the changes in the environment and by distributing the role of legitimacy to the regions and their social actors. Although formal decentralisation and the existence and acceptance of corporatist arrangements at a national level occurs, the two elements have only come together in a complex way. The change in the nature of the international division of labour and the accompanying fiscal crisis of the state has been the basis of this convergence. The case of France is equally complex but, as the case study chapters show below, in a different way to countries which have had established corporatist institutions. It is legitimate to ask whether corporatist institutionalism in post-war Europe was the "highest stage of the social democratic welfarist political economy", as Maier does (ibid; 59). Despite the weakening of the corporatist institutional base, he suggests that if this kind of bargaining is to be resurrected a greater amount of public tutelage will be required. In a period when market and administrative decentralisation is being advanced, the prospect of public tutelage seems greater at a devolved level. The prospects for corporatism in the mid-1980s and by implication the 1990s is given by Maier's closing passage (ibid; 59):

"The choices of the mid-1980s appear different from those at the outset of the post-war period that inaugurated the partial triumphs of corporatism. If reliance on a re-invigorated market works, as it may for the moment, then consensual bargaining could be modestly re-established or may not even be needed. But if in future crises or in the course of industrial re-structuring market forces seem to falter, then probably the mix of institutions that

re-emerges will be more explicitly political than before - more responsible to voting publics or to state bureaucracies and less to the specific economic groups that these institutions embrace."

The generalised reasons why decentralisation can be seen as a form of corporatism are to some extent vindicated by the experience of European regions and in particular the unpromising case of France. It should be remembered that this is not some a-historical absolutely determining configuration. The thesis is advanced out of a recognition that the relations between state and civil society are not unambiguous nor static. The modern state faces a crisis of legitimacy and rationality so that in the abstract there is a constant search for some channel of mediation. After the decline of Fordism as a regime of accumulation in Western Europe, the relation between decentralisation and corporatism goes some way in providing a new channel of mediation and a partial basis of a new mode of regulation.

Footnotes

1. Simply, a regime of accumulation is "a macro-economic regime whose operation satisfies the basic requirements of expanded reproduction" of capitalist relations (Jessop; 1990: 2).
2. The hegemony of the dollar was partly maintained by a quasi-fiction that the dollar would always be convertible into gold. In the early 1970s that quasi-fiction was exposed, contributing to the breakdown of the international monetary system.
3. This fiction could be maintained as long as the Bretton Woods system of fixed exchange rates was intact: it broke down in 1971.
4. This inflationary climate was created by the issue of "excess" dollars to the world economy to cover the persistent balance of payments deficits of the US in the late 1960s and early 1970s. At the same time the countervailing power of organised labour maintained wage norms at a time of declining productivity due to the

devalorization of fixed capital. Thus this climate initiated the breaking of the stability conditions of Fordism.

5. The breakdown of the fixed exchange system obliged governments to adjust monetary policies in response to fluctuations in the exchange rate. Those fluctuations were increasingly determined by the international money markets with periodic interventions of central banks. Although a greater discretion could be maintained over fiscal policy, wage norms developed a more international perspective in the absence of a fixed external constraint. Thus attempts to influence the level of output through fiscal policy or to control wage inflation through incomes policies would be short run palliatives. The breakdown of the stability conditions of Fordism, corollary crisis of the international monetary system and general inflationary climate were the binding constraints on such domestic responses.
6. A mode of regulation is more formally defined in chapter 2, but in general it consist of a set of networks and institutions which sustains a Fordist regime of accumulation.
7. A free exchange economy is one that can be defined as one where the form of economic organisation is one co-ordinated by prices. Unlike laissez-faire liberalism it is supported by an active economic policy to promote the efficacious operation of the price system (Meijer 1987).
8. The Freiburg approach to socio-economic order is exemplified by Walter Eucken, an economist, Hans Grossman-Doerth, a jurist and Franz Bohm, a former official of the Cartel Office. The work of the Freiburg School is synthesised in Eucken's book *Die Grundlagen der Nationalökonomie*. The legacy of Freiburg is the influence which pervaded through later disciples, including many renowned academics, and economic policy in Germany. Other liberals joined the Ordo-liberals like Wilhelm Röpke,

Alexander Rüstow, Alfred-Müller-Armack and Ludwig Ehrhard, economics minister under the post-war First Republic and briefly Chancellor. Ordo-liberals were influenced early on by Friedrich von Hayek, particularly his work on the "state of law" (*Rechtsstaat*) - classical German liberalism (Riha; 1896).

9. An encyclical is an official policy document which because it carries the Pope's authority it is incumbent on the Roman Catholic Church to carry out.

Chapter 2. THE REGULATORY BASIS OF FORDISM

Introductory Remarks

The previous chapter attempted to draw out the nature of the relationship between decentralisation and corporatism. What connects them in more detail is the changes that the international economy has undergone since World War II. The antecedents of this relationship go back much further. By concentrating on the development of certain kinds of regime of accumulation in the post-war period, a more detailed analysis of these components is permitted. As described in chapter 1, corporatism has been an important component of the mode of regulation of Fordism. As the Fordist regime of accumulation came under stress and a predominantly national form of regulation broke down, so more international and decentralised regimes developed. Consequently, the combination of decentralisation at a material and ideological level impacted on the mode of regulation and the role of corporatist institutions in the nation-state. In attempting to trace out a relationship between decentralisation and corporatism, it is important to give an account of the regulatory basis of Fordism as a regime of accumulation. A general outline of Fordism as a key organising concept was given in chapter 1. This chapter also described the relationship of Fordism to corporatism, neo-liberalism and decentralisation. A closer scrutiny of this relationship begins with a detailed account of the regulatory basis of Fordism from both theoretical and empirical standpoints.

This account is necessary because, as will be demonstrated, corporatism was central to the Fordist regime in Europe. A review of Regulation Theory allows the transformations in the regime of accumulation to be explored theoretically and in the abstract, particularly focusing on the process of valorization. The history and theory of corporatism can then be set within this exploration in order to place it at the heart of Fordism's mode of regulation

and the manner in which it became displaced at a national level. In bringing together theoretical accounts of how the regime of accumulation and mode of regulation have been transformed, the chapters which look at France and one of its regions are given a focal point.

The signal question to be asked of Fordism is whether it is a term or a concept and what constitutes its significance. Is it a mere descriptive device drawn from an over used metaphor or does that metaphor signal a more meaningful and material process? If one does not explore the issue of Fordism from a theoretical perspective, there is a danger of Fordism being reduced to a meta-model that has quasi-religious claims for its universality. Fordism has not been universally experienced by the advancing economies of the twentieth century. Its metaphorical use is important for analysing the nature of capitalist accumulation in these economies and gives a more precise location than Marx's more historical and holistic modes of production.

The pioneering work of Aglietta (1979) was based on the experience of the American economy in the modern era and therefore provides context in which his theoretical insights and those of other theorists can be developed. Jessop (1990), (1992) analyses Fordism at four levels:

- a labour process
- a regime of accumulation
- a mode of regulation
- a mode of societalization.

The first level is concerned with the technical division of labour and the dynamics of productivity and its growth. The second emphasises the relationship of mass production and mass consumption in stabilising capitalist accumulation stemming from the extraction

of relative surplus value. The third develops out of the ensemble of institutional norms that govern a Fordist regime of capital accumulation. The fourth speculates upon the pattern of integrating institutional norms into a basis of social cohesion when faced with hitherto different regimes of accumulation.

Leborgne and Lipietz (1988) on the other hand argue that Fordism must be analysed from three angles:

- a technological paradigm governing labour relations.
- an accumulation or macroeconomic principle which links production and social consumption durably over time.
- a mode of regulation to render individual action and social reproduction compatible.

These three elements can be generically termed a mode of development; the regime of accumulation is underpinned by a mode of regulation and distinguished from other regimes by a different technological paradigm (Moulaert et al, 1988). Leborgne and Lipietz suggest that the third element is the institutional counterpart of the second. This view limits the criticism of Fordism as a regime of accumulation that Jessop makes. What distinguishes the approach of Leborgne and Lipietz from that of Jessop is that the former treat Fordism primarily as a regime of accumulation, the latter treats it primarily as a mode of regulation. Jessop suggests that Fordism should be treated as a core mode of regulation. He rejects it as a mode of societalization on the grounds that its consequences will vary across economies. The more recent work of Lipietz, however, explores the societalization approach a little more fruitfully. We will return to these arguments, but one thing most commentators would agree with is Jessop's opinion that there is a danger of becoming bogged down in a taxonomic discussion of what actually constitutes Fordism. The more

detailed aspects of this debate are returned to below and will allow discussion of the claims of post-Fordism and flexible specialisation.

In his review of theories of regulation, Dunford sets out their key components as being industrial trajectories, regimes of accumulation, modes of regulation and hegemonic structures. A regime of accumulation is quite tightly defined as "a systematic organisation of production, income distribution, exchange of the social product and consumption" (Dunford 1990; 305). The mode of regulation "defines the rules of the game" (ibid; 306) which are expressed through a set of institutional relationships codifying the social relations current to the regime of accumulation. Dunford defines the four major social relations under capitalism as:

- (i) the monetary system and monetary mechanisms
- (ii) mechanisms connected with the regulation of the wage relation
- (iii) modes of competition within the capitalist sector, and
between it and other non-capitalist spheres
- (iv) the character and role of the state (ibid; 310).

Industrial trajectories or paradigms describe the organisation of production under regimes of accumulation. Dunford notes that few writers in the regulation tradition use these terms, whereas they are much more important in neo-Schumpeterian models¹. Theorists who subscribe to these models speak of "'techno-economic paradigms' which underpin long cycles of economic growth" (Jessop 1992; 2). In the era after Fordism (referred to as post-Fordism) the inter-action of technology and space under a flexible and permanently innovative regime of accumulation has been central to the explanatory powers of these models. The revival of interest in Schumpeter's work, particularly his notion of the "gale of creative destruction" of capitalism has been stimulated by the concentration

on the relationship between technology and space in writings on flexible specialisation (Piore and Sabel 1984, Scott 1988). In more recent literature, Schumpeter has been described as a "bourgeois Marxist" because of his affiliation to Marx's view that a constant revolutionising of production is a pre-requisite of capitalist reproduction (Catephores 1994). It is through Marx that Regulation Theory can be connected to Schumpeter. The importance of industrial paradigms or trajectories in describing the changes in regimes of accumulation is therefore apparent.

The socialisation of the mode of regulation and the acceptance of the dominant industrial paradigms legitimise the creation or development of hegemonic structures. Dunford summarises a hegemonic project as being:

"a political, institutional, and moral strategy, which is economically conditioned and relevant but whose domain is civil society and not just the economic sphere. In it the general interest is identified with a general programme of action which both advances the long-term interests of the hegemonic class or class fraction and enables some of the goals of other allied or potentially allied interest groups to be attained. Through a programme that has a material as well as an ideological content the construction and reproduction of wider social and electoral blocs is accordingly facilitated." (ibid; 308)

Dunford suggests that the social *Ausgleich* of the Bretton Woods period is an example of an hegemonic model of development.

The nomenclature of Jessop, and Leborgne and Lipietz provides useful datem for a first principles approach to the constitution of Fordism. Dunford provides a useful summary of Regulation Theory's basic components. This approach starts with an analysis of Regulation Theory as the epistemological basis of Fordism. What is important is that as the regime of accumulation changes from the impact of technology, so the institutional basis of the mode

of regulation comes under pressure. As such these institutional forms can be assessed from the perspective of a changing or complementary regime of accumulation. The relationship of institutional forms of decentralisation and corporatism can be analysed from the theoretical perspective of an intensive regime of accumulation and valorization. In particular, it can be argued that the valorization of space is the material basis of institutional projects of decentralisation and stems from the de-valorization of capital in the private sphere and the nature of capitalist accumulation and reproduction. The prospect of the valorization of space comes from the decentralisation of manufacturing and foreign direct investment around the globe after the end of Bretton Woods. That is, the provision of local infrastructure and other locational incentives results in increases land values which are internalised by the company setting up a manufacturing trans-plant.

The starting point for these views of Fordism and its antecedents is the nature of capitalist accumulation and reproduction in the twentieth century.

The Nature of Accumulation

Central to capitalist accumulation is the process of valorization - the creation of value in the production of commodities. A commodity is defined by Marx (1976a) as being different from a product in that the former combines use value and exchange value. The latter can be a bounty of nature like a fertile field etc., whilst the utility of the former establishes the basis of a commodity's demand in exchange. Valorization occurs when fixed and variable forms of capital are combined in production. The numeraire of the value of commodities is abstract labour so that according to Aglietta, the space in which value is created is the wage relation (cf. Aglietta 1979). In this sense, the wage relation encompasses the role of labour in both production and exchange; commodities are produced by the circulation of money into and out of labour in its concrete (that is, actual labour

used in production) and abstract forms. In its most general determination social capital is defined by the wage relation. Marx (1976b; 427) puts it more directly:

"The immediate production process of capital is the process of labour and valorization, the result of this process being the commodity product, and its determining motive the production of surplus-value".

The logic of accumulation of social capital is the creation of surplus value through the valorization process. This surplus is distributed through subsequent rounds of production and exchange establishing the basis of the reproduction of capital.

"The process of capital's reproduction includes on top of this immediate production process, the specific process of circulation with its two phases; it is the overall circuit forming the turnover of capital, a periodic process that is constantly repeated afresh at definite intervals" (ibid).

Social capital operates according to its relation to these processes, of production and reproduction and the totality of autonomous movements of individual capitals that comprise it. That is, "...each individual capital forms only a fraction of the total social capital, a fraction that acquired independence and been endowed with individual life, so to speak, just as the individual is no more than the element of the capitalist class. The movement of the social capital is made up of the totality of movements of these autonomous fractions, the turnovers of individual capitals" (ibid). Aglietta sees social capital as a social relation of the products of labour and labour power sold by free individuals in the form of commodities. Having established the fundamentals of valorization under capitalist accumulation, we can proceed to more detailed assessments of the theoretical claims of the Regulationists.

The theoretical claims of Regulationists rest on the development of particular regimes

of capital accumulation - extensive and intensive. Such a distinction does not represent an attempt to periodise concretely the development of late capitalism; a point that will be repeated. These regimes are theoretically distinguished on the basis of the creation of absolute and relative surplus value in the valorization process. The theoretical basis of this distinction however, is weak as Marx pointed out that absolute surplus value is created relatively and relative surplus value is created absolutely². This begs the question of what constitutes relative surplus value in the simple analytics in the Marxist schema.

Value is created by the application of constant capital (raw materials plus depreciation) and variable capital (labour-power in use) during the working day. The socially necessary labour time to produce a commodity, that is, the average time to cover subsistence, skill and reproduction, constitutes variable capital under the prevailing conditions of production. Constant capital, as past embodied labour, can be counted in terms of abstract labour hours with the same principle applying to variable capital. The remaining hours of the working day constitute surplus value, again measured in abstract labour hours. This surplus can be increased in either absolute or relative terms. In the first case, suppose that under prevailing conditions of production two hours of constant capital and two hours of variable capital are required to produce a commodity. If the working day is eight hours, surplus value will be four hours. However, if the pace of production is speeded up by fifty percent the working day will feel like it is twelve hours, but in reality remains eight, because constant and variable being used more intensively. Therefore, surplus value has absolutely increased by four hours. Alternatively, the introduction of technological progress reduces the socially necessary labour time that constitutes variable capital. In this situation constant capital accounts for two labour hours and variable capital is reduced to one hour with surplus value increasingly relatively to five hours, whilst the pace of the working day

remains eight hours. The effect of technological progress also reduces the value of the basket of commodities needed for subsistence by labour-power. The distinction between an extensive regime of accumulation and an intensive one therefore rests on the role of relative surplus value.

The role of relative surplus value in the valorization process is central to the theoretical distinction between extensive and intensive regimes. As the wage relation is the space in which value is created then the labour organisational forms of both regimes is also an important basis of distinction between them. Indeed, much of the debate on Fordism has been over-concerned with distinguishing regimes on the basis of the labour process.

Aglietta develops some general determinations of valorization via a number of algebraic identities. He begins by establishing the relationship of total income in society to total abstract labour (as the numeraire of the total amount of labour available in society for the creation of value). This relationship is termed the general equivalent of abstract labour as is given the following algebraic form (op.cit: 39)

$$q_{11}VE_1 + q_{12}VE_2 + q_{1n}VE_n + VA_1 = q_1VE_1 \quad (1)$$

$$q_{21}VE_1 + q_{22}VE_2 + q_{2n}VE_n + VA_2 = q_2VE_2$$

where n = heterogeneous products of labour

q_{ij} = quantity of product j needed for the production of quantity i of product i

$VE_1 \dots VE_n$ = values of commodities (VE = constant capital {C} + variable capital {V} + surplus value {S}). These values are determined by the homogeneous nature of abstract labour ($VA_1 \dots VA_n$) so that total labour of society

$$VA = VA_1 + VA_2 + \dots + VA_n.$$

These values are exchanged as commodities in consumption so that

$$\frac{VE_A}{VE_B} = v(A:B) = \frac{b}{a}$$

where the exchange value of commodity

A in terms of commodity B is given by

quantities "a" and "b" of the respective commodities

Therefore, an infinite series of commodities can be exchanged at their use values subject to the condition that money is always and exclusively the representation of abstract labour.

An infinite number of exchanges is constrained by the amount of money in circulation:

$$m = \frac{\text{total income of society } VP}{\text{total labour of society } VA}$$

In this instance "m" is the monetary equivalent of the working hour, which is the same as the amount of abstract labour that is realised in exchange. Total income is measured in terms of the exchange value of the net product or value added of society. Therefore the exchanges values "v" of commodities $C_1 \dots C_n$ in terms of exchange with commodity is given by (ibid; 41):

$$v(C_1:A) = a_1, v(C_2:A) = a_2, \dots, v(C_n:A) = a_n, \dots (2)$$

The effect of the wage relation on the space of value is given by the identity:

$$VA = V + SV \quad (3)$$

abstract labour labour power surplus value

However, a mechanism is needed to establish the equivalence between relations of production and consumption (distribution). Aglietta calls this mechanism the nominal reference wage which is given by (ibid: 49):

$$\bar{s} = \frac{S}{VA} = \frac{S}{V + S} = \frac{\bar{m}V}{V + SV} = \frac{\bar{m}}{1 + e} \quad (4)$$

$$S = \text{total wages} = \frac{\bar{m}}{V} \text{ related to amount of abstract labour } \bar{s}$$

\bar{m} = past magnitude of the monetary equivalent of the working hour

$$e = \frac{SV}{V} = \text{rate of exploitation rate of surplus value} \\ \text{(or relative shares of profits to wages)}$$

The nominal reference wage is a datum which determines workers' mode of social reproduction at any given point. Increasing the rate of surplus value involves lowering the social value of labour power. That is, the socially necessary time to cover subsistence cost of labour. This reduction occurs as a result of the increase in relative surplus value. As worker knowledge, based on craft histories, becomes more and more incorporated into work organisational changes, induced by technology, a strategy of increasing relative surplus value becomes central to what Regulationists term an intensive regime of accumulation. A strategy of increasing absolute surplus value can be advanced under an extensive regime of accumulation. This strategy, however, is one that is limited by absolute surplus value itself. That is, the abstraction of absolute surplus value depends on extending the working by intensifying the current labour process. Unlike a strategy of increasing relative surplus value it does not have the effect of reducing the social value of labour power and is always constrained by the temporal and technical limits of the existing work organisation.

We can now return to a more precise formulation of what constitutes a regime of accumulation and the distinction between extensive and intensive forms. Aglietta defines a regime of accumulation as ".....a form of the social transformation that increases relative surplus value under the stable constraint of the most general norms that define absolute surplus value" (ibid:68). The distinction between absolute and relative surplus is not one that rests on two alternative strategies for capital accumulation but one that is

complementary in terms of the social relations of production. Absolute surplus value has the effect of transforming individuals into wage earners not distinct from one another and with the rhythm of their work existence being entirely determined by the technical limits of the production system. Relative surplus value on the other hand, defines the concrete organisation of production and reproduction of workers in relation to their quantitative differentiation in the valorization process. The norms that define wage labour and its use in regard to a regime of accumulation concern the utilisation of labour-power, the determination of wages and the socialised management of the cost of reproducing labour-power.

An extensive regime of accumulation is one which obtains from transforming labour organisation. Pre-capitalist ways of life may remain or be destroyed but the relation of workers to production is entirely articulated by the control of working time. The basis of capital accumulation rests on a successively layered development of industry, but the combined development in the capital goods sector (Department I) and the consumption goods sector (Department II) is constrained by a number of obstacles. An intensive regime of accumulation rests on the development of a utilitarian transformation of space and time that determines individuals' daily lives as workers. Workers are absorbed into this utilitarian logic by the development of a norm of social consumption. This norm is structured, absolutely, by mass consumption and, relatively, by social stratification within the wage-earning class. The constant pursuit of relative surplus value reduces the social value of labour power and thereby leads to increases in real wages (through a reduction in subsistence costs) and thus concretely reinforces the absorption of the wage earning class into the utilitarian logic of accumulation. This regime allows the integration of the two departments which in turn regulates the pace of accumulation and a more rapid increase in

the rate of exploitation (share of profits to wages).

Theoretically, the development of intensive regime from an extensive one stems from the productivity of labour and relative surplus value; they become the key determinants of the regime. We then need to specify the outcome of these determinants in respect the value composition of the product and the rate of return on capital. This can be shown analytically through two algebraic identities (ibid: 49).

Constant capital C crystallises value as

$$VE = C + VA \quad (5)$$

from (3)

$$VE = C + V + SV$$

value composition of capital

$$q = \frac{C}{VE} = \frac{C}{C + V(1 + e)} = \frac{k}{k + 1 + e} \quad (6)$$

rate of return on capital (=rate of profit)

$$z = \frac{SV}{C + V} = \frac{e}{k + 1} = \frac{e(1 - q)}{1 + eq} \quad (7)$$

where $e = \frac{S}{V}$ rate of exploitation (surplus value)

$k = \frac{C}{V}$ organic composition of capital

These two identities are key in relation to the stability conditions of an intensive regime of accumulation; Lipietz (1982) uses a concrete term "the Golden Age of Fordism" to describe the development of the advanced economies between 1950 and 1968. Labour productivity in the consumption goods sector (Department II) must rise at the same rate as mass purchasing-power of workers is one stability condition. In other words, if mass purchasing-power rises at a faster rate then the share of wages in value-added increases to the detriment of profit. The other stability condition is that unless the rising technical composition of capital (roughly per capita fixed capital or ratio of fixed to circulating

capital) is offset by increasing productivity in the capital goods sector (Department I), the proportion of immobilised fixed assets will become dangerously high. The technical composition of capital tends to increase to inhibit the rise in the organic composition of capital. That is, as the value of depreciation of machines fall the volume of machinery rises. From basic Marxist analytics it is assumed that the rate of surplus value is stable and that the organic composition of capital rises to reflect technical progress and relative surplus value. Axiomatically, it follows that the rate of profit tends to fall; the logic of capitalist accumulation is then a given. In respect of the rate of labour productivity matching the rate of change of purchasing-power, this does limit the rate of surplus value which in turn counteracts a falling profit rate. But, it inhibits a tendency of overproduction and underconsumption; the limits of an extensive regime of accumulation are set by this tendency.

Returning to our two identities above, labour productivity is defined as processes of the transformation of forces of production over time that raise the rate of surplus value by modifying the social structure of production. That is, the relation of labour power "know-how" to capital. For any given quantity of abstract labour (VA), a fall occurs in the value of labour-power (V) and the technical composition of capital is modified to economise on labour. In this sense, the modification in the technical composition of capital becomes the value expression of an increase in the organic composition of capital. This is given for the equivalence of abstract labour to total income, prevailing prior to changes in labour productivity. Although this change suggests a unit reduction in the value of commodities via a rise in the organic composition, this may not be very well captured by an increase in the value composition of the product (q) because of the distortions to the value system that changes in labour productivity bring. Therefore, the significance of relative surplus

value has to be looked at a little more closely.

Inducing these increases in labour productivity, through transforming forces of production, requires processes that collectivise labour by the application of large scale and visible means of production. Therefore, one has to look at the departmental components of the valorization identity ($VE = C + VA$). That is, the producer goods sector (Department I) produces commodities that are elements of constant capital in Department II and provides the basis of Department II's production of the means of consumption and thus the value basis of variable capital.

The distinction between departments is of significance for relative surplus value and for the accumulation of capital at the social level through each regime. There are three parts to this relationship.

- a tendency for departments to develop unevenly because of an increase in the organic composition of capital in Department I.
- but increases in relative surplus value imply a rising rate of surplus value through a reduction in the socially necessary labour time to reproduce labour power or the means of consumption.
- therefore it requires Department II to absorb commodities of Department I and incorporate these as constant capital in production processes that lower the value of means of consumption.

But, uneven development in Department I and compatibility with Department II appear at odds with each other. There is a need therefore to establish harmony by means of restructuring the temporal relationships between the two departments. The significance of relative surplus value is twofold:-

- (i) Directly it economises on labour-time and, indirectly reduces labour-time

needed to produce the means of consumption.

- (ii) The free time is transformed into surplus labour time and absorbed by capital in the next stage of the circuits of commodity capital and results in the intensification of labour productivity and thereby the regime of accumulation.

Obstacles to capitalist accumulation can stem from the uneven development of Department I. But, a countervailing barrier can be erected to harmonise the development of both departments in the form of revolutionising the conditions of the existence of the wage earning class; the basis of the transition from an extensive regime of accumulation centred on the abstraction of relative surplus. The Regulationists stress on relative surplus value above that of absolute surplus value, as the basis of a monopolistic intensive regime over a competitive extensive regime, has been criticised elsewhere (Boyer 1986, Brenner and Glick 1991). The crucial point derives from Marx's insight that capital conquers space and time so that the harmonious development of both departments, through an intensive regime, has as its counterpart the institutional mode of regulation that concretely transforms the conditions of the wage earning class. Part of this institutional mode is the nominal reference wage which incorporates state-governed norms acting as guarantors of social consumption norms.

Valorization of the concrete material world then penetrates the abstract world of the management of time and space by a negotiation of institutional norms. It establishes the possibility of the valorization of space through calls administrative commodification (cf. Offe 1984) and the socialisation of consumption (cf. Aglietta 1979). The former is concerned with the whole gamut of state activities aimed at valorizing elements of capital and labour that have been expelled from the commodification process. The latter is

concerned with the nominal reference wage and the reproduction of one generation of labour-power to the next. Socialisation of consumption is part of a strategy to maintain effective demand and therefore private consumption . The maintenance of effective demand provides an automatic mechanism to balance the uneven development of Departments I and II. A consequence of uneven development is the devalorization of capital which poses difficulties for the general equivalence of exchange. As the nominal reference wage includes elements of reproduction of labour-power, the guarantee of private consumption is crucial to the maintenance of exchange equivalence.

Consumption is a material process so it follows that it is located in space within a specific geography. Consumption also operates in a time frame and literally employs time as individuals undertake it. Generalised social consumption is central of the cycle of maintaining social labour-power, itself determined by the appropriation of labour time in creating relative surplus value. Therefore, the uneven development of both departments generates devalorization, which in turn effects socialisation of consumption strategies to maintain effective demand. The latter operates through the agency of the nominal reference wage but in maintaining the constancy of the reference wage, the development of complementary strategies to ameliorate devalorization is required. These other strategies invoke negotiations of space and time that can be articulated through private capital and the state. Decentralisation and corporatism then appear as part of the socialisation of consumption, mediated by the relationship of the nominal reference wage to devalorization. This argument is followed a little more closely in the next section.

Devalorization and Decentralisation

Valorization of space occurs where a particular regional or local space has its ground rent increased through enhanced infrastructure and policies to attract mobile capital; capital

which seeks decentralised locations for manufacture and assembly as well as indigenous development. This increase in ground rent enters circuits of capital and thereby the accumulation process through the practices of commercial and banking capital. The spatial and temporal decentralisation of production becomes possible because of the development of automatic production systems. Aglietta refers to this development as neo-Fordism (Palloix 1976) and suggests that it is the basis of a regime of accumulation that could allow an escape from the crisis of Fordism. This escape rests on the assumption that automatic production overcomes the limits of re-structuring worker-time in production. However, within the specific geography of the nation-state this is a limited strategy. Spatial and temporal decentralisation of production, on the other hand, logically establishes a socialisation of consumption that must also negotiate space and time. The basis of a different relationship between the regime of accumulation and mode of regulation through material and institutional decentralisation is established.

At the heart of this thesis is the following argument and exposition. Decentralisation as a form of corporatism derives from the change in the regime of accumulation after Fordism and the way in which the spatial determination of production was re-structured along international and regional lines. Automatic production systems bestow greater centralised control over the valorization process and reinforce the centrality of engineering departments, that have expanded because of the development of such systems of production. The material agency that ensures decentralisation is global devalorization of fixed capital. This agency is reinforced by the possibility of valorization of space occurring where decentralised production takes place. The existence of the valorization of space arises from the institutional relationship of different fractions of capital.

Decentralisation and corporatism become part of the process of valorising public capital,

which is also a logical corollary of devalorization of capital. As pointed out above, the hegemonic project of the dominant class or class fraction is sustained through a set of institutional relationships which have public legitimacy. Corporatist institutions were quite central to the mode of regulation operating in European nation-state under Fordism. As the succeeding environment of post-Fordism has evolved, flexibility of production and permanent innovation have become salient characteristics of various regimes of accumulation. As production has become both global and local, regions and localities have sought to attract mobile international capital to site itself in their territories. Consequently, a more localised and regionalised set of institutional arrangements have been established and now form part of a developing mode of regulation. The concertation of local/regional economic interests in such territories suggest that quasi-corporatist arrangements and institutions will be re-structured along local/regional lines from national ones. The decentralisation of production engenders an institutional response from which a developing set of rules evolve to become a new mode or modes of regulation. The major question is whether we are talking of the new mode or a series of complementary but fragmented ones underpinning different regimes.

The constitution of corporatism is outlined in chapter 1 and analysed in detail in chapters 3 and 4, but some simple definition may be appropriate here. Crudely, corporatism incorporates economic actors, representing the interests of the division of relative shares of the social product into an institutional relationship with the state. The functional role of the state articulates socialisation of consumption to maintain social consumption norms of the nominal reference wage and thus provides the locus of mediating strategies. The intensive regime of Fordism operates subject to a national monetary constraint and is thus national in orientation, albeit in the international setting of the Bretton

Woods system. However, once the stability conditions of Fordism have been violated in a national setting, then the ability of the state to organise socialisation of consumption strategies is weakened. The properties of an intensive regime tend towards a weakening of commodity circulation so that a development of a neo-Fordist regime may overcome the uneven development between Departments I and II. This does not escape the consequences of devalorization but allows a better negotiation of it, especially in relation to this regime's relationship to financial circuits of capital. A logical corollary of the development of a regime which allows decentralisation of manufacturing and assembly of commodities, through automatic production systems, is decentralised socialisation of consumption. Part of decentralisation would be the valorization of local or regional space; the enhancement of which is absorbed into private accumulation by financial circuits of capital. Decentralisation of the social sphere follows the decentralisation of the private sphere but as the inherent weakness in capital formation in Europe remains, the representative interests of capital and labour and the localised or regionalised state will have to construct some mediating strategies in the face of this new regime. The key point is that theoretically and logically decentralisation and corporatism come together from the consequences of devalorization of an intensive or Fordist regime of accumulation.

Devalorization of capital occurs because fixed capital loses a portion of its value in each cycle of production. With each consequent cycle this portion represents a growing fraction of total value and its technical equivalent is depreciation. There is an important distinction in that depreciation is a money flow to compensate for the devalorization of capital. Devalorization is that portion of capital not validated in exchange with its equivalent social labour being destroyed in production. Devalorization arises from a fundamental contradiction in capitalist relations. On one hand, as capitalism is a commodity producing

society the reproduction of the conditions of production implies that the value of all commodities is conserved in exchange. On the other, capitalism cannot reproduce the relations that constitute itself without revolutionising the conditions of production. The non-conservation of the value of fixed capital is therefore part of this revolution and also constitutes devalorization of capital.

Although devalorization appears to be a massive phenomenon, because of the growing importance of fixed capital in the creation of relative surplus value, it is an *a posteriori* one in the process of commodity exchange. That is, the more society experiences a deepening division of labour the more it experiences serious losses in the value of fixed capital. There are two immediate consequences which lead to the development of strategies like decentralisation to ameliorate the effects of these losses. Firstly, if there is a tendency for the uneven development of Department I not being offset by the penetration of capitalist production in Department II then devalorization of capitalist production leads to successive phases of big increases in fixed investment. Secondly, if uneven development provokes a powerful countervailing expansion in Department II then devalorization becomes a permanent process. The first point leads to a rapid increase in the technical composition of capital. The second leads to the requirement for new strategies to negotiate these tendencies if discontinuities and crises in valorization are not to be permanent and perpetual. Decentralisation and corporatism can provide the bases of such strategies. Their theoretical justification is then a logical consequence of devalorization. A result of the socialisation of consumption is a tendency for the nominal reference wage to be inflexible, so that downward pressure on the social wage cannot be a permanent feature of combating devalorization.

Under modern capitalism there is a tendency for an acceleration of prices in periods

when real social wages are constant. This tendency is subject to the value of money declining; a decline *not* caused by inflation³. The inflexibility of nominal reference wage acts as a constraint on the ability of capital to control the rate of growth of social consumption norms. A general instability develops in the general equivalence of exchange relations under a intensive regime of accumulation because of the combination of uneven development of both departments, permanent devalorization of fixed capital and the above constraint. This combination can be spelled out in more detail to show the way in which socialisation of consumption strategies are dependent upon the ability of the particular regime of accumulation to negotiate the regime's limiting crises.

Under an intensive regime, uneven development occurs because of the lowering of the value of labour-power and requires the permanent revolutionising of the conditions of production in Department I. For this revolution to be sustained, and thereby compensate for the rise in constant capital (corollary devalorization of fixed capital), the mode of consumption derived from the commodities produced by Department II must be transformed rapidly and constantly. The increasing interdependence of the two departments leads to a corresponding incorporation of the wage-earning class into extended norms of social consumption. Therefore, the new productive forces developed under the revolutionary conditions of production in Department I are transferred to Department II to lower real social wage costs. However, socialisation of consumption seeks to maintain reproduction of labour and thus tends to maintain the inflexibility of the nominal reference wage. The acceleration of prices could be one outcome as alluded to above. The other outcomes depends on the way in which these apparently contradictory forces impact on general exchange relations.

The outcomes of the dynamics described above can be analysed in three stages. Firstly,

obsolescence of fixed capital becomes generalised and permanent. Secondly, this devalorization expresses the instability in the equivalence of exchange relations. Thirdly, acceleration of the general price level must occur spontaneously if accumulation is to continue, despite the deterioration in its conditions. Socialisation of consumption strategies can only be secondary in this sense. The other alternative is the development of a different regime, based upon new automatic production systems and complementary socialisation of consumption strategies.

In the first case, the basis of transforming the production process is the renewal of fixed capital. An almost permanent devalorization of capital can be assumed so that the monetary equivalent of depreciation is incorporated into total gross profit. The implied obsolescence is equal to a loss of value in exchange equivalence. Obsolescence in Department I becomes transferred to Department II with the consequence of a rise in consumption norms from that department. The more this rises the more that the rate of relative surplus value must grow to compensate for the accelerated loss of social value, due to devalorization. Uneven development in Department I becomes manifested in devalorization expanding at a faster rate and the fall in social wage costs, due to continual investments, slows down. As a result the proportion of constant capital in the value composition of capital rises.

In the second case, this would lead to a fall in accumulation, reduced prices and massive unemployment under a regime of extensive accumulation because of the monetary constraint of exchange. Under an intensive regime, devalorization is incorporated into the total value composition of capital as a permanent characteristic. Without the sanction of the monetary constraint operating, a clear contradiction arises. The equivalence of exchange operates when values are exchanged but capital is permanently devalorized

implying a social loss of value and therefore no equivalence operates. As Aglietta points out, the only way out of this contradiction is for the general equivalent of exchange to lose value. As a consequence, a weakening of commodity circulation occurs that is absorbed and diffused by the circulation of money; inflation results and the monetary equivalent of the working hour (m) must rise proportionately for exchange to continue. Such an outcome is the basis of the crisis of reproduction of the wage relation and a violation of one of the key stability conditions of an intensive regime of accumulation.

In the third case, accumulation can only be maintained if devalorization is continuously matched by the acceleration of prices. The constancy or inflexibility of the nominal wage maintains social consumption and thus effective demand as money wages grow. But under these conditions the rate of money wage growth is less than the rate of growth of depreciation charges and thus the rate of inflation. Real wage growth slows and declines; the result of the slowdown in capital formation.

Having outlined in some detail the theoretical basis of devalorization of capital the question arises, how do the generalised strategies of socialisation of consumption fit into this theoretical account? If one concentrates on the maintenance of the nominal reference wage, one can see institutional forms that are the basis of guaranteeing social consumption norms. In many European economies these institutional arrangements come under the rubric of corporatism. It is argued elsewhere in this research that such institutional arrangements arise from the weakness of capital accumulation in Europe. This weakness is evidenced in the lower amount of fixed capital formation and employment creation in Europe compared to Japan and the United States in the post-war period. Elementally it is related to devalorization of capital but, the inflationary consequences of devalorization lead to a slowdown in the growth of capital formation. In the absence of the more self-

sustaining properties of effective demand in more powerful capitalist economies, other responses and institutions will be needed to ameliorate the effect of devalorization and weakness in accumulation. Corporatism in various guises has provided this function historically. Since the demise of Fordism, however, no one dominant regime of accumulation nor mode of regulation has emerged. The search for and use of decentralised spaces of production, permanent innovation and flexibility have formed part of different industrial trajectories under the new international division of labour. We now turn to the debates concerning the nature and institutional forms of Fordism and post-Fordism in order to attempt some understanding of these trajectories and associated issues.

Fordism to post-Fordism: Metaphorical to the Mystical?

The disputes over what constitutes Fordism and post-Fordism have become as arcane and atavistic as that other growth industry, modernism and post-modernism. It may be better to reduce the claims of the whole project to a periodisation of "before Bretton Woods" and "after Bretton Woods". That is, the change from a nationally based to an internationally based form of economic regulation. Despite the superior claims of Jessop, an analysis of the changing nature of economic regulation may be more efficaciously performed if one takes a first principles approach towards capitalist accumulation. This was advanced in the previous section by using a regime of accumulation as the theoretical and analytical construct. However, this case cannot be advanced without some discussion of what constitutes the mode of regulation in late capitalism.

The debates between proponents of flexible specialisation and the like are essentially attempts to appropriate a new and dominant meta-narrative. Many of the debates come under the all-encompassing generic category of post-Fordism, which covers a multitude of views. Yet the discussion of the underlying issues rest on a very simple technological

imperative. The proponents of flexible specialisation take this simple determination a stage further by suggesting that the technological paradigm, constituting their project, can be presented as a progressive strategy that democratises the labour process. The most well known advancers of this cause are Piore and Sabel whose manifesto *The Second Industrial Divide* met with critical approbation and opprobrium in equal measure. This book sets up a dichotomy between mass production and flexible specialisation as competing technological paradigms. The conceptual distinction between the competing paradigms is the foundation on which the whole text is built. It is used to explore three elements. Firstly, a theory of different types of economy. Secondly, an interpretative meta-history of modern production. Thirdly, an analysis of the current crisis of late capitalism.

Williams et al's (1987) critique of Sabel and Piore suggest that the paradigmatic dichotomy provides the base-structure on which the three super-structural elements rest. The intellectual contribution of *The Second Industrial Divide* is best summarised by the quote from this critique - "(s)eldom in the history of intellectual endeavour, can so much have been built upon on the foundation of one opposition" (1987: 408). As such, lingering over its populist appeal will serve no purpose. However, a descriptive summary may be useful. Because of a change in the composition and stability of aggregate demand, Piore and Sabel advanced a supply-side response to changes in the accumulation regime in the form of small and flexible specialised enterprises offering more diversified and innovative goods, using skilled craft workers. The demand side response was in the form of specialised goods and the range of products offered for consumption (Benko and Dunford 1991). Operating in industrial networks and regions in Germany, Italy and Scandinavia this flexibly specialised model of development was advanced as signalling the end of mass production as the dominant industrial paradigm. Piore argued that the 1970s and 1980s

would be seen in retrospect as the turning point in the history of industrial organisation. However, this heroic claim for flexible specialisation can only operate under certain demand conditions (cf. Dunford and Benko 1991). It therefore cannot be the basis of a dominant industrial trajectory in a new regime of accumulation. Furthermore, this flexible model is only appropriate to certain sectors and is not universally appropriate. A deeper malaise within the current debates has to be examined if flexible specialisation is not to be used as a straw person to be knocked down on order to advance other equally spurious projects.

The question of whether a new technological paradigm, by which late capitalism can be analysed, exists depends on whether a scientific revolution has occurred⁴. The problem in addressing the question of post-Fordism, flexible specialisation and the like, is whether Fordism was ever the basis of normal science and that it logically represented the dominant paradigm in analysing the dynamics of capital accumulation. Without going into detailed epistemological and methodological disputes, it follows that technology and the institutional norms that negotiate it is not some universal and independent entity.

Technology derives from the material basis of production which in turn is derived from the imperatives of accumulation - *quōd e'rat demonstrandum*, the technological paradigm and the ensemble of institutional norms stem from the regime of accumulation. Sayer (1989) puts it more precisely; "(f)aced with the bewildering variety of changes which are taking place, it is tempting to seize upon simple polemical contrasts..... Inevitably we risk ending up with over-burdened dualisms and overly elastic concepts.....The trouble with concepts like fordism, post-fordism and flexible specialisation is that they are overly flexible and insufficiently specialised" (1989: 666). The key question of whether Fordism has been as hegemonic a concept as sometimes claimed is returned to later. At this

juncture it is appropriate to construct a dialectic on the nature of flexibility and what is claimed as post-Fordism.

Sayer's contribution to the debate is important in pointing out the false dichotomy between the mass and the flexible. He also makes the valuable point that vertical disintegration in production is not something that applies at the level of the organisation. He states "(s)o while there is evidence of an increase in vertical disintegration, what could be of more significance is an increase in what might termed *vertical organisation* in both vertically integrated and vertically disintegrated cases" (ibid: 678). A conception of vertical disintegration appears pivotal to the arguments of "flexibilists" - "(a)dditionally, new industrial sub-sectors come one by one into existence thereby giving rise to continual extensions of the social division of labour - a process that may be termed *dynamic vertical disintegration*. A growing production complex thus makes its historical appearance and becomes steadily more variegated in its internal structure. So long as the pool of external economies is expanding, individual producers can find within the organisational structure of this complex increasingly diverse input options at increasingly lower prices; and the complex thus continues to grow recursively by reason of its own inner momentum of falling production costs." (Scott 1988; 51). Scott claims that flexibility presents a new historical disjuncture and cites the work of others to legitimate this claim (Piore and Sabel 1984), (Cohen and Zysman 1987), (Lash and Urry 1987), (Tolliday and Zeitlin 1986). Indeed, Scott's historical claims take on a more heroic quality in his assertion that there is a historical lineage to flexibility that goes back two centuries. He cites the works of Marx, Smith, Bohm-Bawerk and Marshall along with more modern economists like Coase, Stigler and Williamson to substantiate his claim. This lineage is used to support his view that there is a tendency for internal economies giving way progressively to an

externalisation of the structure of production as modern capitalism develops. The outcome for Scott is extended social divisions of labour into specialised sub-sectors, re-agglomeration and locational convergence. Scott's approach has been subject to criticism which suggests that his account was historicist⁵ (Lovering 1990). Fortunately, Sayer reminds us that even within the most cited flexible industrial organisation, Japan, the degree of universality is limited and that organisation and rigidity are consistent features. He states by quoting Ronald Dore's term for Japanese industrial structure, "flexible rigidities" (Dore, 1986), "(c)rucial to Japanese industry's success has been its exceptionally high *organised* character. In no other country has the visible hand of organisation and planning pushed back the invisible hand of market forces..... The oxymoron title of Dore's analysis of industrial organisation in Japan aptly captures the paradoxes - paradoxes which confound many of the expectations of both economic theory and the post-Fordist debate itself" (op.cit; 681).

Having disposed of slightly specious claims to universal antecedents one cannot progress without reference to the real history of Fordism and its original exponent - Gramsci. Before progressing to Gramsci an appraisal of the four levels of Fordism, as advanced by Jessop, is appropriate to structure the discussion and to see to what extent Jessop's categorisation is consistent with the history of Fordism. Jessop criticises the notion of Fordism as a labour process on the basis that Henry Ford's derivative was quite limited in its diffusion. Furthermore, the potential scope of Fordism depends on the weight of specific sectors and the nature of each's products. The claim of Fordism as a labour process is further undermined because it is not just technologically determined. The same criticism can be applied to the over-emphasis on the manufacturing sector in developing a notion of a Fordist strategy. Where Jessop's account is critical to the whole debate is on

the relationship between Fordism as a regime of accumulation and as a mode of regulation.

Jessop criticises the concept of Fordism as a regime of accumulation as one which is difficult to identify and one whose existence is to be doubted. The happy equivalence of mass production and mass consumption existed in very few economies even at the height of the "golden age". Jessop rightly points out that Fordism was not a universal experience at the national level but occurred differentially in respect of localities and regions and sectors, spaces and activities within the context of a national economy. He suggests that Fordism can be rescued as a regime of accumulation if one accepts that the coupling of mass production and consumption, to achieve a virtuous circle, does not occur within a national economy but its components are negotiated in a more complex manner. Such a manner accepts the material logic of an intensive regime but the degree of its penetration within a national economy context is variable. The key point here is the role of national economic regulation in relation to the increasing internationalisation of production during the Bretton Woods years.

The hegemony of the dollar as an international reserve currency was one factor in the penetration of US multinational production into Europe in the post-war period (Dunning 1975). More importantly as the pivot of the gold exchange standard, it acted as the international guarantor of the monetary constraint in each national economy. The US production model, roughly based upon a Fordist dynamic, was thus imported into Europe. Combined with the central role of the US dollar in financial circuits, Fordism took on the appearance of being the hegemonic regime of accumulation that had developed at this stage of late capitalism. In fact, Fordism was only hegemonic to the extent that the hegemony of the dollar and US multi-nationalisation touched upon key sectors and regions in the advancing economies of Europe.

The breakdown of an intensive regime can also be analysed from the perspective of financial circuits. Under nationally based regulation, money could be characterised as fiduciary rather than as international commodity money (cf. Jessop 1990). That is, money depends on its value because of public confidence in its exchangeability and the trusteeship of a central bank. Fiduciary money was paper money not backed by gold and silver. The Bank Charter Act of 1884 allowed banks in the United Kingdom to issue paper money up to a limit of £14 million. Anything over this limit had to be backed by gold or silver. The limit was progressively raised until the whole of the note issue of banks was now fiduciary.

The growth of international commodity money stems from the development of the Euro-markets in the late 1950s and 1960s, based upon creating dollar deposits outside the control of the US banking system to facilitate expanded liabilities and thus accumulation. The conceptual development of commodity money occurred because of the growth of bank and non-bank financial intermediation and that the whole of the note issue became fiduciary. The fiduciary principle is little different from that of securitisation, a key concept in the internationalisation and growth of financial markets. Securitisation is a process whereby a financial asset can be created from an underlying real asset that stands as security against default. Commercial banks and non-bank institutions are little different in the way they create credit through the expansion of deposits. The only signal difference is that bank credit is a media of exchange (Clower 1969). However, with the decline of a nationally based international financial system and the growth of securitisation, the need for traditional bank intermediation was reduced. The resulting process of disintermediation meant that growing international capital markets could be directly accessed without reference to banking intermediaries. The shift from fiduciary to international commodity money was fuelled by these financially innovative processes, accompanied by changes in the mode of

regulation.

The growth in the importance of financial circuits of capital after Fordism allows the possibility of the valorization of space. The spatial re-structuring of production was part of the response to devalorization which provoked the crisis of Fordism. A more regional and local dimension to the mode of regulation led to localities making themselves attractive as sites for international capital. Through infrastructure improvements, the value of land is enhanced and via the mechanism of ground rent can be passed onto capital that locates there and realized through the activities of the financial circuits. As ground rent is a special form of surplus value (cf. Marx 1976b), the valorization of space may be a secondary consideration for the location of international capital's activities. As such the shift from the fiduciary role of money to an international commodity form is a more comprehensive process than seems at first sight.

These changes arose from the crisis of embedded liberalism and an ideological impetus for the deregulation and liberalisation of markets. Once financial circuits broke out of national constraints the possibility of maintaining the virtuous circle of mass production and mass consumption within a national economy began to disappear. In this sense, Jessop's perception is correct. The utility of Fordism is in its metaphorical use in exploring the theoretical basis of accumulation, using the analytical construct of regimes. The mystical use of Fordism directly leads to the heroic claims of flexibility, whose universality is a-historical and specious.

The distinction that Jessop draws between Fordism as a regime of accumulation and as a mode of regulation is less discrete than is made out. In the same way that there is not a Fordist regime of accumulation, there is not a Fordist mode of regulation. As Jessop himself states, "rather than insist on one particular institutional configuration as comprising

the Fordist mode of regulation, we should search for family resemblances. Some common patterns can be discerned: a link between wages and productivity There was also a growing strategic concern with economies of scale, productivity, planning, 'growthmanship', etc., which affected social and political life as well as forms of economic activity" (1990; 18). Suffice to say, the elements of a mode of regulation - wage relation, industrial structure, function of money and commercial and banking capital, role of the state, etc., - cannot be easily separated out from the material nature of the regime accumulation which locates them. The question of the levels of post-Fordism are returned below.

Without resorting to the historical lineage game, one can reinforce the preceding analysis by referring to the Gramsci's account of "Americanism and Fordism" in *Selections from Prison Notebooks*. In this section of the *Notebooks*, Gramsci lists a number of issues and problems. The most critical ones, to this exposition, seem to be, firstly, whether "Americanism" constitutes a historical epoch or is part of a passive revolution or an accumulation of molecular elements combining to produce an explosion. Secondly, the question of so-called high wages of Fordist industry and finally, whether Fordism itself represents the ultimate in combating the tendency of the rate of profit to fall. Gramsci certainly predates the Regulationists in his perceptions on Fovel's⁶ account of the corporation as an autonomous bloc. Gramsci's prescience can be seen from the following passage - "... is his conception of the corporation as an autonomous industrial bloc destined to resolve in a modern and increasingly capitalist direction the problem of further development of the Italian economic apparatus? This is opposed to the semi-feudal and parasitic elements of society which appropriate an excessive tithe of surplus value and the so-called "producers of savings". The production of savings should become an internal

(more economical) function of the productive bloc itself, with the help of a development of production at diminishing costs which would allow, in an addition to an increase of surplus value, higher salaries as well" (Gramsci, 1971; 291); in short, the development of an intensive regime of accumulation based upon relative surplus value.

Gramsci points out that Fordist rationalisation was carried out at Fiat's Turin plant in the 1920s, because Italian trade unions were weak in opposing work innovation, unlike American unions whose opposition had led to the semi-liquidation of free trade unions there. The claimed antecedents of Fordism as a progressive project do not seem to have much real basis; equally the claims of its post- equivalent, flexibility cannot be historically substantiated either. Gramsci's analysis is perceptive in that he stresses the importance of regimes of accumulation and the institutional norms which substantiate it. Whereas present debates circulate around the notion of Fordism, Gramsci's analysis circulates around the notion of "Americanism". The mode of regulation that underpins Americanism is put simply, "(a)mericanism requires a particular environment, a particular social structure (or at least a determined intention to create it) and a certain type of State. This State is the liberal State, not in the sense of free-trade liberalism or of effective political liberty, but in the more fundamental sense of free initiative and of economic individualism and of economic liberalism which, within its own means, on the level of "civil society", through historical development, itself arrived at a regime of industrial concentration and monopoly". (ibid; 293).

The distinction between Fordism as used by Aglietta and other Regulationists and that of Gramsci is made on the basis of the move from an extensive regime of accumulation to an intensive regime of accumulation. The pre-war extensive regime operated under competitive regulation in the form of more atomised competition between firms, partially

using developing technologies. The post-war regime operated within monopolistic regulation where large scale production was based on technologies which incorporated the labour process more universally and established a more determinant mode of societization. Despite the criticism that the distinction between the two forms of regime and regulation was not so discrete (Brenner and Glick 1991), that is, an intensive regime appeared under competitive regulation, Gramsci's insight was to suggest that Americanism/Fordism could become the basis of a dominant mode of regulation and societization.

The caveat that Jessop introduces in his critique of Fordism as a regime of accumulation appears confirmed by Gramsci's own perceptions. Indeed, Aglietta's later work (1982), examines the outcome of different regimes on the mode of regulation in the United States and selected European economies. Gramsci, Aglietta and Jessop come together in the metaphorical use of Fordism leaving the mystical pilgrimage to other less perceptive commentators who see Fordism under every guise. Gramsci is used as a central reference point in John Bellamy Foster's critique *The Fetishism of Fordism*. In referring to Gramsci's comments on high wages (and thus by implication the virtuous circle of mass production and consumption), Foster points out that this was a transitory phenomenon. Secondly, they are associated with the development of a labour aristocracy; the basis of absorbing these worker skills into subsequent production technologies. At the time of Henry Ford, high wages were a corollary of labour turnover. Foster is savage in his criticism of radical proponents of Fordism as being an enlightened or progressive project and accuses them of misrepresenting the history of the Ford Motor Co. Such broad brush criticism sweeps Aglietta's comments on neo-Fordism into its range. This is a little unfair, in that Aglietta's comments on neo-Fordism are limited to speculations on the possibility of automatic production systems allowing the development of a regime that escapes the constraints

imposed on an intensive one. The evolution of such a regime may allow the constraint of time to be better negotiated and therefore be one basis of addressing the problem of valorization.

This also applies to the sphere of space and it has been suggested above that decentralisation and corporatism are a basis of mitigating devalorization under this new regime. It may have been better if Foster had reserved his ire for the proponents of flexibility and post-Fordism as progressive projects. The same applies to other recent contributions (cf. Brenner and Glick 1991) which focus on Regulation Theory as middle range theory between the development of capitalism and the impact that changes in technology have made on the labour process in the twentieth century. They find that Aglietta's use of the United States as an exemplary case of Regulation Theory does not stand up to empirical scrutiny. The core of this criticism is that Fordism does not stand up well as a technological paradigm nor does it properly encompass the social-property relations of capitalism. Essentially these criticisms stem from a particular model of capitalist development and an expectation that a middle range theory covering the scope of twentieth century capitalist development will be empirically valid in most instances. In attempting to critically unwind the Regulationist contribution there is a tendency to fall into the same trap as the Regulationists do, that is, there some discrete historical difference in the appropriation of absolute and relative surplus-value. This is merely a device to theoretically to point up differences between extensive and intensive regimes of accumulation.

As pre-capitalist forms of production still co-exist with capitalist ones, one finds that in the era after Fordism (post, neo, flexible or whatever) then intensive regimes co-exist alongside extensive regimes. The point at issue here is that Fordism is a useful analytical

category as a regime of accumulation. By suggesting that the technical limits of Fordism, as a regime of accumulation, were temporal, it allows the possibility that succeeding regimes will be more spatially structured. In turn, a spatial imperative will influence the modes of regulation which ensue.

A cogent analysis of post-Fordism rests with Jessop, using a similar structure to his four level account of Fordism. He warns of treating post-Fordism as a chronological development of Fordism. He suggests that the concepts are asymmetrical and this should lead to wariness on the part of any commentator. Jessop finds, however, that post-Fordism does not easily fit into his four level analysis of Fordism. There are too many disjunctures for it to be the basis of some virtuously circled and managed regime. The claims of post-Fordism as a labour process, based upon flexible specialisation, have been given fairly short shrift above. However, there are sufficient departures from the Fordist labour process for it to warrant attention but not the amount that is currently lavished on it. Jessop correctly points out that it is too soon to advance a post-Fordist regime of accumulation. However, the asymmetry with a Fordist regime leads to changes in the labour process being used to combat the problem of de-valorization. This is done through strategies that re-structure the use of time in production, as argued above. In this sense, can post-Fordism or neo-Fordism stem from a particular regime of accumulation? In the period after Fordism new strategies to combat devalorization derive from more than one regime of accumulation that are concurrent. Under the new international division of labour where production has been devolved spatially, a more extensive regime results occurring alongside intensive regimes, as argued above. The counterpart of these changes concerns re-structuring the mode or modes of regulation. Although it cannot be argued that a regime of accumulation directly determines a mode of regulation, the two are to some extent

interdependent.

Decentralisation of production induces decentralised responses in the institutions which form part of the mode of regulation, particularly governmental institutions. It also corresponds to a liberal market ideology which has occurred since the demise of Fordism. Corporatism as part of the mode of regulation, under national forms of regulation, has diminished because of the "hollowing out" of nation-state. The important economic regulatory functions appear to have passed up to supra-national or down to regional and local entities. In this internationalised or regionalised world, the hollowing out of the nation-state presents problems of legitimacy for the institutions which arise under a mode of regulation different from Fordism. The degree to which localities can legitimise attempts at developing their economic spaces will depend on the concertation of regional interests groups within some formal or informal policy forum. The logic is that as material decentralisation transforms the regime of accumulation so the mode of regulation will take on a more decentralised form. In the circumstances in which interests are locally or regionally concerted, then institutional decentralisation will be part of concertation. It then follows that decentralisation can be seen as a form of corporatism.

The transformation of these economic and political geographies and the locus of their regulation follows an uncertain trajectory at present. As such it is clear that post-Fordism cannot be claimed as a mode of regulation. As a mode of societization, post-Fordism is on even weaker ground. Jessop states - "(q)uite specific theoretical and empirical conditions must be satisfied before we can reasonably talk of post-Fordism. Moreover, even if this particular concept were abandoned in favour of one lacking a chronological prefix...., good grounds would still remain for doubting that it adequately describes the future of capitalism; it will increasingly depend on global forces rather than those confined to particular

nation-states or pluri-national productive systems." (op.cit; 35).

Concluding Remarks

The regulatory basis of Fordism stems from the nature of capitalist accumulation at a particular conjuncture of circumstances in the post-war development of capitalism. Accumulation stems from the valorization process and as such Fordism can be treated as a regime of accumulation. The limits of accumulation are set by the general equivalence of exchange under valorization. Therefore, the limits of any one regime is set by valorization with devalorization acting as the constraint on an intensive regime. A regime of accumulation is neither discrete from a mode of regulation nor universal. It is part of a mode of development that encompasses a regime of accumulation, a mode of regulation and a technological paradigm or labour process. Fordism is not the mystical universal experience of late capitalism imagined by so many commentators. It, if it exists so completely, has been experienced differentially and with changing degrees of intensity. In this sense, Fordism's utility as a theoretical construct is metaphorical in allowing a exploration based upon accumulation.

What has been argued here is that Fordism and its regulatory basis lies within the ambit of accumulation. In this primeval sense it can be argued that it is part of the realm of regimes of accumulation. Without unnecessarily dispensing post-Fordism to the dustbin of history, one can suggest it represents a possibly new moment in the development of capitalist accumulation. In a generalised way, it represents a strategy to combat devalorization through negotiating the constraint of time. In particular, the mode of regulation possibilities of decentralisation and corporatism offer a negotiation of constraint of space in the sphere of accumulation.

Notes

1. These models are influenced by the work of Joseph Schumpeter, in particular his stress on the dynamic nature of capitalist development, the importance of technological change and oligopolistic structure of production.
2. I am grateful to Mike Cowen for bringing this to my attention.
3. In conventional economic terms one is talking about the distinction between a general rise in prices and the tendency for money to decline in value. The former occurs because of competition over relative shares of the social product between capital and labour. The latter occurs because of individuals rates of time preference. That is, the rate at which individuals invest now to gain increased consumption in future. In this sense, the decline of the value of money is equal to the rate at which individuals defer current consumption for increased future consumption; their social time preference rate.
4. This refers to the work of Thomas Kuhn and his most well known work, *The Structure of Scientific Revolutions*. Kuhn suggests that scientific knowledge proceeds through a series of revolutions. The dominant body of knowledge of the scientific community is termed "normal science", based upon a primary paradigm. A paradigm is defined as a constellation of beliefs, theoretical dispositions, abstract reasoning, modes, methods and procedures of inquiry held by the community in its search for scientific truth. A scientific revolution is said to occur when the dominant paradigm is challenged and overthrown by a competing paradigm which then becomes the basis of a new normal science.
5. Karl Popper characterises historicism as " an approach to the social sciences which assumes that *historical prediction* is the principal aim, and which assumes that this

aim is attainable by discovering the 'rhythms' or the 'patterns', the 'laws' or the 'trends' that underlie the evolution of history" (Popper 1944 ;105). This formed the basis of Popper's criticism of Marx's historical method. The major texts are *Poverty of Historicism* (1944) and *The Open Society and its Enemies* (1945).

6. Massimo Fovel was on the fringe of the Italian labour movement. Gramsci quotes from his book *Économica é corporativismo* (1929).

Chapter 3. THE BEGINNING AND END OF CORPORATISM'S MILLENNIUM?

Introduction

Chapter 2 set out the general and theoretical relationship of corporatism to Fordism as a regime of accumulation, within the mode of regulation, we now turn to examining the contemporary relevance of corporatism. That is, whether corporatism still substantially exists both as an analytical and institutional entity before taking the next steps in order to assess the claim that decentralisation is another variant of corporatism. Furthermore, to ask whether this claim can be validated empirically. As one of the organising concepts of this research, it is necessary to interrogate the history of corporatism and its explanatory power in respect of changes in the international division of labour which have evolved in the last two decades.

The title of this chapter is a play on words of Phillippe Schmitter's famous article "Still the Century of Corporatism?" (1979). Schmitter's article was written in response to critics who suggested that corporatism was analytically defunct, and its apparent constituents merely a particular form of pluralism. The title of this chapter is being used as a polemical device to suggest that the current claim of corporatism's demise is over-stated. What is being suggested is that although the claim that corporatism is dead has more current validity, the material circumstances which generated it as a concept have not disappeared but taken on a different form. Consequently in the 1980s and 1990s, corporatism has appeared in a different form .

The length and depth of discussion about the true nature of corporatism, within the social science community in the late twentieth century, rivals that of Fordism and post-Fordism. Unlike Fordism, corporatism can claim to have a greater historical lineage. Partly because of this lineage, the term corporatism has become a very elastic one. In

respect of its contemporary use, two formal definitions appear to provide the appropriate starting point for discussion. Schmitter's (1979:13) early definition states:

"Corporatism can be defined as a system of interest representation in which the constituent units are organised into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognised or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and support."

This definition puts corporatist interest representation within the realm of the state and Schmitter's view has tended to be given the generic term "state corporatism". Its counterpart became known as "societal corporatism" (Cawson, 1986). In response to the criticism that his version was too state-orientated, Schmitter (1982) evolved later definitions that were less precise and phrased more conditionally and negatively. Unwittingly, Schmitter may have added to the analytical opprobrium that was poured on his head. A more general and developmental definition is given by Offe (1981: 263-7). He states:

Corporatism is a concept that does not describe a situation, but rather an 'axis' of development. In other words, political systems can be more or less corporatist, more or less advanced in the process of corporatization, depending on the extent to which public status is attributed to organised interest groups. This process is relatively advanced when many groups have a publicly attributed status in all or most of the relevant dimensions of institutionalization, and it relatively undeveloped

where none or only a few groups are institutionally defined in only a few dimensions. Empirically, approximation to the 'ideal type' of corporatism thus depends on the number of groups affected and the number of dimensions in which they are affected.

Offe outlines four dimensions of corporatization. They are *resource status*, *representation status*, *organisation status* and *procedural status*. Respectively, they represent the degree to which the state supplies an interest group with resources, say, in the form of subsidies, tax exemptions and public statutes supporting compulsory membership. Secondly, the extent to which representation is defined by political decision, that is, the degree to which a policy area or region is representationally ceded to the interest group in question. Thirdly, the extent of regulation over the internal relations of groups' executive and their rank and file members. Finally, the extent to which interest organisations are recognised and regulated in respect of public laws statutes sanctioning their activities or the right to self-administration. In regard to this final dimension, it is the degree to which the state will devolve some policy area to the interest groups or organizations that is key.

The state was defined in chapter 1 as an institutional ensemble which acts in a class biased way on behalf of the dominant classes or fractions of classes in a capitalist society. As such it is an arena in which class conflicts occur rather than being the agent of the capitalist class. This account squares with Offe's view of the state. Offe's more elastic definition of corporatism includes a reference to it as an 'ideal-type'. Much of the debate that has exercised the minds of social scientists concerns the question of whether corporatism is an ideal-type. The debate over this issue is reviewed in chapter 4 below.

Both Schmitter and Offe's definitions of corporatism appear to stress institutional factors. These definitions can be explored more fully from the perspective of modes of regulation. Jessop contributes a definition that reminds us of the interdependence of modes

of regulation and regimes of accumulation:

"Corporatism can also be defined as a distinctive combination of political representation and state intervention. In this case, however, representation is mediated through a system of public corporations' which are constituted on the basis of their members' function within the division of labour. And state intervention occurs through these same corporations and/or administrative agencies formally accountable to them."

This chapter sets out to review and analyse the historical development of corporatism and its claim to a strong lineage. In particular, the relationship of declining liberalism in the nineteenth century and rising liberalism in the late twentieth century are set in conjuncture with each other to tease out the conditions in which corporatism may arise and apparently decline.

The Lineage of Corporatism

Both Fordism and corporatism can claim a historical lineage that dates from the work of Antonio Gramsci (1971). However, corporatism has a longer historical genesis that goes back to the formation of Catholic social thought, pre-revolutionary France and Hegel's *Philosophy of Right* (1967). The form of corporatism found in the post-second world war era owes its close history to the apparent failure of the bourgeois revolutions of 1848, in continental Europe, and in Britain to the decline of nineteenth century liberalism (Maier 1981). That is, neither the development of a modern bourgeois society against the restraint of old monarchies, nor the advancement of self-seeking economic liberalism became sufficiently established to thwart the need for some degree of concertation between evolving interest associations and an incipient modern state. An argument I wish to advance and return to throughout this chapter is that corporatism seems to have evolved from the decline

of liberalism. In the late twentieth century, the apparent demise of corporatism has been concurrent with the resurgence of liberalism or what is mis-termed neo-liberalism in the economic sphere. However, I would argue that there was a discrete separation between liberalism and then corporatism; corporatism then liberalism.

At the heart of corporatism is the notion of interest groups, representing a particular social or economic interest. As the concept of interest developed from the historical advancement of capitalism, it has become important in understanding the nature of social regulation in the last two centuries. The material basis from which the propulsion of mediating interests stemmed, was the evolution of "organised capitalism" in the late 19th century. The key elements were harsher international competition and the rise of working class organisations. The emerging coalitions of interests formed the foundations of what was to become known as the social democratic project. The manifold influences of Catholic social thought, the limits of English liberalism and the advance of modern bourgeois interests in the rest of Europe came together in promoting interest as the basis of social regulation to which the modern state became party to under "organised capitalism". In the twentieth century, the upshot was the organisation of interests within the realm of state influence and at times, patronage. In other words, corporatism and it is the analysis of these manifold influences and this history which this chapter explores. In particular, the historical modulation of liberalism, interest and corporatism will be looked at closely.

Nineteenth century liberalism came under duress because the balance between the ego of individualism and the moral sentiment of community came out of kilter (Maier 1975). In other words, the development of individual economic self-interest could not sustain the utility of the whole of society nor maintain an ethical legitimacy for economic liberalism. Various forms of social response like guild socialism, increased state regulation and

intermediation through socialised bodies (early corporatist organisations) evolved in the latter part of the century to fill the void left by the implosion of community moral sentiment. In the late twentieth century, state regulation at a national level has apparently imploded to be replaced by a crude notion of deregulated and liberalised market behaviour being the basis of the modern community's moral sentiment. In this view the utility of the international market will generate and maintain society's welfare, leaving the state to fulfil a minimum role of foreign policy and law and order. In anglo-saxon societies this occurrence has been given the crudely generic and far from accurate term neo-liberalism.

As stated in chapter 1, it would be more accurate to describe this ideology as neo-conservative. This ideology has been promoted by what is termed the New Right. They attempt to follow the eighteenth and nineteenth doctrine of liberalism and apply it to the circumstances of the late twentieth century. However, the anglo-saxon version of neo-liberalism, as opposed to the proper German version *Ordoliberalen*¹, cannot fill the void left by the crisis of social regulation in the national states of Europe's capitalist economies. This is because the "hollowing-out" of the nation-state in the face of a more internationalised and regionalised economy does not lead to the imagined unfettered welfare brought about by liberalism. The re-structuring of the world economy along internationally regionalised and simultaneously local lines creates regulatory spaces that seamless liberalism cannot fill. The valorization of new economic spaces allows localities and regions to advance their material position semi-autonomously. This material position can only be advanced if there is a degree of congruity amongst the economic interests within the region/locality. Therefore, some mediation between the decline in the national state and generic neo-liberalism has to be sought; implying a different form of corporatism and not new versions of liberalism - there are not any new ones, at least at present. In simpler

terms, we can say that disillusion with liberalism meant that the nineteenth century liberal state could not contain the growth of interest groups. Without suggesting that liberalism has generated widespread disillusion at present, it is reasonable to suggest that as liberalism could not deliver wholesale welfare in the 19th century, it is unlikely to do so in the more dynamic world of the late 20th century. By the same token, although late twentieth century neo-liberalism has found a certain legitimacy because of the spillover from the limits of national regulation into a more global continuum, interest groups have organised themselves locally in reaction to this change. These changes would appear to confirm the thesis of decentralisation as a form of corporatism. Before engaging in a detailed empirical history of corporatism and the central argument concerning liberalism, two philosophical reference points we should engage with are Catholic social thought and Hegel's concept of 'Corporations'.

The most proximate historical references to the modern conception of corporation are two Papal encyclicals on the social question of labour and its organisation. The first is *Rerum Novarum* of 1891 and the second is *Quadragesima Anno* of 1931. They were advanced by Pope Leo XIII (1878-1903) and Pius XI (1922-39) respectively, with the latter social encyclical being a celebration of the former. Leo XIII adumbrated nine encyclicals in total of which *Rerum...* is claimed to be the greatest.

The corpus of *Rerum Novarum* was to establish the Church's position on the question of labour. In particular, the fear of socialism had led the Church and its Primate to establish a position in regard to the burgeoning trade union movement. The formulation of Leo's greatest social encyclical of 1891 was timely in attempting to maintain the incorporation of the working class within the Church's ecclesiastical ambit. However, in addressing both the problem of social labour and simultaneously combating incipient

socialism, Leo had to take a strong position on the natural law of private property. In doing so, he established the central contradiction in his encyclical. That is, Saint Thomas Aquinas's doctrine that the state has the right and duty to assign property to individuals by positive law is conflated with Locke's² nostrum that property is the basis of individual freedom. This question of property and its relation to labour and law - by implication of the state - is central to *Rerum Novarum*.

The encyclicals are not policy statements but have the absolute authority of papal doctrine - "...the faithful have a strict obligation to receive this teaching with infinite respect" (Freemantle 1956; 24). In the section, "Condition of the Working Class", the intensity of the doctrine is given full flow in Leo's railing against socialists for wanting to abolish private property. In aligning himself with Locke, Leo points out that labour works to gain property. The encyclical makes the first tentative proposals for some interest organisation on behalf of labour but not one structured by the state. Leo points out that since the decline of eighteenth century guilds there was little protection for the working class. This resistance to state action is expressed as follows:

"Man precedes the State, and possesses, prior to the formation of any state, the right of providing for the sustenance of his body." (op.cit: 45).

The State is defined as any government conforming (in its institutions) to right reason and natural law. There is both an echo of Rousseau³ and Hegel in the statement above and in the section on the relation of civil rights, the family and the state. That is, in Hegel the family is a primitive and prior version of the state that mediates individual ego and civil rights of civil society. In Rousseau, the move from individual will to the general will is implicitly negotiated via the sovereign - the modern secular state or Papal ecclesiastical

authority (1973). We will return to the Hegelian reference point below.

The *Rerum* begs the question of obeying divine rights in the establishment of civil rights by stating that the family is a true society whose rights precede that of the state. For the Church, the family must have rights which are prior to those of the community and founded more immediately in nature. However, if the condition of the working class is lacking since the decline of the craft based guilds, its interests and right to property cannot be founded on the family but rather on some community of interest. If it is not to be the state, then it must be some other agency. Moreover, such an agency must negotiate with the state - defined as conforming to right reason and natural law. Despite Leo's rejection of state welfare systems, because of the existence of the Christian duty of charity, the problem of enervating the condition of the working class begs the question of what role the state should play in the work of remedy and relief, in current parlance, welfare provision.

The role of the state in providing for the welfare of its citizens must negotiate not only property rights - through distributive justice - but also the coinage of the realm; money. At the time of Leo, the role of money and credit had begun to undergo profound change. So in concerning himself with the condition of labour, Leo was forced to make some statement concerning the function of interest and thereby relative shares of prosperity in society. It is within this complex negotiation of the state, property and interest that Leo proposes the initiation of co-determination between the organisation of the working class and the private interests of the economy. Before we can uncover the genesis of what today we would term corporatism, we have to detail a little more closely the negotiation of the elements mentioned above. The first of these is the state.

As stated above, the *Rerum* stresses that the first and chief act of the state is distributive justice, viz:

"The foremost duty, therefore, of the rulers of the State should be taken to make sure that the laws and administrations, the general character and administrations of the commonwealth shall be such as of themselves to realise public well-being and private prosperity." (op.cit; 58).

In respect of the state's role viz a viz the right to property, Leo implicitly accepted Saint Thomas Aquinas's view that it carried with it a social obligation (cf. Freemantle 1956). Explicitly, the right to property led to natural liberty but with the caveat of the view of Aquinas for the need for greater distributive justice. Therefore, the right to distributive liberty is through the fruits of labour. Those fruits are brought forth through the *Rerum's* acceptance of a labour theory of value. That is, wages are determined by subsistence plus the ability to generate savings for property. Savings begets investment so that the relationship between investment and interest, interest and money is something that the *Rerum* also explored. In the century prior to the publication of *Rerum Novarum*, interest was seen as the root evil of capitalism. It was defined, simply, as a charge on lending for the consumption of fungible goods. Leo concurred with the view that it was of a sinful nature. But, Leo was aware of the changing nature of money - from the sphere of being a charge on consumption to the price paid for the use of potential capital. The canonical prohibition of interest had led to enterprising individuals to place their money in businesses which would give a regular return on money advanced. This incipient development of rentiers allied to productive capital anticipates the development of what Hilferding termed *Finanzkapital*¹ (1919).

The development of Catholic social thought along the lines of the *Rerum* and the *Quadra* did not just come from a theological position. The concern of the Catholic Church in both

centuries was to deal with the material position of the working class and how its interests should be formulated and organised. The development of working mens' associations and later trade unions under Church patronage, was the means of organisation. The theological stance of the *Rerum* and the *Quadra* is a direct response to this material need, in order to combat the egalitarian attraction of socialism.

In anticipating the change in the form and function of money, Leo was able to turn round the polemical relationship of capital and labour into solidarily united forces. This possibility could occur through the co-ownership of capital and by labour's natural right to property. However, given Leo's view on the state, what agency could bring this about? Leo condemned unrestrained competition, but did not condemn competition altogether because of a concern with the consequences of monopoly. Neither would it square with the view that property is the basis of natural liberty. Given the rejection of state appropriation or intervention, some association or organisation of employees and employers should be established to aid the poor and bring the two classes together. For Leo, the most important organisation for the working classes is working mens' unions, which he relates to that of the former crafts guilds. He is clear in respect of the role of unions and that of the state's relationship to them. In the former case, unions should be associations that obey the laws of Christian fellowship. In the latter case, the state should act as a watchful guardian over the interests of citizens who have banded together to exercise their rights. But, the state should not intervene in the concerns of these organisations. Moreover, Leo does not restrict the state to a passive guardian in response to private interests groups formed at its behest. In Leo's view the state should act in a prohibitive manner towards organisations who challenge natural law, even if these private organisations were initiated by the state. Therefore, the state is mediating the proposal in the *Rerum* that there should

be a nexus of employer and employee interests to aid the poor: *ergo* the genesis of putative corporatism had arrived.

These developments in Catholic social thought arose from the perceived threat from the ideology of socialism. In offering a secular alternative to the Church's pastoral authority over the working classes, the *Rerum* laid down the Church's view on a developing world, informed more and more by *homo economicus*. Its dictums on property and money were to be the basis on which Catholic labour organisations would be constituted. These bodies were to be set against the growth of trade union organisations influenced by socialism. Their success in achieving this objective was only partial but over a hundred years later many labour organisations in continental Europe are Catholic ones, despite the declining importance of Christianity. In combating socialism, these Catholic labour organisations were structured as economic interest groups promulgating their objectives within the remit of Catholic theology and authority with regard to Church-State relations. As such they took on an early appearance of corporatism.

In commenting upon the proposals of co-ownership, co-determination and incipient corporatism in the *Rerum*, Mueller (1991;509-10) sees these developments as part of policy of de-proletarianisation. He states:

"Perhaps the meaning of the Pope concerning
de-proletarianisation perhaps by enabling the
wage class to acquire tangible personal
productive property as a basis of regulated
co-determination building the economy."

The major social encyclical of Pius XI celebrated the publication of *Rerum Novarum*, forty years earlier. Pius's *Quadragesima Anno* was published in 1931, at a time of Mussolini's developing corporate state. Despite the *Quadra* in essence being a re-statement of Leo's

encyclical, some of its contents are influenced by the contemporaneous political environment, especially that of incipient corporatism.

The most relevant section of the *Quadra...* is titled "On Re-constructing the Social Order". This section explicitly recognises the post-19th century division of the classes. The most important part of this section - and to a large extent of the whole of the *Quadra...* - is a re-statement of Leo's views on the state. Leo stated that through the system of laws and institutions private and public well-being may develop spontaneously out of state structures and administrations. Pius took this assertion on board but his view is more specific on the agency of the state. For him, the function of the rulers of the state is to act as guardians over the community and its constituents. Where the protection of private rights is exercised, the greatest consideration should be given to the weak and the poor. In this context, Pius recognised that nationalisation may be a necessity, whereas Leo rejected it.

The prospect of private interest bodies mediated by the state, induces a consideration of nationalisation in the genesis of corporatism. This prospect stemmed from a political environment like that of the Italian corporatist state of Mussolini. If, as in the *Quadra*, the duty of the state is to impose limits on private property, in the interests of the common good, then the possibility arises of the state sanctioning corporatist intermediation. For Pius, the justification for this line of reasoning is threefold. Firstly, increasing state support for private property and enterprise. Secondly, the principle of subsidiarity is used to defend the place of graduated (corporatist) institutions. Thirdly, the requirements of the common good can over-ride the previous two statements. The place of the principle of subsidiarity is clear, a superior body should not usurp the function of a lesser. In practice, the degree to which governmental agencies should supervise and interfere with operations

of subsidiary institutions, especially business enterprises, is in Pius's view always controversial. The organic, but gestating, relationship between the role of the state and corporatism is given the following summary, from *Quadragesimā Anno*:

"Since the present system of economy is founded chiefly upon ownership and labour, the principles of right reason, that is, of Christian social philosophy, must be kept in mind in theory regarding ownership and labour and their association together and must be put into actual practice. (quoted in Freemantle 1956; 77)."

The evolution of Catholic social thought dealt with the role of the state and the genesis of corporatism through the two major encyclicals of Leo XIII and Pius XII. In latter case, the genesis of corporatism should be analysed in the context of Mussolini's corporate state. Naturally the reference point for this is Gramsci's examination of the economic-corporate stage of capitalism (see below). However, before addressing this issue the locus of the state, civil society, religion and Corporations adumbrated in Hegel's *Philosophy of Right* (1952) provides another important reference point. It also follows on logically from an exploration of Catholic Social thought.

Hegel's system of classes comprises the agricultural class, the class of civil servants and the business class. Whilst the purpose of the class of civil servants is universal, that of the business class is particular so that Corporations, as the forerunner of interest groups are most appropriate to the business class. The definition of the functions of a Corporation is stated by Hegel in the following manner.

"....., a Corporation has the right under the surveillance of the public authority;

- a) to look after its own interests within its own sphere.
- b) to co-opt members qualified objectively by the requisite

skill and rectitude, to a number fixed by the general structure of society.

c) to protect its members against particular contingencies.

d) to provide the education requisite to fit others to

become members. In short, the right to come on the scene

like a second family for its members, which civil society

can only be an indeterminate sort of family because it

comprises everyone and so is further removed from individuals

and their special exigencies (op.cit; 152-3).

The Corporation (*Korporation* in German) was likened by Hegel to workingmens' corporations in ancient Rome. Later meanings have included trade guilds and guild corporations. The history of workingmens' associations or craft based associations pre-date the modern world and have existed under very different conditions. The associative nature of bodies based on some particular skill or shared experience of labour appears to present a historical spine common to many different societies. The stress laid on the importance of the nineteenth century developments of corporatism is important because of the production of the Papal encyclicals and the legacy of Hegel on the eve of modernity. In particular, the legacy of state-civil society relations replacing Church-State ones under modernity, feeds through into the articulation and organisation of interest groups as a basis for the modes of social regulation in the twentieth century. In the nineteenth century, the relationship to corporatism, as it generally known today, developed from the reactive growth of guild socialism to liberalism. In the sense that corporatism arises out of Catholic social thought attempting to square the circle between the primacy of private property and the condition of the working classes, Hegel's contribution was not to confine Corporations to organised labour. He thought of Corporations as not only economic organisations but religious bodies, learned societies and sometimes town councils. In Hegel's view, the

family is an immature version of the state so that the evolution of the Corporation belongs to the universe of mediating between immature and mature or formal versions of the state. Therefore, corporatism's historical formation was always at a decentralised level. The decentralised nature of the Corporation still holds in an institutional sense in modern Italy between the wars, as perceptively stated by Finer (1935: 272-73) .

"the corporations are to act as decentralised administrative bodies, in order to achieve an organisation and morale halfway between public irresponsibility and the technical agility of private enterprise and the public responsibility and heavy routine of ordinary departments of state."

The true sense of decentralisation in Hegel's Corporations is rather akin to the thorny issues of subsidiarity in the European Union (EU) today. Its formulation meant devolution to the lowest possible level of administration; as far down as the family in Germany's current constitution . For Hegel, a membership of a Corporation extends to the whole range of an individual's livelihood. The distinction with the state is that the state's purpose is universal to all citizens, whilst the Corporation is limited to the particular interests of its members. In other words, the privileges of membership are limited to that of the Corporation and not the universal privileges of civil society. The institution of the Corporation corresponds to the assurance of capital, the introduction of agriculture and private property. In bestowing membership, Corporations overcome self-seeking isolation by giving the individual a basis for his business. Moreover, Hegel points out the fixed points of family and of Corporation in combating the tendency of civil society to atomise. The family is the first ethical root of society with the Corporation being the second. Hegel states in this regard, "(t)he sanctity of marriage and the dignity of the Corporation are the

two fixed points around which the unorganised atoms of civil society revolve." (op.cit; 154). He uses a metaphor of the solar system: the atoms of civil society are likened to heavenly bodies orbiting the sun with the fixed points of family and Corporation instilling "a moment of centrality" (ibid:362) to the atoms of civil society. Hegel therefore brings together organised private interests operating in a decentralised environment which is the characteristic of corporatism today.

The point of contact between Hegel's Corporations and modern corporatism is the relation to the state. Hegel(ibid: 161) views the role of the state as:

"In contrast with the spheres of private rights and private welfare (the family and civil society) the state is from one point of view an external necessity and their higher authority; its nature is such that their laws and interests are subordinate on it."

For Hegel particular interests have been universal to everyone since the Renaissance. Particular interests then fall outside the absolutely universal interest of the state. Yet in civil society individual interest is connected to universal interest of the state through the educative nature of the Corporations and the judicial system. For Hegel the history of civil society is one of the education of private judgement. Private judgement is thereby transformed to recognise the universality of civil society and its relation to the state. The administration of private interests is then undertaken by commercial and professional Corporations, as well as municipalities and their officials. The business of officials of Corporations and municipalities is to manage the private property and interests of particular spheres of civil society. Their authority must rest on legitimacy which is delivered to the executive of these bodies by popular election and ratified by state authorities. It follows that these spheres of particular interests must be subordinate to the state.

One can see that the history of interest representation brings together the basics of Hegel's Corporations and *Rerum Novarum*. The concept of interest grew out of the Estates of Europe and the relation to property. For Walter Bagehot, property became the basis of that which was independent of a 'natural aristocracy'⁵. Bagehot's precept follows that of Locke, for whom property was the basis of individual freedom. The theme of private property liberating social labour connects the *Rerum* to the concept of interest and via Hegel to the Estates.

From Estates to Corporatism via Liberalism

The history of corporatism comes from the development of the concept of interest in the nineteenth century. This concept grew in reaction to nineteenth century liberalism (Maier 1981). In the late twentieth century, the growth of neo-liberalism - as it is inaccurately termed⁶ - can be seen as a reaction to a more comprehensive version of corporatism. It appears however, that the history of corporatism is likely to repeat itself. In the late nineteenth and early parts of the twentieth centuries, economic and social conflicts flowed over state boundaries through and into interest groups. Disillusion with liberalism meant that the 19th century liberal state could not contain the growth of interest groups. Likewise in the late 20th century, national liberalism has occurred because of the spillover into and from a global continuum. As a consequence, interest groups have organised themselves at the level of locality or region in reaction to this continuum. Thus, in tracing out the development of decentralisation as a form of corporatism, the two handmaidens of liberalism and interest representation have to be courted.

Charles Maier (1981) quotes Bagehot to suggest that the legitimacy of Parliamentary interest representation rests on the premise that it is coincident with that of the general populace, irrespective of secular special interest:

"The first requisite of a representative system is, is that the representative body should represent the real public opinion of the nation.....but able to form a judgement of what is good for the country as freely and impartially as other educated men (op.cit; 27).

One has to agree with Maier that the aggregation of citizens' interests through the agency of Parliament appears very outmoded. In the twentieth century, para-Parliamentary networks have tended to link state agencies to the interests of groups of social actors. This has the effect of establishing social agencies beyond the scope of the legislature and the executive. The evolution of these social agencies into a corpus we know today as corporatism has both deliberate and subtle elements in the creation of new and the transformation of old institutions. The history of interest representation can be characterised as a series of successive challenges to parliamentary and para-parliamentary structures of representation. The rise of new interest groups in the 19th century developed from increasing impatience with liberalism. Furthermore, the evolving relationship between civil society's social agencies and the state displayed a growing preoccupation with the materialism of economic life. Recalling Rousseau, in respect of state-civil society contracts, one can see that the "will of all" of interest groups could be set against the "general will" of the parliamentary interest system (Rousseau; 1973). The legitimacy of the former will depend on the degree of conflict with the latter. Suspicion remains of interests groups' "private government" even when these corporatist bodies have functioned effectively in delivering generalised benefits.

The notion of "interest" has taken on particular meaning in the 20th century associated with ideas of the "new private sector". In the 18th century, interest represented a dual

function of being both for natural or organic government of wealthy societies and a basis for potential corruption and factional manipulation. By the 19th century, the combination of growing interests of the commercial classes could bring about good and bad outcomes. The growth of commerce came about through the increasing acceptance of credit. This acceptance and its importance to commercial classes rested on what Maier terms "important social covenants". These covenants concern the role of property and how unequal accumulation is mediated. Taken together, they constitute incipient interest representation. The growth of the use of money, which Locke noted at the time allowed wealth to be stored without decay but credit caused problems for the Catholic Church. It may have agreed with Locke on property being the basis of individual freedom but not of the consequences for social labour of unequal accumulation. Locke's minimalist position that government should guarantee holdings that money allowed does not square with the position of *Rerum Novarum* in its espousal of the conditions of the working classes. The consequence of this espousal was to encourage the formation of workers' guilds organised through the Church. Yet the growing influence of Lockean-type liberalism, in the late 18th century England, was in reaction to the clientelism of the Whigs. This clientelism was based upon their defence of oligarchical principle. The logic of the feudal estates thereby gave way to the logic of interests at the dawn of the new century. However, interest would now have to be articulated in a more liberal environment. In their discovery of the general will, the Tories would unwittingly advance the cause of liberalism. Though no liberal Edward Burke, enunciated the principle of "party" to connect the "great families" and the "influence" of interests (Maier; 1981). A long time Whig opponent, Burke's project came at the time of the terminal decline of the Whigs. Party was to re-invigorate Parliament in restraining the royal prerogative. Simultaneously, Parliament would represent diverse

interests of the nation. Burke put it thus;-

"(A)s a body of men united for promoting by their
joint endeavours the national interest upon some
particular principle in which they are all
agreed.(quoted in Maier; 1981; 32)

The interests of the "will of all" then would be represented by the "general will" of the great estates (in Parliament) under the monarch without reference to universal suffrage. Burkean civil society never breached the walls of Parliamentary interest organisation. The state of nature, in the whole population, was to be exchanged for Parliament vouchsafing the populace's interests in a clearly defined space of civil society.

A consistent theme developing here is the evolution of 18th century estates into the 20th century conception of interest. The English historical lineage of this theme passes down two channels. For Adam Smith, the invisible hand of God guiding the rational self-interest of man in economic competition, against his baser instincts, is the agency of man's liberation of his interests. For Burke and others, the guarantor of man's interest is through a historically moulded national community based upon crown and estates and not economic competition. Maier uses the analogy of organic society being a tree and its branches being interests. In the English context, representation became more and more related to intrinsic individual rights rather than collective civil rights. However, the principle of individual rights had to progress not via Smith's economic liberalism but through Burke's governing community. Principle as abstract speculation became integrated into party and individual rights. Party and interest can be then seen as being compatible with the general welfare of the governing classes. It was apparent that as individuals or majorities demanded representation, so political association would change accordingly. The basis of these

demands was the appeal to principle or inherent rights.

With the growing dominance of the liberal project in 19th century England, interest lost its utility for most shades of political opinion. The growth of individualism and its containment of principle through party posed a problem for political stability. If interest was no longer a basis for political stability what would provide this function? Maier chooses to answer this question by a comparison of the US and the UK. For the US stability was delivered by federalism. In the UK it was deference to a national aristocracy, deriving their power from wealth and intellect to rule, combined with an electorate capable of judging political talent. What was the foundation of this judgement?

We return to the problem of property and the Lockean notion of the relation of property to individual freedom. But, despite the intervention of Lockean liberalism in 19th century England, the relation of property to freedom is replicated in Leo XIII's social encyclical. This encyclical emphasised the growth of intermediating institutions like Hegel's Corporations. That is, liberalism's stress on individual rights as a counter to the notion of interest, which underly civil rights produces a conundrum for itself. By following Locke's line that the right to property bestows the right to individual freedom, one ends up with the condition that property is also the basis of social liberation. That is, the original liberal line is that property bestows individual freedom and therefore if individuals pursue rational self-interest then property rights will be distributed optimally without recourse to the intermediation of the state nor organised interests. Social liberation, through the institution of private property, can only occur logically if the utility of civil society is the aggregation of individuals' rational self interest. However, as the writings of Rousseau and Polanyi show this happy equivalence is unlikely to occur, even under the conditions of the two different centuries which separate the publication of their works. A concept of social

liberation like social justice can only be disseminated through a calculation and validation of representative interests. In the *Rerum* the Catholic Church recognises the contradiction of the liberal position by showing that although private property may be the basis of individual freedom, freedom can only be gained if the distribution of property rights is organised socially. Yet the utility of interest had disappeared from the English liberal project. The stress here is on an English project because the concept of interest was re-articulated through the bourgeois revolutions of continental Europe in 1848. This revolution promoted middle class interests in continental Europe, yet these interests could not rely on judgement affirming the right to deference to an aristocratic governing class for their political stability.

The heady combination of bourgeois demands and property as the right to freedom began to pose a profound threat to the idea of party containing "interest". European parties attempted to ameliorate this problem by routinising political conflict and the growing problems of urban society in the mid-19th century. Parties attempted to represent interests through the familiar language of class and party and by dropping the language of interests. However, this could not be a permanent strategy. Once party became accepted as the organiser of opinion and a device for social order, so it came under pressure by the increasing intrusion of interest politics. Both Bagehot and Burke believed that a parliamentary system could contain all interests. However, once liberalism adumbrated individual rights as against rights of civil society - here read the parliament of Bagehot and Burke - then the organisation of individual rights into interests spilled out from the container of party and parliament. At this juncture, interests began to emerge as a form of association in civil society which mediated between state and civil society and citizens in civil society.

During the latter part of the 19th century spaces opened up in which collective force and parliamentary leverage could be used to advance the articulation of interests. Interests could then be organised in these spaces to exert maximum pressure. The formal organisation of interests in this manner meant that as soon as party had gained primary legitimacy then party itself had to be transformed. In a world of organised interests, parties of ideas became parties of interests turning history again in its wake.

The apex of English liberalism occurred in the 1850s and 1860s. This apex, however, signposted liberalism's decline. The affirmation of individual rights meant that party could not contain the growth of interests. However, the growth of organised interests and their displacement of the primary legitimacy of party should not be read as the genesis of full blown corporatism. The English relationship has always been a fairly tenuous one. For a more developed relationship one has to look across the Channel.

The Bonapartist regime in France represented the rudimentary outlines of the coming corporatism. For Maier, it was the Second Empire that provided the basis for what he calls plebiscitarian corporatism. This operated through the functionaries of the Catholic Church and as a reward system for the interests of business. A key historical condition for the development of corporatism as an important component of the mode of regulation is weak accumulation, a subject explored in chapter 2. That is, as the regime of accumulation in Europe failed to deliver the rates of economic growth experienced in America in the late nineteenth and early twentieth centuries (Maddison, 1982, Rubinstein, 1993), so some institutional buttress was needed to resist this weakness. Likewise, the conditions for parliamentary liberalism were undermined by the "great depression" of 1873. Without going into causes, an impetus developed to form organisations protecting economic interests. As this impetus developed, groups multiplied and extracted more and more

concessions from parliament. In France, these concessions included the establishment of state guaranteed insurance and banking institutions like the *mutuelles d'assurances* and the *caisses de credit*. As the material circumstances of the late 19th century became more dynamic, so different classes of social actor were able to lobby for manifold interests. Increasing the depth and range of articulation of public opinion, through interest groups, meant that parliament could be supplanted or bypassed. A net effect was that neo-Bonapartist officials, Maier terms them "Caesarist", attempted to deal directly with organised interests. At the same time, it encouraged the spokesmen for interests to seek a more direct voice in governmental decisions, as well as access to them. This proliferation of interest and its direct inter-action with state functionaries led to the belief that new forms of representation were evolving in substance as well as form. However, this could be viewed from a liberal standpoint as an extension of the principle of free association, with the formation of trade unions in France, Britain and Germany being pertinent examples. But this combination of putative liberalism and growth of interest has to be put in the context of the way trade associations grew out of delegated authority of the state. In this context, they are more akin to Hegel's Corporations rather than a spillover of individual rights into freely associating interests. As these interests became organised nationally and regionally, especially in the continent of Europe, their function more frequently overlapped with trade associations which had been organised as public law bodies.

The lineage through Catholic social thought, for example the *Rerum Novarum*, is easier to trace. The legitimacy of public law bodies, should in this view, conform to natural law and right reason. However, the right to property as the basis of individual freedom provides liberalism with an important caveat in this coming of corporatism. In this sense,

the partial English experience can be set in a more European-wide development; all coinciding with the disillusionment with liberalism. Moreover, the Continental experience cannot be treated as homogeneous either.

By the end of the 1870s, state and private marketing and lobbying organisations were increasingly linked into quasi-governmental networks and spaces. The suspicion that these organisations were disguised attempts at state organisation was most strongly expressed in Germany. This suspicion remains a legacy of this history, so that corporatist type bodies have been viewed in a contradictory manner since the end of the 19th century. Such suspicions appear to be confirmed when state intervention in the economy and labour disputes grew in the last and first decades of the 19th and 20th centuries. The early overflowing of interests from party developed into social conflicts, which themselves overflowed the boundaries of the state as interest groups expanded. The bourgeois revolutions of 1848 were in reaction to the natural right of the aristocracy to govern, albeit with the consent of "judgment". Interests that had been contained within parties now overspilled into quasi-governmental spaces. The legitimacy of bourgeois classes' interests, however, could not be advanced unless interests became merged with political parties. There were two key factors in this process. First, the fragmentation of the citizenry into a welter of conflicting roles. Second, a more direct and democratic political mobilisation. These developments could be traced to an earlier liberal impulse but they could only be articulated through the growth of interests. This growth could only materialise in quasi-governmental spaces whose impetus was derived from a reaction to liberalism. The reaction to 18th century liberalism became intense as the 19th century came to an end. The demands for state intervention grew as capitalism became more organised. The switching of the analysis from century to century occurs because of the consistent tensions between

liberalism and interest as the basis social regulation in history.

As stated at the outset, the material basis of promoting interest came from the development of "organised capitalism". In the twentieth century, the social democratic project was derived from emerging coalitions of interests in the latter part of the previous century. The genesis of this secular project reflects Leo XIII's nostrum that a co-ownership of capital could occur through labour's right to property. Theological belief and secular reason come together again in the twentieth century relationship of German neo-liberalism to corporatist intermediation. In the same manner that political parties came to be accepted through the routinised management of political conflict, so the legitimacy of networks of interest groups rested on ameliorating distributive conflicts in a rapidly industrialising society. The mobilisation of interest group networks into a nexus with the state had to await the onset of the First World War. This mobilisation developed from the incorporation of economic interests into a more formal and regulatory relationship with government.

In the 19th century, liberals had sought to discipline ascendant middle and working classes by endowing them with parliamentary representation and responsibility. In the post-First World War era, control of the parliamentary political system was enhanced by co-opting the leadership of economic interest groups into corporatist roles that were simultaneously private and public. In a liberal or burgeoning social democratic state this could take the form of institutionalising social compacts directly. In the period after the First and before the Second World War, two major variants of interest representation emerged. First, in social democratic states, the economic elites were ambivalent about using the state to enforce their dominant interest position. Second, in authoritarian regimes, elites were not prepared to refrain from coercive remedies reinforced by the state.

The extension of regulatory power to business interests was a natural consequence of social conflicts overflowing state boundaries at the end of the previous century. This natural consequence became more highly developed in Mussolini's Italy where the incorporation of business interests into Fascist syndicalism amounted to a more authoritarian version of the attempt of western capitalism to transform representative interests into bureaucratic partners. The nascent development of corporatism in Europe can be traced to the promulgation of industrial and agricultural interests. The latter were particularly marked in France, where Catholic agricultural syndicates, akin to Hegel-like Corporations, competed with organised labour syndicates for incorporation into a formal bargaining structure with the state. The relation of the state to organised labour and labour markets in general, pre- and post-World War II, is the key element in explaining the propulsion of many western European societies into full blown corporatism.

Negotiation with organised labour over the size and not composition of employment became the salient issue for the inter-war period. The experience of corporate authoritarian regimes before and during the war gave an added impetus to the juridical recognition of labour as a corporate group. This legacy was important in the institutional incorporation of organised labour in the emerging social democratic nexus after the war. The neo-Keynesian compact of the immediate post-war period set high employment and growth as the major objectives. The political leaders of this compact looked to the trade unions as their major political interlocutors. The inclusion of organised labour in a formal dialogue with the state completed the legitimisation of interest group representation. Labour was no longer just another interest group but central to the political organisation of corporatism. This centrality coincided with a change in the "standards", as Maier puts it (op.cit 48), of economic policy in the inter and post-war periods. In the former, the standard was foreign

exchange stability which in the depths of recession, resulted in high levels of unemployment. In the latter, a commitment to full employment displaced currency stability as the "standard" of economic policy. The social displacement caused by the shifts in "standards" was more significant than would be captured by a change in economic policy alone.

The primacy of full employment meant that a major priority of the working classes became that of society in general. This became significant for the full blown development of corporatism, especially as the other side of the bargain - capital - became incorporated through guaranteed ownership and control of industry. A net effect and benefit for capital was that given the complexities of a market economy, capital derived benefits of collective action without having to collectively organise itself. The ideology of the 1950s was thus based on pluralism and not on liberalism. In this context the model of the German Social Market Economy, based on the pre-war doctrine of the *Ordoliberalen*, was important in the shift from pluralism towards corporatism. This relationship of pluralism and corporatism and the post-war German experience is discussed in chapter 4 and Appendix II below. The importance of corporatism within a contemporary setting in unpromising circumstances is shown chapter 5 which uses the example of France.

One can pull out some consistent threads of corporatism's historical lineage. The cycle of development has consistently been refracted through the upsurge and decline of liberalism. The estates of the 18th century connect naturally to interests in the 20th century. The growing demand for individual rights flowed over the boundaries of estates and was then encompassed within the principle of party. The principle of oligarchic rule by the "great families" of the aristocracy was legitimised by the judgement of talent by an electorate whose credentials depended on their right to property. However, the right to

property in Locke's view, and from a different perspective of Catholic social thought, was the basis of individual freedom and emancipation of the working classes. Liberalism then profoundly challenged the ability of party to contain the overflow of individual rights into organised interests. Once individual rights became liberated they were organised into interests to negotiate the growing complexity of organised capitalism and civil society.

Liberalism could no longer deliver the material demands of groups that organised themselves into economic interests. The disillusion with liberalism was strongly felt in continental Europe and economic interest groups became more and more incorporated as bureaucratic partners by the state. Seeds of suspicion were thus planted that this nascent corporatism was never able to shake off. These seeds are beginning to bloom into flower and are now being fertilised by the universal question of legitimacy and the onset of new forms of economic organisation in the late 20th century.

Corporatism became more full blown as the twentieth century progressed, with its corpus evolving in accordance with changes in regimes of accumulation. However, in the late twentieth century the dominant regimes of accumulation have become global with economic regulation moving from a national basis into a new and apparently global continuum. The evolution of what can be termed global production and finance gave an impetus to liberalisation and deregulation which in turn became the key ideological counterparts to negotiate the new material realities. The most appealing narrative for the post-war experience of these developments was Fordism, the regulatory basis of which was explored in the previous chapter. The two conceptions of corporatism and Fordism are brought together in Gramsci's analysis of the economic-corporate stage of capitalism's development which is assessed in the next chapter. They remain the twin analytic pillars when looking at the case study material on France in succeeding chapters.

Concluding Remarks

In answer to Schmitter's question "still the century of corporatism?", the answer is a partial and equivocal yes. The admission of partiality is made because this chapter has addressed the historical development of corporatism. It has opened up the possibility, however, that at the end of the twentieth century corporatism still has theoretical and empirical importance. In chapter 4, a fuller answer is given from a theoretical standpoint by rebutting the charge that corporatism is a special case of pluralism. The empirical answer is given in chapters 6 and 7 in which economic development in Nord-Pas-de-Calais as an example of decentralised corporatism is investigated. Despite the cleavages in the international economic order, the particularity of national regulation being overtaken by uncertain generic globalization, the negotiation of interest remains a salient characteristic of Europe's economies. The 18th and 19th century tension between party and interest has been replaced by a tension between a kind of economic-corporate state and a quasi-laissez faire liberalism. With the reduction of national modes of regulation, the organisation and mediation of private interest is more fragmented so that public attribution of quasi-official status is now more transitory or devolved to lower levels of decision making or economic spaces. Chapter 4 displays that corporatism has shown itself robust to the challenge that it is just another variant of pluralism. It also has a longer historical lineage than Fordism or its post-variants. The crisis of Fordism caused a crisis for corporatism. The enduring significance of corporatism is that it forms the basis of a mode of regulation and as this is subject to change so will the appearance of corporatism alter. Its fundamental elements will not change, however. Just as there has never been just one thermostatic regime of accumulation and mode of regulation so there has never been one corporatism: an error too commonly made. The history of corporatism has been a variable one and given its lineage

the difficulties presented by the upsurge of economic liberalism in the latter part of the twentieth century do not undermine its current relevance. The analysis of Jessop provides a fitting conclusion.

"Corporatism is dead. Long live corporatism! This is too a conclusion stark to draw at the end of a theoretical discussion but it contains elements of truth....there are significant mechanisms encouraging and facilitating the growth of functional representation in capitalist societies ...There are always specific conditions which must be satisfied, however, before those tendencies can be realized. This explains the differential development of corporatist arrangements and their predisposition to instability and collapse. Yet, just as crises or collapse in formal markets tend to produce 'black markets', so there seems a tendency for corporatist arrangements to be regenerated." (ibid: 141).

Notes

1. *Ordoliberalen* refers to the neo-liberal theory of economic policy developed by the Freiburg School of German economists in the 1930s. It is often referred to as the basis of the German Social Market economy and the economic miracle of the early 1950s.
2. For John Locke, the quintessential liberal, the basis of individual freedom is property. See his essay "On Property" (1965).
3. This refers to Jean-Jacques Rousseau's "Social Contract" in which the individual

rights of the state of nature are exchanged for the social rights of civil society.

4. *Finanzkapital* (Finance Capital) is Hilferding's model of the combination of bank capital and industrial capital with the former dominating the latter.
5. Walter Bagehot was the famous English parliamentary theorist of the 19th century.
6. A distinction is being made here between neo-liberalism in the accurate sense of German *Ordoliberalen* and the anglo-saxon sense of the UK and US in the 1980s.

Chapter 4: CHALLENGES TO THE CENTURY OF CORPORATISM

The previous chapter examined the historical lineage of corporatism and in particular its development from estates and liberalism in the 18th and 19th centuries. Moreover, the chapter showed that the history of corporatism goes back further than imagined and that its philosophical roots are deeper than is conventionally thought. The place of corporatism in the evolution of Catholic social thought is important for advancing a relationship between corporatism and decentralisation was one implicit conclusion this chapter stated. Furthermore, Hegel's view of the importance of intermediating bodies between state and civil society was noted as being influential in the genesis of corporatism. This chapter extends the historical analysis of chapter 3 by initially exploring the work of Gramsci in order to connect corporatism, as a crucial part of the mode of regulation, to Fordism, as the major post-war regime of accumulation. The current utility of corporatism as a distinct theoretical entity is then addressed by reviewing the debate about whether it is a variant of pluralism. The development of the German Social Market Economy in Germany as the corporatist exemplar is examined in the context of the influence of neo-liberal ideology of the *Ordoliberalen* and the consequences that have arisen for corporatist policy forums in the last decade.

Gramsci's Economic-Corporatism and Fordism

The contribution of Gramsci to the development of ideas on interest representation stems from his analysis of Italian history and the nexus of corporate interests, the corporate state and the evolution of corporatism as we understand it today. Furthermore, the notion of Fordism comes from Gramsci's analysis of American industry. Most of the relevant material comes from *Prison Notebooks* (1971). The purpose of this section is to uncover the nexus above, and to show how Gramsci was one of the first writers to trace out an

explicit relationship between decentralisation and corporatism. This section begins with a discussion of what Gramsci terms the economic-corporate phase of the state and its replacement by a combination of the corporate state and state sponsored liberalism in the economic sphere.

The economic-corporate stage in Italian history developed from the failure of the bourgeoisie to overcome the tensions of city-states in uniting nationally. The communal bourgeoisie did not succeed in transcending the economic-corporate phase and creating a state that would advance their interests. The economic-corporate stage was, for Gramsci, the middle period of Italian feudalism in which the Church and Empire constituted significant states in their own right. The nearest equivalent can be said to be mercantilism. In a Hegelian sense and a more straightforward British sense, states here means estates. Gramsci noted that Hegel's conception of "corporative" was a halfway house between the economic and the political. Gramsci's analysis of the causes of the economic-corporate phase of the modern state stems from medieval times. This early form of the state was a bloc of social groups, of different races, dominated by a military-political hegemony. This hegemony established the limits of social groups actions so that:

"subaltern groups had a life of their own, institutions of their own etc., and sometimes these institutions had state functions which made the state a federation of social groups with disparate functions not subordinated in any way" (op.cit: 54).

Gramsci noted that, at times of crisis, the "dual power" of the economic-corporate phase was highlighted; viz:

"The modern state substitutes for the mechanical bloc of social groups their subordination to the active

hegemony of the directive and dominant group, hence abolishes certain autonomies, which are nevertheless re-born in other forms as parties, trade unions, cultural associations"(ibid: 54).

The degree of weaning by the modern state, following this re-birth, depends on the degree of relative autonomy these social groups can develop. One can draw an allusion for the contemporary forms of corporatism from Gramsci's observations. During times of crisis they make take on a non-institutional but functional form of a coalition of economic and social interests. The dominant groups are then absorbed or mediated into a legitimate relation with hegemonic power. In the modern state this negotiation of crisis occurs most frequently during periods of weak capital accumulation.

Gramsci saw the economic-corporate phase of feudal society as one of the most stagnant and least progressive. He pointed to the danger of the autonomy of social groups being absorbed into a totalitarian corporate state. For Gramsci, the state equals political society plus civil society and political society is the realm of intellectuals. He generates such a simple bi-furcation on the basis of corporate-economic activities being the remit of tradesmen/industrialists and that political parties are the remit of intellectuals. Gramsci anticipated the criticism of caricature by this simple division, but did so in order to relate the role of intellectuals and culture to the growth of economic-corporate activity in the modern era. He viewed the function of a political party going beyond that of the interests of an intellectual or an economic/social group into becoming an agency of more general national and international activities. He noted that the social position of intellectuals in history had altered from aristocratic-corporate to democratic-bureaucratic.

The development of culture in some 18th and 19th century European states was an important stage in what became constituted as the later corporatism. Gramsci outlines the

cultural development of France, Italy and Britain. In France, culture was a function of imperial and hegemonic ambition that radiated outwards in an organic and expansionary fashion. In Italy, culture was founded on scattered personal experience and migration with no basis to lock it into a national project. In Britain, the new social grouping, based on industrialisation, displayed a powerful economic-corporate development but its development in the intellectual-political field occurred only haltingly. Gramsci pointed out that cultural and intellectual activity was determined by the old land-owning class. In his view the link between the old order and the new economic order is the supremacy of the intellectual and the political. In British culture, he noted that the separation of the economic from the political made it ripe for capitalist development. A similar analysis applied to Germany, albeit a little different from the British situation. Despite apparent cultural differences most European societies are linked by the transition from Church-State relations to State-Civil Society relations through the new economic order. This transition is noted both by Hegel and the Papal encyclicals of Catholic social thought; the latter are most concerned with this issue. The manner in which religious sponsored trade guilds and professional corporations were transformed into secular interest groups is paralleled by the change in the relation of intellectuals and corporate structures in the 18th and 19th centuries. These changed cultural circumstances are derived from the onset of industrialisation.

The importance of cultural circumstances in generating corporatist interest representation is picked up in the section, "The City-Countryside Relationship during the Risorgimento¹ and in the National Structure" in *Prison Notebooks*. Gramsci details the devolved forms of representation in the agricultural South (*Mezzogiorno*), and the industrial North. In the former, local lawyers mediated between the peasant masses and the landowners and the apparatus of the state. In the latter, "factory technicians" acted as intermediaries between

the mass of workers and the management. This link was undertaken by the trade-union and political-party organisations, prior to the fascist period. During this period, workers were organised through state syndicalism with compulsory membership of the state "corporations". The diffusion of the "factory technician" on a national scale become an important instrument of political unification. Furthermore this diffusion led to a more coherent system of mediation than could have occurred under trade-union organisation.

The regional differentiation in the process of mediation of the agricultural masses of the South and the industrial masses of the North, is an incipient example of the way in which decentralisation is a form of corporatism. This incipient form became most advanced in the *Mezzogiorno*, where the new intellectual stratum of mediating administrators and lawyers, derived privileges in the form of jobs in public administration etc.,. Therefore, corporatist mediation became formalised and reinforced at this regionally devolved level. These developments were abetted by the considerable patrimony of the clergy, based on ecclesiastical legislation. The impetus given by this patrimony to the transition from Church-State to Civil Society State relations was paradoxically in the interest of the Church; it allowed it to impart its authority to its social encyclicals and thus the organisation of secular "civil" interests.

The combination of devolved mediation and quite extensive intervention by the state allowed, in Gramsci's view, the national interest of Italian capital to be advanced. By combining the development of corporatist organisation and a claim to be maintaining the traditional continuity of the old "historic" Right, fascism could deliver this --interest. As Gramsci notes (*ibid*: pp 119-120):-

"The ideological hypothesis could be presented in the following terms: that there is a passive revolution

involved in the fact that - through the legislative intervention of the State, and by means of corporative organisation- relatively far-reaching modifications are being introduced into the country's economic structure in order to accentuate the "plan of production" element; in other words , that socialisation and co-operation in the sphere of production are being increased, without however touching (or at least not going beyond the regulation and control of) individual and group appropriation of profit.

In later section of *Prison Notebooks*, the "Modern Prince", Gramsci notes the manner in which the traditional ruling classes sought to maintain their "economic-corporate" power, by preventing⁴the evolution of a national collective. Under fascism, this national collective would be developed through a combination of full blown state-corporatism and a regional kind closer to the modern form. In speaking of Italian history Gramsci concludes the quote above (ibid: 124) with:-

"In the concrete framework of Italian social relations, this could be the only solution whereby to develop the productive forces of industry under the direction of the traditional ruling classes, in competition with the more advanced industrial formations of countries which have monopolised raw materials and accumulated massive capital sums."

The attempt to maintain the economic-corporate power of the traditional ruling class and the response of the rising national capitalist class have both given a prominence to mediating regionally and nationally based interests. In adumbrating the development of the "economic-corporate" phase of the modern state to the state-corporatism of the fascist period, Gramsci makes some notes on the "...Theoretical and Practical Aspects of

Economism". In the manner in which corporatism in the nineteenth and twentieth centuries developed and declined in relation to liberalism, so Gramsci analyses economism in relation to *laissez-faire* liberalism, as shown in the section below.

Economism is seen as a combination of free-trade ideology and syndicalism, at least in the Italian case. The former is associated with the most dominant social group. The latter with a subordinate social group who before the middle of the twentieth century had developed a consciousness of its possible strengths and strategies. Gramsci points out that the ideology of *laissez-faire*, underpinning free trade, was introduced and regulated by the State. As noted by others,² *laissez-faire* liberalism is a political programme designed to transform the economic programme of the state. There is then a logic to Gramsci's view that in reality there can be no distinction between civil society and the state. The attempt to separate economic activity from the modulation of the state is a function of state policy.

The case of the syndicalism is more complex, in that the subordinate social groups are sacrificed to the intellectual hegemony - *laissez-faire* liberalism - of the ruling class in return for affirmation of syndicalism's representational monopoly in any process of mediation. Through social-democratic practices the notion of subordinate groups becoming dominant is excluded because of this bargain. As such, for Gramsci syndicalism also stems from this kind of liberalism. The only caveat is the degree of economic-corporate compromise by the dominant hegemonic social groups to subordinate or subaltern ones. In maintaining the devolved/decentralised relationship between dominant and subaltern/subordinate groups, economism is used as an educative device. In Gramsci's view the logic of economism is similar to that of a trade union; interests are negotiated to maintain equilibrium (compromise) in return for the acceptance of the dominant ideology.

This logic can be analysed from what Gramsci calls "relations of forces" (ibid: 181-

182). Three levels are distinguished, the first and most elemental is the economic-corporate level; tradesmen's solidarity with other tradesmen, manufacturers solidarity with other manufacturers. There is not, however, solidarity between the two groups because awareness of interest is confined to the homogeneity of the professional group. The second level is the solidarity of interest that develops among a social class and the consciousness of that solidarity by members of that class. At this stage, such consciousness is confined to economic interest. The third level is when self-awareness of its own corporate interests and development transcend the limits of the purely economic class and become universal interests of the subordinated groups as well. The problem for the state is posed at the second level in establishing a legitimacy for itself accorded by the ruling groups. The state is then conceived as establishing forms of institutional compromise whereby the interests of the ruling groups are co-ordinated with those of the subaltern groups. This compromise contains the interests of the dominant groups prevailing over that of the subordinate groups. Such prevalence stops short of narrowly corporate economic interest, because interest is now universalised for all groups and because of the new institutional conception of the state. That is, the state as an institutional ensemble allows the possibility of corporatist penetration into policy making. The institutions, which comprise the mode of regulation, can be aligned with the institutions of the state so that corporatism becomes quite central to the mode of regulation. In this sense, Gramsci comes nearest to the conventional meaning of corporatism.

The development of a "universal plane" of interest is the strongest relation between the work of Gramsci and the development of late twentieth century corporatism or neo-corporatism. The latter is a social-democratic response strategy to the crisis of capital accumulation. It follows that it cannot be limited to a coalition of subordinate groups that

are primarily economically determined. Aspiration to hegemony is then crucially dependent on the articulation/mediation of the state in response to the dominant/hegemonic group. But, as Gramsci points out in the case of Fabianism in England, this aspiration does not exist. Social-democratic aspirations are limited to demands for access to hegemonic power in return for subjugation to the separation of civil society (the economy) from the state. In the case of Italy, the "universal plane" of interest is consistent with the demands of a developing national capitalist class. However, the national plane of interest must incorporate the spatially divided mediation strategies for the industrial North and agricultural South as well as those for devolved interest groups. Therefore, incipient corporatism is both institutionally and spatially decentralised.

If this was to be full blown account of Gramsci's work one would expect a fuller analysis of the state to be developed. Within the limits of this exposition, Gramsci's reference to Hegel provides a useful link to his views on the state and Hegel's notion of "corporations". Gramsci comments on Hegel's view of the state, which he suggested was derived from the French Revolution, in the following way:

"Government with the consent of the governed -
but with this consent organised, and not generic
and vague as it is expressed in the instant of
elections. The State does have and request consent,
but it also "educates" this consent, by means of
the political and syndical associations: these,
however, are private organisms, left to the private
initiative of the ruling class.....But his
conception of association could not help still being
vague and primitive, halfway between the political and
the economic; it was in accordance with the historical

experience of the time, which was very limited and only offered one perfected example of organisation - "the corporative" (a politics grafted on to the economy". (ibid: 259).

In developing a view of the state, Gramsci analyses the "nightwatchman state" whose functions are limited to safeguarding of public order and respect for the laws. In advancing a thesis of the state and its relation to the economic stage, Gramsci suggests considering the following argument.

"Is the conception of the gendarme-nightwatchman state (leaving aside the polemical designation: gendarme, nightwatchman etc.,) not in fact the only conception of the state to transcend the economic-corporate stage?"(ibid: 262).

He goes on:

"We are still on the terrain of the identification of the state and government - an identification which is precisely a representation of the economic-corporate form, in other words the confusion between civil society and political society."(ibid: 262).

Gramsci advances the idea that the development of the nightwatchman state passes through a transition from the state as regulated society, to the state being equated with government and then civil society. The final appearance is not liberalism but hegemonic liberty. That is, the state retains a form of coercive organisation to safeguard the continually proliferating elements of regulated society. The state thus passes through a phase of economic-corporate primitivism to a new state where the political hegemony of the dominant social group is primarily of an economic order. Such a new state involves a re-

ordering the organisation of the real relations of society and that of the economy or production. This re-ordering leads the new hegemonic structure of order being equated with civil society through the organisation of super-structural elements such as cultural policy.

The re-ordering of the real relations of society and that of the economy or production is of central concern to Gramsci's analysis of Fordism's development in the United States. The section "Americanism and Fordism", in *Prison Notebooks*, deals with Gramsci's basic question of whether changes in the world of production, emanating from America in the post-First World War period, are of a magnitude and significance as to constitute a new historical epoch; the same central question for the French Regulation School. The starting-point is the impact of America and American production methods on Europe, which Gramsci termed "Americanism". In terms of capitalist development, Gramsci saw "Americanism" as destroying the last vestiges of feudal society given that America had never experienced feudalism. The particular history and development of capitalism in Europe posed a problem for the complete absorption of "Americanism" into Europe, viz:

"In Europe various attempts have been made to introduce certain aspects of Americanism and Fordism have been due to the old plutocratic stratum which would reconcile what, until proved to the contrary, appear to be irreconcilable: on the one hand the old, anachronistic, demographic structure of Europe, and on the other hand an ultra-modern form of production and of working methods - such as offered by the most advanced American variety, the industry of Henry Ford. (ibid:281)

The resistance to the introduction of Americanism and Fordism in Europe is described by Gramsci in the following direct manner:-

"....To put it crudely, Europe would like to have a full barrel and a drunken wife, to have all the benefits which Fordism brings to its competitive power while retaining its army of parasites, who, by consuming vast sums of surplus value, aggravate initial costs and reduce competitive power on the international market. (ibid: 281).

Given Europe's particular history and institutional culture, the mediation of the 'drunken wife' and the 'full barrel' is necessary. That institutional form is what we have come to know as corporatism. The mediating bargains in the industrial North and agricultural South, as described above, formed the basis of this particular history in Italy but the manner of its relation to Fordism is subject to polemical discussion in the later sections of the *Prison Notebooks*.

Gramsci engages in a polemical discussion of Fovel's³ analysis of the corporative movement in Italy. That is, the introduction of Fordism. For Fovel, the premise for the introduction of American production techniques is "corporatism". By "corporatism" he means a new form of industrial and economic culture that is purely Fordist and eliminates the parasitic elements on capitalist development in the form of petty-bourgeois rentiers etc.,. Gramsci echoes another critique⁴ in suggesting that Fovel is advancing a new economic policy and not a new political economy. Fovel's conception of the corporation as an industrial bloc incorporating private economic interests, is a mixture of Hilferding's *Finanzkapital* and a half-way house between Hegel's "Corporations" and corporatism as we

know it today. Within this industrial bloc, the technical element of managers and workers would be more important than that of the capitalist rentier class. Gramsci points out that such a new form of industrial organisation would require new juridical rules and a new social structure.

A new social structure requires the intermediation of the state; a liberal state but not one in the mould of *laissez faire*-liberalism. This form of state encourages economic initiative and individualism but creates an arena in which the monopolistic practices of Fordism are maintained. The affirmation of the interests of the technical constituents of this monopoly regime are through the state sponsored juridical rules and practices: *ergo* - the interests of managers and workers are attributed public status and corporative develops into conventional corporatism. "Old" interests are not excluded because the imposition of Americanism on an old order does not extinguish these interests, viz:

"In reality the corporative trend has operated to shore up the crumbling practices of the middle classes and not to eliminate them, and is becoming, because of the vested interests that arise from the old foundations, more and more a machinery to preserve the existing order just as it is rather than a propulsive force." (ibid: 294).

The logic of this quote can be carried further to encompass more sophisticated forms of mediation such as social democratic strategies of incorporation of interests, for example "corporate bias" and "tri-partitism"⁵. But, the corporative trend depends on the level of unemployment for its stability. Through the maintenance of a nominal reference wage for the employed and the creation of organisational and *not* productive employment for the middle classes an equilibrium can be ensured. This equilibrium can only hold if the

organisation of the interests of the employed and the middle classes can be organised through the state to resist any upsurge of new interests. The equilibrium of "Global Fordism" broke down as the basis of the corporative trend in the post-Second World War era (see chapter 2). The breakdown of the institutional organisation of interests underlying the corporatist trend of "Global Fordism" followed soon after. The re-structuring of the corporatist trend and the rising new interests have yet to establish a new equilibrium. However, the organisation of interests through state patronage have currently taken on a decentralised form and echo Gramsci's earlier history of the industrial North and agricultural South. As shown above, the "universal plane" of interest developed by Gramsci was structured in Italy by the distinction between the industrial North and the agricultural South, still evinced in modern Italy. Therefore, this universal plane was configured by regional differentiation of interests. In importing this important parameter of Italian polity, the corporatist underpinning of the "universal plane" takes on a more decentralised appearance. Gramsci's contribution was to point up the importance of the relationship between corporatism and decentralisation.

Gramsci's contribution to the question of corporatism and Fordism develops Fordism as a regime of accumulation and corporatism as a mode of regulation. The latter provides an institutional basis for the accumulation regime. The institutional basis develops from an analysis of the historical negotiation between the concept of interest and its relation to state forms. When the equilibrium of the regime and mode is challenged Gramsci draws on history to show how in this situation decentralisation becomes a form of corporatism. With the onset of 'Americanism' and the state's role in this process, an analysis of the lineage of estates to liberalism and then corporatism is captured as shown in chapter 3. It is clear from a reading of Gramsci's analysis that corporatism is a distinct entity, connected to the

dominant regime of accumulation. It is not a particular form of pluralism. The debate over this assertion is assessed in the next section.

Corporatism and Pluralism and Ideal-Typical Debate

The failure of corporatism to present itself as an ideal-type in political theory is at the heart of the intense debate over whether corporatism constitutes a particular version of pluralism or not. This tension was highlighted by the debate between Cox and Cawson (1988). Beforehand, one must make a clear distinction between pluralism and corporatism in definitional terms. An ideal-type is a useful concept which allows a particular notion or conception to act as a datum for analysing the complexities which surround conceptions or notions. A common mistake is to try to set up an ideal-type and then claim universality for it, as has occurred in the case of corporatism.

Essentially pluralism describes the relationship of private organised interests bargaining discretely with the state. Corporatism also involves bargaining of private interest groups with the state but the crucial difference is the inter-action with the material base of capitalist accumulation. That is, private and primarily economic interest groups are incorporated into the state's negotiations within capitalism. In an institutional context, pluralism represents particular interests' negotiation with the state whereas corporatism represents general interests' negotiation with the state. The distinction between the two is that the former lobby the state to make particular demands over a matter of state policy at a particular time. The latter would seek to represent their range of demands within a permanent or semi-permanent policy forum of which they were a part or had privileged access to. The latter include the general interests of economic producer groups such as organised labour or business associations who have an on-going, fairly universal and not particular agenda. General interests stem from valorization and accumulation as

Jessop(1990: 120) clearly defines. He states:

"Corporatism can also be defined as a distinctive combination of political representation and state intervention. In this case, however, representation is mediated through a system of public 'corporations' which are constituted on the basis of their members' function within the division of labour. And state intervention occurs through these same corporations and/or administrative agencies formally accountable to them."

The demand that corporatism fit the characteristics of an ideal-type have come about because of the apparent elasticity of the concept. The Cox-Cawson debate arose from the demand that corporatism conform to a more rigorous methodology in political theory. This elasticity led commentators like Bull(1992) to state that writers have often ascribed policy formation to corporatism when the formal definitions only include the structure of policy decision making. He cites the following quote by Goetschy as an example (1987:193), viz:

"on the basis of our analysis of French neo-corporatist trends....one should seek for a definition of a less institutional nature which could take into account to a greater extent more flexible, fluctuating and partial forms of neo-corporatism."

There may be an irony in choosing a quote from a French scholar in that French social scientists tend to be antithetical to the conventional definition of corporatism⁶. But, it is its very flexibility or elasticity in relation to capitalism's and the state's development that makes corporatism appealing to many, particularly in the unpromising case of France which is explored in chapters five, six and seven. The search for ideal-types by political science

does appear otiose from the perspective of corporatism. Cox argues that shorn of an ideal-type anchor, as above, corporatism becomes just another variant of pluralism. He fails to recognise the distinction given above but Cawson does counter the claim that corporatism cannot justify an ideal-type. Apart from rejecting Cox's interpretation of ideal-types he criticises his definition of pluralism as being little more than description of existing practice in liberal democracies. Bull (1992) responds to Cawson's remark by pointing out that two debates have become confused. Firstly, whether corporatism has validity as a theoretical ideal-type. Secondly, the extent to which variations in state-interest relations can be accounted for by pluralist theory.

The attempt to fit corporatism into a theoretical ideal-type straitjacket begs the two questions that Cawson addresses. One - ideal-types are abstractions and not tightly defined methodological nostrums. Two, - the search for *an ideal-type* of corporatism runs counter to its sectoral and hierarchical differentiation within an economy (Cawson: 1986). More crudely why bother? Cawson combines corporatism as a mode of interest intermediation and a mode of policy making in adumbrating his ideal-type of corporatism. He states:-

"Corporatism is a specific socio-political process
in which organisations representing monopolistic
functional interests engage in political exchange
with state agencies over public policy outputs
which involves those organisations in a role
which combines interest representation and policy
implementation through delegated self-enforcement."

(1986: 29).

This combination gives him a determinate position in regard to ideal-types and at the same time rejects Schmitter's state corporatism and a corporatism associated solely with policy

making; and thus the charge of pluralism. This sleight of hand, however, does not solve the problem noted by Jessop. It does allow Cawson to set out of his stall on the two questions of ideal-types and pluralism.

In subscribing to an ideal-typical led analysis of corporatism, viz a viz pluralism, Cox suggests that the distinction between the latter two is the role of state-power. He accepts that Schmitter's state corporatism might pass muster as an ideal-type. In Cox's view the state must dominate this arrangement and thus rejects the concept of societal corporatism; it must be the same as pluralism. In Bull's review of this question, he states that much of corporatist writing has failed to respond to this theoretical challenge. In doing so, he falls into the same as trap as Cox. As the historical lineage of corporatism - from Hegel to Papal encyclicals to Gramsci - shows, the state is a crucial pivot in the process of interest representation. It only dominates in certain epochs, like Gramsci's economic-corporate phase of early capitalism. Again both Cox and Bull should address themselves to Jessop's definition, quoted earlier. If corporatism is pluralist then so is all history and pluralism as a conception of political theory is rendered merely as generic description.

Cawson leans towards Jessop's view in suggesting that the position of Schmitter and Cox prevents the development of a comprehensive account of a political economy of the state and corporatism. The following quote summarises Cawson's position:

"Corporatism involves the organisational link between
intermediation and policy formation, not one or the
other.....What makes corporatism distinctive is the
fusion of representation and intervention in the
relationship between groups and the State" (ibid:
71 and 79).

Although Cawson comes closest to Jessop neither he, Cox nor Schmitter deal with the

materiality of the state and therefore the profound distinction between corporatism and pluralism. Without this extinguishing idea, the flames of this debate will continue to be fanned. Particularly, as long as the state continues to be treated 'from above' or as external agency.

Bull (cf. 1992) picks up on the pivotal feature of the Cox-Cawson debate: the nature of the state's role and the concept of political exchange. Cox's position, as above, is that state corporatism may pass muster as an ideal-type. What makes Cawson's definition distinguishable from pluralism is 'political exchange'. Drawing on Italian political theory, Bull describes political exchange as a relationship engaged in by the state and private interest groups. The basis of this relationship is that the state gives up part of its decision-making authority in return for the groups maintaining discipline amongst their members in respect of decision bargains. The underlying assumption is that the state is an 'actor' or a 'power system' and that exchange implies two actors - the state and monopolistic interest groups. Bull points out the contradiction in Cawson's position by using the language of structural analysis. For Cox, the structural variable in explaining corporatism as an ideal type, distinct from pluralism, is state power. Bull criticises Cawson for including this variable only as a given. His claim that Cawson's position is contradictory runs as follows. Cawson's definition of corporatism includes the state in its political and policy making forms. But his definition of corporatism is only a determinate of the political form of the state (op.cit: 266). Bull advances on this criticism by suggesting that Cawson's ideal-type cannot incorporate (sic) dynamic elements of political exchange. He suggests that Cawson has a static view of political exchange because Cawson assumes that interest groups will collude rather than compete in regard to the state. This a position however, that Schmitter rejects.

The problem with Bull's view is that it is contradiction spotting for spotting's sake. Furthermore, in attacking Cawson's 'static' view of political exchange he is confusing ideal-typical theorising with complex empirical outcomes of interest-state negotiation and intermediation. The question of political exchange and corporatism is more complex than he allows and is only one element in the complex of corporatism. Political exchange is implicit in corporatism, but much of it is unconscious. Explicit bargains are entered into between state agencies and interest groups through the organism of corporatist intermediation; formally or informally constructed, sometimes competitively, sometimes collusively. Conscious decision sharing and the guarantee of member fidelity may be the structural elements of political exchange in the abstract but are rarely found empirically within corporatist forums.

The fundamental problem with the debate as to whether corporatism is a specific form of pluralism is that corporatism and tri-partism are seen as co-terminous. Furthermore, the tri-partite version of corporatism is so narrowly defined as to conjure up false debates with corporatism cast in the role of polemical 'straw man'. Cawson's contribution is to set corporatism in an ideal-typical framework and to suggest that it displays different forms: vertically at the macro, meso and micro levels and horizontally between different sectors of an economy. In this latter respect, Cawson is being faithful to the history of corporatism. Pluralism, viz a-viz corporatism, is only a problem for theorists in late twentieth century liberal democracies in that, as argued below the polemic of liberalism and corporatism, in its different historical guises, has been a constant feature since the 18th century. The different country exemplars of corporatism show that the search for an ideal-type is misplaced, especially at a national macro level⁷. Moreover, the ideal-typical critique could equally apply to the claim that Fordism is autocentric which chapter 2 examined.

The breakdown of national economic regulation associated with the limits of Fordism as a mode of regulation was followed by the onset of global liberalisation. This onset undermined national corporatist arrangements as the institutional basis of the mode of regulation and how the latter was mediated. The evolution of global power blocs and regional exchange rate systems has seen corporatist arrangements being replicated at micro and meso levels as well as supra-macro levels, if the European Union can be described in such a manner. As such Cawson's model of "societal corporatism" appears more appropriate than Schmitter's state version in uncovering the import of some of these changes. But put simply, the limits of Fordism were reached when de-valorization exposed this regime of accumulation's stability conditions to crisis, again as detailed in chapter 2. The corporatist institutionalism of Fordism's mode of regulation rested on the successful degree of mediating the regime's material outcome. Faced with generalised devalorization, corporatist intermediation could no longer legitimate itself as central to the national mode of regulation. That is, the changed material circumstances after the breakdown of Fordism meant that the economic interest organisations were no longer in a position to deliver wage bargains or price setting agreements consensually. International market adjustment became the objective function for economic policy rather than nationally based corporatism. The search for a general strategy of globally regulated valorization has included the development of spatial valorization. In other words, productive capital has located its activities on an international scale locating manufacturing sites in regions around the world which had been relatively untouched by modern industry. At the same time, old industrialised regions, particularly in Europe, attempted to align themselves to this new vector of economic development. The decentralisation of liberalised markets and their logic has been accompanied by the growth of decentralised sub-modes of regulation, that are

corporatist in form. That is, alliances of local/regional economic actors have attempted to incorporate their interest associations into policy forums with the local state in order to position their locality or region in the path of this vector. In Europe, they have been assisted by the devolution of administrative and financial powers from the state. *Quōd erat demonstrandum* (QED), localised state responses to a global continuum have incorporated meso and/or micro private actors so that decentralisation can also be seen as a form of corporatism.

As for pluralism, despite global deregulation, the growth of social and political stasis in Germany, France and Britain in the last decade hardly renders these countries as ideologically pluralist. Some evidence for this statement can be found by looking at the growth of the Social Market Economy in Germany and its corporatist foundations.

The Influence of German Neo-liberalism on post-war Corporatism

The nascent development of corporatism in Europe can be traced to the promulgation of industrial and agricultural interests. The latter was particularly marked in France, where Catholic agricultural syndicates, akin to Hegel-like Corporations, competed with organised labour syndicates for incorporation into a formal bargaining structure with the state. The relation of the state to organised labour and labour markets in general, pre- and post-World War II, is the key element in explaining the propulsion of many western European societies into full blown corporatism.

In Europe, during the inter-war period, the size and not the distribution of employment became the major issue to negotiate with organised labour. The recognition of organised labour as an important interest organisation had been given impetus by the special role of state-sponsored labour organisations in authoritarian regimes in the 1930s. The legacy of this recognition became important in the social-democratic nexus which developed after

World War II. The major objectives of the post-war consensus were growth and full employment. Governmental parties sought the intermediation of trade union leaders to maintain this neo-Keynesian bargain. The semi-incorporation of organised labour into policy forums promoted the legitimacy of interest organisations. At the same time, labour became central to the political organisation of corporatism. As noted in chapter 3, what Maier termed the "standards" of economic policy had altered from the inter-war period. Exchange rate stability gave way to full employment. The standard of full employment was borne by the whole of society and not just the working classes anymore. The position of capital became that noted by Gramsci's analysis of British Fabianism. The guarantee of ownership and control of industry was bargained in return for the incorporation of organised labour into the standards of economic policy. This bargain generated external benefits of collective action which capital did not have to organise. As such, the ideology of liberalism had been given up for pluralism by the 1950s. The differences between the inter- and post-war periods are hardly surprising given changes in the nature of regimes of accumulation and modes of regulation.

The neo-liberal *Ordoliberalen* project in Germany was transformed into the social market economy by Muller-Armack⁸ and became the central ideological device underpinning and explaining the German *Wirtschaftswunder* (economic miracle) during this period. Such a ideological shift made collective social actors, rather than atomised individuals bound only by market behaviour, central to the organisation of civil society. This conjuncture brought about a happy coincidence of partial interests and the common good. As Maier puts it "'Fictitious bonds of wealth and law' had evolved into a happy Burkean consensus of great interests" (ibid: 49). The historical development of 20th century corporatism has responded to the general pressures of international rivalry,

economic strains and working class political challenges that have accumulated since the 19th century. The present day international strains are associated with the new prophet of "globalization". The incorporation of working class challenges was the logic of overcoming economic problems in the post-war era of neo-liberal Germany.

The German Social Market Economy was a national compact based on the premise of as much market as possible and as much government as necessary. The concept of *Ordo* underlying the neo-liberal project was to establish a "state of law" under which freedom of contract and property were juridically guaranteed. The role of the state was to be limited to that of a nightwatchman. But, as Gramsci pointed out this could only transcend the economic-corporate stage (monopolistic) in the interim. The transition from regulated society to civil society induced a fuller role for the state than just that of a nightwatchman. Moreover, as much market as possible would not be able to incorporate working class challenges nor the vulnerability of the post-war German economy to international rivalry: a national compact could not hold without greater state intermediation, including allocation, distribution and stabilisation.

The re-defining of *Ordoliberalen* into the social market economy meant diffusing the boundaries of the state with interest representation. The limitation on the state, in *Ordoliberalen*, was carried through by the principle of federal, decentralised subsidiarity. The decentralised structure of the Basic Law of the German Constitution can then be seen as part of the process of mediation and an early example of decentralisation as a form of corporatism. In this sense, the latter day strains on national economic regulation, due to globalization, can to some extent be ameliorated through this structure of civil society. This arrangement is the essence of Maier's definition of corporatism as "...a partial devolution of public policy and enforcement of organised interests" (op.cit: 49) This may

be a two-way process, partly reflecting views of Schmitter's "state corporatism" and Cawson's "societal corporatism". That is, a process initiated by public officials to augment control over economic and social life or generated by interest groups' representatives themselves. The German exemplar and the pressure which has built up against corporatism, as an important part of national modes of regulation, begs a number of questions and discussion of a more general kind. Some of these questions are taken up in Appendix II, where the position of two German city-regions is discussed.

The outcome of interest group pressure is not necessarily corporatism. In the United States, the outcome has been a pluralist system in a more exacting sense. The distinction with corporatism is the materiality of the state and in Europe the cultural constraints on the operation of "Americanism" or, Fordism. The historical relationship of bureaucracy and the state has bestowed status to public officials that can be devolved to interest groups. A comprehensive form of corporatist government will always be fragile because of differences in national experience and the structure of regimes, even in the case of somewhere like Germany where the *Ordoliberalen* philosophy still exerts enormous influence. These differences set important parameters where occupational groups re-created bureaucratic organisations to establish official relationships with the state. The form of bureaucratic organisation is then affected by these parameters. That is, where the state's legitimacy in conditioning and sanctioning bargains with interest groups diminishes, these groups re-structure their mediations to the new realities.

Like the search for a new thermostatic regime of accumulation after the breakdown of Bretton Woods, the institutional compromise that forms the basis of a mode of regulation has yet to be fully articulated. In the case of a country like Austria, with a strong post-war corporatist tradition, the changes of the post-Bretton Woods period present difficulties in

articulating a different co-operative policy style in the political arena. The strong case of corporatism of post-war Austria is examined in Appendix III, whilst the weak and unpromising case of France is examined in the next chapter.

Concluding Remarks

A number of fundamental questions arise from this discussion.

- (i) Why have some societies encouraged a richer and denser proliferation of interest groups than others?
- (ii) How have interests operated within different political systems?
- (iii) What logic or agency carries a system of interest groups, loosely organised into a structure of corporatist bargaining?
- (iv) What will limit the corporatist trajectory and perhaps re-assert parliamentary authority?

The first two questions beg the apparent demise of corporatism and re-appearance of liberalism in the 1980s. The negotiation of interests in countries like the United Kingdom are much more distended than even their earlier form. These weaker forms, in these particular countries, came under stress in the late 1970s with a weakening of the legitimacy of the social democratic state. In France and Germany, the re-negotiation of interests came through either new or reformed decentralisation measures. In Britain, the advent of a laissez-faire liberalism blocked off this response at least in an explicit sense. The problem for any reader of the British situation is that a powerfully centralist government was identified as being the same as a strongly centralist state; they are not. What the succeeding chapters on France attempt to do is to address these questions through an empirical analysis of one region in undertaking economic re-structuring and development.

The same line of reasoning applies to the fourth question above. Parliamentary

authority had not been a consistent feature of most Western European countries in the post-war era. The degree of state modulation of civil society through attributing public credentials to private interest groups has tended to be more powerful. The advantage of "credentialism" is that it generates benefits for organisations that have been attributed quasi-public status. The process tends to become contagious as other organisations seek equal access to privilege of quasi-public status. In this sense, and the degree that there is a perception of the state different from government, then the agency of corporatism is displayed in this manner. The essential problem remains one of legitimacy, with corporatist tendencies either exacerbating or ameliorating cleavages within civil society.

In the post-war period, corporatist trends have tended to parallel divisions between political parties; social democratic or labour parties on one side and christian democratic or conservative ones on the other. The centrality of incomes policies in Europe in the 1960s and 1970s tended to reinforce this trend. But, focusing on incomes policies as the decisive political disjuncture confuses corporatism with tri-partism - the essential element in any incomes policy operation. The political divide, however, does feed into corporatist representation. Where there is cross-party underwriting of corporatist institutionalism as in Austria's "consociationalism", political stasis and paralysis often results. In the case of somewhere like Britain, corporatist bargains for working class organisations are weakened when their representative parties are in the political wilderness. The resulting "Balkanisation" of the polity means that the mediating process of corporatism has itself to be mediated at a more removed and somewhat decentralised level, but not formally so.

Constantly, strains in corporatist bargaining re-surface in the political system and parliamentary representation. This is because of the relation of the state and its continuing search for legitimacy for any bargain. The lineage of party and interest, liberalism and

corporatist are the Scylla and Charybdis of modern political economy. The issue of legitimacy represents the state's Medusa - the many historically faceted corpus. In respect of corporatist systems or forms, the issue of those left in and those left out of bargains constantly arises. The wartime demand for a system of social welfare support led working class organised interests to accept a dualist concept of the capitalist economy. Organisation and control of production was the realm of capital. In return labour was given guarantees over the social wage and welfare. This is consistent with Gramsci's inter-war perceptions of British Fabianism. Incorporation of working class interests was predicated on their representative organisation being given access to decisions but not control of this duality. Rapid technological change and globalization of the economy makes such a bargain increasingly fragile and undermines the corollary division between high growth and full employment. Balkanised liberalism is not substitute for this fragile bargain, as the experience of late 1980s Britain amply displays. Similar, but devolved or decentralised measures appear in response to the new realities. The corporatist trend is not monotonic nor stable but its very historical elasticity sees it rebound in different guises; it remains part of the trace of estates to liberalism to corporatism and then liberalism. Its core aetiology is its relation to the state and the state's materiality, unlike pluralism. Maier summarises it aptly;-

"The great social Ausgleich (balance) on which corporatist equilibrium has been constructed during the past generation - rendering welfare and high employment unto labour, rendering control of investment to management (and sometimes the state) - may be nearing its term. Renegotiation of the compromise may not be impossible, but it

will not be easy." (op.cit: 55).

This chapter has attempted to connect the material basis of Fordism to its mode of regulation by examining the institutionalism behind it. The analysis of Gramsci's economic-corporate stage of history and the evolution of Americanism brings these two elements together logically. At the same time, this part of Gramsci's work opens up the possibility of decentralisation as being a form of corporatism. By examining the Cox-Cawson debate it has been shown that corporatism is a distinctive form of political organisation that is not universal and therefore not an ideal-type. This distinctiveness is shown by examining the history of the Social Market Economy in Germany which was strongly influenced by neo-liberal ideology. In Germany, for most of the post-war period, regulation of the Social Market Economy rested on corporatist institutions, some of which are assessed in Appendix II. As the regimes of accumulation have come under stress in Europe, so has the modes of regulation of which corporatism has been central. The case of a strong corporatist country like Austria can be used as an exemplar, as in Appendix II, to show how international market adjustment rather than narrow national regulation has taken over as the objective function of economic policy making. Deregulation and liberalisation have been at the heart of modernisation of countries like Austria as they open up to the international economy. As these elements of modernisation are decentralised in nature, it is logical that the powerfully national corporatist institutionalism in Austria will have to respond to these decentralised material factors if their influence is not to wane. Therefore, even in a country with a powerful corporatist history the consensual basis of economic policy making can only continue if decentralisation becomes an important parameter. In the next three chapters the experience of a country with an historical antipathy to corporatism is examined. In particular, the devolution of economic development powers which has embarked France on

a trajectory where decentralisation can be seen as a form of corporatism.

Notes

1. The Rigsormento was the 19th century regime which was established after Italy's independence for the Austro-Hungarian Empire.
2. In his monograph, *The Great Transformation*, Karl Polanyi points out that the "market society" of Britain between 1815 and 1914 was organised on the basis of the state creating artificial markets. These markets are created through the negotiation of the "fictitious commodities" of land, labour and capital.
3. Massimo Fovel was author of *Économia é corporativismo*, the content of which Gramsci savagely criticised as well as Fovel himself.
4. This a critique of Fovel by Carlo Pagni, "*A proposito di un tentativo di teoria pura del corpo del corporativismo*" in *La Riforma Sociale*, september/october 1929.
5. Corporate bias is the term invented by Keith Middlemass in his seminal book *Politics in Industrial Society* to describe the British weak form of corporatism. Tripartism refers to employers, employees and the state engaging in negotiations over issues such as incomes policies.
6. The French definition of corporatism, *corporatisme*, refers to a syndicalist arrangement whereby each labour syndicate looks after its particular interest. For example, there was a manning dispute between pilots and management of Air Inter a number of years ago. The defence of the particular interest by the pilots' syndicate of one of the labour federations was referred to as an example of *corporatisme*. For a fuller exposition see Segrestein (1985).
7. This kind of reasoning leads some commentators to construct an ideal-typical model of corporatism in order to assess the empirical validity of corporatism in national

case studies. Cox and Hayward (1983) follow this approach in their study of Britain and France.

8. Frederic Mueller-Armack was a later addition to the Freiburg School and was a major influence on the conduct of German economic policy during the period of the *Wirtschaftswunder*.

Chapter 5: THE UNPROMISING CASE OF CORPORATISM IN FRANCE

The previous chapters have shown the theoretical relationship between the organising concepts of Fordism, neo-liberalism, corporatism and decentralisation. In particular, the elements of regimes of accumulation, modes of regulation and their relation to Gramsci's concept of Americanism and Fordism were brought together with the historical relationship of corporatism and state and civil society to display their inter-linkages. At the end of the last chapter the robustness of corporatism under less favourable circumstances than formerly was referred to. This drew on some general empirical evidence from Austria, which was used as a strong corporatist exemplar, set out in Appendix III. In this chapter we turn to an empirical account of corporatism on the basis of a case study of the region of Nord-Pas-de-Calais. In particular an analysis of decentralisation is undertaken in this case study context. Furthermore, the uneasy history of corporatism in French political economy is traced out, whilst the following chapters are empirical narratives of Nord-Pas-de-Calais as it has developed in an environment where decentralisation has become a form of corporatism.

At first sight France is an unpromising case to use to empirically validate the thesis of decentralisation as a form of corporatism¹. Moreover, there is an intellectual antipathy to the conventional sense of corporatism. Partly this antipathy stems from the contemporary view that France represents the state in its most advanced form and that intermediary bodies have little influence or impact on state-civil society relations. Moreover, the abolition of official status given to the guilds and other interest organisations by Turgot's Edict of 1776 and the Chapelier Act of 1791 (Szarka; 1992) created a historical precedent that has been read as universal in contemporary France. A more detailed reading of French history reveals a slightly different picture. Corporatism has influenced state policy from

time to time and left its mark on the attitudes of organised business interests. This chapter skips and jumps across French history in order to highlight the key corporatist moments. In doing so, these moments show that corporatist periods have been a consistent feature of this history in the late nineteenth and twentieth centuries.

Corporatism appears to have a weak historical lineage in France. This appearance is strengthened because corporatism was seen as a rival doctrine to republicanism. Because corporatist bodies intermediated between the citizen and the state they were eliminated during the French Revolution. For republicans, corporatism represented the pre-revolutionary regime, the church and private monopolies. Therefore, assigning official status to corporatist groups was as perceived anti-republican. Indeed, corporatism in France was influenced by Catholicism and paternalism which established economic and family interest as the primal ordering mechanism of the economy rather than the individual. By the late nineteenth century however, liberalism dominated the teaching of economics in universities, influenced by the individualistic philosophy of anglo-saxons like J.S. Mill. However, anglo-saxon liberalism and its modern neo-liberal variant sit uneasily within French political culture.

Neo-liberalism is an important organising concept in structuring the argument that the French neo-liberalism underpins the development of corporatism in modern France, which was described in chapter 1. French neo-liberals are distinct from their anglo-saxon counterparts because of their stress on the enterprise rather than the individual as the basis of liberation from the constraints of the state. In this, they are nearer to the paleo-liberalism of Hayek, as defined by the Ordo-liberals. Despite the French neo-liberals' declared antipathy to corporatism, in practise the representation of the interests of enterprises can only be organised through some para-parliamentary forum. At a national

level, however, these forums have been weak because of a combination of ideology and a lack of state attribution to the constituents of these forums and a lack of state patronage of their decision making. That is, unlike Germany, say, the French state has not constructed decision-making channels which are based on the formal incorporation of economic interest groups in policy making. Therefore economic interest groups have not been attributed with the public status of corporatist partners at a national level. Moreover, even informal incorporation has been weak because the state has not acted as a patron of concerted policy making by giving interest groups privileged access to decision making.

The lack of attribution and patronage gives strength to the argument that France is an example of pluralism rather than corporatism, with particular interests singly treating with the state from time to time. However, the decentralisation project of 1982 presents us with a paradox in which a regionalised or localised corporatism emerged, despite antipathy from both sides of the political spectrum in France. The paradox is that decentralisation represents a response to central state overload and at the same time a recognition of the changes wrought by an increasingly internationalised and liberalised division of labour.

These generalised changes in the world economy coincide with the ideological position of French neo-liberals. Given localities and regions power over their own economic development is also consistent with this position. However, if regions and localities are to be successful sites within the new international division of labour then the interest of enterprise, as the basis of the French neo-liberal project, can only be realised in a localised or regionalised economy community. The aggregated interests of this community have to be represented if its locality is to be included as a site across which economic transactions from the international division of labour will flow. The form of representation will, logically, include some state involvement and/or attribution. Even in its weakest form, this

representation can be termed corporatist. The paradox is that French neo-liberalism leads to corporatist organisation because of a combination of its stress on enterprise, rather than the individual, and the decentralisation project. In the same way that the *Ordoliberalen* were an important influence in the development a concerted economy in Germany, so the development of French neo-liberalism has become an unwitting influence in the development of corporatism on a regional scale in France.

The fractured history of corporatism in France suggests that its utility as a mode of institutional intermediation has been very limited. Apart from arguments about French uniqueness, this incomplete history has had to negotiate quite marked swings between liberalism and syndicalism. The other aspect has been the near universal distaste, by both organised labour and capital, of *étatisme*². It follows that as many of the corporatist projects come under the rubric of "state corporatism" they did not attract widespread support. By the same token, the constant flirtation with neo-liberalism (in the *Ordo* sense) suggests that "societal" type variants of corporatism might achieve more support. What appears more fundamental, however, is that in twentieth century France modernising regimes of accumulation have been subject to rupture. As a result, a consistent mode of regulation, as in the case of post-World War II Germany, did not develop with corporatist institutionalism at its heart. This is not to deny the existence of corporatism in France but points to its variable position in French history (Colas: 1988). In particular, looking at the experience of the early part of the twentieth century, France acts as an cipher for the larger question of why corporatism does not always appear to be at the heart of the mode of regulation, despite the claims made in earlier chapters. This apparent contradiction stems from the distinction between corporatism as an analytical concept and empirically identifying corporatist type organisations in many European countries. The strongest

challenge this contradiction presents is the case of France. The rest of this chapter looks at the position of corporatism in twentieth century France during its key moments, whilst the succeeding two chapters undertake an empirical investigation of corporatism's validity in one of the major regions.

France and Incipient Corporatism in the Twentieth Century

Legal status was not granted to professional associations until 1884, under the Third Republic, because of the influence of revolutionary republicanism. As a result, trade unions, employers' associations and agricultural syndicates were slow to develop. It may also help to explain the antipathy to corporatism in France today. Despite the growing influence of liberalism and its anglo-saxon derivatives, the state was never a passive actor, occupying a dominant position in the operation of the economy. In this environment, the awakening to corporatist possibilities went through the stage of pluralist interest representation in parliament, with commercial farmers and heavy industry interests being promoted in this way. Simultaneously, state administrators recognised certain constituencies of interest by allowing access to the advisory *conseils supérieurs*, which developed within the state bureaucracy. However, republican officials constrained fuller development because, at a political level, representation of interests was seen to be anti-democratic (Gremion 1987). In the later parts of the twentieth century, this anti-democratic perception tended to reappear in all European states when the legitimacy of corporatist arrangements was challenged (Grant 1985, Offe 1985).

Significant changes in French industry, which occurred after 1890, were accompanied by a quickening of the pace of representative associations. This pace was due to a multiplicity of causes, most of which could be characterised as self-defensive (Kuisel: 1981).

- pooling arrangements to meet growing competition.
- imposition of tariffs in industries facing foreign competition, for example, textiles, coal and metals.
- in the post-1890 period socialism and revolutionary syndicalism informed trade union ideology. The culmination of this ideology was the strikes of 1900 to which the nascent employer's associations set up industry wide anti-strike funds.

The other form of employers association³ was the Chambers of Commerce which had elected officials and semi-official status but covered manifold interests, ranging from small-scale commercial activities to medium sized industries. On the other hand, the growing employers' associations concentrated on single industry interests. Despite the penal code declaring cartel arrangements illegal, this process increasingly informed association strategy towards the end of century. The impetus for cartelization grew in certain sectors such as coal and textiles. In 1901, the coal producers in Nord-Pas-de-Calais formed a successful cartel in response to foreign competition from Belgium and the Ruhr. Kuisel (1981:22) cites the example of the cotton industry:

"Under the cover of the Meline tariff the cotton spinners of Lille, Rouen and the Vosges seized control of the domestic market. They expanded their plant, specialised in different branches and formed cartels like the Comite Francais de la Filature de Coton in 1899, which fixed both prices and production quotas."

Despite the appearance of an incipient corporatism, many officials of the associations

combined a liberal ideology with a stress on the importance of the character of the interest associations. In the decade up to the First World War, interests developed industry-wide demands with the steel association, *Comité des Forges*, adumbrating a programme asking for the state to begin a policy of industrial development. However, economic buoyancy at the beginning of the century was ascribed to liberalism by the government and business, despite fears for the underlying structure of the French economy. The concern with industrial development, and a growing perception that current buoyancy was not a function of domestic liberalism, stemmed from international influences. The model for industrial development was Imperial Germany. There, the regime had developed infrastructure and supported industry with favourable tariffs, favourable purchasing policies and other forms of encouragement. The *Comité* unsuccessfully sought a positive attitude from the French state towards by its industry (cf Kuisel 1981).

The ascription of economic buoyancy to domestic liberalism was not borne out in the face of the national crisis of the First World War. Much of the pre-war buoyancy was due to external factors, such as increased trade outside Europe connected to the general upturn in international trade at the beginning of the century (Maddison 1982). Faced with fighting a war against a military and economically more efficient neighbour, the liberal republic eased its way to *dirigisme*⁴. In the context of the national crisis various kinds of *étatiste*, corporatist and socialist experiments were legitimised. The crisis of war increased the self-realisation that pre-1914 French state and economy was in relative decline and a concern with post-war German economic aggression. The three elements of rising productivity, expanding exports and capturing vital resources were seen to be key in addressing crucial national needs. Furthermore, a new kind of institutionalism was advanced to modulate these needs. This institutionalism was predicated on class conciliation. The atomization of

government, bureaucracy, labour and business was to be overcome by promoting these discrete interests as social partners under the new order. In other words, there was to be an *étatiste-corporatiste* realignment of liberal capitalism. By 1917, state officials had drafted specific proposals to implement their grand strategy to re-align French polity. However, because of the opposition of business and without a strong government, this strategy was unlikely to be implemented in its original form.

As has been pointed out in chapter 2, Fordism as a regime of accumulation is accompanied by a mode of regulation heavily influenced by corporatist institutionalism. In the 1914-18 period, the influence of Taylorism had led various government ministries to promote standardised production methods. This promotion was accompanied by a perception of the need to intermediate these material changes by some institutional arrangement. Self-discipline to combat individualism and producer agreements would form a central part of any institutional discourse. There was a variability between the ministries' attitudes and actions in respect of incipient corporatism, with the commercial ministry favouring a more advanced and full-blown corporatism than the industry ministry. The central problem was that many of the employer associations were not very organised. The solution proposed was to organise existing associations into federations and create a national employers' association that could function as the ministry's consultant (cf Kuisel 1981, Szarka 1992).

The perception of an institutional re-ordering to underpin the advance of an accumulation regime like Taylorism, anticipated the decentralisation laws some sixty-five years later. The formation of economic regions was to be an important building block in the new corporatism. The logic was to tap regional energies for economic development, but this logic could not be followed if the state structure and administration were not re-

ordered along regional lines. This proposal sought to create regional professional parliaments composed of local officials and delegates, selected by associations of employers, farmers and workers. This local/regional corporatism, and the localisation of state administration, points to the genesis of decentralisation as a form of corporatism. However, the negotiations over parliamentary approval for regionalised state administration resulted in a scaled down project in which the chambers of commerce were re-organised on regional lines.

The French chambers of commerce perform an important function in France today. They provide local and regional training programmes, can levy local taxes, undertake economic development programmes and form an important locus for negotiating its constituents' interests with the state. The Chambers were re-organised in August 1917. The existing chambers had been too numerous, too poor and too narrowly representative of general commerce. Re-structured into twenty regional cores they were to be organised along lines of strong regional industries. Despite opposition from the chambers themselves, this project succeeded. The regional re-organisation of chambers of commerce was strengthened by them absorbing other regional projects, like the *Comité Consultatifs d'Action Économiques*. These committees had the right to operate shops, warehouses, and commercial schools, publish regional reviews, organise exhibitions and administer certain public services. Their funds came from taxes on the membership of the chambers. The *Comité's* absorption into the chambers was completed in 1919. The peak of the corporatist design was a powerful Ministry of National Economy. The *Ministère du Commerce's* *Projet de réorganisation* stated;

"In France, where before the war large-scale industry
had not grown to the extent it had in certain

countries where small *patrons* still form the majority of company heads, where syndical organization plays an indirect role in organising production it will be necessary to have a Ministry of Commerce and Industry strongly constituted which would guide private initiatives, co-ordinating their efforts and actively stimulate production and trade." ⁵

The network of interests topped by a powerful Ministry of National Economy extended private and public collaboration, but also brought increased state supervision. The topping of a corporatist structure with a powerful economy ministry suggests that this model was closer to Schmitter's "state corporatism" than Cawson's "societal" version (see chapter 4 above).

Unfortunately, this grand modernising design was met with cynicism by the business community who deemed it an attempt to impose *dirigisme* on the economy. Despite efforts to the contrary, this quasi-corporatist *dirigiste* project faced external and internal opposition, in the aftermath of the war. France's allies, particularly the Americans and the British, favoured a return to free trade. Internally Clemental's⁶ corporatist designs ran counter to industry's call for the pre-war "business as usual" (op.cit: 53). Without the incorporation of business interests the grand design would fail. It was proposed that an association between the state and business interests be formed through the formation of a national business federation. In December 1918, the Ministry of Commerce requested data from the employers' associations in order to group them into twenty categories, justified by the need for economic recovery. The bait was to help the syndicates expand their activities and increase their authority by assuring them "an official, effective, and permanent representation". They were offered a place on the ministry's consultative boards

and promised in "that in the future, no official policy will be made without their consent" (op.cit: 56). In the Spring of 1919, twenty basic trade associations were formed as a preliminary step to creating the first national employers' federation. This effort culminated in the creation of the *Confédération Générale de la Production Française* (CGPF) in July of that year. But, the business community greeted the inception of the CGPF with indifference or hostility. The political base was cut away in the subsequent election. The prospect of corporatist institutionalism was reduced because, except in war-time, industry had shown little willingness to enter into concerted action with the state. Kuisel (1981: 58) summarises the position succinctly;

"The collapse or stunted growth of Clemental's creations points up business indifference, distrust, or hostility toward corporatist innovations that seemed tainted with *étatisme*.

The main thrust of post-World War I economic policy was a "return to normalcy" (op.cit: 59). The principal trade union organisation *Confédération de Travail Générale* (CGT) was subject to inroads by those who in the pre-war period had favoured class collaboration and capital concentration. The upshot was that the CGT started to sing the "hymn of production" from 1918 onwards. The organised capitalism logic of this shift in trade union policy was exemplified by the statement of its Secretary-Generale, Leon Jouhaux, to the effect that "the reign of industrial individualism and economic Malthusianism was over" (op.cit: 60). Under Jouhaux, the CGT had given up its pre-war revolutionary syndicalist stance and became a wartime partner of the French state. In the immediate post-war period, the CGT was ready to develop its corporatist role. Unfortunately, the 1919 election result put paid to these aspirations. This election was won by a coalition of moderate and right wing parties under the banner of *Bloc National*, who

were responsible for the slogan "return to normalcy". The lack of political commitment to corporatism by the *Bloc National* appears to point to an important lesson in the history of corporatism. That is, where corporatism is not deeply rooted in the political culture then attempts by one social partner to generate these arrangements will come to little if the support of the state is lacking.

The minimum programme of the CGT was for the working classes to participate in the management of production and emancipate themselves by using its instruments. The wartime demand of re-nationalisation and the creation of a National Economic Council became politically unpalatable. The Council remained in form but had little in substance and was without a wide range of powers. What did emerge in this period, which survives today, was the *sociétés d'économie mixte* (joint public-private companies). It can be argued that these companies were premature examples of a "mixed economy" and the possible basis of some kind of corporatist institutionalism. Their initial role was to operate commercial properties confiscated from the Germans. This concern with post-war reconstruction and the position of Germany and America led the *Bloc National* to nationalise certain key sectors, despite its liberal anti-corporatist stance. However, the dominance of de-control and retrenchment but not management and modernisation illuminated policy. The attempt to create regional economic units had not overcome the narrow ambit of the Chambers of Commerce, and the political environment was suffused with anti-etatiste sentiment. Any development of corporatist institutionalism seemed doomed, with its only logic being reduced to periods of crisis, like war. However, regional renewal and economic crisis meant that corporatist policy proposals were never quite deleted from the political agenda.

The central question for regional renewal was whether to re-construct the war-devastated

north-east and the re-annexed regions of Saarland and Alsace or to restore the pre-war economic ownership structure. In the prevailing liberal climate the latter won out. Despite the proposal for a state-industry partnership, the means of public assistance was accompanied by the ends of private initiative. In respect of the renovation of the North-East, the Third Republic provided generous assistance but the outcome was left to private owners. Crisis in the form of a run on the currency, and not war, meant France turned towards corporatist-type arrangements once again. The accompanying international pressure was for rationalisation, which became the generic term for trends in industrial modernisation. Syndicalism was a powerful intellectual movement in advancing "rationalisation" (cf Kuisel 1981).

In the same way that Gramsci noted the impact of "Americanism" on Italy⁷, the development of the extensive Taylorist regimes of accumulation were an influence on the push for rationalisation in inter-war France. The logic of rationalisation was a little more manifest with a concern with international over-production and an economically re-assertive Germany accompanying the perceived benefits of Taylorist organisation. Among the most partisan organisations favouring rationalisation was the CGT, informed at it was by syndicalism. The leadership reacted to the rejection of their corporatist project by proposing working class control of the economy. This was despite the repudiation of their revolutionary past, which had been adhered to up until the war. At the heart of syndicalist doctrine was control of production by "producers", that is, workers. The achievement of this end could no longer rely on traditional labour weapons, like general strikes, in the view of the CGT's leaders. Their programme suggested the training of the working classes in economic management and initial collaboration with progressive managers. The twin elements of their general programme are now very familiar - nationalisation and a national

economic council. In the latter case, called the Labour Economic Council, it was a more powerful body than the previous one. The same kind of intellectual influence had begun to pervade the other side of the industrial divide, amongst the more modern industries and firms. Kuisel terms these and the syndicalist efforts as "neo-capitalist" and "neo-syndicalist" respectively. What draws these elements together is a string of incipient corporatism, irrespective of the appropriateness of these terms.

The "neo-capitalist" approach (ibid: 84) was more akin to the *Ordoliberalen* (neo-liberal) approach of 1950s Germany. The stress was placed on the state enervating private enterprise through support not competition nor control. Although not envisaging as comprehensive a role as in the CGT's Labour Council, the possibility of state intermediation was a departure from the prevailing liberal orthodoxy. The sectors that favoured rationalisation were those which experienced rapid growth and had been influenced by Taylorist techniques. The attractiveness of Taylorism partly stemmed from the rise of engineers in the managerial hierarchy. The programme of scientific management, inherited from Taylor and the US, still fell within the ambit of liberalism. Many of the organised business interests and their political representatives did not share this modernising and technocratic vision. The CGPF was sceptical of the "mystique of rationalisation", an American invasion of French culture. The traditionalists and the modernisers shared a strong distaste for *étatisme*, but many modernisers stressed the need for limited intervention to combat excessive individualism. The other aspect of modernisation and rationalisation was also drawn from American influences. The logic of centralising industry and the technocratic nature of much of the new managerial elite led to the possibility of some organised corporatist intermediation. This logic was accompanied by the development of enlightened social policy by some employer groups. The capitalist

modernisers condition for trade union participation in rationalisation was acceptance of managerial authority.

The logic of organised labour's programme for rationalisation could also be described as technocratic. The major difference was the nature of the ownership structure. Over-arching the programme of nationalisation was the Labour Council. Its proposed representation was wider than the earlier national economic council; technicians, state functionaries and members of the co-operative movement. Because the state and employers would not give organised access to decision making over the economy, the CGT proposed taking control of the key utilities. These were to be placed under the control of autonomous associations run by tri-partite boards, comprised of labour and technicians ("producers"), consumers and representatives of the state. Despite the call for nationalisation, the CGT shared the current anti-*étatiste* sentiment, pointing to the poor operation of state monopolies. The neo-sindicalist project anticipated the appearance of a "professional state". The CGT was not alone in its promotion of a syndicalist economy. During the 1920s, a number of theorists advanced industrial concentration and mass production as the basis of rationalised economy. Buttressed by a "modern state" replete with technical expertise, such an economy was antithetical to the obsolete liberal regime of the Third Republic.

Despite the collapse of the Labour Economic Council at the beginning of 1922, a variety of pressures³ led to the establishment of a national economic council in 1925. This council comprised fifty delegates drawn from labour, capital and consumer interests. Its function was to advise on economic policy. The legitimacy of the council rested on the claim that a body was needed to co-ordinate policy among the ministries. But as a consultative body attached by prime ministerial patronage, the council had no legislative authority. Without

the form and substance of an economic parliament it was subject to challenges from various groups who were not represented. The history of corporatism shows that where it lacks formal status, excluded groups will attempt to undermine its status and "governmental power". Divisions within and between trade union groups and left-wing parties meant that at the end of the 1920s the neo-sindicalist position on rationalisation was not universal.

An ostensibly left wing government could not deliver the kind of corporatist programme envisaged by the CGT and other quasi-sindicalist bodies. The election of right-wing government from 1926 to the end of the decade did not, however, signal the return of liberalism. Rather, it was a restrained programme aimed at modernisation of the French economy to achieve parity of living standards with America. But as the 1930s approached, rising unemployment led to emphasis shifting from renovation to economic management. At the end of the 1920s, corporatism was not central to French political economy, but its influence was still important as the next decade began.

France congratulated itself on having escaped the effects of the Great Crash of 1929. Yet the 1930s saw the French economy suffering a depression far longer than its competitors. The economic experiments of the 1930s were based on number of precepts that had been fought out during the previous decade. The axiomatic relationship between history and farce and tragedy appears well borne out in France. The neo-liberal decade of the 1950s developed in reaction to the corporatism that developed under Vichy and in the years immediately following the Liberation. Faced with a prolonged slump, the sway of liberal economics gave way to the imperatives of economic management. The destruction of competitive forces by the depression led to a rapid growth in cartelization. The added distortion in the economy led to the first attempts at systematic economic planning. The essential problem for the rationalisers, among the employer groups, was that

whilst they welcomed the logic of a regime of accumulation like Taylorism, they were unwilling to accept the logic an accompanying mode of regulation which was quasi-corporatist.

The popular appeal of indicative planning reached its height in the mid-1930s and again at the time of the Liberation in 1945. The tension over corporatist proposals of the 1920s became subsumed in the debates generated by the *planistes*⁹ in the 1930s. Corporatist theory and its institutional modes informed many of the planning debates. The distinction between the two agendas was the concern with intermediating the individual and the state for the former and balancing production and consumption for the latter. Heavily influenced by Catholic social thought, corporatists sought to maintain the elements of ordered society like work, family, individual and social discipline and class conciliation. The representation of these elements was the professional association based on economic categories. The apex of their aspiration was an economic assembly that inter-locked these representational "communities" in a hierarchical order. Much of the authority of other economic agents and state functionaries would cede themselves to this new authority. The problem was that this position didn't capture any major political party nor find support from organised business and labour. It remained the remit of some academics and employers. The ultimate problem was empirical: how to group each professional association and how to maintain the legitimacy of political democracy in the face of corporatist intervention (cf. Kuisel 1981).

Just as rationalisers were characterised by two principal groups, so the planners were divided into syndicalist-socialists and neo-liberals. The former built upon the CGT's state corporatist model of the 1920s and the latter built on the rationalisers' impulse to balance production and consumption. The consistent problem for adherents of planning or

corporatism was the lack of a political or social base. The instinctive laissez-faire ideology of employers was matched by the socialist ideology of organised labour. Their respective positions were reflected by their political representatives. Although interests sometimes coincided in some *dirigiste* project. The lack of a political base meant that interest group politics could not develop any kind of consistent leverage in French polity. It seemed destined to always be subsumed under some other political or social project.

Given that these efforts came to nought or very little, recent history does not appear to offer a rich source for establishing the operation of corporatism in modern France. This project is not being advanced as a linear history of the French flirtation with corporatism, nor to empirically demonstrate that France had experienced corporatism, despite claims to the contrary. As chapter 3 above shows, the history of corporatism in operation has been both complex and variable. The relationship between the economy and the state in France has been similar to that in other European countries. The regime of accumulation in France has been accompanied by a mode of regulation in which corporatism has been important, in spite of the antipathy to corporatism within French political culture. The essential theme of moving from estates to liberalism to corporatism and again liberalism runs through the twentieth century history of France. The most full blown model of corporatism was the statist version under the Vichy Republic, but its antecedents developed from the tensions of the inter-war Third Republic which veered between *étatiste-corporatisme* and liberalism, depending on the weight of relative political influence.

The only period where corporatism appeared to have a political basis was in the peculiar circumstances of the Vichy regime. At the heart of this regime was *dirigisme*, not from ideological choice but necessity. At the heart of Vichy's corporatist project was the Labour Charter, whose avowed aim was to mitigate or even end social and economic strife. The

means was the "organised profession" or "corporation". The corporation seemed to be akin to Hegel's corporation, detailed in chapter 3 above. The influence of Catholic social thought was powerful within the Vichy regime and two versions of corporatism evolved that were akin to Schmitter's state model and Cawson's societal model. Although organised labour had become submissive under Vichy, the regime's leadership proposed integrated trade unions into a professional structure that equalised the influence of employers and employees. The Labour Charter's main objective was to create five occupational syndicates that had exclusive and obligatory membership. The five were structured hierarchically along occupational lines. Despite this project a corporatist grand design never got beyond the preliminary outline stage. Its historical impact was far more profound in that the opprobrium attached to Vichy meant that this mode of regulation became tainted with Nazi collaboration.

Despite traditional antipathy to *dirigisme*, it informed the basis of policy in the post-war period. The inter-war legacy of planning became more formalised after the Liberation. There was a degree of concertation between neo-liberals (again of the Ordo variety) and planners, unthinkable in previous decades. A perceived need, for directing the economy promoted two alternatives, statist and syndicalist-corporatist. A secondary question was whether the management of the economy should be carried out by state functionaries or self-regulating corporatist bodies that included organised labour. The danger of statist direction of the economy, combined with the absorption of trade associations under Vichy, led business groups to revive employers' associations. This culminated in the formation of the *Conseil National du Patronat Français* (CNPF) in 1946. Now commonly known by the title, *Patronat*, it remains the most important and powerful peak association in France. As in Britain, the immediate post-war nationalisations of key sectors, like utilities, represented

not the advance of socialism but the affirmation of state management of the economy and technocratic overhaul.

The economic order of the late 1940s became increasingly informed by planning, which became formalised in the Monnet Plan. Apart from nationalisation and establishing a prototype of indicative planning, the interests of social and economic actors were incorporated into a formal body, the *Conseil Économique*. Like nationalisation, this body came out of a compromise; it was neither a corporatist-type parliament nor a technical advisory body. Neither did it represent demands for a regional assembly because organised labour, dominated by socialists and communists, wanted to maintain a national rather than regional interest position. The basis of Monnet's project of planning is rather akin a version of state corporatism. In contrast to the administrative planning of Vichy, Monnet proposed associating economic interests with a process of problem solving directed by the state. Participants would incorporate themselves by executing agreed solutions but they were free to distance themselves from their interest constituency. The formalisation of the process was the *Plan de Modernisation d'Équipement* (PME) which became the basis of the subsequent five year plans drawn up by the *Commissariat du Plan* (Hayward 1986).

As national economic regulation declined so did the importance of the five year plans. However, the establishment of a regional tier of government under the decentralisation laws of the early 1980s revived a planning approach to economic management. The attempts at establishing corporatist type structures in the inter-war period were undermined by a combination of factors. Despite opposition to *dirigisme*, the combination of economic management, planning and neo-liberal initiatives substantiated a state corporatist environment. This environment was never transformed into formal structures but the evolution of regional planning and economic development and the decentralisation laws,

dating from 1982, promised the possibility of a regionalised mode of regulation that was corporatist in form if not complete substance.

Decentralisation: France's New Corporatist Imperative

The first post-war steps towards decentralisation were made in the context of planning. The 1950 policy of *aménagement du territoire*¹⁰ was launched by the Ministry of Town Planning. The outcome of this policy was the development of *les grands ensembles* (large housing estates) a decade later. The proponents of territorial decentralisation owed their project to the shake-up of the politico-administrative system after Vichy and the Liberation. Like most political positions or orientations, the decentralisers' influence was from a deeper historical position from which the Socialist decentralisation of 1982 also drew on heavily. One aspect of this was the influence of the local *notables*, whose position was derived from the establishment of *départements* as administrative and political entities in 1789. The philosophical influence went back to the first half of the nineteenth century. This influence was rooted in the idea of "natural communities", immediacy of communications and decision making and locality and taking local initiative and assuming responsibility away from the central state. In the context of the management of the economy there is a fuzzy distinction between decentralisation and deconcentration in the French case. That is, deconcentration means the spreading of policy tasks to subordinate bodies under terms and times specified by the state. Decentralisation means devolving decision-making to lower levels of government and their representative interests. But a consistent feature of French political economy in the twentieth century has been a dance of deconcentration and socio-professional representation (decentralisation and corporatism).

There is a range of interpretations of the decentralisation project, from democratic self-management and local autonomy to re-structuring central state power. Despite the impetus

given to decentralisation in the post-war period by parties of the Left, decentralisation pressures have been a consistent feature of French polity for over two centuries. Moreover, advancing decentralisation has not just been a preserve of the Left. If one looks at the political developments in the nineteenth century which underpinned decentralisation, they can be traced by three overlapping polemics (cf. Gremion 1987). Firstly, decentralisation and grass-roots democracy were combined through the creation of executive and legislative powers of representation in localities. Secondly, the development of local administration to act as a defence against the encroachments of the Paris bureaucracy. As Gremion points out, this is not a contemporary phenomenon, as in the first half of the last century Tocqueville noted advantages which accrue from decentralisation. Proximity of government or administration encourages better communications and flow of information. Initiative and responsibility were deterred by a politico-administrative system which referred every decision to Paris. Pressures for decentralisation in this respect tend to conflate deconcentration with decentralisation of power. Thirdly, a traditional school of thought suggests that the "natural communities" of ancient provinces and communes reacted against the imposition by Paris of "artificial" administrative districts of the *départements* after 1789.

The support for this traditional kind of decentralisation was essentially anti-revolutionary. The romantic attachment to village life was an image that was to be constantly conjured up by both Right and Left parties until the beginning of the 1980s.

The first two polemics are bi-polar in respect of political orientation. The third has been associated with the Right, as a conservative mode of thought tied up with appeals to blood ties of the land. In the eighteenth century, revolutionary Republican sentiment promulgated centralisation, whilst ultra-Royalists promoted decentralisation as a means of restoring the

Empire. The restoration of a liberal empire and the establishment of the Third Republic in 1871 both had decentralisation as an important component. The conversion of most Republicans to decentralisation, at the end of the nineteenth century, culminated in both Republicans and Monarchists embracing it by 1903. Paradoxically, the interpretation of decentralisation became the source of political dispute between Left and Right. Clemenceau proclaimed that decentralisation represented centres of freedom for Republicans. He contrasted this view with that of Monarchists whom he accused of creating Roman bastions against the liberating laws of the Republic.

The inter-war demands for regionalism and incorporation of interest groups, as described in the previous section of this chapter, re-surfaced at the end of World War II. A final legacy of the Vichy regime was a plan to animate organised interest representation within a regional administration, anticipating the reforms of the 1980s (cf. Gremion 1987). Despite the challenge to traditional local *notables* by new economic elites, the influence of techno-planners and the ideology of *aménagement du territoire*, clearly defined local and central jurisdictions did not evolve in the 1950s. As the decade ended, business elites began to penetrate local decision-making structures. In the early 1960s, the Socialist Party combined the themes of economic efficiency and democracy. These themes resonated with the ideas of enlightened civil servants within the Planning Ministry and its regional planning arm, DATAR (*Délégation à l'aménagement du territoire et à l'action regionale*). The planners spoke of "growing industrial deserts" and "social costs", the Socialists spoke of "confiscation of added value" and "colonization of the provinces". These sentiments corresponded to integrated economic development for the former and locally centred development for the latter. The net outcome was the same, each locality should be able to fashion and shape its economic development. Opposition came from traditional notables and

the departmental structure but the political failure of De Gaulle's regime was followed by greater regionalisation in the early 1970s. The elevation of the Socialists to power in 1981 did lead to formal decentralisation, but it was neither that of self-management nor that of the reformer-planner. It would be a mistake, however, to suggest that the history of decentralisation was an opposition passion. It overlooks the frequent minor changes in the politico-administrative system in France over the last two centuries.

The French politico-administrative system consists of twenty-two regions, ninety-six departments and thirty-six thousand, four hundred and forty three communes. Many of the communes are too small to operate effectively so they are coalesced into *collectivités locales*. The regions became an elected tier of government in 1984, with the first elections being held in 1986. Prior to the decentralisation laws, the department and its prefect (*préfet*) was the most important sub-national level of government. The prior system has been described as "cross-cutting regulation" (Meny 1985) and the relation of the periphery to the centre resting on the relationship of the prefect and the local notables from the communes and *collectivités locales (le préfet et ses notables)*. Notables include local politicians, such as mayors and councillors of the departmental committees and representatives of powerful local, but mainly rural, interests in the departments. The relationship with the *préfet* was complex in that the prefect's position worked from a doubly determined legitimacy. On the one hand, he or she was the central state's representative charged with the proper discharge of fiscal powers; a restraint on excessive local demands for public expenditure projects. On the other hand, the prefect's local legitimacy rested on him or her delivering certain advantages to the locality and its notables. The notables' own local legitimacy depended on their relationship with the prefect and the degree to which he or she could deliver bargains they struck. The decentralisation

laws reduced the prefect's power, but in not abolishing the office central government maintained a parallel local politico-administrative system. The effect of a change in "cross-cutting regulation", a parallel central government run local system and the decentralisation laws has been to open up the possibility of interest intermediation stitching together these disparate elements.

In his classic study Jean Pierre Worms (1966) concluded that the role of the prefect, as the central state's representative, did not constitute the basis of some central-local dichotomy. Rather there exists a narrow complicity between the prefect and his or her notables. The image projected by the two parties is one of "partnership". However, the determination of policy is from above with proposals being "parachuted" into a locality. The centre-periphery system of the prefect and his locals tends towards smaller towns and localities. For towns with populations in excess of one hundred thousand, their political representatives operated in a network with deputies (members of the National Assembly) and senators (members of the upper parliamentary house) in a complex network of powers and means of finance (Rondin 1985). This dualism, associated with size, is reflected in the power base of the *grands patrons* - the mayors of the largest cities and towns. This powerful phalanx was best represented by the person whose name was given to the decentralisation legislation, Gaston Defferre, former Mayor of Marseilles. The position of mayors like Defferre is summarised in Ashford's description of him (1990: 53):

"Defferre was of course a city-boss of thirty years
of hard knocks....he was superb at milking Paris
and adept at evading local responsibility when
his schemes went wrong. In other words he was
a perfect example of a French mayor, or for that
matter, a mayor of any modern city in the world."

The major elements of the *loi Deferre* (decentralisation law)

were:

- Replacement of the prefect as head of the region and department by an elected president and a reduction in the *tutelle* of the prefect.
- Limiting the *cumul des mandats* to a restricted number of political offices
- The decentralisation and not deconcentration of state responsibilities and functions to lower tiers of government.
- Allowing local authorities to take responsibility for planning through the mechanism of the *plan d'occupation du sol* (local land-use plan)
- Reform of local government finance through the replacement of ear-marked grants by block grants for current and capital spending
- The establishment of an elected tier of regional government and a regional planning system
- Greater working class representation on the regional Economic and Social Committees

The *cumul des mandats* means the accumulation of offices by one person being simultaneously a local councillor, a mayor, a deputy and a President. The *cumul* is now restricted to two elected offices, one local and one central, but the change may be more apparent than real. Deputies and Senators can retain their positions as communal mayors

allowing them to remain important fulcrums of central and local power. The reduction in the *tutelle* of the prefect is significant as it represents a historical departure from the politico-administrative system. The prefect was the fulcrum of centre-periphery governmental relations. His public image was that of departmental king: "*le préfet est donc plus le représentant de l'État dans le département. Il est l'État.*" (Worms, 1966; 252). The prefect still holds an important position in the administration of local government, operating as an intermediary between local authorities and regional government. The prefect also acts on behalf of central government in regard to local economic development project undertaken by DATAR. These projects still form part of the cross-cutting regulation between central and local tiers of government, despite the formal reduction in the power of the prefecture. It is clear that there has been a shift in the balance of power towards local officials, as a result of the devolution of responsibilities from the centre to the periphery. Prior to decentralisation, central government always supported the prefect against aggressive *notables*. The decentralisation reforms have now substantiated the position of those notables who had manipulated the local-central system as though decentralisation was a *de facto* reality where it is now *de jure*. This is especially true of the *grands patrons* (mayors of large towns and cities) whose forays in the field of economic development became formalised by decentralisation (cf. Meny 1987, Preteceille 1985).

Decentralisation's formalisation of what occurred previously can be summarised as moving from a situation of local administration to one of local government (Gerbaux and Guegenat 1992). *De facto* local government had operated at the level of powerful mayors but at the level of communes, prefecture administration was the order of the day. The scope of local economic intervention was limited to "animating" small scale initiatives, like establishing industrial zones and artisan workshops. By the 1970s, the impetus for

decentralisation was coming from two sources. The Association of Mayors of Large Cities represented the impetus for large scale local and regional economic development, initiating studies like *ville et emploi*. The other pressure came from the upper house of Parliament, the Senate. Because of the peculiarities of the French system the Senate contains an important local constituency. Thus in the 1970s, opposition to Gaullist dominance of central state power was based upon the growth of local socialist and communist initiatives. At the same time, attempts to maintain central power included reducing the ability of the local and regional powers to oppose central state authority, leading to conflict between De Gaulle and the Senate at the onset of the 1970s. The relative slowness and failure of decentralisation at this time led to other local initiatives being an analogue of national politics.

This occurred for several reasons but stems mainly from local fiscal pressures. Power to take decisions over spending and financial resources increased for the regions. Between 1959 and 1969, the regional tax base increased by 13.8%, public spending by 25% and public investment by 56%. Between 1969 and 1975, investment in urban development grew by 80% and spending on transport and telecommunications by 50%. Spending on local and regional economic development action was 18.75% of the local/regional budget in 1965 rising to 56.5% in 1975 (cf. Preteceille 1985). In increasing local/regional spending in this way, the central state had sought to maintain its power over the periphery and marginalise local elected representatives. Despite this fiscal impulse, marginalisation did not increase in fact, but demand for formal decentralisation could be marginalised. What changed the environment and gave a powerful impetus for decentralisation was the demise of Fordism as the regulating regime of accumulation. *La crise*, post-1973, had perhaps a more a profound effect in France than elsewhere. As a result, the mode of regulation was undermined leading to greater fiscal stress or more

formally the fiscal crisis of the state¹¹. Consequently, urban development declined and the problems of the regions mounted.

The convergence of these two forces put pressure on the conduct of "social politics", in respect of lower social outlays and social consumption and the onset of austerity policies. The possibility of privatising some public assets and parts of collective consumption and housing was represented as a means of a new round of accumulation. Supported by the decline of blue collar occupations and the rise of new white-collar ones, this strategy appeared attractive. It could hold because of the generalised breakdown of Fordism's stability conditions but it could only be a palliative. In combination with an inability to devolve the crisis of the central state to the periphery, an opportunity was given to the Communist Party (PCF) and the trade union syndicate it dominated (CGT) to construct a politics of opposition in the regions and locality (Dupoirer and Gunberg 1978). The PCF had, by 1977, moved from the hyper-dogmatism of Stalinism to become a liberalising Euro-communist party through its alliance with the Socialist Party (PSU), known formally as the Union of the Left. Despite the rupture of this alliance, the Union of the Left provided a general framework of co-operation from time to time. In a sense these manoeuvrings were a re-run of the Left's inter-war flirtation with regional modernisation and corporatist tangentialism.

The local elections of 1977 were decisive in shaping the subsequent policy of the Socialist government from 1981 onwards. This was the year when bi-polarisation expressed itself at the local level with the disappearance of the political centre. In 1971, centre parties represented 16.7% of the electoral lists. By 1977 this had been reduced to 3.7%. The bi-polarisation thesis is most strongly evidenced amongst those voting for parties of the Left. In 1971, the PCF and PSU represented 79% of the distribution of electors voting for Left

parties. In 1977, the figure was 91% and in 1983 was 94%. Bi-polarisation was less strong amongst the Right and the two big political parties of the Right, the Gaullist RPR and the more centrist UDF, collected 61% of conservative votes in 1977 and 75% in 1983. The distribution between the two left-wing parties of the votes cast for them was as follows:

| | 1971 | 1977 | 1983 |
|-----|------|------|------|
| PS | 25% | 49% | 64% |
| PCF | 50% | 42% | 20% |

In terms of total votes cast, the PS and PCF both took 59% of mayoral offices in the year of the Left's big push, 1977, compared with 37% in 1971. Aside from confirming the bi-polarisation thesis, it is clear that local politics became the basis of the Socialists' later national success, at the expense of its quasi-partner, the PCF. The inability of the RPR/UDF government to shift the consequences of *la crise* to the periphery led to changes in the politico-administrative system in the early 1970s, under Valéry Giscard-D'Estaing's presidency.

Giscard's reforms were technical adjustments to the existing system. The major change was the regionalisation law of 1972. This legislation returned the regions from being federations of the departments into public establishments specialising in economic planning. Despite the admitted failure of De Gaulle's earlier federal project, the regionalisation law of 1972 still made it impossible to question the authority and power of the notables, derived in a large measure from prefectural patronage. This legislation fell between two stools. It neither formed the basis of developing the regions into an elected tier of government nor gave them the means to act as effective planning entities. As the traditional notables came from a rural constituency and the Left's opposition politics came more and more from large urban communes, the regional project was squeezed. This squeeze was confirmed by

Giscard's decision to move away from regional to local reform despite his initial enthusiasm for the former. He went back to his predecessor's, Pompidou, preference for communes and departments in his setting up of the Commission on the Development of Local Responsibilities. Chaired by Olivier Guichard, one-time chairman of DATAR, it ultimately generated the Guichard Report known as "*Vivre Ensemble*". However, moves towards greater responsibility for the *collectivités locales* (local communities), through formal legislation, were opposed by the Senate in 1978 and withdrawn by the government under Giscard's presidency in 1979-80. It was from this report that the Socialists could draw technical support for their later project of decentralisation (Meny 1987).

The view that the pre-Socialists reforms were a technical adjustment to the politico-administrative reforms is opposed by Preteceille (1985). In this view, history does seem to support him as described at the beginning of this section. He proposes three lines of argument. In response to the crisis, the idea that a large part of the national cake should remain for the wealth creating sector (monopoly capital) prevails. Decentralisation of austerity then allows the central state to protect its power, thereby widening and distributing responsibility for the crisis. Secondly, in the eyes of some technocrats some local situations were ripe for more central control. These situations arose because of local/regional self-organisation and financing of projects due to a dearth of central resources. A tension is then set up between the efficacy of public funds and local private initiatives. A corollary of the above was the shift of the libertarian Left into local communalism. The locality/region then becomes the territory on which left and right act out politics of austerity. Finally, the localisation (devolution) of management functions had the advantage of no longer needing the right of the National Plan being open to discussion. Despite the evolution of the *Plan Régional* and the *Contrat de Plan*, the downgrading of

the National Plan amounted to an exclusion of some interest groups, particularly organised labour, from its formation. Moreover, Giscard's decentralisation project represented a mobilisation of local resources but one expressed as an implicit contract between a bourgeois monopoly (state technocrats) and the maintenance of petit-bourgeois professional classes in the regions. As stated above, locality became the basis of the Left's opposition politics culminating in the electoral gains of 1977, in alliance with the PCF. In a sense, these gains were the culmination of late sixties social movements (previously isolated) and local labour struggles in the 1970s. However, the effective demise of the Union of the Left between 1977 and 1981 left the problem of local state- central state relations unresolved.

What Preteceille's three lines of argument highlight is the extent to which decentralisation has a material base in relation to the crisis of Fordism. Furthermore, the devolution of interest group influence over the National Plan to the Regional Plan is a similar response to the one developed in the inter-war period. Despite the apparently unpromising relationship of decentralisation and corporatism in France, it is a relationship that appears to have surfaced at times of crisis during this century as the first section of this chapter outlines.

Turning to the circumstances of the Socialist decentralisation, one finds an incomplete project of restructuring the territory of the state. For the Socialists, the most important symbolic change was the ending of the prefect's *tutelle*. However, the formalisation of economic development at the regional and local level, that had occurred previously, may remain the enduring legacy. This appears particularly so for the bastions of the *grands patrons*.

La grande affaire du septennat, is the common term for decentralisation. It represented the main task of Mitterrand's first seven year term. Unlike Giscard's reforms, the Socialist

decentralisation measures met with little opposition in the National Assembly. Indeed, the opposition criticised the government for their slowness in implementation. The legislation ratified many of the *de facto* operations of many regions, like "administration of the crisis" in the localities outlined above. The displacement of executive powers of the prefect reporting to the central state was more democratic in that local electors could now clearly see who was responsible for decisions in the locality. The direct election of representatives onto the *Conseils Régionaux* and for the office of Council President meant that they had direct responsibility for their executive decisions. Problems, that appear as a legacy of the prefectural system, have arisen in localities dominated by the Right and some dominated by the Left. The decentralisation laws, in these cases, have allowed some notables to run the locality like a feudal fiefdom. The triumph of the Right in the 1986 elections tended to relegate decentralisation to a utopian project undertaken by dangerously liberal reformers. So despite little opposition to decentralisation from on high, the re-assertion of central state control under the guise of a technocratic imperative is never far from the agenda in French polity. In other words, the relationship between decentralisation and corporatism is unlikely to be explicitly recognised by state authorities as their centralising and technocratic instincts remain intact despite new material realities which threaten these instincts.

The new system imposed on the administration of the state a functioning of a certain kind of politics. This politics moderated the administration by making it susceptible to being held to account to all political links, combined with pressure of dominant local interest groups. As a result, the decentralisation project could be usurped back in favour of a more central statist mode of operation. There is some evidence that this shift did occur under the Socialist administration during the tenure of Pierre Fabius as Prime Minister in the

1980s. It follows that the election of a left wing government is not a sufficient condition for the animation of local democracy, through decentralisation. However, the degree to which animation occurs through regional and local economic development appears to be a function of left wing domination at this level. It reflects the long history of the Left mounting and maintaining its political position and importance in the municipalities, through the labour movement. The attempts to establish quasi-corporatist "neo-sindicalist" bodies in the 1920s, like the National Economic Council, came to little at a national level. This relative national failure forced the trade union syndicates to find strong means of representation at the local level. This appeared to be confirmed fifty years later by the triumph of the Union of the Left in the local elections. The Left's triumph confirmed the conquest and management of local institutions by left wing militants and the Left's ability to organise the working class autonomously.

The actual devolution and division of responsibilities to the localities may have surprised some observers given the Left's historical Jacobin statism. However, since the Left has constructed its political base locally and from this was able to advance a socialist government then this surprise is misplaced. In some cases, the administrative reforms have genuinely devolved power and decision making to the localities. The devolution of land-use planning through the *plan d'occupation du sol* (POS), to the communes has been popular with mayors enabling them to take control of planning in their communes. But, if the communes do not produce a POS this reverts to the control of the prefect. Welfare spending has been devolved to the departments with central government finance applied on a "*franc pour franc*" basis, that is, every franc spent by the department will be matched by the government. The control of lending and investment grants, on a project by project basis, by the state investment bank, *Caisse des Dépôts et Consignations*, was ceded to a

system of block grants. The new system bestows local discretion over current and capital expenditure but does not reduce the importance of political influence in negotiating with the *Caisse* (Nevers 1993). A year after the reforms, the smaller communes were returned to the old system of ear-marked grants and loans, dispensed by the prefects in order to avoid the *tuelle* of one local authority over another. In combination with the POS reverting to prefecture control, if a commune does not produce one, the suspicion arises that " this involuntary action leads to the maintenance of the status quo ante" (Meny 1987: 251). The financing of decentralisation and the local taxation system is returned to below.

Despite Deferre's attempt to impose a uniform system of decentralisation on a multi-faceted structure, much of the legislation has been enforced unevenly. It has also resulted in differential outcome at the regional level where the Right has dominated electoral office since 1990. Some basic principles of funding decentralisation, like "*franc pour franc*", also came under stress as recession confronted the Socialist government. As a result, emphasis was placed on profitability of public investments and a restriction on public spending. Given their new powers, the communes were again faced with problems of fiscal stress of the kind they experienced in the period 1974-81. Despite the decentralisation measures the Socialist party displayed statist tendencies again in the mid-80s. It eschewed local self-management in favour of state technocrats managing central power and "*grand notables*", like the mayors of large towns and cities, to mediate state policies in the localities. In a sense, this affirms Meny's suspicion of a maintenance of the status quo ante. In other words, decentralisation, has imposed an ex-post *de jure* recognition of an ex-ante *de facto* reality. One could regard this as a re-run of inter-war *dirigisme* but the incorporation of interest groups at a regional and local level has become a possibility, despite the obvious limits of the Socialist decentralisation. Because the basis of Left opposition had been in the

localities and closely tied to organised labour, the possibility of corporatist-type intermediation arises where it did not exist before. The creation of *Comité Économiques et Sociales Régionales* (Regional Economic and Social Committees), with increased working class representation, has strengthened this possibility. Previous attempts to incorporate regional interests, such as the Labour Council of 1925, failed because the mode of regulation was not conducive to this kind of development. The decline of Fordism as the dominant regime of accumulation, after the end of the *trente glorieuses*, has resulted in the development of a different mode of regulation of which regional/local corporatism is one possibility.

In spite of the promise of decentralisation, the Socialists had re-discovered the virtues of a central authoritarian state by the mid-1980s. There are various arguments to support the view that decentralisation replaced one form of cross-cutting regulation with another:

- A limit operates on the re-distribution of state power through the democratisation of local institutions.
- The Right has regained most of its regional losses since 1977.
- Increased apathy and abstentionism among Left voters, reducing political mobilisation in the localities.

The localities had been the basis of the Socialists national electoral victory at a national level and therefore an important component in a Right governments negotiations with the periphery prior to this.

- A significant shift to the right from sections of the electorate formerly loyal to the Left changing the political balance in the periphery.

- The Right now controls the majority of the *conseils generaux* in departments and regions.
- The Right has profited from decentralisation in the sense of reinforcing the power of local notables and annulled certain social and cultural measures that had been promoted by the Left in newly won localities.
- The historical orientation of the Socialist Party has not been to encourage local self-management, Mauroy, former Prime Minister and present President of the Urban Community of Lille, and the deceased Deferre, former Mayor of Marseilles and former Minister of Interior and Decentralisation were not believers in devolving their local political bases. The PS's former partner, the PCF, still promotes local self-management, but from a declining electoral base.

The financing of decentralisation has been achieved through a combination of tax reform and a system of block grants to local authorities. This new financial structure has been built alongside the system of grant-aid for industrial and economic development that became more and more regionalised, as outlined in chapter 7. It is apparent that the degree of interest group concertation at the local/regional level is in a large part dependent on what political party or parties hold power. The *de jure* recognition of the *de facto* pre-decentralisation power structures has maintained the power base of many notables and *grands patrons*. However antipathetic to interest group intermediation, the devolution of responsibility for economic development to region and

Table 5.1: Direct and Indirect Aid for Local and Regional Economic Development (grants and transfers). F.Fr. bn. (constant 1984 prices)

| | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <i>Communes</i> | | | | | | |
| Direct | 1.70 | 1.61 | 1.94 | 1.71 | 2.19 | 2.54 |
| Indirect | 0.60 | 1.14 | 1.76 | 1.26 | 1.49 | 1.78 |
| Total | 2.30 | 2.75 | 3.60 | 2.97 | 3.68 | 4.32 |
| weighted ^a | - | 0.87 | - | 0.19 | 0.37 | 0.50 |
| <i>Départements</i> | | | | | | |
| Direct | 0.90 | 1.23 | 1.21 | 1.44 | 1.22 | 1.94 |
| Indirect | 0.20 | 0.19 | 0.28 | 0.54 | 0.26 | 0.34 |
| Total | 1.10 | 1.42 | 1.49 | 1.98 | 1.48 | 2.18 |
| weighted | - | 0.11 | - | 0.32 | 0.39 | 0.69 |
| <i>Régions</i> | | | | | | |
| Direct | 0.80 | 1.86 | 1.76 | 1.88 | 2.19 | 2.20 |
| Indirect | 0.20 | 0.19 | 0.19 | 0.27 | 0.35 | 0.34 |
| Total | 1.00 | 2.05 | 1.95 | 2.15 | 2.54 | 2.54 |
| weighted | 1.00 | 2.20 | 2.10 | 2.40 | 2.90 | 3.00 |

source: Gerbaux and Muller (1992), INSEE (1992)

^a calculated by multiplying nominal amount of total aid for each year by ratio of the total receipts (taxes and transfers) of communes and departments to regions' total receipts.

locality initiates this kind of outcome, irrespective of state or societal variants. In order to explore the new "cross-cutting regulation" the experience of regional planning and economic development in the interventionist and activist region of Nord-Pas-de-Calais of explored in Chapter 7. In particular, the cross-cutting of local and regional development with central state projects like DATAR's *pôle de conversion* project is examined. In doing so light is thrown on the financing the localities and the manner in which they are

genuinely able to exercise devolved powers.

The system of local government in France is funded through four types of taxes, and since decentralisation, backed by central government block grants. The system of central government block grants was introduced under the decentralisation laws replacing earmarked grants, administered by central government. In combination with local taxation, block grants bestowed the means for discretion over the responsibilities that had been devolved to localities by the decentralisation legislation. The four local taxes comprise:

- *taxe d'habitation*
- *taxe sur le foncier bâti*
- *taxe sur le foncier non-bâti*
- *taxe Professionnelle*

The first is a poll tax on place of residence. The second and third are land taxes, similar to the old rates system in the United Kingdom, levied on urban or agricultural land. The fourth is a business tax that accounted for forty two percent of total French local government taxation in 1984 rising to forty six percent at the end of 1986. (*Cahiers Français* 1989). Outside of the four main local taxes, the average French household faces thirty three different types of taxes (*Cahiers Français* 1992). Direct local taxation accounts for sixty three percent, with indirect local taxes making up the remainder. The rates of imposition of the four main taxes vary between different levels of government, reflecting in part the different proportions of total income that are raised by direct fiscal means. In the case of the region slightly less than a half is raised from taxes, over sixty percent for departments and over ninety percent for communes and urban communities. The average rate of tax for all levels of local government is given in Table 2 for 1988.

Table 5.2: Mean Rates of Tax for Four Types of Direct Local Tax (%)

| | Communes | Departments | Regions |
|--------------------|----------|-------------|---------|
| France | 18.1 | 9.47 | 1.54 |
| Nord-Pas-de-Calais | 20.13 | 9.12 | 2.49 |

source: Documentation Française (1989)

Indirect local taxation is an important source of tax revenue for the regions, less so for the departments and even less so for the communes. Indirect taxation accounts for 52% of the regions total tax revenue, 37% for the department and 7% for the communes. For the regions, it comes from two principal sources. Twenty eight percent comes from the issuing of vehicle registrations and twenty-one percent from the equivalent of stamp duty on transactions between individuals. The first source was to compensate the region for taking responsibility for training and certain aspects of education. The other source of revenue comes from local government block grants, specific grants to aid economic development and co-financing arrangements between different levels of government, public-private ventures and the European Union. Chapter 6 details the second and to some extent the third. The first are an integral part of the decentralisation project.

The block grant system consists of three elements. A capital grant, the *Dotation Globale d'Équipement* (DGE), a current expenditure grant, the *Dotation Globale de Fonctionnement* (DGE) and a transition grant, the *Dotation Globale de Décentralisation* (DGD), to cover the extra cost to the localities, departments and regions of taking on decentralised functions. The purpose of central government grants, to aid local finance, is to equalise resources between localities at least cost. The globalisation of central government grants came out

of the reforms of 1979 that prefaced the decentralisation laws of 1982. The logic was to give localities discretion over the division of expenditure rather than being mere agents for specific ear-marked grants. The former system was central to "cross-cutting regulation" between the centre and the periphery. It also formed the basis of political negotiation between local notables and the prefects. The new system is based on ostensibly technical factors but the political colour of municipalities and the clout of the mayors remain important elements in the settlement of grant totals. The independence that a system of block grants gives localities reinforces the ideological influence of senior local politicians. However, some vestiges of the old "cross-cutting regulation" still remain because of central government controls through institutions like the *Chambres Régionales des Comptes*. Established in 1982, with subsequent revisions to their role in 1988 and 1990, the twenty regional bodies act as auditors for the management and financing of public services. On average 30,000 judgements have been made on the efficacy of management and spending decisions of localities, brought to their notice. The *a priori tutelle* (supervision) of the prefecture system has passed to a situation of *a posteriori* juridical control by the chambers since decentralisation (Houel 1992). The degree of local concertation of interests depend in part how these groups position themselves in regard to local politicians and mayors' negotiation of the block grant system.

Until the 1960s, the system was made up of investment grants to local authorities. In 1968, a major local consumption tax was replaced by a block grant that became the DGF. In 1977, the *Fonds de Compensation de Taxe de Valeur Ajoutée* (FCTVA) was created to reimburse local authorities for their payment of value added tax on capital expenditure. Its relation to industrial and economic development grants is discussed in Chapter 7. A block grant was created in 1980 to compensate localities for a reduction in the fiscal burden of

the *taxe professionnelle*. This tax accounts of about 50% of local taxation and is applied to companies, traders and professions. In response to universal opprobrium the government reduced its rate and compensated lost local revenue with the *Fonds National de Préréquation de la Taxe Professionnelle* (FNPTP). Block grants account for about 78% of total grants and account for about 29% of total revenue. The DGE is the most important grant, accounting for about 61% of total grants and 22% of total revenue. The calculation of grants is by legal formulae, with the only constraint being that the FCTVA and DGE must be applied to capital expenditure. The DGF is indexed to national income and the DGE to national capital expenditure. The others depend on the evolution of local taxes, which is a less determinant base. The important consideration here is the relationship of the block grant system, under decentralisation, to devolved political interest. As the block grant system appears only to be slightly redistributive (Nevers 1991), the degree of political intermediation becomes an important part in the advancement of localised economic interests.

The analysis presented by Nevers (cf. 1991) suggests that there is some evidence for a correlation between the amount of DGF and political colour, with right-wing municipalities gaining and Communist municipalities losing. Despite the technical nature of the DGF settlement, the *cumul des mandats* and influence of personal networks between centre and periphery, after decentralisation, have been important factors in this outcome. This is especially so for conditional grants. But, as these are of declining importance it is the access to senior politicians rather than central government agents like prefects and state bureaucrats that have been more important in gaining better shares of grant. Because of industrial decentralisation, the tax base to maintain services in communist suburbs has declined. Right-wing municipalities have tended to spend more on capital expenditure (cf.

Nevers 1987) and through ideological influence attract greater amounts of grant. Despite a reduction in the political clientelism which existed under the previous form of "cross-cutting regulation", between prefect and notables, the new system encourages a different form of mediation of local interests. As such local economic interest groups have to place their plurality of interests into a structure which negotiates a mayor's ideological influence viz a viz the centre.

Despite the system of local government finance seeming to favour right-wing municipalities, one finds that decentralisation has altered the balance of "cross-cutting regulation" between the centre and periphery. Ideologically, one would expect mayors to be antipathetic to corporatist structures, seeking to exclude the influence of organised labour. However, the importance of the region in economic development and the institutional structures that this has generated means that the interests of economic producer groups are less directly mediated through bodies like the Regional Economic and Social Committees, regional plans and development agencies. Furthermore, these interests are not completely excluded from channels of interest mediation because of the existence of national programmes for regional economic transformation and development. For example, the industrial conversion programmes in regions experiencing economic transition have attempted to incorporate the views of local interests, including labour, in their proposals. The system of regional and state grants and co-financing arrangements also tend to aimed at declining areas in order to mitigate the effects on employment and other labour issues, however distended from labour direct demands and objectives.

What this story of decentralisation tells us is that France's flirtation with corporatism is different form that of other European countries. In terms of the type A and type B categorisation of countries, discussed in chapter 1, France fits into type A but not as

closely as the United Kingdom. The crisis of "embedded liberalism" brought about difficulties in the management of the welfare state in France. Unlike other countries, the welfare state was not intermediated by some form of corporatist institutionalism. Because of a lack of this kind of institutionalism, in the 1960s and 1980s, corporatism did not face a crisis of legitimacy when the mode of regulation came under pressure. This response came about mainly through the antipathy to corporatism generally. France's corporatist experiments in the earlier part of the century were sporadic and were followed by lurches towards market liberalism, as described above. Although corporatist arrangements appear to be more common in type B countries where a social-democratic ideology has been prevalent, the particular history of France connects corporatism to both social-democratic and conservative ideologies. The importance of Catholic social thought in the evolution of corporatism has been spelt out in chapter 3. This mode of thought is also important in the development of French neo-liberalism.

Despite ostensible opposition to corporatism, the French neo-liberals' version and its origination in Catholic social thought leads them logically to corporatism. At the same time, the basis of the Socialists' rise to national power came from their attempts at autonomous development in the localities, as shown above. By concerting with local, departmental and regional interests, Socialist administrations were able to build their national project of which the decentralisation legislation was a *de jure* confirmation of a *de facto* reality. Paradoxically, centralist tendencies have re-surfaced within the Socialist Party, in the early 1990s, whilst the Right has embraced decentralisation more fully.

The outcome for corporatism on a regional basis is open to question, but it is likely that the Right will not wish to incorporate regionally organised labour into their forums of interest representation. The likely outcome is for a more state corporatist form where there

is electoral dominance by one party or closely connected political alliances. Where there is a division in the political allegiance in the regional councils, then societal corporatism is more likely to surface, as argued below in chapter 7 which discusses the position of Nord-Pas-de-Calais.

The particular experience of this region is taken up in the following two chapters. In spite of France being an unpromising case as a study of corporatism, one finds that the growth of corporatist influence has been tied historically to the upsurge of regional interests. In changing the balance of centre-periphery relations and advancing the influence of regions, decentralisation has allowed the possibility of corporatist intermediation more strongly than before. The relatively weak corporatist position in France can be contrasted with the strong position in Austria; the latter is examined in Appendix III. Given the objective function of international market adjustment of the new international division of labour, there appears to be a convergence between the French and Austrian positions. This has occurred because of the impact of decentralisation in the mode of regulation.

Concluding Remarks

From any perspective France does not appear to provide a rich vein of analysis of corporatism. Initially, one is almost forced to agree with the conventional analysis of many political scientists that it is an unsatisfactory one for the claims of corporatist institutionalism (Ashford 1990, Birnbaum 1982 Cox and Hayward 1983, Wilson 1983, Wright 1986). However, a closer inspection of the shifts in French twentieth century history reveal an incipient corporatism that has waxed and waned with political changes. The most full-blown period of corporatism was under the Vichy regime of World War II. One also finds that a powerfully corporatist policy orientation was at the heart of economic re-construction at the end of the Great War. As noted elsewhere, the shifts in and out of

corporatism can be described by a simple dualism, *étatiste-corporatiste* to neo-capitalist, the latter representing a more free market liberal approach (cf. Kuisel 1981). The general antipathy to corporatism can be said to spring from the legal prohibition of intermediary bodies in the 19th century and the post-war distaste of the Vichy regime. At the same time, the linguistic difference between the French meaning of *corporatisme*, as closed sectional interest, and the conventional meaning of corporatism may also explain some of the antipathy to corporatism as commonly understood.

However unpromising at first sight, the French case presents us with a paradox in regard to the argument that decentralisation has become the vehicle of corporatism in France from both sides of the political spectrum. The regional basis of corporatism had been established as long ago as 1919 with the attempted regionalisation of the chambers of commerce. The Right in France counts neo-liberalism as one of its major ideological influences, stemming from the influence of Catholic social thought in the French version. As shown in chapter 3, the lineage of corporatism includes Catholic social thought as one of its prime components. At the same time, the basis of the Socialist Party's national advance in the late 1970s and early 1980s was based on its local strength and relative autonomy in promoting local/regional economic development. In promoting local economic development, the incorporation of local interests was crucial if these projects were to have utility and then to legitimate the Socialists' political progress nationally. However, there is some evidence that the Socialist Party is attempting to impose a more centralist outlook, whilst the Right has welcomed decentralisation despite its initial antipathy to the decentralisation legislation (cf. Preteceille 1985). In doing so the Right has consolidated its national political position which has been rising at the beginning of the 1990s. Initially, the Right in the localities used the increased power devolved from the central as a basis of opposition politics to

successive Socialist governments. However, as they have substantiated their local position negotiation with interest groups have become the basis of maintaining their local/regional legitimacy.

There is a degree of historical symmetry in the manner in which corporatism under Socialist and Right dominated local and regional government developed. In former Socialist strongholds, Nord-Pas-de-Calais, corporatism took on a state corporatist form as the local state sought to determine the environment in which interest groups were to be party to economic development projects. Similarly, but for different reasons, the Right's antipathy to allowing organised labour access to decision making, the form of its negotiation with other interest groups can be characterised as a form of state corporatism. Where the Socialist Party dominance has been reduced, to be succeeded by coalitions with minor parties a more societal variant of corporatism may arise. This symmetry throws up a number of issues for the case study of Nord-Pas-de-Calais. These issues can be addressed by reviewing the empirical evidence. The following two chapters seek to relate this narrative empirically and to key in the theoretical framework established in the first four chapters.

Notes

1. For a more detailed exposition see Segrestein (1985). An example was the strike by Air Inter pilots in the late 1980s. They resisted the introduction of two person crews rather than three. The French press reported their advancing their sectional interest as a form of *corporatisme*.
2. *Étatisme* refers to the philosophy of state control of economic and social life.
3. In France the largest employers' organisation is known as the *Patronat*.
4. *Dirigisme* refers to state intervention and direction of the economy.

5. Quoted in Kuisel (1981)
6. Clemental was French was French Minister of Commerce during and just after the Great War. He was responsible for advancing the corporatist project at this time.
7. See Antonio Gramsci's *Prison Notebooks* (1971).
8. These pressures included balance of payments pressures and the fear of American trade penetrating French overseas markets.
9. *Planistes* were those influenced by central state planning of the economy and were the forbearers of the indicative planning system implemented after World War II.
10. Urban planning is the nearest English meaning.
11. The fiscal crisis of the state refers to the structural tendency of government expenditure to outrun revenues, leading to a downward spiral in the provision of public services and the income multiplier effect of this provision. The most renowned exponent of this view is James O'Connor (1971).

Chapter 6. NORD-PAS-DE-CALAIS IN THE CONTEXT OF REGIONAL PLANNING

The crisis of Fordism impacted heavily on regions like Nord-Pas-de-Calais, whose economic welfare had rested on traditional industrial sectors. The demand for these sectors' outputs was from Fordist sectors like motor manufacturing. Part of the problem for regions like Nord-Pas-de-Calais is that their development in a post-Fordist world is hindered by the fact that the region's industrial base did not pass through a Fordist stage. As such, the problems of economic transition and transformation are enormous. The political basis of this transition rested on the dominance of the Socialist Party which used economic development policy initiatives as a form of opposition politics in the 1970s. The legitimacy of these policies, however, rest on the degree to which the economic transition is managed. At the heart of this management is regional planning. However, given the new international division of labour and a more liberal ideology, a planning basis to economic transformation seems at odds to the imperatives of a post-Fordist world. However, paradoxically, an internal and external legitimacy results as the region seeks to take advantage of devolved responsibilities from central government and opportunities that the new international division of labour gives. The symmetry of internal and external legitimacy is delivered through a concertation of economic and social interest groups with the regional state, in other words some form of corporatism. What this chapter attempts to do is to describe the economic and social topography of one of France's largest regions. The geographical dimensions of the region are displayed in map form in figure 6.1 below. The context of this description is the region's decline as a major industrial and economic space to one which has been subject to manifold types of economic development policy. The aim of this policy has shifted in the international division of labour have led over time as changes

attempts at economic transition. Policy driven attempts at modernising the industrial base of the region have lagged these international dynamics however, so that policy orientation moved from initiating new rounds of accumulation based on industry to one of distribution of the effects of crisis, with increased accent on service-based activities in an attempt to compensate for the loss of industry. Central to economic development policy have been forms of local, departmental or regional planning. The decentralisation laws of 1982 were a *de jure* recognition of *de facto* planning, which had been at the heart of the Socialist Party's dominance of the region and discretion over economic policy.

The general experience of France in its uneasy relationship with corporatism was described in chapter 5. This current chapter provides a more detailed empirical account of an activist region in the field of economic development. In particular, it is a region that can be used to assess the degree to which the theoretical account of the relationship between decentralisation and corporatism given earlier holds in practice. The complex nature of the economy and politics of Nord-Pas-de-Calais provides a rich source of material in which the organising concepts, outlined in chapter 1, can be discerned and arranged into some coherent account. At the heart of this account is the manner in which "cross-cutting" regulation between centre and periphery has been altered by the decentralisation legislation (Meny 1985). This alteration is part of the changing mode of regulation induced by the decline of Fordism as a dominant regime of accumulation. At the same time, the enhancement of neo-liberal ideology, because of international market liberalism, has been matched by more decentralised institutional responses to the new international division of labour. A certain symmetry connects this ideology and response. As shown in chapters 1 and 5 above, the French version of neo-liberalism leads to corporatism in spite of French neo-liberals' antipathy to corporatism. The legitimacy of decentralised institutional

responses rests on incorporating local interests into some policy forum with the local or regional state, in other words some form of corporatism. Therefore, corporatism provides the symmetry between French neo-liberalism and the institutional decentralisation of state powers. A region like Nord-Pas-de-Calais provides us with an empirical context in which to investigate this symmetry.

The economic and social characteristics of the Nord-Pas-de-Calais region are quite complex. The economic geography and topology of the region makes policy prescription very difficult, especially because of the transitional position of declining industries. Industries that are, moreover, located away from the major transport arteries, like the mining basin in the south of the region. The former economic power of the region was based on the traditional industries of steel, coal and textiles. Given the decline of these industries the region has experienced considerable economic decline. At the centre is the regional capital of Lille, which with the neighbouring Roubaix and Tourcoing makes up an urban conurbation with a population of over a million. To the west of Lille is the new town of Villeneuve d'Ascq which was built as part of the new towns programme in France in the late 1960s. Villeneuve d'Ascq is quite important in the political terrain of the region especially within the dynamics of the regional branch of the Socialist Party (PS).

Lille has been the political power base of Pierre Mauroy, the first Prime Minister under Mitterrand's Socialist administration of 1981 and Mayor of Lille. He is currently Mayor of the Urban Community of Lille. As an activist politician in the field of economic development and as a *grand patron* (one of the mayors of the largest five cities in France) Mauroy was able to take advantage of his political position to advance his own and his region's interests nationally. Thus, as one of the architects of the decentralisation laws, he was in a position to legitimate the activities of economic development he had set up in the

1970s as a form of opposition politics to the national government in Paris. In advancing a powerful regional interest against Paris, Mauroy attempted to incorporate local interest groups into a form of concertation. The objective was to deal with the problems of de-industrialisation and consequent economic transformation. Given Mauroy's powerful regional and subsequent national position he was able to challenge the national government's *de facto* regional powers. As one of prime movers in the *de jure* reduction of these powers, Mauroy was able to impose a state form of corporatism by replacing one form of "cross-cutting regulation" between centre and periphery with another. However as detailed below, tensions within the PS and the change to proportional representation for the 1994 regional elections has weakened the Socialist dominance of Nord-Pas-de-Calais. It has rendered the possibility of a more societal form of corporatism being established as interest groups could negotiate their objectives through a greater plurality of channels.

The material basis of these changes have been associated with initial industrial decline and attempts at economic modernisation. Modernisation was to be undertaken through a number of economic development agencies' and regional and national authorities' programmes. The decline and attempts at transformation have not only affected regional income but the pattern of demographics which have been more burdensome to this particular region than others. Some of the magnitude of these changes and their implications for a region coming to terms with industrial decline and the exigencies of the international division of labour are given in the next section.

Economic and Social Characteristics

The population of the region represents about seven percent of the French total. It peaked at nearly eight percent in the early 1960s, but has been declining since. However, family formation has been such that the region has a higher proportion of young people with

consequent problems of youth unemployment. In 1990, the rate of unemployment was 12.4% compared with 8.9% for the whole of France. These factors in part account for the migration of young adults which in turn weakens the demographic dynamics of the region. However, this is balanced by greater fertility which is eighteen percent larger than the national average. Another compensation is the increased level of female participation. Between 1954 and 1986, this grew by twenty four percent, but because of the low level of participation in the mid-1950s, this growth was ten percent less than potential. Over the period male participation rates declined, with a reduction of 60,000 in male activity. The combination of a higher proportion of young people, larger families of immigrants into the traditional industries, the lack of employment opportunities for those under twenty and over fifty has fuelled emigration from the region. It has also resulted in a somewhat distorted labour market (INSEE 1987).

Female participation has resulted in a net gain of over 200,000 for the same period, despite the emigration of young women tied to that of young men. Resulting from an age squeeze on professional employment, since 1980, to between 20 and 50, women's participation rate in professional employment is higher than for France as a whole in the twenty-five to thirty-four age group. In terms of the age distribution of women's participation in the workforce, two thirds are located in the twenty to thirty age group and half in the thirty to forty-five age group. With the formation of medium and small sized enterprises based on technology and labour force training as the major objectives of regional economic planning, the gender make-up of the professional workforce appears to place the region in a potentially promising position. The region has a higher percentage of qualified workers, supervisors and foremen than the rest France. It only is slightly behind in the proportion of qualified engineers and technicians. In respect of qualifications, the

region had a higher proportion of those gaining technical matriculation and only slightly less for general matriculation, in 1990. In the same year, those gaining higher post-graduate qualifications (including doctorates) the region contributed 0.3% of the population, whilst the figure for all of France was 0.4% The emigration of young men still represents a strategic problem.

The growth of employment for women has been stimulated by two main factors. Firstly, the opportunities for female professional employment which has encouraged job search and secondly, the amelioration of family conditions in households where men are inactive by the growth of female employment. Between 1954 and 1982, the growth of female activity was 5400 per annum and for the period 1982 to 1988 it was 7400 per annum. The annual percentage growth for the region was in the 1.3% to 2.1%, range between 1967 and 1985, whilst the national figure was 2.2% (*op. cit*) As a result of the large growth in female employment, the effects of economic decline over a thirty year period has been ameliorated. In one sense, this shift represents a balancing of the cycle. In the past there was an over-representation of male activity. In 1954 male employment in the region represented 5.1% of the French total, in 1987 it represented 3%. Between 1967 and 1986 overall annual male employment declined by 0.4% in the region whereas the national average grew by 0.1%. The relative figures for the active population in employment, by gender, for the region and the whole of France is given in Table 6.1.

Despite the decline in male activity rates in absolute and relative terms, Nord-Pas-de-Calais appears to have stabilised its relative activity rate for male employment and a relative growth for female activity rates. This improvement masks a less optimistic scenario for female unemployment. In 1991, the female unemployment rate was 16.9% , three points above the national average. In spite of this caveat, the significance of greater female

participation in the labour force feeds into the structure of regional employment. In the Nord-Pas-de-Calais the employment structure has been modified through the growth of services where recruitment is predominantly female. The growth of salaries has been most evident in non-market services but the mean level is below that of large industry for the same level of training.

The structure of regional employment viz a viz France has altered with the

Table 6.1 Changes in the Activity Rate of Adult Population 1968-90

| | Nord-Pas-de-Calais (%) | | France (%) | | Index Region/France (France = 100) | |
|------|------------------------|--------|------------|--------|------------------------------------|--------|
| | Male | Female | Male | Female | Male | Female |
| 1968 | 87.5 | 35.7 | 89.8 | 45.5 | 97.4 | 78.5 |
| 1975 | 86.5 | 41.9 | 89.4 | 51.8 | 96.8 | 80.9 |
| 1982 | 83.9 | 49.6 | 88.6 | 58.8 | 96.9 | 84.4 |
| 1990 | 80.4 | 56.3 | 83.3 | 64.9 | 96.5 | 86.7 |

source: INSEE (1992)

peculiarities of the Nord-Pas-de-Calais becoming blurred in the last forty years. In 1987, agricultural employment was less than the national average. Industrial employment was eighteen percent higher but the tertiary sector produced 5% less than the national average. Given the nature of industry in the region and that the tertiary sector produces greater value-added; this gap is more important today than it was forty years ago. In terms of non-market services, the region and national averages are now the same, whereas in 1954 the region had a deficit of twenty four percent. However, the regional over-representation of industrial employment remains (eighteen percent more in 1987 compared with fifty-six

percent more in 1954).

Many of these aggregate changes can be explained by sectoral shifts. Between 1954 and 1987 Nord-Pas-de-Calais saw a loss of industrial employment of 36%, while for the whole of France the figure was one percent. Further decline was experienced between 1988 and 1991, with a reduction of 3.5% in industrial employment and a 2.1% decline being experienced between 1990 and 1991. In order for the economic capacity of the region to compensate for this relative loss, one would expect larger differential growth in tertiary activity. Unfortunately this is not the case. Although tertiary activities grew by 78% in the region, over the period, the growth for France was 89%. Market services and insurance were the only sectors to experience employment growth between 1988 and 1991, at 16.7% and 0.5% respectively. Employment in insurance declined by 1.5% between 1989 and 1990 but picked up 2.1% the following year. The breakdown by sector, for the period 1954 and 1987, is given in Table 6.2 below. Despite the relative disadvantage visited on the region, many industries, including industrial capital equipment, have kept pace with the whole of France. Employment in this sector grew by 23% in the region and 26% for France. Furthermore the car industry has created more than 30,000 jobs in the region during these years, providing some basis for industrial modernisation.

The problem for the tertiary sector is the imbalance in its development with stronger growth in non-market services than market services. The absolute and relative position of this sector in the region, with respect to the whole of France, has altered in the last decade. In Nord-Pas-de-Calais, it accounted for 58% of value added in 1982 compared to 69.% for the whole of France. In 1990, the figures were 63.7% and 66.3% respectively. In absolute value terms, the position of the tertiary sector is weaker in the region than the nation because of the relatively low level of tertiary activities in Nord-Pas-de-Calais

compared to, say, Ile-de-France, which acts a major filter for these activities. But in terms of textbook industrial economics, this relative increase is a feature of modernisation.

| Table 6.2 | EMPLOYMENT CHANGE BY SECTOR, FRANCE AND NORD-PAS-DE-CALAIS (1954 & 1987) | | | | | | | | | | | |
|---------------------------------|--|------|------|------|-------|--------|-------|------|------|-------|--------------|--|
| | Nord-Pas-de-Calais | | | | | France | | | | | 1987 on 1954 | |
| | 1954 | | 1987 | | 1954 | | 1987 | | NPC | | France | |
| | 000s | % | 000s | % | 000s | % | 000s | % | % | % | | |
| TOTAL | 1338 | 100 | 129 | 100 | 18824 | 100 | 21229 | 100 | -4 | +13 | | |
| INDUSTRY | 738 | 55.2 | 471 | 36.5 | 6653 | 35.3 | 6598 | 31.1 | -36 | -1 | | |
| metals | 65 | 4.9 | 594 | 4.6 | 569 | 3.0 | 629 | 2.9 | -9 | +9 | | |
| electrical & mechanical constr. | 74 | 5.5 | 913 | 7.1 | 1287 | 6.8 | 1625 | 7.7 | +23 | +26 | | |
| textiles & clothing | 204 | 15.2 | 78 | 6.1 | 1083 | 5.8 | 452 | 2.1 | -62 | -58 | | |
| other industries | 91 | 6.8 | 83.6 | 6.5 | 1472 | 7.8 | 1492 | 7.0 | -8 | +1 | | |
| ENERGY | 156 | 11.7 | 298 | 2.3 | 436 | 2.3 | 294 | 1.4 | -81 | -33 | | |
| coal | 145 | 10.8 | 152 | 1.2 | 270 | 1.4 | 47 | 0.2 | -90 | -83 | | |
| TERTIARY | 425 | 31.8 | 7597 | 58.8 | 6908 | 36.7 | 13072 | 61.6 | +78 | +89 | | |
| market services | 263 | 5.9 | 2756 | 7.1 | 1092 | 5.8 | 4450 | 7.0 | +5 | +28 | | |
| telecomms | 12 | 0.9 | 25 | 1.9 | 246 | 1.3 | 486 | 2.3 | +108 | +98 | | |
| business services | 6 | 0.5 | 514 | 4.0 | 92 | 0.5 | 1143 | 5.4 | +757 | +1142 | | |
| financial services | 12 | 0.9 | 319 | 2.5 | 248 | 1.3 | 676 | 3.2 | +166 | +172 | | |
| non-market services | 70 | 5.6 | 2459 | 19.0 | 1370 | 7.3 | 4013 | 18.9 | +250 | +193 | | |

source: INSEE (1992)

The position of producer services is notably weak in the region, although financial services are stronger. The patchy development of producer services and financial services is perplexing to policy makers because the region is well endowed with the kind of infrastructure that would encourage their development. There may be two countervailing pressures in the future. The linking of Lille to the Channel Tunnel and the European high speed rail network may encourage location of certain producer services. However, these may be of a secondary order as Nord-Pas-de-Calais becomes a dormitory region of the wealthiest region, Ile-de-France. In other words, the more the region attempts to modernise itself and redresses economic imbalance viz a viz France, the more that the

benefits of modernisation may become spillovers to other, perhaps wealthier, regions. For regional policy makers this externality presents a dilemma. If the spillovers from economic development policy generate external benefits for neighbouring regions then the legitimacy of any forum with regional interest groups will be undermined. These groups would then seek to influence central state policy over the distribution of these benefits. With a particular neo-liberal ideology prevailing at the centre in France of the early to mid 1990s, the prospect for any corporatist institutionalism, regional or national, under these circumstances would be slight. There is therefore an added impetus to maintaining a strong regional identity and being able to generate intra-regional benefits and tie in organised interests to policy forums in the region and localities.

The dilemma for regional policy makers is perhaps best exemplified in the relationship between training and unemployment among young males. The percentage of those under twenty-five looking for work, for a year, was 14% in 1978, peaking at 31% in 1985 and dropping to 26% in 1987. In 1991, the rate of unemployment for those below twenty-five was 22.7% for Nord-Pas-de-Calais, 12.8% for Ile-de-France and 19.1% for France. The respective figures for 1992 were 24.5%, 12.1% and 19.7% (INSEE 1993) The EU average for these two years was 17% and 18.1%. With a demographic profile biased towards those below twenty-five and a level of educational attainment that parallels the rest of France, one has a recipe for the migration of the human capital basis of regional modernisation. If one looks at the income base of the region and the growth of high-tech related activities, a more variable picture emerges. However, an interview conducted as part of this research with a regional leader of a large trade union noted that a large amount of non-qualified labour received little or no training, as described below.

It terms of GDP/capita, Nord-Pas-de-Calais achieved F.Fr.65,500 compared with the

French average of F.Fr 77,900 in 1984. In 1990, the respective figures were F.Fr.91914 and F.Fr.114426 (INSEE 1993). The relative increases are 40.3% for the region and 46.9% for the nation. In 1984, Nord-Pas-de-Calais was ranked thirteenth out of twenty two regions. In 1990, its rank was eighteenth. A comparison with the average performance of the regions of the European Union (EU) is given in Table 6.3.

Table 6.3: National Income per Capita in Nord-Pas-de-Calais, Paris region and France.

| | GDP/capita 1990 (Ecu, mill.) | GDP/capita 1990 (PPS, mill.) | GDP/capita 1980 (PPS, EU12=100) | GDP/capita 1990 (PPS, EU12=100) | 1990/1980 % |
|------------------|------------------------------------|------------------------------------|--|--|----------------|
| Nd-Pd-Cal. | 13628 | 13247 | 99 | 91 | -8.1 |
| Ile de France | 24804 | 24111 | 162 | 166 | +2.4 |
| France | 16622 | 16157 | 114 | 112 | -1.8 |
| EU12 | 1448 | 14488 | 100 | 100 | - |

source: EUROSTAT (1993)

As the table shows Nord-Pas-de-Calais is a relatively poor European region. In 1990, it ranked the 60th poorest region in the EU compared with a 93rd ranking for neighbouring Picardie and 161st for Ile de France. Such a ranking disguises the disparities within the Nord-Pas-de-Calais region itself. It displays a core-periphery structure centred on Lille, a service-based city that is increasingly pivotal in the north-south core vector of the EU. Indeed, many in the region refer to their regional capital with the pejorative term "*l'imperialisme de Lille*".

Nord-Pas-de-Calais's economic position viz a viz the rest of France is given in Table 6.4 below. What may be more significance is its comparative performance in high-

technology activities and their location. This table shows that the region's share of GDP/capita has only increased marginally but that the relative decline in value added per industrial employee has not been as great as that of the whole of France. This suggests the possibility of re-industrialisation for France but a lagging one for Nord-Pas-de-Calais. Between 1975 and 1984 France experienced an annual increase in industrial value added of 2.3%, with an increase in productivity of 4.6% and a decline in employment of 1.5%.

Table 6.4. Gross Domestic per Capita and Value added per employee in Industry for Nord-Pas-de-Calais and France 1984 and 1991 (100 = France in 1984)

| | GDP/capita | | Value added/ industrial employee | |
|------|------------|--------|-------------------------------------|--------|
| | NPc | France | NPc | France |
| 1984 | 84 | 100 | 98 | 100 |
| 1991 | 85 | 121 | 88 | 83 |

source: INSEE (1992)

The respective figures for Nord-Pas-de-Calais are 0.5%, 3.7% and minus 2.5%. It is apparent that if the value added figure for the region is to match that of the nation then productivity will have to grow at a faster rate. The utility of devolved regional economic planning and any accompanying forums will be seriously questioned if they do little to arrest this decline.

As well as the Regional Council's economic development initiatives there are a number of cross-cutting initiatives directed by central government, the departments, communes and other agencies, such as the chambers of commerce. As a result, Nord-Pas-de-Calais received F.Fr 475.3 million in locational grants, between 1986 and 1989, whilst the figure for all other French regions was F.Fr 225 million (*Documentation Française* 1987). Given

these figures, it could be suggested that the system of state aid has not been particularly effective. However, such a conclusion has to be seen in the light of the region's history and the objectives laid out in the *Plan Régional* (Regional Plan), especially high-tech activities. These activities are at the heart of the Regional Council's attempt to arrest economic decline in the region and place Nord-Pas-de-Calais on a European development vector.

The high-tech potential of Lille is shown by its score of 100 on an index of the share active population employed in non-manual occupations in high tech industries, for 1985. The share of the active population employed in non-manual occupations in upstream peri-productive services scored 152 on the same index. In both cases, the average for all France was 100. It is hardly surprising that the respective scores for the Paris region (Ile de France) were 220 in both cases (Beckouche, 1991). Lille and the region's high potentiality in upstream services is borne out by a study of the locational behaviour of French high-tech consultancy companies (Moulaert et al 1991). The results of this study are aptly summarised in Table 6.5 below.

The Paris region of the Ile-de-France acts as a sectoral and functional filter for the Nord-Pas-de-Calais region (cf. Beckouche 1991). At a cultural level, the commuting "*les salopards de parisgor*" are a constant source of Northern envy and amusement. Although the Paris region is a Goliath to the North's David in most high-tech activities, Lille is well endowed with the abstract functions of upstream peri-productive services. The other future high-tech sphere of influence on Lille is Eindhoven, home of Phillips. With the completion of the European high speed rail network, that includes the Channel Tunnel, the social distance between Lille, Paris and Eindhoven will be reduced to the level of *banlieues*

(suburbs). According to Moulaert et al (1991), the locational decisions of French high

**Table 6.5: Distribution of high-tech activities by function
Nord-Pas-de-Calais and Ile-de-France as
proportion of France(%)**

| | Nord-Pas-de-Calais | | | Ile-de-France | | |
|--------------------------------|--------------------|------|------|---------------|------|------|
| | 1976 | 1984 | 1987 | 1976 | 1984 | 1987 |
| Manufacturing employment | 2.5 | 1.8 | 2.1 | 56.3 | 52.0 | 43.9 |
| Manufacturing facilities | 3.4 | 3.3 | 3.3 | 46.0 | 40.4 | 37.2 |
| Consultancy Employment (total) | 2.5 | 3.1 | 3.6 | 59.1 | 54.5 | 52.9 |
| In: | | | | | | |
| technical studies | 2.6 | 3.1 | 3.63 | 60.1 | 54.5 | 49.6 |
| IT services | 0.6 | 2.2 | 2.6 | 70.8 | 64.0 | 62.5 |
| EDP | 4.1 | 5.0 | 5.7 | 40.9 | 45.5 | 43.5 |
| Consultancy Facilities (total) | 3.4 | 3.7 | 3.9 | 39.4 | 38.3 | 39.8 |
| In: | | | | | | |
| technical studies | 3.4 | 3.6 | 4.1 | 37.4 | 35.1 | 35.0 |
| IT services | 1.4 | 2.8 | 3.1 | 58.8 | 49.0 | 50.1 |
| EDP | 5.7 | 5.6 | 5.5 | 33.7 | 32.4 | 31.1 |

source: Moulaert et al (1991)

-technology consultancy companies are a function of forward and backward linkages, both of which relate to levels of agglomeration. The availability of information and, therefore, the availability of a highly skilled workforce to disseminate it, within an informational agglomeration, and not its price is crucial. In respect of valorizing the regional space of Nord-Pas-de-Calais, it is the policies and structural changes that assist the location of the

region in the industrial and financial circuits that will be key. It is in the context of the demands of the new international division of labour, arising from the crisis of Fordism, that the legitimacy of regional corporatist arrangements can be substantiated and strengthened. In an interview with the *chef de cabinet* of the Regional Council, it was stated that when negotiations begin with an international company seeking to locate its activities in the region, about seventeen organisations demand to be party to them. He lamented the fact that the region did not have a unitary body, like the Scottish Development Agency, to be responsible for negotiating inward investment. Most of these organisations are development branches of interest groups so that there appears to be some confirmation that if the economic spaces of the region are to be valorized then some kind of corporatist institutional arrangement is important in assisting this process, as it was within the Fordist mode of regulation in Europe during the "Golden Age".

It is not surprising to find, therefore, that there is a concerted effort by most of the economic interest groups to ameliorate the region's situation and to redress its high-tech imbalances. This concerted action does not mean economic and social concertation but the manifold efforts of these groups to provide the building blocks of a regional corporatism. Among the building blocks are the system of regional grants, economic development agencies representing the major interests, the Regional Plans and the Regional Economic and Social Committee. In addition, there are the central government projects of economic development like DATAR's industrial conversion poles and enterprise zone schemes. What animated these blocks into a quasi-corporatist structure was the decentralisation laws which formalised the position of the region in economic planning and development. The impetus to these changes comes from the locus of events like the decline of national economic regulation, the rise of international liberalism and the relative autonomy which regions

began to develop in Europe from the late 1970s onwards: the decentralisation laws are one manifestation of this locus. At the heart of relative regional autonomy in France was the promotion of regional planning.

Regional Planning: from *Schéma* to *Contrat*

From the mid-1960s onwards local actors in the Nord-Pas-de-Calais were drawn into job protection, as the region faced decline in traditional industries. Hayward (1986 :108) cites three categories of actors:

- local political community representatives
- local officials of central ministries and agencies
- local managers of public banks

These actors formed the locus of "cross-cutting regulation", of which the grant-aid system appears a prime example. However, tensions between the centre and the periphery led to much more decentralised and regionalised experiments in the management of economic development. The increased regionalisation of the grant-aid system and the increased interaction between this system and the National Plans gave local actors a stronger material base for these experiments. At the same time, central government initiatives, either through local agencies of DATAR or the prefect, sought to maintain some sense of equilibrium in this form of centre-periphery regulation.

In 1977, Pierre Mauroy, Mayor of Lille, established an economic development service directly attached to his office. At the same time one of the triads of the urban conurbation, Tourcoing hired consultants from the national investment bank (*Caisse des Dépôts et Consignations*) to back up the local administration's municipal economic and urban action plan. These two developments reflect the political tensions within the Socialist Party in the region which have a material counterpart in the Lille conurbation. There are two vectors

of development, one, north-south, which encompasses the historical growth of Lille-Roubaix-Tourcoing. The other, east-west, encompasses Lille itself and the new town of Villeneuve d'Ascq, first developed in 1968. Mauroy's predecessor and subsequently Mayor of Lille-Tourcoing-Roubaix, Arthur Notebart, had proposed the establishment of a new town to strengthen the Socialist's electoral hold over the urban conurbation and its environs (cf. Hayward 1986: 114). Mauroy strengthened his position as *grand patron* of Lille, through his economic development programmes and the construction of a metro, VAL, serving Lille and Villeneuve d'Ascq. Tensions between the two major factions of the regional Socialist party were reflected in infrastructure projects with the "Mauroyists" favouring an east-west axis and "Notebartists" favouring a north-south axis. An example of this political positioning, in respect of economic development vectors, was the *Association pour la promotion du Versant Nord-Est*. In 1978 Pierre Prouvost, Mayor of Roubaix and deputy in the National Assembly, became its President with the aim of correcting the east-west axis of development in the Lille conurbation. In 1979, Prouvost became chair of "*société d'économie mixte*" (SEM) that was established jointly by the Lille Chamber of Commerce and the municipalities of Roubaix, Tourcoing and Wattrelos. The purpose of the SEM was to purchase vacant land and undertake urban planning. The most prestigious scheme was a luxurious office block sited mid-way between Roubaix and Tourcoing, in order to compete with Lille's dominance in service functions. Unhappily this project failed in its objective, the strength of the east-west axis undermining the logic of strengthening a north-south axis through the location of high prestige functions (cf. Hayward 1986).

These divisions within the regional Socialist Party led to the charge of them being "*les frères ennemis socialistes*" (Giblin-Devallet 1987: 51). Given these relative positions, it is

hardly surprising that Mauroy's activities in the field of economic development proved more successful in both economic and political terms. The establishment of an east-west vector of development substantiated the position of the new town Villeneuve d'Ascq as a site for new developments. This axis was concurrent with Mauroy's political base in the urban community. A position that he was able to strengthen when appointed Prime Minister. Moreover, his mode of local operation was one that could be described as regional state corporatism.

The apparent victory of the "Mauroyists" has had its costs, as pointed out in an interview with Notebart's former *chef de cabinet* and the adjoint to the Mayor of Lomme, a suburb of Lille. He conceded that tensions between the two departments of the region had been increased by the dispute over the line of the high-speed link to the Channel. Furthermore, the tension over the axis of the metro, VAL, was historical and had been in part compensated by the settlement over the second metro line and the upgrading of the north-south tramway linking Lille, Roubaix and Tourcoing. In response to the charge of there being too many initiatives, and too many interests that were party to them, he agreed that there was a danger of the traditional parties of the Right exploiting this situation. This was especially so as the system of proportional representation at the regional level would enhance the electoral position of the traditional Right.

The activist history of Nord-Pas-de-Calais in the post-war period stemmed from the *Comités d'Études et Régionales Économiques et Sociales* (CERES) established in February 1953. CERES was the second regional economic development representational body following the pioneering example of Brittany. This region had set up the *Comité d'Études et de Liaison des Intérêts Bretons* (CELIB) in 1950. In 1952, CELIB asked central government for a regional economic plan after securing the support of the major economic

and social actors in the region. The Planning Commission responded with the publication of the first Breton Plan in July 1953. The growth in regional economic activism in the North became more rapid in the 1970s as the parties of the Left sought to consolidate their political gains in the localities. In the case of Mauroy, his regional development proposals became generalised on his appointment as Prime Minister in 1981. The initiatives of the 1960s, combined with the growth in the grant aid system, tended to eliminate CERES as a major actor. It became an adjunct of the Regional Council in the mid-1970s. Mauroy adopted a maximalist approach to economic intervention by using regional instruments available under the VIIth Plan of 1976 to 1980 (Hayward 1986: 118). Mauroy's approach to the attraction of industry, according to Hayward, was to formulate schemes that were technically sound backed by financial support. He would then find an industrialist to take over the project. According to a source close to Mauroy his aim was "to stimulate enterprise not replace the entrepreneur" (Hayward 1986: 119). This non-ideological and non-partisan approach was reinforced by Mauroy acting as a state corporatist intermediary. When approached by the manifold economic and social interests in the region, he would use his role as *"grand patron"*, deputy and later Prime Minister to advance their interests. This pivotal role reinforced his regional power.

Today, CERES has a three way approach to economic development. The creation and promotion of enterprises, acting as a forum for various interests and developing the use of new technology. Although in interview, the head of CERES claimed that it was an autonomous body and that it attempted to modulate its investment strategy with DATAR's and other central initiatives, its funding places it firmly within the ambit of the region. It receives 96% of its funding from the Regional Council with the rest coming in the form of a small grant from the European Union. It is made up of three policy strands directed

towards economic development, planning and statistics and finally consumption. CERES has attempted to establish international links to aid export and to establish international collaboration between industries. The agency provides documentation services for these activities and undertakes studies to assist its objectives and for clients. The forum it established in 1982 is the *Conseil des Entreprises* whose membership includes the banks and representatives from the Regional Council. Spokespeople for CERES, who were interviewed for this research, claim that it has good relations with the local and regional chambers of commerce. However, as the chamber of commerce for the urban conurbation has its own economic development service that seeks to attract foreign investment, there is a tension between local and regional branches so that some conflict of interest may arise. The same can be said for *Agence de Développement Nord-Pas-de-Calais*, which is responsible for the privileged investment zone (ZIP) programme (see below) and reports to the *Commissaire a la Réconversion Industrielle*, a central state body. The cross-cutting between the interests of the State and the Region¹, in the field of economic development, generates intra-regional tensions despite the protests of the various agencies. The tensions within the Socialist Party itself, reflected in two different geographical axes of development within the Lille conurbation, have allowed interest groups to operate through manifold channels.

Pierre Mauroy has been able to stride across the region like a colossus over a long period in advancing his project of modernisation. He maintains a powerful position, despite the decline in the Socialist Party's electoral popularity in the region, as Mayor of the Urban Community of Lille. He was able to use the *programmes d'action prioritaires* (PAPs), under the VIIIth Plan, and their regional version, the *programme d'action prioritaires d'initiative régionale et locale* (PAPIR) for this project. The PAPs were an attempt to

prioritise national programmes with definite budget commitments at the time of an anti-planning environment. The PAPIRs were an explicit recognition that sub-national priorities may be different from national ones. In return for committing their own resources, regions and localities would receive state support for certain programmes. In a sense the introduction of PAPIRs compensated for the 1976 "false reforms" of the grant-aid system (Dormard 1987). The PAPIR was unsuccessful because many programmes did not fit the criteria and, with the exception of Brittany and Nord-de-Calais, many regions were unable to negotiate with the state because they were unwilling or unable to commit their resources to the programmes (Hayward 1986: 160). At a time of a very centralising Presidency (in the mid-1970s), this attempt at planning from below was inevitably doomed. It did leave a legacy, however, from which the genesis of a regional corporatism could develop. One of the conditions of the PAPIRs was that agreements with regional/local economic and social actors, both state and non-state, should be agreed. This condition was constrained by PAPIRs being run by the regional prefects in association with regional/local notables, in order to respond to a plethora of local demands and expectations. According to Hayward, this condition was in the spirit of the Plan-Contracts, which involved urban communities decreed by the government in 1970 (op.cit: 160). As described below, the Plan-Contracts (*Contrat de Plan*) became an important part of the regional planning system under the decentralisation laws.

Despite historical antipathy to *dirigisme* and what this implies for corporatism, as detailed in chapter 5, a technological planning imperative has been important in regional activism and transformation. In some cases this imperative has been part of the central state's "cross-cutting regulation". In others, it has been used to advance a regional quasi-autonomy. What connects the two is a shared political culture that in the latter case depends

much more on intermediated negotiation with local interest groups, whether represented by *notables* or not.

"Preliminary Planning Attempts"

One of the first attempts at regional planning was the *Schéma Directeur d'Aménagement et d'Urbanisme* (SDAU). This was a long term master plan aimed at stimulating economic activities along the major axes of the Lille conurbation, thereby cross-cutting commune boundaries (op.cit: 114). In reviewing 1970 Nord-Pas-de-Calais SDAU some fifteen years later, the *Association des Économistes de la Région Nord* (1986) concluded that the SDAU had been quite prescient in its analysis. However, shifts in the structure of the French economy meant that its objectives of industrial rather than economic conversion have not been realised as hoped.

The SDAU developed out of a policy to slow the growth of the Paris agglomeration and to promote harmonious national growth. Through its planning agency, DATAR, the government defined the policy of a balanced metropolis. Several urban agglomerations were chosen to promote this policy, including Lille-Roubaix-Turcoing. OREAM (*Organismes Régionaux d'Études des Aires Métropolitaines*) was created with the objective of anticipating the long term development of the chosen agglomerations and put this anticipation into action by means of a *Schema*. The region of the North was chosen because of its particular characteristics, dense population, superficial weakness and the intensity of its economic transformation. OREAM obtained permission from DATAR to embrace the whole region rather than its dominant urban agglomeration. OREAM anticipated transforming the region through developing a balanced metropole that would result in higher order urban functions being filtered downwards to the surrounding areas. An industrial platform between Calais and Dunkirk was to be developed and large scale

infrastructure was to be built to service the interior of the region. The time horizon for achieving these objectives was the beginning of the next millennium. The *Schema* for the North was to be given impetus by the building of the Channel Tunnel and the completion of the high speed London-Paris-Brussels rail link. Ironically, nearly twenty years has elapsed before the first part and a half of this impetus was achieved.

The ambition implicit in the region's *Schéma* was the development of an industrial pole on a European scale. This ambition was to be realised through negotiating the decline of traditional industries and the modernisation and transformation of existing industries where it was perceived that decline could be reversed. In this context, the steel industry was seen as a dynamic element in the development of the region. This view points to the fundamental weakness of the *Schéma*, which did not take account of changes in the overall structure of the French economy, following the end of the *trente glorieuses* and the crisis of Fordism. Furthermore, the mode of regulation was weakened at a national level so these regionally directed national policies could only mitigate the crisis and not be part of a strategy to generate a new bout of accumulation. More fundamentally, it was assumed that the trend growth rate of the world economy would remain the same as during the "Golden Age". Given that the comparative advantage of the region's industries was not as powerful as its competitors it was perhaps a little naive of policy makers to propose a modernising regional industrial strategy. The lack of adaptation to re-structuring in the world economy like the growth of the tertiary sector, which was insignificant in the region, also mitigated against this strategy.

Again certain historical ironies are re-appearing, for example the stress on the ability of the tertiary sector to transform the region in the current Regional Plan. The central economic hypothesis of the *Schéma* appears to have been a regional version of European

industrial policy. In the 1960s EC industrial policy encouraged the formation of European "champions", continental multi-national companies (MNCs) to compete against dominant American MNCs, through scale economies. In turn, the *Schéma* pursued industrial transformation through building large scale plants (*grands équipements*) assisted by investment in infrastructure networks. It was hoped that this investment would attract the location on new industrial plants, to boost the logic of the policy of industrial conversion. Despite some early successes with French and international companies setting up new operations in the region, this kind of inward investment soon became exhausted. Part of the problem was that the logic of industrial conversion was essentially based on an external solution to the region's problems.

With an uncertain timetable and the assumption of external benefits flowing quickly from the Channel Tunnel and the high speed rail link, the *Schéma* assumed that transformation would inevitably follow. By positioning itself as a link between the agglomerations of Brussels and Paris, it was felt that new tertiary activities would be attracted to the region. But as Tables 6.1 and 6.4 above show, the region has managed to maintain but not significantly increase its share of these activities. The opening of the Channel Tunnel much later and the linking of Lille to the high speed rail network in France has brought external benefits to the region. They appear centred on the Lille conurbation, however. Poor connectivity to other parts of the region that have become industrial and economic "shadowlands" are the corollary of Lille's gain. This poor connectivity occurs because the *Schéma's* infrastructure programme was never completed.

On the benefit side, some of the *Schéma's* objectives were fulfilled. Lille became a balanced metropolis but with a more developed east-west than north-south axis. However, some of the objectives had somewhat deleterious effects. The costs of a regional land-use

structure plan (POS) were too large and the attempts to incorporate localities on the periphery of Lille had harmful effects on their development. In effect, the basis of the *Schéma* was to establish a multi-polar urban zone. As such, it was responding to manifold political and economic interests in the region at the possible cost of the whole region's development. Because of a lack of a body that formally incorporated all these interests and that the *Schéma* was a regional instrument of the central state, there was a tendency for cross-cutting regulation to be in disequilibrium. However, it is recognised that OREAM and the *Schéma* played a leading role in focusing on the problems of the region. The attempt to accommodate regional and local actors in a sense anticipates the outcome of decentralisation, just over a decade later.

Decentralisation considerably modified the division of authority between the state and local power. As a result of this modification, the multiplicity of regional interests have developed their own projects for their particular territories. Tentatively, one may conclude that Ashford's observation of the way in which Socialists discovered pluralism through decentralisation is correct at this regional level (cf. 1990). However, given the impetus of relatively autonomous economic development in the region by Mauroy, the imposition of a quasi-state corporatism appears a more appropriate observation. The legacy of the *Schéma* alongside that of the Plan Contracts provided the foundation on which the formal regional planning system was built under decentralisation, and the possibility of corporatist intermediation among regional actors. One element of formal regional planning that has been enhanced by decentralisation is the *Contrat de Plan*, initiated in 1970 and given more importance in the 1982 decentralisation legislation.

The *Schéma*'s successor, *Le Plan Régional et le Contrat de plan*

The legislation of 1982 installed the new decentralisation procedures for regional planning

to succeed measures like the *Schéma*. The two key elements were the *Plan Régional* and the *Contrat de plan*. These two elements are the analogue of state-local power relations in respect of regional development and autonomy. The question of how these relations should be defined is partly answered by article 11 of the law passed on 29th July 1982. It states, "defining actions that the State and Region engage in by carrying them out in a contractual manner during the period of the Plan". The *Contrat* is designed to clarify the anticipated financial means to realise objectives at both national and local levels. Twenty two metropolitan regions concluded plans with the state. The Nord-Pas-de-Calais developed a very ambitious plan valued at F.Fr.7bn (1984 prices) co-financed between State and Region, 65% by the State and 35% by the Region. This total sum represented 10% of the national total. It was the second most important plan in France, following that of the Ile-de-France. The *Contrat* is one of the most important instruments in regional planning and approximately 54% of the region's total finance is provided under it. Its domain covers economic, social and cultural aspects of the region and its objectives are formally laid down in the form of a contract between the state and the region.

Under the new system, the *Plan 1984-1988, Contrat de plan État/Région Nord-Pas-de-Calais* was seen as an experiment with the 1989-93 version trying to learn the lessons of the first attempt (*Conseil Régional du Nord-Pas-de-Calais* 1984). It tried to co-ordinate all the regional services under the *Commission Budget-Plan* and at a technical level under the *Direction de la Planification et de la Statistique* (DPS). Furthermore, both quantitative and qualitative analysis was undertaken of proposed actions and their results. The *Contrat* was formally presented by the *Président de la Commission Budget-Plan* (Region) and the *Sécrétaire-Général pour les Affaires Régionales* (State). However, some problems have arisen because of the problematic methodology between the State and the Region. This

politico-administrative division does not correspond to the accounting categories of both tiers of government nor with the investment programmes under the procedures of the *Contrat*. Within the *Contrat* there are a range of instruments which allocate the relative financial provisions made by State and Region.

The *Contrat* for Nord-Pas-de-Calais states three major objectives to aid new industrialisation. They are to:

- valorize human resources
- develop economic activities
- achieve better conditions of living

Table 6.6: Proportions of Allocated to Planned and Actual Expenditure for State and Region in Contrat-Plan 1984-88 by Activity

| | Region | | State | |
|----------------------------|-----------------------|----------------------|-----------------------|----------------------|
| | Allocated/ Planned | Actual/ Allocated | Allocated/ Planned | Actual/ Allocated |
| Research & Innovation | 74.2% | 23.7% | 46.5% | 11.6% |
| Infrastructure & Transport | 62.8% | 71.2% | 35.9% | 78.5% |
| Training | 38.9% | 55.7% | 33.1% | 50.0% |
| Economic Development | 48.2% | 54.3% | 69.1% | 45.8% |
| Total | 50.8% | 29.9% | 37.0% | 19.4% |

source: Frimat and Zuideau (1987)

These three major objectives are reinforced by a number of sub-objectives. They include,

firstly, enhancing and improving training, job search, research-innovation-technological development, communications culture and sport. Secondly, promoting improved economic development, infrastructure and transport, way of life, tourism and health. The proportion of the allocated to planned finance and actual payments to allocated finance for Region and State at mid-point of the Plan is given in Table 6.6. The major categories of expenditure, defined by the terms of the Plan and *Contrat*, are also shown in this table. The differences between allocated expenditures and those paid-out are explained by the fact that there is a lag of about one year. These ratios vary between the sectors in which the *Contrat* intervenes as shown by the different categories. It would seem that the sector of research and innovation, on which rest hopes of industrial transformation, is supported more by the Region than the State. The relative lack of expenditure actually laid out for research and innovation may be explained by projects in this sector having quite long gestation periods. However, the launching of a plan in 1985 to develop the application of informatics to production in part compensated for this poor figure. If this plan is included in the figures for economic development the rates of execution are 116% for the Region and 410% for the State! In general, the promised amount of aid in the *Contrat* may not be realised in all sectors because of fiscal stress. The degree of concertation of economic and social actors and their relation to the state is also a factor in the provision of regional emoluments. In particular, the degree to which these interests or forum of interests can negotiate co-financing arrangements with the State beyond the *Contrat-Plan* is an important indicator of the degree of concertation. The same applies to projects eligible for funding by the European Commission, the successful funding of which may reinforce relative regional autonomy and the legitimacy of any concerted arrangements.

Undertaking a qualitative analysis at mid-point of the planning process, it is clear that

the *Contrat* has an important number of assets as the basis of regional policy. These assets can be summarised as follows:

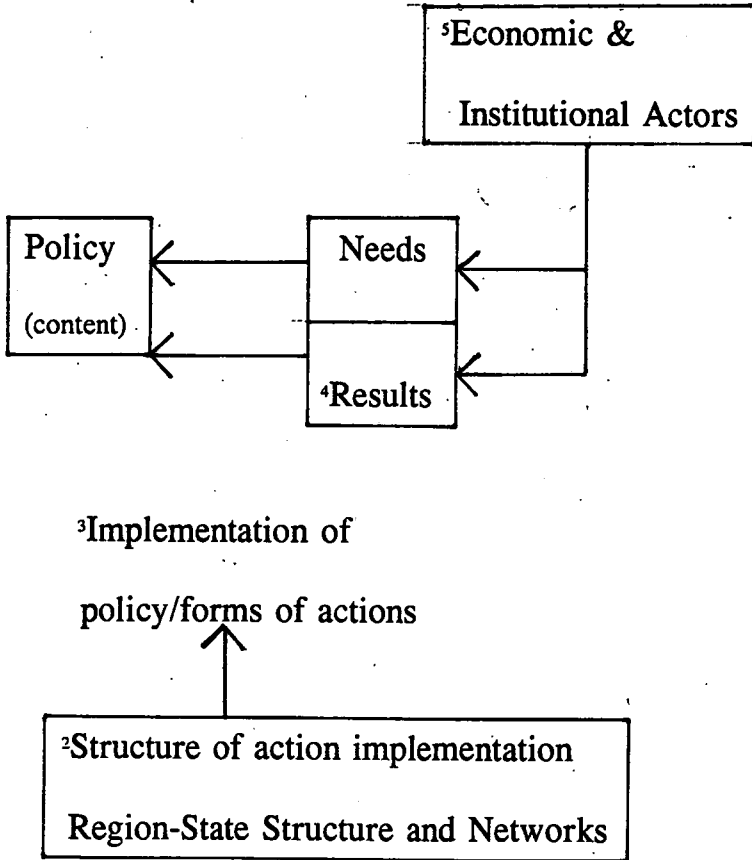
- some assurance of stability of contracted policies in the medium term.
- the *Contrat* acts as an instrument of harmonisation of national and regional policies
- the possibility of effecting a financial lever to make policy actions more transparent in their effects
- the guarantee of a pluri-annual grants to aid policies formerly undertaken by local authorities (for example, research and culture).

There had been a tendency for the Region's commitment to the *Contrat* to rise over time, with the amount committed for 1985 being 44% higher than 1984, and 1986 being 75% higher than in 1985. By and large, the rates of execution of financial aid were reflected in the rate of policy implementation. Qualitative analysis pointed out that by mid-period, three-quarters of the proposed actions in the *Contrat* had been undertaken (Frimat and Zuideau 1986). The implementation of policy action can be associated directly and indirectly to different structures and/or actions and also points to the incipient regional corporatism, implicit in the *Contrat*, despite the scepticism expressed in interviews with regional actors (see below). Directly, this relates to structures that are put in place by policies of the Region, State and the structure of their networks. Indirectly, this relates to the public influence exerted by policies that seek to mobilise actors and their representative organisations.

The relationship between structures, actors and policy actions can be configured by

Figure 6.2 below. The nexus that this figure describes provides the prospect of a putative corporatism at the regional level. If one considers this nexus in combination with the regional activism of Mauroy's policies, one can conclude that a form of state rather than societal corporatism is being advanced.

Figure 6.2: Structural Elements of *Contrat de plan*



source: Frimat and Zuideau (1986)

In a sense, despite the prospect of power being devolved by the central state, the direction of policy is still one of *dirigisme* in respect of regional actors. This partly reflects

the fact that the regional tier of government has only been elected since 1986 and thus regional actors have positioned themselves less well than under the old system of local notables. In part, this difficulty is reflected in the problems experienced in the operation of the *Contrat*. These problems can be summarized under the following headings.

- the content of policy
- structures implemented by policy
- type of action taken under policy
- results of policy
- role of public in receipt of programmes

The most important of the problems for each heading, above, are firstly, the lack of adaptation of policy content to the needs of the region. In the case of the second, it is the possible defection of one of the partners from the *Contrat*. Thirdly, the adequacy of financial instruments. Fourthly, the insufficient use of plant or investment put in place by the *Contrat*. Fifthly, the problem of matching the interest of regional actors and the various constituencies that receive aid under contract programmes. The generalised problem facing the *Contrat* is the disengagement of the state.

Since 1986, there has been a retreat in both absolute and relative terms. This was especially the case between 1986 and 1988, under the Right government of Jacques Chirac. It points to the apparently universal lesson that the strength of corporatist intermediation depends in a large part of the political commitment of the state. It also repeats the history of inter-war France with the cyclical movement from neo-syndicalism to neo-capitalism, as examined in chapter 5. The antipathy of the Right towards planning has meant that the undermining of the representative elements of the National Plan has effectively reduced it to a descriptive rather than prescriptive instrument. This antipathy

to planning at a national level reflects not just ideological pre-dispositions but the material reality of the demise of national economic regulation since the end of the *trente glorieuses*, wrought by the crisis of Fordism. Thus planning under the Socialist government, returned in 1998, was not a strong component of their agenda. Instead the Regional Plan (*Plan Régional*) became the important instrument in advancing a decentralised corporatism. The Plan is discussed below, but the noticeable thing about the *Plan Régionale, Contrat de plan État/Région Nord-Pas-de-Calais*, is that it is a much less ambitious document than the previous one (*Conseil Régional du Nord-Pas-de-Calais* 1988). The figures for rates of execution of financial aid, given above, were weak for some sectors like research and innovation. In fact, many of the projects for this sector fell victim to the state's relative disengagement from the *Contrat*, for which Frimat and Zuindeau (cf. 1987) provide the details. However, because the contracted nature of the relationship between Regions and State, the *Contrat* is to some extent inured from crises of the national budget.

The realities of fiscal stress act as a parameter in proposing improvements to the *Contrat* for the period 1989-93. At its meeting of 13th April 1987, the *Comité Interministériel d'Aménagement du Territoire* (CIAT), proposed the following improvements.

- a decentralised and deconcentrated plan
- the selection of the most efficacious contract-plans
- clarification of the tasks to be undertaken and finances
- simplification of contracts and a strong reduction in
the number of programmes

The first improvement involves giving the regional prefect a stronger role in his or her negotiation with the President of the Regional Council, and a more deconcentrated system

of payment of credits etc. For the second, CIAT demanded that programmes that go beyond the development of the region should be restricted. The third improvement consists of avoiding co-financing of projects, and emphasising contractualisation by objective or programme. The indispensable condition is that parties should know the equivalence of grants between the State and the Region. For local authorities in receipt of grants under the *Contrat*, for programmes they managed, the amount they received was deducted from the *Fonds de Compensation de Taxe sur le Valeur Ajoutée* (FCTVA). *Contrat* grants are also deducted from the current and capital central government block grants, *Dotation Globale de Fonctionnement* (DGF) and *Dotation Globale d'Équipement* (DGE), which local authorities receive under the decentralisation legislation to boost local government finance. The FCTVA exists to compensate local authorities for the amount of value added tax they pay on their activities, like building works etc. In respect of the fourth improvement, there was a perception that this was a false problem. However, CIAT pointed to the problem that promises of intervention in the *Contrat* are insufficiently explicit so that difficulties of execution may be encountered.

If one looks at the empirical experience of the *Contrat* in Nord-Pas-de-Calais, the general weaknesses of the procedures are revealed. The crisis of Fordism particularly hit this region as its major industries were in sectors such as steel, shipbuilding, textiles and mining. The development of truly Fordist sectors such as automobiles was only partial in the region, so that the impact of the crisis of Fordism was greater on its traditional industries which depended on the demands of Fordist sectors. The new international division of labour and the prospect of a post-Fordist world has created a transformation gap that will not be easily bridged. In an internationally liberalised and decentralised world economy, infused with a neo-liberal ideology of both Anglo-Saxon and French kinds,

planning appears antediluvian and inimical. Regional planning buttressed by concerted arrangements between economic and social actors and the regional state can then be seen as defensive measures to try to manage transition. As such they are susceptible to the vagaries of the world economy and fiscal stress. However, a paradox arises in that these defensive arrangements are the basis of relative autonomy and the ability of the region to reproduce itself as a site across which international transactions will flow.

One of the biggest difficulties is that of relative financing by the State and Region. The rate of execution between planned and paid-out expenditure is higher for the Region by a magnitude of about twenty percent. Early implementation of credits in each year of the *Contrat* is appreciated by representatives of the state in the region and the Regional Council. However, many of the credits stem from different ministries and different inter-ministerial funds. Some of the complexity of the French system of local government finance has been described in chapter 5. It is logical to expect this complexity to extend to the financing of the *Contrat* and its relation to the FCTVA. As a consequence, there is a bias between the planned and real finance between the Region and the State, which contains a distortion that is unfavourable to the Region. An example of this distortion is when a recipient firm facing a normal rate of tax will remit 45% of the grant to the state. In combination with other measures, the net effect is that about half of the grant that comes from the Region will go back to the Treasury. Consequently, this adds to the problem of the non-neutrality of the beneficiaries of the system, because of the absence of co-financing.

It follows then that the degree of influence exercised by regional interest groups is an important consideration in the operation of the system. To some extent the problems of remitting regional grants to the state have been mitigated in Nord-Pas-de-Calais by the

implementation of non-reimbursable loans. However; this mitigation is bedeviled by cyclical and secular crises in the public budget and the problem of non-neutrality of beneficiaries. Three clear problems emerge:

- opacity of the real participation of the partners
- distortion of financial priorities which are unfavourable to the Region
- problems of neutrality of beneficiaries because of a lack of co-financing between State and Region

The explicit recognition of the combination of these three problems led to improvements in the 1989-93 plan. These improvements are summarised in the Table 6.7 below.

Table 6.7: Distribution of Responsibilities for Financing under *Contrat de Plan*

| Beneficiary or Initiator of Project Mode of Finance | State | Departments and Local Authorities | Enterprises (investment decisions) |
|--|--|---|--|
| Of State | contribution calculated on basis of costs net of tax | contribution calculated on basis of costs including taxes | subsidy for plant |
| Of Region | ditto | ditto | reimbursable advance (with possibility of increase in total) |

source: Frimat and Zuideau (1987)

This table represents the incontestable basis for negotiating State-Region responsibilities under the *Contrat* (Frimat and Zuideau 1987: 66). Ultimately the outcome of the *Contrat* depends on the negotiation of the two partners and the influence that organised interest

groups bring to bear on this negotiation. The overriding constraint is the fiscal position of the two partners. Therefore, the policy process surrounding the *Contrat* is part of the realm of corporatism following the formal definition and distinction made between corporatism and pluralism, in chapter 4. The distinction rests on economic interest groups bargaining with the material interests of the state in regard to the state's role in the accumulation process. Pluralism involves economic interests groups bargaining discretely with the state as an institutional ensemble. This distinction appears subtle because the material base of the state stems from the resources that it raises through taxation. The distinction between corporatism and pluralism is simply that the former involves a collective interest negotiation with the state's material base.

Despite the change in the form of "cross-cutting regulation" of centre-periphery relations in France because of decentralisation, one can see attempts by the state to maintain the old forms. The *Contrat* can be said to fall into this category because of the involvement of the prefects and their, now, more distended relationship with the local notables. Decentralisation may have strengthened regional autonomy but the state still intervenes in the new policy arena, often through the regional arm of its planning agency, DATAR.

The *Contrat* and its financing are important elements in the project of the Region, but as noted by some interest group leaders the degree of concertation over the *Plan Régional* and the *Contrat* has decreased as the region developed as a political entity. As some have observed, there has been a higher degree of concertation with the state. The apparent willingness of the central state to concert with some regional interests appears to be a useful strategy for maintaining more leverage in the new form of regulation between centre and periphery. Part of this leverage is the *Contrat*, the other is the system of state aid and regional grants.

The decentralisation legislation of 1982 devolved responsibility in the domain of economic development to the regions. Formalising the position that had existed previously in many activist regions like Nord-Pas-de-Calais, the legislation allowed direct financial aid from the regional tier of government with the two elements of the Regional Plan and the Plan-Contract acting as institutional vehicles of development. The regions were thus explicitly tied in to the national planning system, reinforced by the transfer of certain competencies like responsibility for workforce training etc. Responsibility for the Regional Plan rests with the *Conseil Régional* (Regional Council) which was instituted by legislation in 1984 with the first elections being held in 1986, based on proportional representation. The regional plans pre-date the first regional elections starting with the planning period of 1981. The planning process is quinquennial matching that of the National Plan and the intermediating Plan-Contract.

Compared to subsequent plans, the 1984-88 Regional Plan was ambitious. Its general objectives are the same as the *Contrat*, stressing training, economic development and quality of life, all set within a framework of utilising new technology to animate the development of the region in all its aspects. The first objective concentrates on improving the apprenticeship system and setting up a number of establishments to increase the number of qualified workers and to increase the level of technical education, especially in the field of electronics. Apart from these establishments there are a number of specific programmes such as the *Programme Régional d'Initiative a la Informatique* (P.R.I.I). This programme also forms part of the *Contrat* (see above). Its major components include aligning itself to economic development in the region, making the optimal use of training, electronics and improving the employment opportunities of women. Within the general objectives there are a number of specific interventions. They include establishing access

courses for those wishing to enter higher education and a new training centre teaching informatics to young people. There is a very heavy stress on research, which is consistent with the regional tradition of aiding technological development and research. There are a number of subventions to encourage investment in research teams with the region's net investment being more than F.Fr. 100 million for the duration of the Plan. Because of the decentralisation laws and the *Contrat*, there is a division of responsibility for different levels of education. Construction and planning of *collèges* (technical schools) and *lycées* (grammar schools) come under the remit of the *Contrat*. Priority for technology teaching in the region is expressed in a state subvention of F.Fr. 30 million per annum with priority given to three regional technical *lycées*. The other measures include establishing a technical diploma, two *Instituts Universitaires de Technologie* (covering the first two years of technical university education) and reinforcing university education, including the setting up of an open university. The other arm of this policy was to encourage university-industry links in research through new technology poles that correspond to different industrial sectors. This policy would be reinforced by national research organisations having decentralised offices in the region.

Research and technology policy is organised under the Regional Informatics Plan, which seeks to stimulate these activities through providing a policy reference point for a whole gamut of activities. Many of the measures are co-financed by the Region and the State, with the Ministry of Education being the state body responsible for training and education. The proportions vary from programme to programme and in the 1984-88 Plan there is a detailed breakdown of financial aid that does not appear in the 1989-93 nor 1994-98 Plans. In the 1984 Plan, F.Fr.142 million francs were committed by the Region to training and education, rising to F.Fr.672 million by the end of planning period. The respective figures

for the State were F.Fr.288 million and F.Fr.1291 million. Real figures, in 1984 prices, reduce the Region's and State's total at the end of the planning period to F.Fr.574 million and Fr.F.1102 million respectively. Despite significant increases in these planned figures, the actual amounts allocated reduce F.Fr.223 million and to F.Fr.365 million respectively at mid point of the Plan (see Table 6.6). If one assumes that allocated expenditures increase on a pro-rata basis from mid-point to the end of the planning period the reduction in the Region's real planned contribution is 64%. The equivalent figure for the State is a reduction of 138%. If these assumptions hold then one can see that one the Region's modernisation objectives will be undermined by the reduction in the State's contribution. In combination with the demographics of the region, the fiscal constraint on training reinforces the need for concerted action by the Region and regional interest groups. Thus, this one empirical aspect of the devolution of responsibilities reinforces the contention that decentralisation is a form of corporatism.

The training budget took up one fifth of the Region's budget in 1986. Training policy is aimed at key sectors including, informatic production, clothing and textiles, craft industry, agriculture, energy, agro-food industries, construction and transport. This partly reflects the transition of the region, from one based on traditional industries to more modern ones as well as services. In order to harmonise training initiatives, the Region finances 25% of programmes of modernisation. The stress laid on training and education is both a national and regional response to combat the combination of demographics and migration in and from Nord-Pas-de-Calais. In respect of advancing the position of regional political actors, this stress is warranted but it is the area of economic development that they can express most relative autonomy.

The section on economic development in *Le Plan Régional 1984-88* is highly detailed

unlike the more general aims in the later two Plans (cf. *Conseil Régionale du Nord-Pas-de-Calais* 1984). The latter cite Nord-Pas-de-Calais as a European region and stress the importance of the Channel Tunnel and the putative European high speed rail system. There is an accentuation on regional solidarity for areas that are in crisis. This stresses inter-regional policy between the Region and neighbours like Picardie as well as cross-border collaboration with Belgium in the old canton of Flanders, which covers part of the department of the North in France and a neighbouring area in Belgium. Particular stress is laid on industrial conversion adopting a concerted approach to manage industrial restructuring. As such the policy of the Region runs alongside that of the DATAR programmes like the *pôles de conversions*. It is this part of the Plan that takes an explicitly state corporatist approach to regional re-structuring with the Regional Council engaged in concertation with local partners.

Initial financing of studies for economic development would come from three sources Region, State and the European Union. As with the regional subsidy system, the Region proposed building mechanisms of distributing state and regional financial aid. The alternative was for the Region to act as a pivot for ensembles of local actors, promulgating a programme or project, for example the Lille Metro. Following measures announced by Mitterand in 1983, for the re-industrialisation of the mining basin in Nord-Pas-de-Calais, the 1984 Plan paid particular attention to its mediating role between this particular locality and the state. This attention reflects the thrust of regional economic policy in the 1980s, aimed at re-industrialisation. As such, the mining basin became a close concern of both Region and State. Assuring the development of the mining basin, the 1984 Plan proposed a particular *Contrat de plan* between the State, Region and the coal industry. This contract comprised two elements:

- the establishment of a company to industrialise the coal mines of the mining basin (*société d'industrialisation des Charbonnages de France pour le Bassin minier Nord-Pas de Calais*).
- the establishment of a fund to industrialise the mining basin (*Fonds d'Industrialisation du Bassin minier*)

The first is being reinforced by a regional commitment to at least F.Fr. 2 million for the duration of the Plan to create a permanent structure of concertation between the re-industrialisation company and the representatives of the territorial localities (regions, departments and local authorities, trade union syndicates and other relevant actors). The state, through the Commissioner of Conversion and Regional Services was also to participate in this structure. This is another example of regional state corporatism, imposed by the Regional Council through the vehicle of the Regional Plan. However, the continuing difficulties in the economic "shadowlands" of the Sambre valley and the Valenciennes basin, part of the mining basin, and a related decline in the electoral popularity of the Socialists at the regional level, suggests that these forms of regional state corporatism are of limited duration. This issue is taken up from the perspective of the most recent cantonal elections below. Despite this caveat, the distribution of the Industrialisation Fund for the Mining Basin did operate through a quasi-corporatist structure.

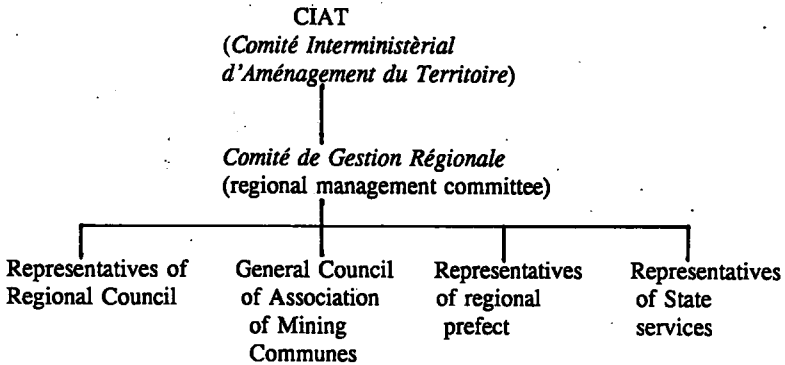
The Industrialisation Fund was created by the state to assist in the following:

- initial and continuing training
- establishing a scientific culture and its technique
- realising opportunities for informatics and telematics use
- reversing the position of ailing industries

- the creation or improvement of industrial zones

The structure of decision making over the distribution of the funds is given in Figure 6.3 below. One can see that the advancement of regional interest in part depends on the degree of concertation between regional economic and social actors and the representation of their interests at a national level. This is especially so where regional programmes such as the one immediately above cross-cut central government programmes in the region like conversion poles and privileged investment zones (ZIPs). The other two major programmes

Figure 6.3: Decision Making Structure of Conversion of Mining Basin



source: Conseil Regional (1984)

of the 1984 Plan were the establishment of a fund for promoting small and medium sized industries. This fund was worth F.Fr.60 million for the duration of the Plan, the State and the Region contributing half each. The other programme was aimed at the development and use of new technologies in production, especially automation. The development of informatics in enterprises was to be aided by a total of F.Fr.5.5 million from the Region and F.Fr.2.6 million from the State. At the same time, a regional branch of the *Agence Nationale pour le Développement de la Production Automatisée* (ADEPA) was set up with a F.Fr 3 million assistance from the Region for the Plan's duration. The other major

element is the establishment of a regional transport network that connects to the Channel Tunnel and European high speed rail network through the hub of Lille.

The role of Lille as a hub for transport, distribution and communications on a European scale almost overshadows the Plan of 1989-93. In spite of following the three themes adumbrated in the previous Plan (1984-88) the same kind of detailed measures are missing. The 1989-93 Plan has two major headings, "Chances and Challenges of the Single European Market" and "Levers of New Growth". Under the first, a number of sub-headings deal with pursuing regional transformation, opening up the region to Europe and facilitating large infrastructure projects such as the Tunnel and TGV-Nord (high speed rail link). The sub-headings under the second include: developing training, reinforcing research and technology, continuing economic transformation in the region, ameliorating the regional environment including quality of life and urban planning, and intra-European regional co-operation. The 1994-98 Plan is essentially a marketing document that is almost entirely dominated by the policy establishing Nord-Pas-de Calais as a Euro-region and Lille as a Euro-metropole with a polynuclear structure. How these objectives are to be fulfilled, where detailed financing arrangements are not spelt out, is a complex question in a region like Nord-Pas-de-Calais. There are almost as many financing arrangements as there are agencies promoting economic development. Again, like the policy institutions and programmes, state aid and regional grants form part of the changing environment of "cross-cutting regulation" between centre and periphery.

Concluding Remarks

The economic and social characteristics of the Nord-Pas-de-Calais are such that it is difficult for this region to arrest its decline and position itself to take advantage of the new international division of labour. Although the region is poorly represented by conventional

Fordist industrial sectors, the crisis of Fordism undermined its traditional industries which fed into these sectors. As a result it was badly positioned in respect of economic modernisation and transformation.

It was one of the first French regions to engage in an activist economic development policy, which can be seen as one of the principal components of the Socialist Party's opposition politics, prior to their election to national office in the early 1980s. Pierre Mauroy, as Mayor of Lille, was one of the five *grands patrons*, who rule the major cities of France. Before the devolution of responsibilities to the regions, departments and communes, Mauroy exercised considerable discretionary power over his region, from his political base of Lille. As Prime Minister, at the time of the decentralisation acts were passed he was able to formalise this discretion. The decline in the electoral popularity of the Socialists, has not diminished Mauroy's influence completely which is now exercised as the Mayor of the Urban Community of Lille. The Socialist's ruling coalition with minor parties has meant that one can perceive a change in the nature of corporatist arrangements, with a shift away from a state version to a societal one.

At the heart of activist policy was regional planning buttressed by decentralisation. The degree to which regional planning could create a new bout of accumulation following the crisis of Fordism is doubtful. Regional planning can be seen as part of a defensive set of measures to distribute and mitigate the effects of economic and social decline. In order to substantiate and legitimise regional planning as an important part of managing economic transition, the organised interests of economic and social actors have been incorporated into the objectives and outcomes of planning. Given Mauroy's previous political dominance, and his role as author of the region's planning, this incorporation took on a state corporatist form. In the economic environment after Fordism, accompanied by a more neo-liberal

ideology and international market logic, this development appears antediluvian. Paradoxically, it is the basis of some kind of policy forum or forums, with status attributed by the regional state, through which the siting of international transactions in the region's spaces can be negotiated.

This chapter has looked at the economic and social characteristics of Nord-Pas-de-Calais, in the context of regional planning. Moreover, it has looked at this context in a way that sees planning both as a defensive measure but also as the means of negotiating the demands of the new international division of labour as part of the economic transition. One can therefore discern an empirical relationship tying together decentralisation and corporatism.

The next chapter deals with the relationship of state aid to decentralisation through the system of grant aid and cross-cutting central state interventions in the region. This aid-grant system is the counterpart to regional planning in providing the means to carry out objective

Notes

1. Upper case is used for Region and State when they are used to describe the Regional Council's and central state's participation in the Regional Plans and Plan-Contracts and grant system. Lower case is used to describe their administrative/geographical area the region covers and state is used generically.

Chapter 7: STATE INTERVENTIONS IN THE REGION: From State to Societal

Corporatism

The purpose of this chapter is to extend the narrative of the previous chapter by assessing the other component of managing the economic transition in Nord-Pas-de-Calais, the system of central and local grant-aid. Unlike the Regional Plans and Plan-Contracts, this system is much more difficult to delineate between tiers of government. Whereas the Regional Plans and Plan-Contracts assign relative responsibilities and objectives between centre and periphery, the grant-aid system is complex. Its history and development mean that some of its logic and objectives are difficult to divine. It is apparent that although the strategies of regional planning could be seen both as a defensive measure and one to promote modernisation, the byzantine nature of the grant-aid system stems from the nature of the political dynamics between the centre and periphery. Decentralisation may have altered the nature of "cross-cutting regulation" but the central state is able maintain a degree of intervention in the region through its development programmes, some of which are detailed below.

The crucial point is that these central state interventions allow regional interest groups to exploit aspects of it in a state corporatist form of concertation. Organised interests groups can engage in negotiation with central state bodies discretely, rather than be limited to incorporation into some collective policy forum with the regional state. In essence, this discrete bargaining corresponds to pluralism. Because these bargains are discrete and not part of an institutional framework, they are likely to be unstable. However, their existence means that the legitimacy of any regional policy framework will be maintained if it is set in a societal and not state version of corporatism.

Despite the devolution of many administrative functions and financial responsibilities

to the regions and localities, the state still maintains a form of cross-cutting regulation between centre and periphery. Although the prefect's apparent power has been reduced by the system of state aid and regional grants, DATAR initiatives like the industrial conversion programme and co-financing arrangements allow the state to impose its influence in economic development policy. The question of the legitimacy of these interventions by the centre depends on the degree to which they can be negotiated in concert with regional interest groups. So despite the antipathy of the French state to social partnership, one sees a development, in some regions like Nord-Pas-de-Calais, from state to societal forms of corporatism.

It is therefore apparent that the manner in which Nord-Pas-de-Calais has responded to the crisis of Fordism and the demands of the new international division of labour goes beyond the focus of the region and its constituent departments and communes. The complex of arrangements to manage the transition from economic decline to modernisation do rest on the degree to which economic and social interest groups are incorporated into the operation of adjustment programmes. In this sense, decentralisation increased the local and regional focus of economic and social actors. In doing so, a corporatist orientation has been established, albeit unwittingly in some instances. To unpack some of this complexity we begin by reviewing the system of grant-aid.

State Aid and Regional Grants

The system of grants was established in the 1950s to overcome the imbalance between the Paris region (Ile de France) and the other regions. At the end of the 1960s and beginning of the 1970s, the state's regional planning agency, DATAR, created the *Organismes régionaux d'études des métropolitaines* (OREAM) to anticipate the long term development of major agglomerations. OREAM was charged with spatially transforming agglomerations

by means of the *Schéma directeur d'aménagement et d'urbanisme* (SDAU). Because of the special characteristics of the case of Nord-Pas-de Calais, a particular *Schéma* was initiated to transform the region and its urban agglomerations. The institution of regional grants and planning interventions were the start of animating the region as an economic entity (cf. Dormard 1987). They also form part of "cross-cutting regulation" between the centre and periphery that has, in effect, survived the decentralisation laws.

The logic of the system of regional grants stemmed from a concern over the decline of agriculture and traditional industries. It was an explicit acknowledgement of the difficulty of industrial conversion in regions like Nord-Pas-de-Calais, which were heavily reliant on industries like coal, steel and textiles. Since 1955, the grant system has had as its main objectives the generation of new investment or the creation of employment in certain geographical zones. The agency of this system was the *Fonds de Développement Économique et Sociale* and the *Sociétés de Développement Régionale*. The instruments at their disposal were tax reliefs, grants, loans, guarantees from the Treasury. The major goal was the relief of regions suffering unemployment and insufficient economic development. The first regional assistance grant in France was sanctioned in 1955. It was called the *Prime Spécial d'Équipement* (PSE) with the purpose of encouraging new industrial establishments, in poor regions, through an infrastructure grant. The grant gave twenty percent of investment costs and was not conditional on the amount of employment created. Neither were the localities to receive the PSE specified. The position of the localities was clarified later in the same year and enhanced by the establishment of special conversion zones.

In 1958 the availability of PSE was extended to those establishments that undertook scientific, technical or economic development research. This shifted the emphasis from a

wage subsidy in declining areas to one stimulating new activities. However, the correspondence between the two meant that the localities attracting the PSE would change. In part, the creation of the special conversion zones was a reflection of this change. Aimed at areas that experienced difficulties with their dominant industries, these zones were symptomatic of subsequent French policy with its stress on poles of development, techno and conversion poles being examples from the 1970s and 1980s.

The nominated zones were bestowed two levels of grant to pass on to firms extending existing activities (10% of investment costs) and those creating new ones (20% of investment costs). A whole gamut of assistance measures developed from the beginning of the 1960s with the PSE being extended to all localities when their unemployment rates breached a certain figure. The range of economic activities that received these kind of benefits was also extended.

The system of grant aid became more technical as it developed with conditions on numbers of employees taken on, and amounts per capita specified. However, critical and special zones disappeared to the detriment of the Nord-Pas-de-Calais. The whole system was overhauled and re-appeared as a generic regional development aid programme that ran from 1964 to 1972. The new system was much more closely related to the framework of indicative planning in the form of the National Plans. Two categories of regional disequilibrium were established:

- (i) regions with an insufficient industrial base
(for example, the West and South-West).
- (ii) regions with declining industries and employment,
especially extractive industries, (for example the North).

Consequently two new grants were established. The *Prime de Développement Industrielle*

(PDI) and the *Prime d'Adaption Industrielle* (PAI). The aim of the PDI was to assist industrial development in the first category of region and the aim of the PAI was to assist new activities in the second. The system of regional aid was fully developed by 1967 with the implementation of specific grants for tertiary activities. In 1970 prices, the maximum amount of the PAI per establishment was F.Fr.400,000 conditional on the creation of a minimum of twenty jobs. The rate of the PAI was:

- (i) 20% for the creation or a restructuring or total conversion of industrial establishment;
- (ii) 12% in the case of an extension or partial conversion of an industrial establishment.

Throughout the 1960s, Nord-Pas-de-Calais benefitted from the comprehensive regional aid system as the zones for conversion in the region were extended. In 1967, the amount of grant was put on a per employee basis of F.Fr.13,000 for category (i) and F.Fr.7,000 for category (ii) above. The problem of declining regions and attempts to "convert" them through projects of modernisation was explicitly recognised by the *Prime de Localisation de Certaines Activités Tertiaires* (PLAT), set up in 1967. The growing importance of this sector of the economy had led public authorities to attempt to decentralise/regionalise these activities in order to distribute its benefits. Despite attempts to overcome regional imbalance viz a viz the Paris region and the rest of France, the regional structure of the French economy has been only partially touched. Despite the apparent benefits of this national aid system, activist local/regional authorities like Nord-Pas-de-Calais, personified in the figure of Mauroy, initiated their own development policies and assistance. Although part of opposition politics practiced by the Socialist Party in the 1960s and 1970s, as described in chapter 5, these local programmes were intended to engender a degree of

economic and social concertation. The distributional nature of the national system and its bewildering range of instruments tend to mitigate against a discrete regional dynamic. It also has to be seen in the context of a grant-aid system which encourages a high degree of central control over regional and local economic development. In 1994, one sees a re-centralising of activities towards a polynuclear Paris region (Cohen 1994) which tends to confirm the cyclical nature of the central efforts towards the periphery.

PLAT was an attempt to create or transform general services outside Paris, notably establishing head offices and research activities. The rate of grant varied between 5% and 15% with 20% being given in exceptional circumstances. The minimum amount of employment created was one hundred, with half that figure for research activities. Priority was given to establishing a metropolitan equilibrium in the regions, so that the Lille agglomeration and particularly those on the perimeter of the Urban Community were targeted. The system underwent diversification at the end of the *trente glorieuses* until the passing of the first decentralisation laws in 1982.

The VIth Plan, covering the period 1971-75, fixed priorities for industrial development in the regions. Specific priorities were:

- (i) industrialisation of the West and South-West, increasing employment in the secondary and tertiary sectors by five percent by the end of the planning period;
- (ii) maintenance of efforts at conversion and re-structuring in regions like the North and East, with specific intent on increasing employment in the car industry and mechanical engineering.

(iii) increasing the overall level of employment in France

by 30% by the end of the planning period.

In order to reach these objectives a new system of grant-aid was proposed. The first of these grants, *Prime de Développement Régional* (PDR) replaced the PDI and PAI, in 1972. The same kinds of rules were those that pertained in the past but the PDR was more flexible in its application, stressing technical, scientific and research objectives as well as industrial ones. The rates of grant were increased to 12-25% of investment costs for the creation of activities and 12-20% for the extension of activities with a higher ceiling per extra employee taken on. The most significant qualitative difference with the previous grants was the extension of geographical zones eligible for grant-aid. In particular, the extension to more and more of the industrial "shadowlands" around Lille was significant in subsequent regional policy developments. As the system proceeded more and more zones of Nord-Pas-de-Calais were added throughout the 1970s. However by 1975, the regional centre, the Lille-Roubaix-Tourcoing conurbation, was included but at the expense of some of the other zones in the region that had formerly received grant. Over the decade, 1972-1982, the system was tinkered with in the form of changing the rates of grant. The system became more diversified with the recognition of explicit modernising activities like research and informatics.

The importance of diversity was recognised with the institution of two more targeted grants, the *Prime de Localisation d'activités de recherche* (PLAR) and the *Primé de Localisation d'activités informatiques* (PLAI) in 1974. PLAR was not concurrent with other grants, being limited to programmes with at least twenty employees and extended to include at least thirty percent of employment growth or fifty people. Its aim was to encourage the transfer of research activities from the Paris region or the creation of new activities in the

regions. PLAI was instituted in favour of firms created or transferred outside the Paris region. The zones to benefit were the same as those under PLAT, thereby favouring the Lille conurbation.

In 1976, the whole system was reformed for the duration of the VIIth Plan. Dormand (1987: 38) describes these reforms as "false" in the sense of there being an adjustment to the existing grants rather than an overhaul of their operation. The focus of adjustment was on the growth of unemployment and the difficult economic situation of the time. In particular, the relationship of grants to jobs created or investment created was monitored and more restrictive conditions attached. The threshold of admissibility of the PDR was lowered and the geographical zones receiving grants altered to include small and medium sized towns and agricultural zones. The more tightly specified conditions did not apply to investment of less than a million francs. Other "*grands projets*" only benefited from the grant if they were in certain localities to avoid polarisation, as in the Paris region. The major departure from the past was that the PDR was granted on the basis of per job created, so that by the end of 1976 the PDR had become an employment grant. The 1976 reforms moreover, specified certain zones that would benefit from central government grants. Three types of zone were specified, two of which were relevant to the Nord-Pas-de-Calais - normal zones and privileged zones. The point about the latter is that they covered areas which became subject to later central government initiatives like the *pôle de conversion* and enterprise zone programmes. What distinguished normal and privileged zones was the amount of grant per job created with the latter receiving more. As the system evolved, more zones were included so that by 1978 the whole of the northern region was covered by some aspect of the grant system. The rate of grant for PLAT was enhanced in certain areas that were designated "research poles".

The continual problem of structural adjustment in declining industries, in regions like Nord-Pas-de-Calais, was explicitly recognised with the creation of the *Fonds Spécial d'Adaptation Industrielle* (Special Industrial Adaption Fund, FSAI) in 1978. The structural adjustment problem of the region had been exacerbated by the fall-out of the crisis of Fordism. At the same time the grant-aid system was increasingly responding to demands to mitigate the effect of the crisis. Its objectives and performance tended to lag the demands generated by the new international division of labour, after Fordism. Simultaneously, the possibility of state overload had generated demands for decentralisation or devolution culminating in Olivier Guichard's report "*Vivre Ensemble*", published in 1978.

The prospect of decentralisation offered the state some paradoxical benefits. It could distribute responsibility for managing crisis and its fall-out to the periphery. At the same time, it could intervene locally through its discretion over the block grant system and the ear-marked economic development grants. On the other hand, the relative autonomy of the localities was being encouraged by the international nature of the division of labour and the prospect of formal decentralisation of state powers and responsibilities. At the level of the region or locality, two kinds of strategy can be discerned. The concertation of regional and local organised interests can act as a quasi-collective bulwark against interventions of the state. By the same token, the organisation of this concertation would act reactively and proactively to the exigencies of the new international division of labour. That is, it operated as a defensive response to manage the fall-out from the crisis of Fordism and to create the conditions for the transition of the region and its localities into a site across which international transactions would flow. The central state interventions in the form of grant-aid and DATAR-type programmes offer the prospect of pluralist negotiation with some regional/local interests. However, the decline of Fordism as a regime of accumulation

generated a change in the nature of the mode of regulation, of which the grant-aid system was an important part. The development of the relative autonomy of the region has generated a more decentralised mode of regulation. The ability to sustain this relative autonomy rests on the concertation of economic and social interests, as argued above. The stability of this concertation can only be maintained if it operates within a corporatist framework. The formal decentralisation of state powers and responsibilities was an explicit recognition of a change in the mode of regulation. Therefore, it is a logical consequence to argue that decentralisation can be viewed as a form of corporatism. At the same time, the altered emphasis of the state grant-aid system reinforces the argument that regional economic transition and transformation can only be effectively managed and negotiated through a higher degree of concertation than in the past. Another consequence was the attempt by the Socialist government, elected in 1982, to harmonise state and regional assistance programmes. The FSAI can be said to be an early example of the altered emphasis of the grant-aid system.

In the first instance, the FSAI was directed at the shipbuilding and steel industries. As another employment creation grant, the objective of the FSAI was to respond rapidly and efficaciously to sharp and sudden crises in particular industrial sectors. Concurrent with the PDI or PLAT, the FSAI comprised 25% of investment, with a total F.Fr 3bn (1978 prices), half of which was subsidies. An element of loans was included in the FSAI, with conditions appended about terms of repayment and so on. The whole aim of grant-aid policy was to re-structure investment and employment regionally. As the system evolved organically, a pattern of insiders and outsiders developed in respect of the zones categorised as receiving assistance. However, even among the insider regions such as the North, gainers and losers resulted from the shifting pattern of aid. As a result, the

historically ad-hoc nature of grant-aid was fundamentally reviewed at the onset of the Socialist government in 1981.

The 1981 reforms were a response to diverse concerns. They included desires to:

- simplify regulation that had become too complex
- increase advantages to recipient firms
- modify the mapping of recipient zones, taking into account economic changes in the intervening years
- associate the regions more closely with the allocation procedures of state aid and permit them to add the grants to their own resources.

The latter reinforces the arguments made above and corresponds to Mauroy's position as the first Prime Minister of the 1981 Socialist administration. A review of the system, based on the desires above, began in 1982 and was subject to several modifications at the end of 1986, in anticipation of reconstructing the whole system of grants. In terms of state aid several diverse grants were replaced by the *Prime d'Aménagement du Territoire* (PAT) and the *Prime Régional à l'Emploi* (PRE) and the *Prime à la Création d'Entreprise* (PCE). The grants replaced were the FSAI, PLAR, PLAT and the PDR. Part of their purpose was also covered by the *Dotation Globalisation de Décentralisation* which covered the transfer of responsibilities to the localities, under decentralisation, and the European Rural Aid grant. Financed by the central state, PAT is aimed at industrial firms' investment decisions and the maintenance of employment in certain geographical regions. It also applies to research and tertiary activities. Like its predecessors PAT was aimed at the creation, extension or conversion of employment opportunities. In terms of amounts and rates of grant, PAT

represents a net improvement on the 1976 reforms. The allocation of PAT was handed over to the regions but this was reversed at the end of 1986 and accompanied by a lightening of central state procedures. The whole of the region, with the exception of Lille and Dunkirk, was covered by PAT. Explicitly, this recognises how crucial the previous FSAI had been in encouraging the transition of declining industrial regions like Nord-Pas-de-Calais.

The complex of aid initiated in the 1980s was an attempt to take account of changes in the economic situation. Thus, the research and tertiary element of grant-aid became more important with no limit being set on the amount of investment in these sectors, up to a maximum of double the firm's own funds. Given the nature of these sectors, there was an allowance made for the displacement of lower qualified workers by a smaller number of better qualified ones. Despite the attempt to maintain the regional bias of the grant system, decisions were taken by the Planning Ministry and its central government advisory committees. Given the need for transition in the region, the Nord-Pas-de-Calais was a major recipient of this type of grant. Its experience showed the difficulties of harmonising the national and regional assistance programmes, while allowing the central state to continue to intervene directly in the regions under a changed form of centre-periphery regulation.

Apart from the PDR, the basis of regional assistance has been the Public Regional Establishments which sought to intervene directly to sustain firms in difficulty. In 1977, the *Prime Régional à la Creation d'Entreprises Industrielles* (PRCEI) was initiated to act concurrently with state aid. Since 1982, the regions have been accorded two types of grant - *Prime Régional à l'Emploi* (PRE) and the *Prime à La Creation d'Entreprise* (PCE). Essentially the PRE is a job creation grant with the sectors and zones which benefit being

specified by the region itself, although the amounts granted and rates of grant are set centrally. The Regional Council of Nord-Pas-de-Calais decided to apply the PRE to the whole of the region. The maximum amount is set at no greater than 17% of investment, but this ceiling does not apply to zones that do not benefit from PAT, as PRE is not concurrent with PAT. Unlike the PRCEI, the PRCE is related to the creation of firms, irrespective of whether they are industrial or not. The PRCE is concurrent with PAT and PRE and its conditions are specified by the regional councils, subject to maximum sum that is increased for priority zones. The Regional Council of Nord-Pas-de-Calais operated the PRCE according to the same modalities as the PRCEI. The PRCE was buttressed in the region after 1984 when the *Conseil Générale du Département du Nord* created a departmental grant that was concurrent with the regional grant system.

The system of grants began in 1955, as aid for plants in difficulty in localities where industry was in decline. By 1988, three-quarters of the Nord-Pas-de-Calais was covered by some form of grant. All employment creation in the region is subsidised in some form or other. However, this manifold system has not been able to overcome the economic and social decline of many regions, nor the tendency for new economic development to polarise around the dominant and richer urban conurbations. One can see that as the system of grants became extended it became a *de facto* analogue of the decentralisation project that was to be formalised a decade after the major grants were instituted. In particular, increased regionalisation of the system and decentralisation presented the possibility of elaborating economic aid instruments that were more appropriate to regions in decline. Moreover, economic and social interest groups could be incorporated into regional policy decisions and institutions, despite historical antipathy to corporatism in France, through this system of assistance to manage regional economic decline and transition. Furthermore,

increased regionalisation of the grant system boosted the prospect of more regionalised planning, especially as the system became much more intimately involved with the National Plans from the 1970s onwards. This is in spite of the impact of cross-cutting interventions by DATAR in the localities with initiatives like the *pôles de conversion*.

Central State Development Programmes in Nord-Pas-de-Calais

The conversion poles and enterprise zones are continuing examples of intervention by the regional arms of state planning bodies, like DATAR. Hayward (op.cit: 120) approvingly quotes Prud'homme's assertion that "(t)he tendency of DATAR to establish a causal relation between its action and actual developments is not well founded" (1974: 59). This lends to the suspicion that many of DATAR's interventions are aimed at maintaining central authority over decentralised developments and act as a counter-weight to more autonomously regional proposals. Some of this argument was developed in the later parts of the last section. DATAR launched its own development agency, called *Association pour l'Expansion Industrielle de la Région Nord-Pas-de-Calais* (APEX), in 1966. This was a hybrid public-private agency that was informally identified as DATAR-Nord. The constituents of APEX were mainly interests of the traditional industries coal, steel and textiles in the form of regional arm of the *Patronat*¹ (dominated by textiles), the regional steel association and the nationalised Northern Coal Corporation. The sub-text of APEX was to limit the activities of local Socialists in the field of job creation. Effectively, a limited form of state corporatism was being advanced that excluded representation from organised labour. This contradiction in terms, however, could not last and material realities overtook ideological predispositions.

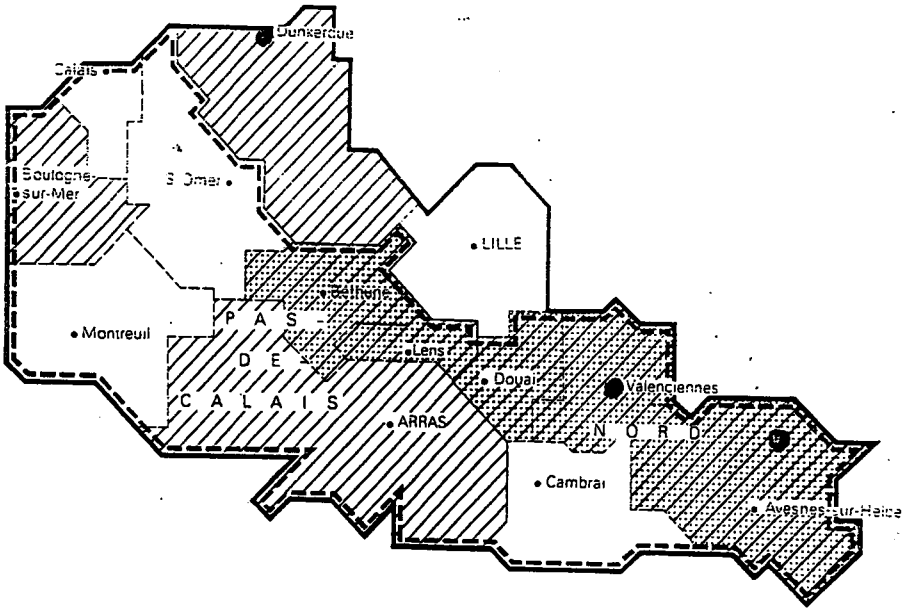
In 1967, President Pompidou established the body of *Commissaires a la Conversion* (Industrial Conversion Commissioners). Olivier Guichard, the then head of DATAR,

decided that APEX should be headed by one of these commissioners. Between 1973 and 1980 the head of APEX was a prefect, with DATAR contributing 40% of its financing. According to Hayward, APEX deliberately cultivated a dual image. In its dealing with business interests, it distanced itself from the role of being an arm of the state. In dealing with government ministries and their regional counterparts, it acted as "a member of the family" (op. cit: 121). This duality was also reflected in the role of the APEX commissioner who, as well as being financially accountable to DATAR, reported both to the regional prefect and the President of APEX. APEX acted as an intermediary between firms investing in the region and the administrative and financial procedures of the state. This fitted in with the orientation of DATAR during the 1960s and 1970s, in its policy of steering national and international firms into priority areas during times of economic expansion. The onset of recession in the mid-1970s shifted the emphasis to the protection or at least amelioration of unemployment. In the case of firms in difficulty, APEX could arrange help from the Inter-Ministerial Committees for the Adaptation of Industrial Structures. The function of this committee was subsumed under the *Fonds Industriels de Modernisation*, Industrial Modernisation Fund, (FIM) in 1983. In the case of strategic or technological firms, funds could be advanced to rescue them as well as receive loans with favourable long term interest rates. Again, faced with recession APEX became involved in job protection. Its success in job creation was variable but it could be said that it assisted in the transition, represented by de-industrialisation. Like DATAR, its more important role was to act as a subtly intervening actor maintaining the traditional cross-cutting mode of regulation between state and region. However, it would appear that the duality of APEX, as an agent of DATAR and a regional agency tended to create the environment in which a regional and/or local corporatism could develop and possibly flourish.

The theme of maintaining an intervention in a locally activist region like Nord-Pas-de-Calais is sustained through subsequent DATAR policy. The logic stems from the changed nature of regulation between centre and periphery following the passing of the decentralisation legislation. The continuing presence of DATAR policy interventions allows regional and local interests to negotiate a relative autonomy between Region and State. This can be described as pluralist bargaining as particular interests treat discretely with the state. As stated above, however, this bargaining is likely to be unstable as it is set in a context of a particular regional/local interest and not general ones, thereby denuding it of general legitimacy. The interventions of DATAR and the grant-aid system allow the centre to re-balance its relationship with the periphery back in its favour from the regional/local gains bestowed by decentralisation. Therefore, the economic and social interests in the periphery can only maintain the current balance if they operate in a concerted manner in respect of intrusions by the centre. Again the logic of decentralisation as a form of corporatism surfaces.

The other initiative targeted at regions in transition was the *pôle de conversion* (conversion pole) programme aimed at converting industries in decline in fifteen poles in France. The programme dates from 1984 and is run by DATAR, which nominated areas to be defined as poles. Three poles were nominated in Nord-Pas-de-Calais. They are situated in the coastal zone of Calais-Dunkerque, the mining basin around Valenciennes and the Vallee de la Sambre, centred on Mauberge in figure 7.1. Some of the poles have subsequently become enterprise zones, for example Dunkirk, reflecting the different economic and political realities at the beginning of the 1990s. The conversion pole initiative was announced on 8th February 1984 with the fifteen poles nominated being progressively brought into operation by the end of the summer of that year. The poles were

Figure 7.1 Location of Conversion Poles in Nord-Pas-de-Calais



source: DATAR

chosen on the basis of areas particularly afflicted by decline in the coal, steel, shipbuilding, automobile and telecommunications sectors. The zone of operation was defined by a geographic area, but not strictly limited by distance. The poles were run by nominees of DATAR who initiated projects but at the same time attempted to act within the context of the local political fabric. They initiated or approved projects in the poles backed by loans and higher rates of PAT. Each pole had three functional officials representing the three policy areas of industry, employment and training respectively. They were responsible to the departmental prefect but their decisions should refer to local elected notables at the same time. The programmes for each pole are negotiated in the context of the *Contrat de*

plan with the objective of intervening in the short to medium term to create industrial development in each pole. The redevelopment programmes have three parallel elements:

- an analysis of each employment area taking note of needs, deficiencies and potentiality of the workforce in respect of their qualifications and experience.
- planning of the urban and industrial fabric and improvement of infrastructure (renovation of old industrial areas for residential and new industrial development)
- a programme of training, research and technological investment and modernisation of educational institutions

The poles also benefitted from a simplification of the aid procedures through being a more direct vehicle for subsidies like PAT. State aid is usually granted by a committee under the direction of the regional prefect. The formalities for the creation of enterprises in the poles were reduced and a major priority given to any employment creation project. At the same time, the financial means of support were made considerably clearer. Outside the normal grants and subsidies for regional planning, the first instalment of financial aid was increased from 35% to 50%. In 1984 and 1985, the total amount of financial aid available to the poles was F.Fr. 6.9bn of which a third was in the form of loans provided by the FIM. Despite this intervention, under DATAR auspices, the mandate of the poles is rather vague, with a complexity of financial arrangements that could hinder rather than assist industrial re-conversion. The role of the charge de mission (CMR) varies from site to site and their brief is larger and more vague than that of a managing director of a large corporation (cf. Saget 1986).

There existed a significant difference between the conversion programmes based on

large plants subject to economic downturn and the conversion poles themselves. In the former case, the re-conversion programmes were adapted to each situation whereas the poles worked under a strict set of regulations. Financial aid was not global but aimed at specific problems with a suspicion that the CMRs were more and more concerned with putting programmes into place than helping enterprises to re-structure (cf. Saget 1986). This point is reinforced by the Council of Ministers ending certain measures in 1984. They included subsidising the salaries of those on training leave for two years, encouraging early retirement of those over fifty years through financial incentives and help for local enterprises who take on highly qualified workers. A number of substitute measures were undertaken aimed at promoting small business in the craft industry, including accelerated depreciation, deductibility of interest payments from tax liabilities and other fiscal advantages. Apart from these relatively general changes, certain other measures specific to the *pôles de conversions* were introduced. The possibility of offsetting losses, a three year tax holiday from the *taxe professionnelle* (local business tax; see chapter 5), employment creating tax incentives and the promotion of local venture capital for the each sector were the major items. The impact of these measures on the overall tax system was marginal and those creating enterprises already gained certain fiscal advantages.

Ostensible legitimacy is given to the rebalanced relationship between periphery and centre by continuing a policy of industrial conversion undertaken by DATAR. The *pôle de conversion* initiative stemmed from the generalisation of industrial conversion that had been followed in a number of European countries since the late 1970s. For example, the British Steel Corporation had established companies to help retrain and find new employment for former employees in plants subject to rationalisation. In the same manner, a number of *sociétés de conversion* were established in France, to address the

problem of employees in declining traditional industries. The regional distribution of this policy was heavily biased to the North-East. In 1986, for example, of a total number of 303 agreements signed by the industrial holding company, Saint-Gobain, 91 were in the North-East (Saget, 1986: 32).

What all these measures do is to beg the question of whether the poles initiative and associated measures created a net gain in employment and economic activity. Detailed figures from DATAR on the creation of employment and at what cost are not easily available. DATAR's own estimate for the early to mid-1980s suggest that the annual rate of employment creation in Nord-Pas-de Calais was 5.7% and 6.5% for the whole of France. The degree of association between employment and state aid, at all levels, is open to question. What one can say about the *pôle de conversion* programme is that it forms part of a panoply of measures aimed at mitigating the problem of regional economic transition. The problem for the French political economy is that many of the regional aid programmes, directed by the central state, form part of the state's strategy to maintain "cross-cutting regulation" and re-dress the balance of decentralisation. This tendency has been reinforced in regions like Nord-Pas-de-Calais where the decentralised environment had empowered local and regional notables more than formerly.

The approach to economic conversion varies between the different poles. Two examples in the Nord-Pas-de-Calais can be cited as evidence, one at Valenciennes in the mining basin and one at Mauberge in the Sambre basin. In interviews with the *chargés de missions* (CMRs), this difference was brought out. Apart from the different economic and social geographies of the two places one also discerns ideological differences.

These ideological differences stem from the political environment in each town. Valenciennes is known as an "old money" town in that the local bourgeoisie, its wealth

built on traditional industries, has been able to maintain its political dominance which is allied to the Right. During the 1988 election campaign for the National Assembly, Jacques Chirac, the then Prime Minister, offered the possibility of Valenciennes becoming a separate department. Because of the decline in coal mining, Valenciennes has experienced large scale unemployment, averaging a rate 4% greater than the regional average of 13%, between 1987 and 1992. As such, the electoral position is split between communist representation in the south of the area and Right and far-Right to the north. The CMR for the Valenciennes pole was involved in two projects in 1988 for a duration of three years. His objective was to explore relations between the institutions of conversion and regional actors, including enterprises, local notables and administrators. This level of concertation excluded organised labour, although in interview he claimed there were sufficient intermediary bodies where these interests could be represented. As an employee of DATAR he saw no conflict of interest between his role as intermediary for DATAR's and initiatives from the Region and communes. He noted however, that the replacement of specific grants with block grants since decentralisation empowered the Region with its own resources. This empowerment could cross-cut the interests of DATAR in particular areas of the region.

The state aid that the pole could call on was limited to specific areas. Assistance existed for new technology activities, those that correspond to national objectives, and for industrial conversion to create small and medium sized enterprises. The latter is coordinated with the Valenciennes Chamber of Commerce and Industry. One project the CMR had proposed was cross-regional with the neighbouring region in Belgium. It was proposed to build a new rail link across the border in anticipation of the Paris-Bruxelles high-speed rail link, connecting via Lille, thereby leaving Valenciennes and Mauberge with poorer communications. This scheme parallels those in the 1994 Regional Plan to maintain

and/or improve the connectivity of Valenciennes and Mauberge to Lille and Paris by rail and motorway. The present relatively poor connectivity increases the sense of economic isolation of the "shadowlands". The lack of full concertation in the development of the *pôle de conversion* in Valenciennes reflects the close relationship between the CMR and local chamber of commerce. Whether fuller concertation would have delivered better bargains and outcomes is open to question. Because of a different history, the situation in the Mauberge pole is different.

In the Mauberge conversion pole, which covers the area of Sambre-Avesnois, there are three *chargés de missions* who are responsible in turn for industry, employment and training. The pole has a direct relationship with the prefecture and DATAR and indirect relationships with the Regional Council and the Ministry of Employment and Transport. The degree of concertation in the Mauberge pole is greater than that of Valenciennes. This operates through the *Comité locale pour l'Emploi* which incorporates local trade union syndicates, local notables and administrators including those from the conversion pole. In order to assist in modernisation of local industry, a centre for technological innovation was established with help from the national government, the EU and local and regional enterprises. However, the poor level of qualified workers and the lack of good transport communications, apart from the old Paris-Bruxelles rail link, presents major problems for the CMR for training. He stated that the lack of training and employment opportunities for the young presents his greatest challenge. In particular, he pointed out that once training was gained many young people moved from the area because of the lack of employment opportunities. Being part of the geographical and economic periphery of the region, it was difficult to attract new activities. There had been a reduction of unemployment amongst those below twenty-five in the area covered by the pole between 1984 and 1987, falling

from a rate of 51.8% to 39.4% during the period. However, the decline matches that of the region as a whole and cannot be necessarily to the credit and financing activities of the conversion pole. A similar pattern emerges for the overall rate of employment in the pole area viz a viz the whole region. In spite of a more corporatist type policy direction in Mauberge, compared to Valenciennes, one finds that at best the re-structuring activities are again defensive.

The creation of five zones which receive tax privileges in return for investment in activities within them, under the *Zone d'Investissement Privilégié* (ZIPs) programme, in the Sambre-Avenois area attest to the continuing need of economic development programmes in one of the region's main "shadowlands". Despite a more corporatist institutionalism in Mauberge, the patience of the local population with the Socialist Party seems to have run out. In the last cantonal elections, the Gaullists won the local seat on the departmental council, with the PS candidate being run a close second by the far-Right National Front. There is a strong sense of resentment against the Regional Council and a suspicion that it reinforces Lille's regional imperialism at the expense of the periphery. Mauberge is a situation that is ripe for exploitation by a Right government in Paris, dealing with a Regional Council run by a Socialist-dominated coalition. The activities of DATAR and the ZIP programme in these localities allows the centre to re-structure "cross-cutting regulation" back in its favour. However, like the Region, the State will have to deliver new kinds of bargains to intermeditate the interests of the local population.

The *pôle de conversion* and *sociétés de conversion* programmes continue alongside new initiatives like the *Zone d'Investissement Privilégié* (ZIP) programme. The conversion poles still operate under the aegis of DATAR in the region, but their activities are now limited to one person who co-ordinates between DATAR and the locality in which the poles

are situated. The Valenciennes area includes six ZIPs and given the lack of public data on job creation by the conversion poles, one can deduce that the introduction of these new programmes signal continuing difficulties in the declining sub-regions, with little impact on overall employment rates. At the time of interviewing the CMRs of Valenciennes and Mauberge in late 1988, the unemployment rate had fallen from 18% to 17.2% and 17.6% to 16.6% respectively, from the previous year. It fell further the following year and then began to rise for Valenciennes to 17.4% at the end of 1992 and hit a low of 15.9% at the end of 1991 rising to 16.6% at the end of 1992 for Mauberge. Correlation doesn't imply causation but a crude summary would suggest that these measures are ultimately defensive, attempting to maintain an existing pool of employment and economic activity. The ZIP programme follows on from other programmes like the enterprise zone programme. An enterprise zone was established in Dunkerque in 1987 which operated under a five year programme. Benefits included a ten year holiday from corporation tax for companies locating in the zones.

The ZIP programme is operated by the Regional Development Agency assisted by *Nord-Pas-de-Calais Développement* on behalf of the *Commissaire à la Réconversion Industrielle*. It is an example of closer Region-State co-operation than operated under some previous programmes. There are 16 sites in the region that have been nominated as privileged zones. They are privileged to the extent that companies created in the zones receive a tax credit of 22% of the net cost of the investment they make during the first three years of operations in the zones. This tax credit is then deducted from the amount of corporation tax over the first full ten years of the company's existence that it is liable for. The criteria for eligibility are that the headquarters, activities and operations must be in a ZIP. The business must be of an industrial or commercial nature, including producer services and

markets services but excluding retailing. At least ten jobs must be created within the first three years. The administrative procedures for locating in the ZIPs is much more simple than previous initiatives, with the Regional Development Agency acting as a single point of contact. The placing of the ZIPs is similar to that the *pôles de conversions* with the exception of Calais-Dunkerque. The mining basin of Valenciennes and the basin of the Sambre-Avesnois, sites of *pôles de conversions*, have eight and five ZIPs respectively. The conclusion one could draw from the generosity of the ZIP programme is that the balance sheet for the *pôle de conversion* programme in the region was less positive than DATAR would have one believe.

The ZIP programme, however, appears a less attractive incentive for firms to locate in them than the conventional system of subsidies, soft loans and financial aid packages co-financed between state, region, department and commune². As stated above, many of the regional interventions by central state agencies appear to be functions of centre-periphery regulation rather than the explicit relief of regional deprivation. The relative lack of success of these measures will fuel suspicions about the role of the state. In doing so, it is likely to reinforce the tendency towards local and regional corporatism, encouraged by decentralisation, as the state fails to deliver its discrete bargains with particular regional interests. In part, measures like ZIP are undermined by complementary measures like industrial locations grants. In the Nord-Pas-de-Calais, the *Fonds Spéciales d'Industrialisation* (FSI), a regional equivalent of PAT has been more attractive than ZIP. This fund is aimed at converting industrial buildings for other activities and is a co-financing measure between public and private partners. It does not restrict a firm's location decision to a particular site. The ZIP programme extends across some of the poorest economic zones of the region and can be seen as a response to local interest group

pressure to re-vivify these zones and re-distribute some of the externalities generated by Lille's increasing role as a Euro-gateway.

In the case of Valenciennes and the Sambre valley, rather more material factors are at work. Both areas can be described as economic "shadowlands" compared to the regional capital, Lille. Lille appears to cast as a powerful regional magnet, with an economic and social pull akin to that of the Parisian basin. The connectivity of Valenciennes and especially Mauberge is relatively poor because transport infrastructure radiates from Lille. Lille is benefitting from the route of the high speed link to the Channel Tunnel, which links Paris and Brussels, passing through it. At the time of field writing, the Paris-Brussels rail line runs through Mauberge where trains stop. There is a large railway repair yard in Mauberge which will run down once the high speed network is complete. Furthermore, Mauberge will then no longer be served by a major inter-city rail link and at present the major motorways do not connect with it. It is not surprising, therefore, to find that the former Socialist stronghold of Mauberge is now represented by the Right at the departmental (cantonal) level. This can be seen as a response to the lack of economic development in the Mauberge mining basin accompanied by little or no impact on rising unemployment. Moreover, the downgrading of the Paris-Brussels rail link will reinforce economic decline in this particular sub-region. Valenciennes, on the other hand, has had a traditional allegiance to the Gaullist Party, seeing itself as set apart from Socialist-dominated Lille. As a result, central governments of the Right have been able to take advantage of the regional political tensions, as the example of the promise of departmental status to Valenciennes in 1988 indicates. One would not have to be a cynic to suggest that the Socialist notables of Lille might be less than enthusiastic in promoting the material position of Valenciennes, if there is the prospect of political opposition there. As described

above, there has been an explicit recognition of the problems of Mauberge and to a lesser extent Valenciennes in the 1989 and 1994 Regional Plans. The degree to which these Plans can arrest the continuing decline in the Mauberge sub-region may have some bearing on future local elections.

What these examples show is that despite the impetus given to the development of Nord-Pas-de-Calais as a region by figures like Mauroy, intra-regional political tensions and shifting allegiances act as a constraint on this impetus. The political competition has a long history and is one not necessarily marked by division between left and right. It is also marked by competition between the two departments of Nord and Pas-de-Calais which comprise the region. Aside from the position of Valenciennes, the ancient canton of Flanders, adjacent to the Belgian border has remained traditionally conservative, centred on Hazebrouck. The other traditional conservative town is Douai has been joined in its political preference by the former Socialist bastion of Cambre. The coastal towns of Boulogne and Calais were once dominated by the Right, but in the late 1970s and 1980s these have come to be controlled by the Socialist and Communist parties respectively. Even within the urban community of Lille, Mauroy's political base, the situation is complex. Tourcoing despite being represented by a Socialist mayor has been a conservative working class town, once dominated by textiles. Roubaix on the other hand was a Socialist bastion. However, in the late 1980s this the strength of this bastion has proved illusory. The far Right has advanced its position in both Roubaix and Tourcoing and the impact of economic decline has not been arrested by development in wealthier Lille (cf. Giblin-Delvallet 1987). In the last cantonal elections, in 1994, the seat for central Lille was retained by the President of the Departmental Council of the North, representing the traditional Right. The relationship between political change and the exigencies of state and social corporatism

is returned to below. What can be concluded from this thumbnail sketch is that despite the economic and social imperatives of the region, the intra-regional tensions mitigate against the legitimacy of a state form of corporatism being imposed from the region's capital.

One way of assessing this complexity has been to examine the relationship between the *Plan Régional* and the *Contrat de Plan*, above. Moreover, as the effects of decentralisation have matured the shift from a state type corporatism to a societal form has become apparent. There are two aspects to this claim. The relative dominance of a powerful regional figure like Mauroy was important in the development of regional planning and economic policy in the years prior to decentralisation. The mediation of this dominance, in the realm of policy, took on a state corporatist form as concertation of regional economic and social actors was imposed from above. After decentralisation, this trend continued because of the Socialist Party's political dominance. However, the decline in their electoral popularity resulted in a weakening of their ability to impose state corporatist arrangements from above. Although decentralisation altered the balance of "cross-cutting regulation" between centre and periphery, the gamut of state programmes and grant-aid system acted as some redress. Through *pôle de conversion* programmes and the like the state was able to bargain discretely with particular regional interests. Although these bargains tended to instability they afforded particular interests to escape a regionally imposed state corporatism. The logic of the shift to a societal form of corporatism comes from the concertation of the region's general interests with local and regional authorities. The utility of this logic comes in managing the transition from economic decline following the crisis of corporatism. At the same time, this logic derives a concerted effort to locate Nord-Pas-de-Calais as an economic space across which international transactions will flow. The institutional form of the shift from state to societal forms of corporatism is taken up

in the next section.

From State to Societal Corporatism via Pluralism

Chapter 4 detailed the distinction between these two versions of corporatism. They provide useful models for assessing the dynamics of regional planning and development policy, decentralisation and state programmes and grant-aid system aimed at Nord-Pas-de-Calais. This section looks at the institutional basis of the shift from one version of corporatism to another. The new system of regional planning formalised *ex post* the nature of activist policy in Nord-Pas-de-Calais prior to decentralisation. In spite of an increase in formal relative autonomy, the planning efforts of the Region are still circumscribed by "cross-cutting regulation" between centre and periphery, albeit in a different form.

The lack of specificity between the 1984-88 and 1989-93 Plans reflects changes in the national and regional political environment. At the same time, the number of measures intended to ameliorate industrial decline and transformation have grown reflecting manifold interests that cross-cut centre and periphery. For example, concern over the decline of the coastal region and the prospect of Calais facing growing unemployment after the temporary boost of Tunnel construction have led to a concerted strategy to regenerate this sub-region. This strategy seeks to enhance the comparative advantage of the coastal plain in a three-pronged manner. Industrial development is to be centred on Dunkerque, fishing on Boulogne and transport on Calais. Calais has traditionally been a poor relation to Lille, partly reflected in its electoral adherence to the Communist Party.

The Regional Council has been presided over by a President from the Green Party, since the regional elections of 1990, and the Council is now run by a coalition of Socialists, Greens and others with Right and far-Right parties making gains at the expense of the Socialists; in spite of the power base of Pierre Mauroy as Mayor of the Urban Community

of Lille, the region is no longer a Socialist bastion. As such, the imposition of a form of state corporatism has given way to a more societal form reflecting the increased plurality of interests in the region. At the national level, the increased central authoritarianism of the last Socialist government (see Chapter 5 above) and the antipathy of the incoming Right administration to indicative planning has reduced the Regional Plans to residual documents, following that of the National Plans. In the most recent cantonal elections (departmental), where fifty percent of the seats on the Department council were contested, the PS did not reverse its previous losses in the *Departement du Nord*, losing two seats to a combination of Right parties. The President of the Council, who represents the Gaullist RPR, retained his position. In the other department of the region, Pas-de-Calais, the balance of power remained with the PS and PCF. Whether the PS will regain overall control of the Regional Council in the next regional elections is open to question. It appears squeezed in two directions, which stem in part from the regional economic development policies that have been fundamental to their political position in the region. In the wealthier parts of the region, like Lille and some its environs, the traditional Right has made progress as Lille has developed into a metropole with relatively high level of services and associated labour force. In the economic "shadowlands" like the mining basin, the relative failure of policies to resist economic decline has led to a weakening of traditional support for the PS and a shift towards far-Right parties. At the same time, the state corporatist bias of policy implementation has lost its legitimacy through the failure to manage decline efficaciously. This problem is also exacerbated by the existence of a traditional Right government in Paris. Alongside relative policy failure, political changes have resulted in a shift from a regional quasi-state corporatism to a more societal form. The legitimation of the former developed through a number of institutional practices and

bodies, like the *Comité Économique et Social Régional* (CESR), which is closely connected to the *Conseil Régional*. In a shifting political environment, bodies like the CESR are less able to contain changing objectives of represented interests and sustain a state corporatist bias.

The CESR acts as a forum for the interests of regional interests groups. It consists of ninety-six members split in three categories. Firstly, representatives from regional employers (thirty four). Secondly, representatives from trade unions and employees' associations (thirty four). Thirdly, representatives drawn from regional pressure groups, such as consumer groups, sports, housing and family associations (twenty-five). Finally, there are four regional nominees made by the Prime Minister. The CESR is chaired by the President of the *Conseil Régional* and has a permanent secretariat funded by the *Conseil Régional*. Within the first category are representatives of the regional *Patronant's* interest group committee, *Comité Interprofessionale Social et Économique* (CISE), which operates closely with the Regional Chamber of Commerce. Because the CESR contains manifold interests, such as the CISE, the division of membership into each category cannot be said to correspond to phalanxes of interest. There are tensions within the employers' groups as well as the employees' groups. This reflects new economic activities superseding old ones and historical as well as ideological differences.

The CESR acts as an information providing body and one that tries to act as an intermediary between different interests in the region. The fact that it is funded by the *Conseil Régional* and chaired by the President of the Council means that the regional state deals directly with interests. A state corporatist bias can therefore be discerned. As a consultative body and an information forum, the CESR allows its participants to negotiate the new form of "cross cutting regulation" since decentralisation in a manner which

substantiates their position in the region. In respect of the shift from a state to societal form of corporatism, the CESR's position is quite complex. Pierre Mauroy's power base like that of the other *grands patrons* rested on the degree to which regional autonomy was advanced through activist economic development strategies. As the Prime Minister at the time of the passing of the decentralisation laws, Mauroy was in a powerful position to reinforce this autonomy. As Lille became the hub of these development strategies, his approach was to initiate some programme, give it financial backing and then hand it on to some other body or institution to run it. Various regional interests were party to these programmes so that their management, after initial establishment, was subject to a form of corporatism imposed by the Region. As the Socialist bastion has been eroded, the political intermediation of regional interests has become more plural, leading to the suggestion of a more societal form of corporatism. The position of organised labour is worth noting in these changes.

The formal representation of the trade union and employee syndicates reflects the history of the region and its past economic strength. If one looks at the position of the traditionally dominant trade union syndicates in the region, one finds that their influence has diminished as the industries they represent have declined. The Socialist dominated *Confédération française démocratique du travail* (CFDT) and the Communist dominated *Confédération générale du travail* (CGT) are the two major industrial syndicates in France and in Nord-Pas-de-Calais. One finds a sceptical attitude towards the Regional Council from both Left-dominated syndicates. In interviews with the regional leaders of both syndicates a paradoxical situation arose. They were both critical of the economic development policy of the Region. They appeared to have better relations with the state and its regional representatives, like the prefecture and DATAR, in their negotiations over

industrial closures. The loss of a large amount of employment through the closure or reduction in size of large plants, like that of the Alsthom plant in Valenciennes, could never be compensated by the creation of small and medium-sized industries and enterprises (*petite et moyennes industries et entreprises* {PMI and PME}). As this type of employment creation is at the heart of the regional plans and contracts with the state, it would seem that the Region is not able to deliver economic transformation for its whole territory.

The leader of the CFDT claimed that the new formation in the region goes against public opinion. This view stems from representing declining industries in the economic "shadowlands" but shows the problem of a core-periphery structure developing, with the new core of advanced services at Lille. He also pointed out that state assistance for the creation of PMIs and PMEs had to be repaid, putting pressure on longer term employment creation. At the same time, these PMIs and PMEs are reliant on larger scale activities to demand their products and services: activities which the region is losing. The same spokesperson also claimed that decentralisation has only been helpful in its stress on training and the creation of industrial modernisation grants. However, with one in two non-qualified adults being unemployed along with 5% of qualified technicians, three quarters of the unemployed do not benefit from some sort of training. As a result, the CFDT is somewhat cynical about the Regional Council, preferring the Council to limit itself to the provision of public services and training rather than a self-serving political entity.

The views of the leader of the regional CGT are more striking. The CGT finds itself more in conflict with nationalised industries in the region like the railways (SNCF) which seeks little consultation with the CGT. Through its representation on the CESR, the CGT had been intimately involved in negotiation with the Regional Council over the Regional Plans. For the first Plan, which covered the period 1981 to 1984, there had been a high

degree of concertation in the negotiation over its objectives and means of fulfilling them. The form of the Plan changed from one of concerted agreement to more of one imposed from above by the regional state. For subsequent Plans, the levels of concertation were reduced, especially for the highly detailed 1984 Plan. The leader of the CGT claimed that the quality of concertation was better with the state and its regional representatives. There was a high level of concertation with the Prefecture and the *Patronat* on the *Comité de Bassin d'Emploi* (committee for labour market area) aimed at creating employment in a more post-industrial environment. In combination with a resurgent Right, the opposition by ideological allies in the trade unions to the Region's imposition of a type of state corporatism meant that this kind of arrangement could not be sustained. As argued in the previous section, it did generate a paradox in that a societal form of corporatism could arise and be sustained.

It is apparent that the traditional union syndicates have greeted the creation of a regional political bloc, the Regional Council, with some scepticism to the point of cynicism. What is apparent is that because of de-industrialisation their direct influence has waned and they have reacted poorly to the initial imposition of state corporatism at a regional level, because of decentralisation. The tensions within the PS in Nord-Pas-de Calais, under the rubric of "*les frères ennemis socialistes*", allied to changes in the regional electoral system allowed the Right to advance its position, as noted above. The reduction in the size of Socialist bastion and the different form of "cross-cutting regulation" allowed traditional interest groups to negotiate a new plurality. The plurality of interests cannot be denied as, for example, every time a foreign investor seeks to locate in Nord-Pas-de-Calais representatives from about seventeen bodies insist on being party to the negotiations³. These bodies include various economic development agencies but their interests are not so discrete

nor plural as they cross-cut consistently. In spite of a decline in their direct influence, the union syndicates can negotiate a more societal form of corporatism through the plurality of state and regional bodies and through informal negotiations on the CESR.

Given the decline in the dominance of the Left parties regionally and nationally they are now likely to be more responsive to the pressures that their associated interest groups, like the CFDT and CGT, may bring to bear. They are faced with a dilemma, however, as regional state corporatism has given way to a more societal version, the advance of the Right is likely to be assisted if the economic development policies are successful in their own terms, which are likely to lead to the displacement of industries and workforces traditionally associated with Left-dominated syndicates and parties by professional/technical activities and occupations and a much more segmented regional labour market. In this sense only, decentralisation may be the precursor of the ways in which the Socialists discovered and implemented pluralism as Ashford claimed (cf. 1990). That is, decentralisation allowed a plurality of interests to have access to more direct negotiation with the state. In the meantime, history has shown the effects of decentralisation to be a change in the form of "cross-cutting regulation" which has resulted in decentralisation becoming a form of corporatism, of a societal kind.

Concluding Remarks

This chapter has extended the narrative of the previous chapter by concentrating on the impact of the grant-aid system and state programmes aimed at combating economic decline in the Nord-Pas-de-Calais. Ostensibly these programmes aim to manage the transition to economic modernisation. They appear to also enjoy another purpose, which is to maintain the state discretion over the balance of centre-periphery regulation and redress the apparent shift that followed decentralisation.

The complexity and frequent changing of the grant-aid system and the state's regional programmes reinforce this perception. The lack of a published balance sheet of benefits and costs of many programmes also reinforces a perception that these programmes are essentially defensive, distributing the effects created in the region by the crisis of Fordism. Although the same charge could be made for the programmes of the Region, a project of economic and social modernisation is at the heart of their objectives. What connects these perceptions is the recognition of a shift in the basis of the legitimacy of economic development policy at the level of the Region and the State.

The decline in the political dominance of the Socialist Party in Nord-de-Calais has meant that a state corporatist bias in the concertation of economic and social interests could no longer be imposed. At the same time, the central state's interventions in the region have allowed particular interests to bargain discretely with the state thereby undermining a regional state corporatist bias. The stability of these bargains, because they are discrete, appears uncertain. The defensive nature of state programmes means that they cannot deliver economic modernisation. Therefore, the utility of particular interests will only be increased in concert with interests which are concerned with general economic and social regional issues, intermediating with Region and State in the process of economic modernisation. The nature of this concertation appears to be a type of societal corporatism as these general interests seek to respond to the demands of the new international division of labour. That is, transforming the region into a site across which international transactions flow and at the same time managing the defensive nature of transitional programmes. What connects these themes is the regional/local empowerment delivered by decentralisation, which has ultimately been embraced by parties of the Right. Despite the attempt of the state to redress this balance, the net result allows us to argue that decentralisation has become a form of

corporatism within the evolving mode of regulation after Fordism.

Notes

1. The *Patronat* is the diminutive of the *Conseil National du Patronat Français* (CNPF), the employers' national association.
2. Telephone interview with DATAR official responsible for Dunkerque.
3. Interview with the *chef de cabinet* of the *Comité Économique et Social Régionale*.

CONCLUSION

An account of the changes in the international economy and its impact on the regions of Europe is both difficult and complex. In particular, making sense of a world economy which now seems both global and local or international and regional is demanding. Fordism as an analytical category provides the means of a more straightforward account of the post-war period up to the demise of Bretton Woods. The twin components of regimes of accumulation and modes of regulation structure such an account from both theoretical and historical perspectives. This account was developed in chapter 2. The regime of accumulation under Fordism appeared to offer a thermostatic device that could regulate national economies. The accompanying mode of regulation, the "rules of the game", was less determinate made up of a set of institutional arrangements which appeared less universal than the regime. Moreover, it was one whose stability was variable and legitimacy subject to periodic challenge.

Corporatism was one of the important components of the mode of regulation in Europe. Its experience across the whole continent was variable, weak in France and the United Kingdom, strong in Austria and Germany. Partly, this reflects two important historical dimensions of corporatism. On the one hand, its genesis stems from a conservative mode of thought, exemplified by its promulgation in Catholic social thought in the nineteenth century. In the twentieth century, corporatism has been at the heart of regulating the Keynesian welfare state in avowedly social democratic societies. What this apparent paradox points to is the historical lineage of corporatism and the elasticity of its conception. The historical development of corporatism was analysed in chapter 3, whilst arguments over its contemporary relevance were adumbrated in chapter 4. The lineage can be traced to a movement from estates to liberalism to corporatism in the 18th and 19th centuries. In

the manner that interests spilled out of parliamentary politics to create corporatism, so the late twentieth century revival of liberalism suggests a leaking back of interest group representation into political competition. However, this revival confronts a very different kind of state, resulting in a form of liberalism akin to *Ordoliberalismus* or neo-liberalism, in contrast to the mutant version promoted in anglo-saxon societies.

The changes in the international economic order, since the demise of Bretton Woods, have been expressed as the "new international division of labour". A large increase in foreign direct investment and manufacturing trans-plants in core and peripheral economies has changed the dominant regime of accumulation. Production has been decentralised away from traditional sites in the major economies. There is no longer a regime of accumulation. It is logical then to conclude that the mode of regulation has also been altered by these international changes. The decline in the state's discretion over economic regulation (in the widest sense) is a corollary of the decentralisation of production. Advances in technology and communications overcome the constraint of time and space to the activities of multinational corporations, thereby reinforcing this decline. The evolution of the world economy into supra-national economic spaces, for example the European Union, and the localisation of production gives rise to a regionalised or global-local economy. In this context, the power of nation-states has been eroded with some state functions being devolved and replicated at lower levels of government. The stabilisation role of the state has imploded. Monetary policy is internationally determined, with few exceptions, and a limited discretion over fiscal policy remains. This role cannot be replicated at a local or regional level whereas roles of allocation and distribution can. In deconcentrating and devolving these functions of the state, an explicit recognition of decentralisation of the material world is being made. Although the two are not so discrete, this institutional change is accompanied

by some tax raising powers. The dual determination of the state - its material and institutional forms - to assist accumulation and maintain democratic legitimacy is replicated at a decentralised level. "Administrative commodification", however, now occurs on a more limited and localised scale because of constraints imposed by the central state's fiscal objectives. Increased local and regional responsibility for economic development confronts two elements - transition and modernisation. Given that local and regional states do not undertake the stabilisation function, development is externally constrained. They seek to locate their territories as sites for flows from international economic transactions.

The experience of many localities in Europe is that development measures are essentially defensive. Transition is bound up with managing shocks to the labour market from the collapse of traditional industries. Modernisation is tied to becoming a net beneficiary in the form of value-added of new activities, the location of which is subject to intense competition. As such, one finds a variegated hierarchy or hierarchies of urban regions whose respective positions are owed to the level of the economic functions within them. Fundamentally, however, the position of urban regions stems from the objective function of international market adjustment at the heart of the "new international division of labour". The institutional decentralisation of state powers corresponds to the deregulated and materially decentralised nature of this function. The limits imposed on the state's stabilisation role are more tightly drawn for the regional and local state, thereby setting limits on allocative and distributional functions devolved to them. Decentralisation and deconcentration of state power do stem from motives for democratization and self-management. In this kind of environment local indigenous development is encouraged and by aligning this development to the demands of the international division of labour, some local discretion and relative autonomy can be achieved. The result may be that some

localities are able to challenge the core-periphery structure of regions in Europe. The legitimacy of indigenous development clearly depends on its success in managing the transition of industrial decline and inducing economic modernisation. Furthermore, the organisational bases of local development forms part of the legitimation process. Localised and/or regionalised interests groups are incorporated into the development process and become part of the bases for the organisation of this process. This incorporation reinforces notions of partnership, which relates to ideas of community, locality, increased self-management and democratization. Without the involvement of these interest groups the local state would find it very difficult to initiate indigenous development in isolation. This difficulty is compounded because of the limits to its fiscal powers, ultimately imposed by the central state. Decentralisation may have been stimulated by demands for greater democracy. Localities, however, have not gained discretion over economic development in isolation from changes in the international economy. In most cases, it is the international division of labour which has engendered these local or regional opportunities.

A way of bringing together an argument about the changes in the world economy after the crisis of Fordism was to structure it around some key organising concepts. These concepts included Fordism as a regime of accumulation, corporatism, neo-liberalism and decentralisation. It was argued in chapter 1 that the end of what has become known as the Fordist era brought in its wake no single dimension of economic regulation. Since the 1970's, the international division of labour fragmented temporally and spatially. The concomitant crisis of state budgets led to a re-ordering of state priorities and an attempt was made to find new channels of mediation between state and civil society. As the material base of civil society became internationally determined, the notion of locality or region became reinforced as international capital sought to localise and regionalise its

operations. State bargains with private interest groups at a national level lacked legitimacy because of a failure of state discretion over the underlying institutional arrangements. In such a fragmented environment, and a developing climate of economic liberalism, private interest groups tended to evacuate themselves from previous national bargains. The institutional bases of decentralisation also came out of the demands for greater local democracy and self-management. The notion of social partnership, as a way of negotiating the commodification process, depends on legitimacy for its stability. Where the "new international division of labour" has localised production, it has coincided with demands for local self-management of development; the dual determination of the state now appears at a decentralised level. The reasons for entering into social partnership are still apparent but their context is now localised or decentralised.

Industrial decentralisation, through regionalisation of location, brings with it an imperative of state decentralisation. Given regional disparity and competition over the location of branch circuits of capital, some institutional intermediation between local/regional groups and the equivalent state may emerge. Decentralisation of state powers has stimulated a variety of interpretations. Ostensibly, the deconcentration of power and its decentralisation is consistent with demands for the democratization and self-management of economic life and control over public institutions. These demands arose from the growth of social movements in the 1960s and 1970s. Simultaneously, there is a recognition that the overload of central state functions was accompanied by the crisis of the public budget, from the 1970s onwards. A coincidence of interest occurred in which state functions were re-structured and shifted down to more local levels of government. It was argued in chapter 5 that decentralisation in France has paradoxically reinforced the power of the central state because of the ability of central state actors to exploit local situations. Moreover, the

outcome is that one form of cross-cutting regulation between centre and periphery has been replaced by another. However, the strength of this argument is somewhat reduced by the degree to which forms of local and regional corporatism develop. Furthermore, the range of interpretations of decentralisation, which chapter 5 detailed, provide the environment in which a range of development possibilities may arise. The development of local/regional corporatism offers the possibility of a complementary channel of mediation between state and civil society, centre and periphery. There are limits to this channel of mediation, however. Spatial fragmentation of French local authorities has led to the formulation of social demands being fragmented. These demands were in response to the inequalities generated by national and international economic circumstances (cf. Preteceille 1985) The evidence for these changes is perceptible but the strength of the general argument advanced in chapter 5, in part, rests on finding it in the weakest or most unpromising of cases, that is, France.

One can easily identify the impact of the new international division of labour in France. It has had a formal project of state decentralisation since 1982, instituted by legislation. What is more difficult to discern is evidence of the concertation of interest groups and the state in a corporatist framework or forum. That is, the process by which interests groups and the state come together in a corporatist forum. In this instance, the French case is a most unpromising one to suggest the possibility of conventional corporatist arrangements. This difficulty stems from history and ideology as was shown in chapter 5. Intermediating groups, between the state and the citizen, were made illegal during the late 18th century. In 20th century France, corporatism was associated with the war-time Vichy regime; a creation of Nazi Germany. The ideological opposition came from the interest groups themselves as they tended to treat with a powerful unitary state. The influence of

international market liberalism and deregulation has found an expression in the growth of French neo-liberalism. Half-way between the German *Ordo* model and the Anglo-Saxon form, French neo-liberalism is antipathetic to the Keynesian welfare state and corporatism. Yet paradoxically, the stress on the enterprise rather than the individual and the importance of Catholic social thought in their formation brings them close to corporatism. The dominant view is also a misreading of French contemporary history in that quite strong corporatist arrangements were promoted by successive governments at the end of the First World War and less strongly at the end of the Second World War. In the 1960s and 1970s, more regional development occurred as regions dominated by the Socialist Party sought to make autonomous economic development policy a source of opposition politics to Right-dominated central governments. The legitimacy of this kind of opposition politics depended on economic development delivering some kind of benefit to regional and local organised economic and social interests. It is apparent that these organisations would have to be incorporated into some concerted policy forum. The victory of the Socialists in 1981 compounded an unprecedented electoral popularity. For the first time in two decades the same political party dominated every level of government. By rapidly embarking on the decentralisation project leaving the details to be worked out later, Gaston Deferre delivered the historical touchstone of the Left. This public declaration of more citizen control over state power and commitment to self-management confirmed the Left's powerful allegiance to the democratization of public and private institutions. The latter was expressed through a comprehensive programme of public ownership. A major claim for decentralisation was greater efficiency and democracy of locally defined and managed responses to local needs (cf. Preteceille 1985). As a touchstone of the Left, however, decentralisation was a post-war phenomenon. As far back as the nineteenth century, decentralisation was advanced as

a political programme against the encroachments of a centralist state. It was also seen as the counterpart to grass-roots democracy. Furthermore, decentralisation advanced the rights of "natural communities" against the imposition of departmental boundaries imposed after the Revolution of 1789 (cf. Gremion 1987). These communities were bound to the land and the strength of historical boundaries. Their opposition to the artificial boundaries of departments stemmed from their anti-revolutionary ideology. Centralisation was at the heart of Republicanism in 18th century France, whilst ultra-Monarchists supported decentralisation in order to restore the monarchy. These latter arguments, examined in chapter 5, were the basis of claims that "decentralisation was an idea thought up by the Right, then awkwardly adopted by the Left" (ibid: 237),

The decentralisation legislation formalised the politics which the Left had developed in opposition prior to 1981. From 1982 onwards, this position was embodied in the then Prime Minister, Pierre Mauroy, who as Mayor of Lille was the driving force behind economic development policy in Nord-Pas-de-Calais. In the case of Nord-Pas-Calais in France, the regional government's plans for economic development and local autonomy could only be made effective through some neo-corporatist inter-mediation as chapter 6 argued. This conclusion flies in the face of antipathy towards conventional corporatism in France. The 1982 formal project of decentralisation tended to focus regional actors on forms of intermediation much more than previously. Two types of corporatism seem to have emerged. Firstly, a form of state corporatism partly imposed from above prior to decentralisation and for some years after. Secondly, as the central state sought to redress the shift in the balance of centre-periphery regulation, after decentralisation and the decline in the Socialists political fortunes, a form of societal corporatism emerged. Chapter 4 examined state and societal concepts of corporatism and their empirical relevance. The

pressures for the emergence of corporatist arrangements were a response to managing economic decline and the transition to aligning the region with the demands of the new international division of labour. Although a formal framework of corporatist intermediation was not established, aside from the Economic and Social Committee, which has not got formal powers, one finds a series of arrangements which represent a corporatist impetus. The case study chapters on Nord-Pas-de-Calais examined these arrangements as the basis of arguing that decentralisation can be seen as a form of corporatism.

The generalised reasons as to why decentralisation can be seen as a form of corporatism are to some extent vindicated by the experience of Nord-Pas-de-Calais. It should be remembered that this is not some a-historical absolutely determining configuration. The argument which was advanced in chapters 6 and 7 came out of a recognition that the relation between state and civil society is not unambiguous nor static. The modern state faces a crisis of legitimacy and rationality so that in the abstract there is a constant search for some channel of mediation. In the post-Fordist era in Western Europe, the relation between decentralisation and corporatism goes some way in providing a new channel of mediation. The case study of Nord-Pas-de-Calais was not used to empirically validate the argument that decentralisation is a form of corporatism. The purpose of this study was neither to confirm nor deny a hypothesis. Rather, the material was used to assess the degree to which the theoretical and historical argument had empirical relevance for a region in transition.

It is apparent from the cursory examination of the German case, in Appendix II, that the French case more promising than appeared at first sight. This statement, however, does appear to fly in the face of the evidence on the nature of the French experience. The loci of the organising concepts of Fordism, corporatism, neo-liberalism and decentralisation

provided the structure in which the experience of Western European regions, in the post-Fordist era, was assessed in chapter 1. These organising concepts have particular histories. They came together in a particular moment where the stability conditions of the regime of accumulation, which was termed Fordism, broke down, which chapters 2 and 3 argued. This regime delivered unprecedented economic growth and rising living standards for a period of about thirty years, up until the early 1970s. The French term this period *les trentes glorieuses* and it has been seen as a "Golden Age", from the perspective of near the end of the twentieth century. Accompanying the dominant regime of Fordism was a mode of regulation or "rules of the game". A mode of regulation includes the gamut of institutions, practices and policy arenas which facilitate the regime of accumulation. The success of the Fordist regime rested on an equilibrium being maintained between mass production and mass consumption; one of the key stability conditions. Chapter 2 argued that corporatism was an important part of the mode of regulation in Europe in the Fordist era. As the conditions of stability of the regime of accumulation weakened, the institutional practices that comprised the mode of regulation were undermined, including corporatism. Therefore, the legitimacy of corporatism could not be sustained, so that one would have expected the demise of the kind of institutional practice associated with it. However, such a view underestimates the robustness of corporatism and misunderstands the strength of its historical lineage.

The waxing and waning in the importance of corporatism arose out the shift from estates to liberalism to corporatism in the 18th and 19th centuries. In this era, as interest groups could not be contained within the limits of political parties, which chapter 3 argued strongly. Its historical credentials stem from two, apparently distinct, sources - Catholic Social thought and the work of Hegel again examined and substantiated in chapter 3. The

former case is exemplified in the publication of two Papal social encyclicals, one at the end of the 19th century, the other in the early part of 20th century. These encyclicals were concerned with the social position of labour. The roots of corporatism were seen in Hegel's concept of "Corporations"; intermediary bodies between the family and the state. The historical lineage of corporatism reinforces the degree to which its strength, as an important and continuing analytical concept in the face of unpromising circumstances, can be sustained.

The boundaries of the Fordist regime of accumulation were found by the limits of restructuring worker time in production. In the era after Fordism, an international spatial restructuring of production occurred which in effect decentralised production around the world. As a result, national forms of economic regulation were undermined. As such, no one central thermostatic regime of accumulation and accompanying mode of regulation presented itself. Aided by a technological imperative, the new international division of labour presented the possibility of valorizing any geographical or economic space. The objective function of this new division became international market adjustment. In these circumstances the world economy took on the appearance of being simultaneously global and local or international and regional. Therefore, local or regional spaces attempted to locate themselves as sites across which international or global economic transactions flowed (cf. Allen 1992). In the absence of a determinate mode of regulation, difficulties occur in negotiating the new international order. The decline in national economic regulation and the legitimacy of elements of the mode of regulation, like corporatism, presented particular difficulties, especially for declining industrial localities and regions.

In the less determinate circumstances, a number of possible modes of regulation present themselves, even in the most unpromising of environments. An internationally decentralised

economic environment has engendered the decentralisation of many state functions. However, the ability to negotiate economic decline and subsequent modernisation requires some gamut of institutional practices and policy forums: a mode of regulation. Regions or localities facing decline and attempting to promote modernisation will therefore need concerted action by constituent economic and social interests to negotiate international exigencies. The decentralisation or devolution of state responsibilities, and means of financing them, promotes the basis on which local or regional states can intermeditate between these interest groups and the demands of the international division of labour. In chapter 4 it was argued that it is the negotiation of the general demands of interests with the state which distinguishes pluralism and corporatism. Two varieties of corporatism can be distinguished, state corporatism and societal corporatism which are still important in the evolving modes of regulation after Fordism.

The unpromising case of France and one of its regions, was chosen as to study because of the historical antipathy to corporatism and that it did not appear to an important component of the mode of regulation during the Fordist era. This case study was initially explored in chapter 5. The new international division of labour presents difficulties for declining industrial regions like Nord-Pas-de-Calais. If it is to undergo economic modernisation it will have make itself attractive as a site across which international transactions will flow. Given formal decentralisation in France since 1982, and a history of activism in economic development an opportunity has arisen in which the evolving mode of regulation has corporatism as an important component. That is, the incorporation of local and regional interest groups into the regional state's negotiation with the demands of the international division of labour has become an imperative. Such a conclusion leads to the claim that decentralisation is a form of corporatism. Given the particular circumstances

of Nord-Pas-de-Calais, one can discern a shift from a state form of corporatism to a societal form in this empirical setting. This argument was set out in chapters 6 and 7. Moreover, the theoretical basis of this claim was substantiated by the analysis of the organising concepts, set out in chapter 1, which structure this research. The overall position is summarised below.

The crisis of Fordism, as a regime of accumulation, undermined the utility and legitimacy of corporatism as a key component of the mode of regulation. The displacement of national economic regulation to more international and regional forms displaced corporatism to decentralised levels. A corollary of the localisation of the new international division of labour was the devolution of state powers to localities. This devolution occurred because of the state's institutional overload and the crisis of its budget, which arose from the demise of Fordism. The erosion of state power shifted some roles down to lower levels of government. Allocative and distributional functions have increased at a local and regional level. The enhanced development of the regional state corresponds to the exigencies of the "new international division of labour", as stated above. At the institutional level, the increased responsibility for economic development has increased opportunities for relative autonomy and local discretion. In order to take on a more activist role in economic development, increased tax raising powers have been granted. Although allocative and distributional functions have been devolved, the stabilisation role of the state remains with the centre but in a reduced form. As such fiscal constraints still operate from the centre to constrain the degree of local discretion in the periphery. The degree to which the devolved roles of the regional state can function legitimately, local/regional interests groups have had to be incorporated into the policy process of economic development. Although this appears to fly in the face of the demise of corporatist arrangements at a

national level, the development of a localised corporatism has been consistent with changes in the regime of accumulation and mode of regulation. Moreover, local incorporation of economic and social interests seems to correspond to demands for greater democratization, self-management and local discretion. Decentralisation then has a material and institutional logic which comes together in the concertation of economic and social interests in localities and regions of Europe. Moreover, the material and institutional forms of decentralisation are consistent with tendencies in the international economy. Because of the concertation of interests, with a more localised or regionalised state, institutional decentralisation can be claimed to be a form of corporatism. It has become the basis for organising local interest group intermediation in the face of circumstances which suggest that corporatism became antithetical to the welfare of civil society in the post-Bretton Woods period.

The case study of France and Nord-Pas-de-Calais appears to have substantiated this argument from the most unpromising of beginnings. In the altered spaces of economic life after Fordism one finds that one of the key components of its mode of regulation re-surfaces as a means of organising regional economic development strategies. By concerting the interests of economic and social actors in this manner, the global-local exigencies of the new international division of can be negotiated in localities and regions. Decentralisation of state powers appears to have engendered this concertation and by doing so confirms the thesis that it is a form of corporatism, even in the most unpromising case.

APPENDIX I: Research Methodology

The research methodology used is based on critical rationalism rather than a hypothetico-deductive methodology attempting to empirically validate a central thesis. Source and secondary literature, in both English and French, is interrogated to establish the theoretical framework and to examine the empirical material for the case study. The relevance of the source and secondary material for the case study is substantiated through a form of sensitivity analysis. The theoretical case is made in terms taking a critically rationalist approach so that the internal logic of the theoretical account stands up to examination in its own terms. The sensitivity takes two forms. In the first place, the empirical examination of France and Nord-Pas-de-Calais is used to examine the degree to which the theoretical account is sensitive to a reading that can be substantiated in a real world case. In the second place the degree to which the perceptions of the empirical account are sensitive to the views of important economic and social actors in the region of Nord-Pas-de-Calais. They include local and regional politicians, state functionaries, representatives of interest organisations like trade unions and business associations and professionals working for the manifold economic development agencies in the region. These views were expressed in structured interviews. These interviews also provided feedback for the sensitivity analysis because the discussions of the experience of Nord-Pas-de-Calais were centred on the theoretical relationship between decentralisation and corporatism. By adopting this kind of research methodology the complexity of the issues and the ensuing discussion is better illustrated than would be the case under a more conventional approach. Structured interviews were undertaken in person in late 1988 and 1989. Subsequent interviews were conducted by telephone. I am grateful to the following individuals for providing me with their time and the information and insights they gave.

| | |
|-------------------|---|
| Christian Blondel | <i>Conseil Général du Département du Nord</i> |
| Maurice Baudoux | <i>CERES</i> |
| David Buchan | <i>Financial Times, Paris</i> |
| Dominique Cresson | <i>CESR</i> |
| Remy Chassaignon | <i>Chambre Régionale de Commerce et d'Industrie</i> |
| M. Corbaine | <i>DATAR, Pôle de Conversion Mauberge</i> |
| M. Delaby | <i>CFDT</i> |
| M. Delijne | <i>Banque Populaire du Nord</i> |
| Guy Denervo | <i>Crédit du Nord</i> |
| Manuel Dias | <i>CGT</i> |
| Yves Durand | <i>Conseil Général, Département du Nord</i> |
| Bernard Frimat | <i>Conseil Régional, Nord-Pas-de-Calais</i> |
| Jacques Fine | <i>DATAR, Pôle de Conversion, Valenciennes</i> |
| Olivier Fry | <i>DATAR, Nord-Pas-de-Calais</i> |
| Bertrand Zuindeau | <i>Université des Sciences et Techniques de Lille Flandres Artois</i> |

A number of interviews were undertaken with some individuals in Germany. The purpose of these interviews was to compare the experience of local or regional economic development with that in France. Again I am grateful for their time and the information they provided.

| | |
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| Peter Allheit | <i>Univeristät Bremen</i> |
| Hans-Otto Dworeck | <i>Handelskammer Hamburg</i> |
| Christian Eick | <i>Wirtschaftförderungsgesellschaft der Freien Hansestadt Bremen</i> |
| Jurgen Friedrichs | <i>Univeristät Hamburg</i> |

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|---------------------------------|--|
| Heinz-Gerd Hofschen | <i>Universität Bremen</i> |
| Claus Muller | <i>Hamburgische Gesellschaft für Wirtschaftsförderung</i> |
| Barbara Powitz | <i>Hamburgische Landesbank</i> |
| Bernd Reissert | <i>Internationales Institut für Management und Verwaltung</i> |
| Hans-Peter Steinmetz | Council of Bremen for Investment and Finance |
| Wolfgang Streeck | University of Michigan, Madison <i>(formerly of Internationales Institut für Management und Verwaltung, Berlin</i> |
| Uwe-Jens Walter | <i>Bundesforschungsanstalt für Ländeskunde und Raumordnung, Bonn</i> |
| H. Wandt | <i>GEWOS Institut für Stadt-, Regional- und Wohnschung, Hamburg</i> |

APPENDIX II: Decentralisation and Corporatism in Germany; the examples of the city-regions of Bremen and Hamburg

A way of assessing the general argument and its empirical counterpart is to briefly look at an apparently more straightforward case: Germany. The case of Austria is briefly assessed as a stronger corporatist exemplar in Appendix III below. If one observes the experience of two German city-regions, Bremen and Hamburg, then some general perspective can be given for the more unpromising case of France and Nord-Pas-de-Calais in particular. The account of decentralisation and corporatism appears to be more straightforward for Germany than France. This simplicity actually cloaks a complexity of centre-periphery relations and the way in which publicly attributed interest groups are incorporated into arrangements with the state. The intention here is not to uncloak that complexity but rather describe the relationship between decentralisation and corporatism in order to show that the major elements of analysis are not just relevant to one French region.

In Germany, a system of quasi formal intermediation has operated at a national level reflecting centralised economic power. Formal decentralisation of state power has been central to the Federal Constitution since 1949. However, it was not until the 1970's that any imperative to engage in corporatist intermediation occurred at the regional level. This imperative was more felt in declining regions or those facing economic re-structuring like Hamburg and Bremen. In the fragmented environment of the post-Fordist era, regions have developed both convergent and divergent interests with regard to international capital and the federal state. Because of the complexity of centre-periphery relations in Germany the central state has been able to regain some discretion over the regions. It has been able to do this through the changes in the environment and by distributing the role of legitimacy to the regions and their social actors. Thus, although formal decentralisation and the

existence and acceptance of corporatist arrangements at a national level, the two elements have only come together in a complex way. The change in the nature of the international division of labour and the accompanying fiscal crisis of the state has been the basis of this coming together.

Decentralisation (or federalism) is written into the German constitution through the Basic Law of 1949 which established the distribution of powers between the Federal government and the regional states (Länder). Each Land has its own executive and parliament with ministers responsible for a variety of bailiwicks, including a Ministry of Economics. The material basis of this regional power operates through the distribution of taxation at the Federal and Lander levels. In order to ensure regional equality there is a tax balancing system (*Finanzausgleichsgesetze*) that seeks to vertically and horizontally equalise taxation resources between different Länder. Although generalised economic and political structures are as important, stressing the material (taxation) base allows an "institutional ensemble" view of the state (cf. Jessop 1990, Offe 1984) to be assumed.

In the Federal Republic, economic and political structures have tended to be mediated through apparatus that can be called "corporatist". Economic regulation tends to be juridical in nature, particularly in the sphere of industrial relations. The two come together through co-determination (*Mitbestimmung*) - the joint participation of employers and employees in running industry. This participation is formalised by worker representation on boards of directors. This is legally canonised through the labour courts and such legislation as the Co-Determination Act of 1951. Co-determination enjoyed widespread political support in the post-war era. Despite the 1951 Act being limited to iron, coal and steel industries, a general neo-corporatist environment was established. At the same time the economic miracle (*Wirtschaftswunder*) of the 1950's was described by Chancellor

Erhard in 1965. He foresaw a new corporatist society that would be regulated by the enlightened self-interest of corporatist groups. The political arrangements of this bargain would not be by authoritarian decree but by a technocratic form of politics, seeking the common good. The institutional basis of this arrangement became known as *Konziertierte Aktion* (Concerted Action) which operated from 1967 to 1979. Concerted Action was voluntary and appeared only to operate effectively, in terms of agreeing targets for the real economy like wage setting, at times of recession. Its formal breakdown resulted from the employers resistance to the reform of co-determination, proposed in 1976 (Katzenstein 1987). The political climate of worker militancy in the 1970's tended to weaken organised labour's ability to deliver their side of the institutional bargain. Such structural stress reflects the larger functional changes in the economies of western Europe. The end of Fordist type national regulation in the early 1970's, is an example of this change. In the case of West Germany, the tension between partners over co-determination displays a basic simplicity of German political economy. That is, economic power is centralised and state power is decentralised. The corporatist actors in the co-determination bargain operated at a national level, reflecting the centrality of economic power. The problem for the central state in co-determination arrangements is that the material base of power is decentralised. Furthermore, the crisis of Fordism and state budgets in the 1970's exacerbated the role of the Federal government in maintaining a neo-corporatist environment. One particular difficulty pointed up in the 1970's was the operation of fiscal policy which became difficult because the effect of the regional tax-balancing system meant that regional and local public spending became pro-cyclical rather than anti-cyclical.

The federal share of public spending is about one third of the total so that a national corporatist orientation can be maintained in the regions by the federal state's policy

interventions. The mismatch between this orientation and regional problems has been exacerbated by the new international division of labour (Reissert 1985). As a result of the localisation of plants on a global scale, in the 1980s, Germany now experiences a steep north-south economic gradient (Grotz and Wadley 1985). The decline of traditional industries and the crisis of Fordism reinforced north-south divisions. Combined with the crisis of the public budget, the federal state's neo-corporatist arrangements were increasingly ineffective in dealing with the regionalisation/localisation of economic modernisation. The experience of two northern regions can be briefly examined to assess these changes.

Bremen and Hamburg are Hanseatic city states that have traditionally been dominated by Social Democratic Party (SPD) administrations. Their economic development has been based on shipbuilding and commercial port activities and in the case of Hamburg, large modern industries such as aircraft manufacture. Hamburg is the largest and one of the wealthiest cities in Germany. It is currently the wealthiest city in the European Union on a national income per capita basis. It did, however, face serious problems of economic and industrial re-structuring during the late 1970s and 1980s. It is this difference in prosperity that in part accounts for the difference in response of the state government in each region to economic re-structuring. Another factor is that the state government of Bremen has been traditionally more interventionist than that of Hamburg. As a result of the former difference one would expect much more active intervention in economic re-structuring in Bremen than in Hamburg. One could distinguish the approaches by reference to the models of state and societal corporatism, with Bremen operating within the ambit of the former. This intervention has taken a neo-corporatist form operating the agency of the Bremen Economic Development Corporation,

Wirtschaftsförderungsgesellschaft der Freien Hansestadt Bremen. This agency operates with a combination of state and federal aid seeking to encourage industrial and commercial location in Bremen. The Corporation is a quasi-state agency controlled through shareholding of the state government, trade unions and the Chamber of Commerce. As in France, the latter has a quasi-official role in respect of training and in aspects of economic development. The Development Corporation tends to be the locus of such activity acting as a kind of gatekeeper for economic initiatives. These include buying minority shareholdings in major German companies, in order to influence or exercise some control over those companies location decisions, (ie hoping to retain some company operations in or re-locate to Bremen). The arms's length approach to economic development through an agency, like the Development Corporation, has the advantage of removing the state from direct responsibility for economic re-structuring. The Corporation has corporatist-like characteristics because the membership of its board of directors is drawn from the major regional interest groups and the Land government.

The situation in Hamburg is different with a less regional state intervention in economic development. Although there is an agency for economic development acting in a consulting capacity to attract new companies, a coalition of interests also generates particular various initiatives, for example the Chamber of Commerce. The slogan of the economic development agency in Hamburg is "Gateway Hamburg". It seeks to make Hamburg the gateway for the distribution of exports to Europe and build up service industries around this function. At the same time, the service logic of economic modernisation comes out in the promotion of financial and commercial activities. This less interventionist approach reflects the extent to which economic base of Hamburg is both larger and more powerful than that of Bremen. At the same time, although organised labour is one interest represented on the

economic development agency their influence is marginal, as most of its members are located in traditional industries and manufacturing. The ability to engage in more autonomous re-structuring is thus more powerful than in Bremen. Hamburg has suffered problems of a similar order of magnitude as other northern German states, losing 14.2 per cent of employment in manufacturing between 1970 and 1980. Much of the re-structuring in Hamburg has been associated with growth of private services associated with the port's commercial activities such as financial services and the development of the stock exchange. Hamburg, like Bremen and many regions in Western Europe that have suffered economic decline, stresses the development of high technology as the basis of economic re-structuring. As in the case of Nord-Pas-Calais, northern Germany is not a favoured site for high-tech industries. Such companies tend to locate in the South, centred on Stuttgart and Munich. Moreover, there is a finite amount of high technology activities in Western Europe as a whole with fierce regional competition for its location. A particular problem for Hamburg is that organised business interests have until recently been dominated by the traditional activities. At the same time, some of the regional trade unions have not been interested in developing the role of "social partner", preferring a defensive particularistic role. Therefore, attracting new activities via some agency of neo-corporatist intermediation runs into the potential of intra-economic producer group representation conflict. Given the economic and tax base, representatives of traditional activities have tended to be rather complacent about the need to generate new activities in the Hamburg region. Thus, a more formal neo-corporatist arrangement with the incorporation of the representatives of the new activities into that arrangement may be necessary for the state government in initiating economic development. One problem that remains for both Bremen and Hamburg is the over-determination of regional identification that prevent the

development of inter-regional agglomeration economics. Regional competition may act as a spur to lever down locational and labour costs but a larger set of benefits may be lost. Unhappily fierce competition remains between Hamburg and Bremen, with the former always more likely to be favoured as a site for international transactions. As in the argument pursued for Nord-Pas-de-Calais, state corporatism tends to be associated with defensive strategies against decline and societal corporatism associated with strategies of transition to modernisation. The relative experience of Bremen and Hamburg appear to bear this out.

The largest constraint for both regions remains the changing international division of labour, external to centre-periphery discretion. Despite state power being decentralised and economic power being centralised, corporatist intermediation has mainly occurred at a national level. With the functional and structural re-ordering of economic regulation in the post-Fordist era, the German regional states find themselves in a conundrum. Formal decentralisation of state power has existed since the drawing up of the Federal Constitution in 1949 but until the breakdown of Concerted Action most of the structural bargains between social partners and the state have been conducted at a national level. The regionalisation of production in the post-Fordist period appears to give regions more discretion in attracting branch circuits of international capital. It also strengthens their position in negotiating with the central state over location of those branch circuits. Yet regions can only undertake this discretion through decentralisation of state power, something that has existed in Germany for nearly forty years. However, exercising that discretion, through decentralised state power, must be legitimate. Given the rationality and legitimacy crisis of the welfare state in the 1970's, then this new regional discretion must develop a new channel of mediation, incorporating regional social actors and

representatives of international capital into a new structural bargain or arrangement. This bargain would be corporatist in dimension if not form. It would appear that the restructuring of corporatist arrangements in Germany will be along decentralised lines but one in a manner that is more complex than the existing constitution. It also brings in its wake political difficulties for the periphery viz a viz encroachments from the centre, particularly since unification in 1990. Maintaining the relative autonomy in the Lander and the localities will require the incorporation of organised interest whose objectives are more likely to be funnelled through a regional rather than "interest" voice dealing with the Federal government. It is apparent that these decentralised responses are corporatist in form, as argued in the French case. The German case does stem from a different context and conjuncture, like all history, but it does support the generality of the argument.

APPENDIX III: The Stronger and More Promising Case of Austria

Post-war Austrian economic policy was based on a concept of social partnership. The post-1973 crisis, following the demise of Bretton Woods, altered the policy conditions of social partnership but not the principle (Lauber 1992). The form of consensual politics was set in grand coalitions of interests made up of the five largest interest groups, covering all the major industries in specific economic sectors. However, this corporatist system has been brought into question by material and ideological changes. The legacy of "Austrokeynesianism", as the post-war mode of regulation, remains and up until the late 1970s and early 1980s had delivered impressive rates of non-inflationary economic growth. This impressive record stood as a bulwark against the developing orthodoxy of monetarist and supply side policies. A shift towards this orthodoxy could not be resisted as the Austrian economy moved into crisis in the mid to late 1980s.

The history of corporatist intermediation as the foundation of the success of "Austrokeynesianism" rests on three institutional aspects. Firstly, the nature of the main interest groups which comprise the social partners. Secondly, the patterns of co-operation between them and the state. Finally, how co-operation and co-ordination is implemented and the division of responsibilities within the state-interest groups policy forums.

The main five social partners are the Federal Chamber of Business, Austrian Trade Union Federation, Chambers of Labour, Chambers of Agriculture and the Federation of Austrian Industrialists. The main bodies are distinguished by the constituencies they represent and the whether membership of them is statutory or voluntary. The Federal Chamber of Business (BWK) is a statutory body whilst the Trade Union Federation (ÖGB) is voluntary. The Chambers of Labour (AK) and the Chambers of Agriculture are statutory and the Federation of Industrialists (VÖI) is voluntary. The AK is incorporated primarily

on a federal level and secondarily at a state (regional) level. Formal co-operation on the division of responsibilities exists between the OGB and the AK. The AK represents most industries but maintains a relative autonomy from social partnership.

The two most important interest groups are the BWK and the ÖGB. The former is a statutory group established by public law with obligatory membership, with fees being seen as a form of tax. The latter has a voluntary membership but with a virtual monopoly over representing worker interest. The unitary nature of its role is distinguished in two respects. It represents employees from all sectors of the economy and comprises worker representatives from all political parties. The combination of obligation and monopoly in both bodies would appear to deliver a high degree of legitimacy for Austrian corporatism. However, this strong form of corporatism ultimately dependent on its legitimacy by being part of a mode of regulation to sustain the utility of the regime of accumulation. As the regime of accumulation has become more international and fragmented in the last two decades, so the national compact in Austria has become less successful and less appropriate.

The emergence of "Austrokeynesianism" in the early 1950s was a pragmatic response to the problems and opportunities of the period (cf. Lauber 1992). The industrial base in Austria was built up after the absorption of the country into the Nazi *Reich* in 1938. Prior to this there was little industry of note. Most of industry was nationalised after the war so that Austria had one of the highest proportions of industry under state control of all Organisation of Economic Co-Operation and Development (OECD) countries. It therefore betokened an easier operation of income policies which became the consistent feature of economic policy in the immediate post-war period. In part incomes policies were able to deliver non-inflationary growth because of high proportions of membership of interest

groups. In combination, the legal backing given to interest group membership and effective state control of the real economy allowed the depoliticisation of the rank and file. This occurred through interest groups being incorporated into quite centralised policy structures. However, in the way that interests spilled out from the confines of party in 19th century England, as described in chapter 3, so interests were partly leaking back into political parties when incomes policies cut across interest group objectives. The competition between political parties in Austria after 1955 made the operation of incomes policies difficult. The government response was to re-vitalise the institutions of the social partnership. This re-vitalisation was achieved by the establishment of the *Paritätische Kommission* (PK) which took over *de facto* management of economic policy and the business cycle.

The whole history of social partnership and its maturation in the form of the PK came as a result of the 1848 bourgeois revolutions in continental Europe which also affected Austria. From this date, the Chambers of Business were created followed by the development of trade unions in the 1870s and 1880s. In the early 1920s, the Chambers of Labour were created to match the other peak association on the other side of the industrial divide. Between 1934 and 1938 the two chambers came together under corporate authoritarian rules of the fascist regime. In the post-war period, a modified version of this kind of imposed social partnership was created.

The PK was set up in 1957 and augmented in 1963 by the formation of the *Beirat für Wirtschafts und Sozialfrage* (BWS). The pivotal nature of these bodies in Austrian political economy was confirmed when they survived the end of the grand coalitions of governing political parties in 1966. The PK acted as a kind of second cabinet with two representatives of the three chamber organisations and two from the OGB. The PK is divided into three sub-committees which correspond to its three main functions.

- (i) wage negotiations.
- (ii) price setting.
- (iii) developing recommendations for government

or individual ministries (in the case of the BWS).

The PK grew out of wage pacts between the BWK and the ÖGB, so that the whole legitimacy of social partnership rested on the efficacy of incomes policies in economic management. Although the legitimacy of social partnership depended on autonomy of the participants and from the state, closer inspection reveals a high degree of inter-action. Such inter-action included elements like chambers being based on public legislation, participation of ministers in meetings of the PK and interests being intimately and intensively involved in policy making and its implementation (Gerlich 1992).

There are three fundamental principles which have informed Austrian corporatism. They are the organisation of participating bodies, style and patterns of the organisations and an oasis of stability for the whole framework. Because organisations are based on a monopoly of representation and their pattern is dominated by central structures, Austrian corporatism has remained institutionally more robust than in other countries. At the same time, the personal relationship between successive heads of the BWK and the ÖGB has maintained an environment of informality, intimacy and introversion (cf. Gerlich 1992). The informality comes from bargains being struck through understanding rather than bureaucratic rules. Intimacy is maintained through the public not having access to discussion. Introversion comes from the rather internal nature of Austrian social partnership. Its legitimacy stems from the public acceptance of it as a policy making forum and its position in successful economic management. The overlap with the mainstream political system occurs because of the overlap of personnel, the political influence of the

social partners and the degree to which interests undertake functions on behalf of the state. The introverted nature of Austrian corporatism, as a major component of the mode of regulation, means that it is vulnerable to external changes which impinge on regimes of accumulation. The nature of "Austrokeynesianism" locates the mode of regulation as being mainstream Fordist, with the regime of accumulation only being experienced on a peripheral basis in general and by a few industrial sectors up until the early 1970s. Changes in the international economy, particularly in Eastern Europe, brought about a wind of change which posed difficulties for this introverted system.

The accession to power of the Socialists in 1970 reduced the influence of corporatist decision making. Other factors like the agreement with the EC in 1972, the growth of environmental politics and antipathy of the upper echelons of the civil service to the Socialists accelerated this reduction in corporatist influence. The 1972 agreement stimulated trade with Germany and Italy also increased Austria's international exposure alongside its membership of the European Free Trade Area (EFTA). The onset of the post-1973 recession shifted the emphasis of economic management from non-inflationary growth to outlasting the recession. At the same time, mainstream politics became polemicalised with the growth of the right-wing People's Party and the United Green Party of Austria. The closed nature of social partnership was antithetical to the libertarian instincts of the People's Party. As a result of interests leaking back into party politics, the PK began to be subject to internal divisions which reduced its influence. Moreover, the general environmental principles of informality, intimacy and introversion, which had sustained Austrian corporatism, became challenged as the economic pressures of the post-Bretton Woods period fed into a new politicisation. The very success of the PK relied on it acting as a second cabinet. However, because it was not subject to the normal checks and balances

of a parliamentary system, its legitimacy came into question as it failed to address the problems of the post-1973 crisis successfully. Furthermore, the introverted nature of the system was challenged increasingly, despite the open-mindedness of many officials of the BWS (cf. Gerlich 1992). As the apex of the system came under pressure so did the degree of co-operation of the large interest groups wane and the relationship between these groups, the political system and government became less intense.

It is apparent that the main threads of the mode of regulation started to unwind because the institutions which made up Austrian corporatism had their legitimacy compromised. Challenges to its introversion and internal reforms among the chambers of business, labour and agriculture, such as questioning compulsory membership, pressed its stability. However, the major reason for the system being undermined was the crisis of the public budget. Outlasting the recession as the central tenet of economic management meant that full or near full employment was sustained by substantial increases in public debt. Much of this spending went into infrastructure investment and in combination with wage moderation economic management appeared successful.

Despite the attraction of neo-conservative policies practised in the Thatcher and Reagan administrations of the 1980s, they did not find resonance amongst Austrian policy makers. However, the reaction to the second oil crisis appeared to confine Austrian corporatism to history. The reaction to external shocks was increased unemployment but still below the OECD average) and demands from the People's Party for fiscal orthodoxy, in the shape of a maximum limit on the debt to national income ratio. The Socialist Party embraced the new economic orthodoxy more quickly than other parties in the early 1980s. The kind of structural reforms, in the form of supply-side policies and budget consolidation, required the creation of a grand coalition in 1986 to 1987 (cf. Lauber 1992). At the heart of the

coalition's economic management was the aim of improving the international competitiveness of Austrian firms as the economy opened up to changes in its external environment. But the high degree of regulation and amounts of industrial subsidies constrained this objective.

Although the previous Socialist administration had embarked on a programme of partial privatisation, this policy prescription did not deliver the perceived benefits of liberalisation as this programme became extended. The economic interest groups have had their fiscal privileges reduced since 1987 and the general subscription to political consensus among the grand coalitions has also declined. In spite of the advancement of deregulation by the grand coalition and the increased recognition of the market as the major parameter of industrial change, corporatist organisations have still successfully promoted the interests of their members. Despite the challenges of the international economy and thereby increased reliance on external trade, most of the objectives of the social partnership were still intact at the beginning of the 1990s. Corporatist institutions are still in place and their moderating influence taken as a given, with Lauber concluding that the crisis of the social democratic state which afflicted Western Europe in 1980 came much later to Austria (op.cit 1992).

It is apparent that as the Fordist regime broke down in Europe in the early 1970s the mode of regulation came under stress. In the case of a small but relatively successful economy like Austria, its introverted corporatist system managed to negotiate some of changes better than some of the larger European economies. As Austria faced greater integration into the world market, increased international or global competition and industrial branches developing differentially later than most, its corporatist system was able to resist the impact of these changes. However, as only certain sections of its industry and parts of the country operated under a Fordist regime, this consensual system was at the

heart of successful economic management. The statist and industrial bias of economic management stemmed from a former dominance of traditional industries which had in the 1970s generated a natural constituency for the Socialist Party. The decline of these industries in the 1980s and 1990s undermined this constituency so attempts were made to establish a new one among centre voters. The corporatist system with its informality, intimacy and introversion was thus made to seem dated and inappropriate to the new circumstances. The reason for this conclusion is because the crisis of the public budget undermined the ability of the system to deliver bargains such as non-inflationary growth and so on.

At the end of the 1980s political competition had increased so that power shifted away from corporatist institutions to parliamentary actors. To avoid the pitfalls, the major parties formed another grand coalition to manage a new bout of consensus. The difference from the past was that the traditionally conservative People's Party's (ÖVP) political fortunes had declined and this had been the major sponsor of social partnership among the civil service and the business chambers. Faced with a changed external environment, decline of traditional industries, crisis of the public budget and increased political competition, large interest groups became less influential in economic policy making. More deregulation reduced the influence of organised labour and changed its representative organisations' relationship to business interest groups. Co-operation had been seen to be operating as a kind of cartel of interests and corporatist agreement seemed dysfunctional because the benefits of business subsidies and labour protection impeded modernisation in the form of structural adjustment (cf. Lauber 1992).

In the late 1980s, liberalisation and deregulation were seen as the elements of modernisation. Corporatist institutions were then seen as impediments to this process. The

efficacy of these institutions was that they restrained interests to achieve national goals, which in turn provided positive feedback for organised interests. The proposed integration of the EFTA countries and the European Union, to form the European Economic Area, opens up Austria to the demands of the international economy much more than formerly. International market adjustment rather than national corporatism therefore becomes the objective function of the Austrian economy. If this process continues the influence of corporatist institutions will diminish, especially if its introverted nature undermines attempts at a new legitimacy. The challenge of the material decentralisation of market adjustment presents difficulties for the institutions which comprise the mode of regulation. For most of the post-war period in Austria, these institutions have been corporatist. Given that Austria has a federal constitution and the pattern of its economic development is uneven between sectors and regions - its position as a powerful exemplar of corporatism will not necessarily be undermined. The mode or modes of regulation will be subject to stress and change as regimes of accumulation become subject to change. If the new regime is both international and decentralised then the institutional organisation of co-operation between interest groups and the state will internalise this as an important parameter. Given the history and institutional structure of social partnership in Austria and the relative smallness of the economy, the vestiges of this partnership are likely to remain important in negotiating the international regulation of the Austrian economy. Therefore, corporatism is unlikely to disappear in Austria but like much of the rest of Europe its strong national orientation will alter.

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