

## Flexible Adjustment and Political Stability: The Terms of the Debate

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Flexibility is a prominent catchword in recent economic and political debate. The need for increased flexibility in various areas of society is generally accepted. The article presents and criticizes the terms of this debate. As part of the general neoliberal trend flexibility is often perceived as a purely desirable quality. Less state, less unions and flexibilization by means of greater reliance upon markets are the policies that are proposed to overcome the crisis of the Western industrialized countries. However, flexible adaptation requires a foundation of stable institutions and behaviour patterns. Japan today represents one successful combination of flexibility and stability. Scandinavia – and other small European countries – have been attributed other successful combinations. Here, political stability seems to arise from a big state and an extended corporatist system and, according to Katzenstein, this does not contradict, but rather reinforces, the capacity for economic flexibility. Recent developmental trends, however, challenge this interpretation. The recent structural changes have been considered part of a general transition from Fordism to post-Fordism. The international race to modernize or to implement post-Fordism might imply a new 'match' of techno-economic structures and sociopolitical institutions – also in the Scandinavian countries.

### Discourses and Strategies

The need for increased flexibility is a generally accepted premise in current discourses on recent and future restructuring of the Western industrialized countries. Furthermore, this need for flexibilization is often seen as prescribing the removal of a set of institutional 'rigidities'. Strategies aimed at flexibilization are formed and increasingly transformed into economic, political and social action.

The need for flexibilization is often seen as part of the international economic modernization race. The struggle to develop industrial activities using the new technologies (microelectronics, biotechnology, etc.) leads to efforts at removing a lot of institutional hindrances such as established norms, rules and regulations as well as some vested interests. Furthermore, the new technology seems to generate more flexibility itself (van Tulder & Junne 1988). Modern telecommunication and computer-aided manufacturing make it possible to adapt more flexibly to consumer demand and allow flexible changes in raw materials. In general, small-batch production becomes profitable. Also, smaller average plant size becomes efficient.

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The need for flexibilization is often seen as part of the international economic modernization race. The struggle to develop industrial activities using the new technologies (microelectronics, biotechnology, etc.) leads to efforts at removing a lot of institutional hindrances such as established norms, rules and regulations as well as some vested interests. Furthermore, the new technology seems to generate more flexibility itself (van Tulder & Junne 1988). Modern telecommunication and computer-aided manufacturing make it possible to adapt more flexibly to consumer demand and allow flexible changes in raw materials. In general, small-batch production becomes profitable. Also, smaller average plant size becomes efficient.

Flexible automation or flexible specialization are the concepts used to designate these new forms of production which demand another set of labour qualifications and other forms of organization and management than traditional forms of production. This in turn seems to challenge the established forms of industrial relations, education and welfare provision.

These tendencies are strengthened by structural changes as far as international economic exchange is concerned. The shift from fixed to flexible exchange rates at the beginning of the 1970s, combined with a thorough liberalization and deregulation of international financial flows, has created an environment which forces both economic and political agents to adapt quickly to change in the international economy.

The endeavours aimed at increased flexibility might be interpreted as means intended to secure a better 'match' between techno-economic restructuring and sociopolitical reorganization. In accordance with the above presentation they might be directed against rigidities hampering techno-economic modernization. Otherwise, they might intend to impede or slow the societal disturbances created by economic change. Also, they might be aimed at forming the direction of the techno-economic changes by means of a reformed sociopolitical institutional framework.

Whatever the ideas behind such 'matching' endeavours might be, it is an obvious fact that the need for increased flexibility in various areas of society is generally accepted. The product and labour markets are perhaps the most frequently included areas in these *discourses* of flexibility. The need to reorganize and to take advantage of the new technologies by implementing flexible automation or flexible specialization is one prominent area. Labour-market flexibility is another one. This comprises not only the need for a bargaining system to secure more flexible wages in response to changes in demand, but also flexibility as far as the length of the working day, the skill hierarchy among workers and the mobility of workers within firms and/or the labour market as such are concerned (Boyer 1987).

The discourses of flexibility are certainly not restricted to the *production* sphere or the *labour* process. Mere glimpses at daily newspapers cannot fail to uncover the fact that flexibility is a prominent catchword in recent economic and political debate. For instance, training and education, opening hours of shops and offices, administration of rules and regulations, and the function of several voluntary associations are all deemed to be too rigid or too insensitive to changing environments and to be in need of increased flexibility.

Of course, most of the discourses of flexibility are centred around the *state*. Old themes have been reformulated. Criticism of tardy, punctilious and circumstantial behaviour ('bureaucracy') by public officials is followed by demands for more flexible rules and more flexible administration. Likewise, the large-scale provision of standardized welfare services is

criticized for insufficiency in relation to actual needs and more flexible forms of provision are requested. However, the need for increased flexibility is also formulated as a response to changes specific to the recent developmental trends in the Western industrialized world. Flexibilization of public programmes and structures is demanded in order to facilitate efforts to increase flexibility in the production process and the labour market. Also, central–local government relations are discussed in relation to these trends and measures are taken to secure more flexible adaptation to local conditions and future changes.

While the emergence of a dominant discourse of flexibility might appear as rather obvious, it is more doubtful whether this has resulted in proper *political strategies* for flexibilization. Using a rather broad and vague definition of the concept this is obviously true: political measures are taken following programmes for flexibilization based on conceptions of reality which stress the need for flexibility. If, however, the term strategy covers a coherent selection of policy objectives and appropriate means, and the elaboration of a sequential path of actions which could realize the policy objectives, this is much less so. It is clearly possible, however, to identify strategies not only by industrialists such as Italian (Brunetta 1980) or Swedish employers (Brolin 1989), but also elaborate strategies such as Thatcherism at the national level in Great Britain (Jessop 1987) and Späth-Kapitalismus at the regional level in West Germany (Esser 1989). Also, we assert that it is fruitful to understand political trends and endeavours in the Scandinavian countries as a result of strategies of flexibilization.

## A Cure to Institutional Sclerosis?

While the necessity for increased flexibility is generally accepted and the term commonly used, it is not at all clear what is the exact meaning of flexibility. Conceptual ambiguities and even flaws seem to dominate the debate. Still, flexibility is normally used as a quasi-objective concept and in a prescriptive way. A certain interpretation of the concept and a certain cure to satisfy the need for increased flexibility have gained wide consensus at the international level.

The degree of flexibility is often measured in relation to the ideal of competitive markets. Institutions and behaviour which hamper the unfolding of such an 'ideal' flexibility are considered 'rigidities', e.g. objects for flexibilization. According to this neoliberal diagnosis the Western industrialized countries in general seem to be characterized by a high degree of calcification of the mechanism which is considered as the major systemic merit of capitalist market economies: the capacity for fast and flexible response to changing circumstances through price signals (Scitovsky 1980).

The industrialized countries have also experienced strong growth and rising importance of interest-group organizations and the formation of strong distributional coalitions which according to Mancur Olson (1982) and others constitute institutional rigidities hampering economic growth.

The current discourse on flexibility can of course be seen as part of a more general neoliberal trend; or to put it in a slightly different way, it is part of the criticism of the established ideal of the mixed economy (Keynesianism and economic-welfare theory) and the formulation of alternatives based on the ideal of the market economy. At the theoretical level monetarism, new classical macroeconomics, public-choice and property-rights theories, can all be seen as part of this trend. Monetarism and new classical macroeconomics have criticized the inherent assumption in Keynesianism concerning both the capacity as well as the necessity for stabilization policies, just as public choice theory has criticized the inherent assumption in welfare theory concerning the capacity of the state for correction of market failures. Even the necessity for correction of market outcomes implicit in welfare theory has been rejected by property-rights theory which suggests massive extension and careful specification of private property rights as an effective alternative.

In general this trend implies endeavours to push back the borderline between state and market. It identifies promotion of flexibility by means of greater reliance upon markets as an unquestionable virtue. Furthermore, the need for flexibilization is often seen as prescribing a removal of 'rigidities' at the macro level: the neo-corporatist structures and the welfare state.

OECD has been successful in propagating a neoliberal diagnosis concerning the state of the Western industrial world – and especially the European part – from the late 1970s onwards. The stagflationary stalemate and the sluggish ways of adaptation in the 1970s were ascribed to '*institutional sclerosis*', 'Big government' and 'big labour' were assumed to have created a lot of rigidities in the economy and demolition of these rigidities by way of greater market reliance, deregulation and state-expenditure cuts was considered to be the cure (Johnson 1981).

The terms of the debate ought to be questioned. Flexibility is not an objective concept. The need for increased flexibility in specific fields is a discursive phenomenon which tends to overlook the character of the institutional environment essential to the overall functioning of these flexible units. It is often ignored that there exists no such thing as flexibility as such. It is an empty concept if not defined in relation to a set of specific rigidities. Flexibility is by definition the non-existence of rigidities in a specific area. Furthermore, all areas cannot be flexible. An omni-flexible world would be so uncertain as to make action completely impossible. Flexible adaptation as well as innovative activity certainly requires a foun-

dation of stable institutions and behaviour patterns. Flexibility in one area requires rigidity (or stability) in most other areas.

Consequently, it is not a reliable strategy to promote flexibility everywhere. No institution or organization, can be omni-flexible. It is always more or less flexible in relation to a specific range of problems or perturbations and its relative flexibility depends on the presence of stability in other institutional and organizational features and procedures.

From this follows a general conclusion: a flexible system is one which has a specific combination of mutually reinforcing and sustaining rigidities and flexibilities. What might seem flexible in isolation is often embedded in rigidities; or to put it another way, flexibility requires a foundation of stability.

Obviously, these remarks are abstract and formal. The arguments, however, can be illustrated through various successful combinations of flexibility and stability. One of them is the specific Japanese combination of a high degree of flexibility in production and investment and a high degree of rigidity as far as the employer–employee and the buyer–seller relationships are concerned. Robert Dore (1986) has presented the basic features of this successful Japanese model under the heading of ‘Flexible Rigidities’.

The Scandinavian countries, together with four other small countries in Western Europe (The Netherlands, Belgium, Austria and Switzerland), constitute other successful combinations of flexible adjustment and political stability – at least according to Katzenstein in his book *Small States in World Markets* (1985).

## Democratic Corporatism and Flexible Adjustment

Katzenstein argues that the economic openness and vulnerability of the small European states in combination with corporatist arrangements have made possible a smooth and continuous adaptation to the ever-changing conditions on the world market. At the same time these countries appear as show-cases of political stability. From this analysis he draws a general conclusion: Political stability and economic flexibility are not contradictory but mutually contingent.

Katzenstein distinguishes between three categories of divergent policies in relation to the challenge of the international economy. First, ‘liberal’ countries such as the United States, rely on macroeconomic policies and market solutions. Lacking the means to intervene selectively in the economy, the United States in those extraordinary situations where the traditional market approach appears to fail tends to export the costs of change to other countries through the adoption of a variety of limited, *ad hoc* protectionist policies. Such policies often create a temporary “breathing

space” for producers hard pressed by international competition, but they rarely address long-term structural shifts in international competitiveness’ (1985, 23).

Secondly, *statist* countries such as Japan are endowed with the means and the institutions to preempt the costs of change through policies that pursue the structural transformation of their economies . . . they seek to meet structural changes in the world economy head on’ (1985, 23).

The third group is the *corporatist* small European countries. ‘These states, because of their small size, are very dependent on world markets, and protectionism is therefore not a viable option for them’ (1985, 24). Neither can they afford the disruptions and fluctuations associated with market adaptation instead. ‘Similarly, their economic openness and domestic policies do not permit them the luxury of long-term plans for sectoral transformation’ (1985, 24). They do not have the capacity for preempting structural changes. ‘Instead, elites in the small European states, while letting international markets force economic adjustments, choose a variety of economic and social policies that prevent the cost of change from causing political eruptions. They live with change by compensating for it’ (1985, 24).

The small European countries compensate, for instance, for instability in investment and employment by public subsidies and tax-induced incentives and state programmes for manpower development. They compensate for income differentials through massive transfers and public provision of welfare services. They also compensate through incomes policy to prevent the disruptions which are likely to arise from a development solely determined by current levels of demand and supply. They also try to slow change by subsidizing ailing industries and firms, but according to Katzenstein, this form of compensation is not characteristic of most small European states. The most liberal of them – Switzerland and The Netherlands – rely primarily on market-driven adjustment. ‘But their reliance is tempered by the awareness that compensatory political gestures are essential for maintaining consensus on how to adjust’ (1985, 29). The others<sup>1</sup> such as Austria and Norway seem more inclined in the name of equity to rely upon political efforts to slow down the rate of economic change.

But their inclination is held in check by the knowledge that the state lacks the economic resources to offset adverse market changes for prolonged periods. (. . .) Characteristic of both policies is the close link between the political and the economic requirements of flexible adjustment. Compensating too little . . . can be detrimental to the political consensus on coping with change; compensating too much can impair economic efficiency (1985, 29–30).

When you take into account both the economic and political costs and benefits of the adjustment processes of the small European states, they

appear as success stories to Katzenstein. They have been rather successful when measured by

the extent to which social coalitions, political institutions and public policy facilitate or impede shifts in the factors of production that increase economic efficiency with due regard to the requirements of political legitimacy (1985, 29).

In sum, flexible adjustment is secured by an environment of international liberalization and domestic compensation which constitute the foundation of economic flexibility and political stability.

As a result of this mixture, industrial adjustment is pursued in a *reactive, flexible and incremental* way, notably different from the political indifference or the policies of structural transformation typical of the United States and Japan.

They do not expect to solve problems with strong-arm methods and a few decisive blows. Instead, there are many small hands, many small blows, many mistakes and many corrections. (...) Such policies seem well suited both to adjusting to unforeseen developments and to holding together domestic societies continuously threatened by external instabilities (1985, 58–59).

Those policies are pursued through a corporatist political structure. The corporatist arrangements of the small European states are characterized as 'democratic' as opposed to both the arrangements of several European states in the 1930s that had a close affinity to political authoritarianism and fascism and the 'corporate capitalism' (of Japan and the USA) characterized by both the dominance of the giant corporations in economic life and the integration of business into the decision-making of governments and state bureaucracies as well as the political exclusion of unions and leftist parties from the centres of power.

In general, *democratic corporatism* designates

the voluntary co-operative regulation of conflicts over economic and social issues through highly structured and interpenetrating political relationships between business, trade unions and the state, augmented by political parties (1985, 32).

Democratic corporatism is defined by three distinguishing characteristics:

- (1) an ideology of social partnership expressed at the national level in endeavours to couple narrowly conceived group interests with shared interpretations of the collective good as a 'culture of compromise';
- (2) a relatively centralised and concentrated system of interest groups; and
- (3) voluntary and informal co-ordination of conflicting objectives through continuous political bargaining between interest groups, state bureaucracies and political parties (1985, 32–33, 88–92).

These features are supported by an electoral system of proportional rep-



resentation which often leads to minority government. This in turn offers opposition parties significant influence over policy. In sum, the party system and the proportional representation of the small European states tend to function, according to Katzenstein, as mechanisms for integrating the different collective agents into a corporatist consensus.

As a result of this mechanism, big ruptures as experienced in big countries like the USA and Great Britain with the emergence of the new conservatism ('Reaganomics' and 'Thatcherism') almost never occur in the small European countries. Esping Andersen (1985) for example, concludes that 'it is not entirely false to claim that the bourgeois governments in Sweden 1976–1983 were more social democratic than' the Social Democratic Party itself. Likewise in Denmark, it is not without justification to denote the conservative minister of finance, Palle Simonsen (one of the primary architects of the policies of the bourgeois governments 1982–1989) as a 'disguised social democrat'. Katzenstein argues that democratic corporatism has its origin in the crisis-ridden 1930s and 1940s, which 'broadened narrow conceptions of class interests to include an acute awareness of the fragility of the small European states in a hostile world' (1985, 35). This was further strengthened as an effect of the increasingly liberal international economy in the post-war years, underlining the enormous benefits of limiting domestic conflicts over economic issues. For example, strikes appear so costly to everyone that they occur very rarely. Political negotiations over prices and wages, on the other hand, are prevalent (1985, 36).

## From Fordism to Post-Fordism

Katzenstein presents strong arguments for a conception of flexibility which is different from the one included in the neoliberal-inspired discourses on flexibility. Economic flexibility and political stability are seen as mutually contingent rather than contradictory.

Other theories likewise stress relations omitted by the neoliberal theory in its demands for 'more markets', 'less unions' and 'less state' as means for increasing flexibility. Even one of the high priests of neoclassical economics, Arrow (1974), has contributed to this line of opposing arguments. According to Arrow, markets are organized in order to facilitate the exchange of qualitative information, for instance information about demand for non-existing products and future needs. Organizations might be seen as measures to reduce the costs of information exchange. They consist of formal channels of information and common specific codes of communication. These are changed through a cumulative learning process which tends to make the exchange of information still more effective as the

channels are used. Thus, the establishment and use of such channels might be considered as an investment. Accordingly, there exists a trade-off between effective exchange of information and a certain rigidity in the internal structure of an organization.

Similar arguments are presented by Johnson & Lundvall (1988). They focus on the process of innovation which seems to depend on the capacity of institutions to facilitate interactive learning between agents.

More general alternatives to the ignorance of the role of institutional or organizational rigidities by neoclassical equilibrium theory are included in 'institutional economics' (Hodgson 1988) and 'new institutionalism' (March & Olsen 1984, 1989), which study the evolution and the functions of institutional 'rigidities' in economics and politics.

Other theories analyse the interconnections between economic modernization and industrial reorganization in a historical perspective. This is so with 'long-wave theory' (Research Group 1979; Barr 1979), the theory of the 'post-industrial' society (Bell 1974) and neo-Schumpeterian theory (Freeman & Perez 1988; Roobeck 1987). According to the neo-Schumpeterians, the current phase of capitalist development is characterized by the establishment of a new 'techno-economic paradigm' based on new 'core' technologies which generate a large number of new products and production processes. Simultaneously, conflictual processes characterize the sociopolitical field in a clash between agents struggling for institutional changes to mix the new techno-economic paradigm and others struggling to preserve the existing institutional structure and power relations.

A more general and comprehensive theoretical framework is presented by the French regulation school (Aglietta 1976; Mjøset 1985; Boyer 1986; Jessop 1988). The regulation approach is historical and institutional. It constitutes an attempt to understand the changing degrees of 'match' and 'mismatch' between techno-economic relationships and the socioinstitutional framework through history. In other words it can be characterized as an attempt to trace the 'macrosociological' (or institutional) foundations of macroeconomic policy and microeconomic structures.

The regulation approach distinguishes two basis patterns of regulation (i.e. the ensemble of 'macrosociological' and economic structures): *competitive* and *monopolistic* regulation. The primary defining features of the first one are individual contracts on the labour market and competitive relations between firms. The latter is characterized by collective bargaining on the labour market, relations between firms dominated by oligopolistic pricing and an international credit system based on the dollar standard. It is considered as a more generalised form for capitalism in relation to the competitive type which did not allow the same degree of extension of the wage relationship. After a long historical process full of conflicts monopolistic regulation finally took over in the post-war period.

Monopolistic regulation is also associated with another concept: *Fordism*. In general, Fordism can be characterized as a coherent pattern of capital accumulation based on mass production and mass consumption and supported by macroeconomic (Keynesian demand management) and macro-sociological (welfare-state) structures. Jessop (1987) has formulated an extended definition. He mentions twelve general features of Fordism, which can be summarized in the following way:

- mass production
- semi-skilled labour
- scientific organization of the collective labour process
- wage as the principal mechanism in securing the production of labour-power
- collective bargaining
- mass consumption of standardized, mass-produced commodities and collective consumption of goods and services provided by the state
- measures to encourage mass demand (marginal product differentiation, inbuilt obsolescence, advertising and consumer-credit facilities)
- mass consumption and mass production as mutually reinforcing features
- 'mark-up' pricing
- Keynesian demand management
- increased importance of the state in securing the general conditions for capital accumulation and the reproduction of wage labour
- the welfare state as a mechanism for establishing a minimum social wage.

None of the Western industrialized countries is or has been purely Fordist as defined above. They are all characterized by a combination of Fordist and non-Fordist features dependent on specific historical and structural conditions. In a long historical period, however, from the end of the Second World War until the 1970s, the dynamics of development seemed to stem from the Fordist structures, and Fordism functioned as a dominant ideological construct from where societal agents developed their criteria for success and chose their paths of action.

Since then, Fordism has entered a period of crisis. The Fordist model of regulation is in a state of crisis in all the twelve areas noted above, and for manifold reasons. Among the most prominent ones are the following:

- technical limits in the organization of mass production (limited micro-flexibility);
- growing working-class resistance to the Taylorist organization of the labour process;
- disconnection of consumption and production through internationalization of capital;

- more differentiated consumer demand.

In general the crisis of Fordism seems to originate from various rigidities in this model of regulation. From this apparent causation stems the widespread interest in measures to increase flexibility in different spheres and levels of society.

The focus is of course different in the different countries and the actual strategy takes many different forms dependent on national specific features. Nonetheless, some common features seem to characterize the emergent restructuring and attempts are being made to define the new pattern to arise from the widespread endeavours to 'flexibilize' society. Often, this is going on under the heading of *post-Fordism* (or neo-Fordism).

According to Hirsch & Roth (1986), 'the new face of capitalism' (post-Fordism) can be characterized by some rather frightening features – for instance:

- new flexible combinations of worker and machine in time and space, i.e. systematic individualization of the labour process;
- new forms of consumption based on microelectronic technology ('self-service' and 'self-supervision');
- polarization of the labour force and segmentation of society;
- authoritarian étatism with increased repression and supervision ('sicherheitsstaat') supported by a segmented corporatist structure; and
- reorganization of the welfare state (selective privatization and reproduction of inequalities).

Already in the 1970s, Aglietta presented a similar vision of the emergent pattern which he designated 'neo-Fordism' (Aglietta 1976). According to this vision capitalist accumulation and the labour process will become even more intensive, and functions (social costs) which are now met externally (by the state) will be internalized in capitalist production. Furthermore, 'neo-Fordism' is characterized by persisting high unemployment and polarization between different groups of workers.

Other ideal-type versions of post-Fordism seem more optimistic or at least they point at alternative possible roads dependent on national differences. Jessop (1987) sketches the different current 'roads' of transition to post-Fordism in Great Britain and West Germany notwithstanding the conservative political leadership they share in common. Boyer (1988, 1989) and Leborgne & Lipietz (1987) present various alternative models of post-Fordism – also one dependent on the existence of strong collective actors and a tradition for consensual decision-making (like Scandinavia).

An even more rosy vision of post-Fordism is developed by Piore & Sabel (1984) who identify a 'second industrial divide' which promises a future of

decentralized and flexible specialization, general upgrading of skills and a pressure for more democracy concerning work, organization and firm investments while, on the other hand, macroeconomic policy and corporatist structures are expected to be weakened. As a result of its specific industrial history this vision appears to have special relevance for Denmark (Hull Kristensen 1989).

The general models of Fordism and post-Fordism have obvious limitations. Even during the high tide of Fordism all national cases included a mix of Fordist and non-Fordist elements. This has effected the national forms of crisis and the national forms of transition to post-Fordism. There may well be general pressures towards societal modernization in the current reorganization of the global economy, but the current economic societal restructuring in particular national cases derives many of its most important features from national conditions such as specific industrial profiles, state forms, institutionalized class relationships, national cultures, and so forth.

In the regulation approach the importance of nationally specific features is strongly stressed. In addition, the existence of purely deterministic laws during structural crises is rejected. This is reflected in the conceptual instrumentarium of the regulation school which includes more concrete concepts such as national modes of growth and national modes of regulation (Jessop 1987b)<sup>2</sup>.

## The Scandinavian Model(s)

The Scandinavian countries appear on the outset to be obvious show-cases for the neoliberal argument about institutional rigidities. They seem to share all the deficiencies of a society penetrated by 'big state' and 'big government', and for that reason you might expect to find symptoms of 'institutional sclerosis' characteristic of rather advanced states of this disease.

The Scandinavian countries have been characterized by a common model of development in the Fordist era. The 'Scandinavian model' is used as common denominator for a special institutionalized development of Fordist structures bound by a political tradition for class compromise and consensual decision-making. Welfare state provision of a high minimum social wage and extensive diffusion of neocorporatist structures are considered decisive features (Amoroso 1980; Korpi 1983; Esping-Andersen 1985; Hernes 1990).

Today, it is generally perceived that the Scandinavian model is developing a crisis (Buci-Glucksmann & Therborn 1981; Elder et al. 1982; Scharpf 1987; Mjøset 1987; Berrefjord & Nore 1988). Further advances along the welfare-state trend are blocked by the need for austerity forced on

Scandinavia from outside and caused by the deficiencies of the standardized large-scale provision of services inherent in the traditional welfare-state model. In addition, the neocorporatist arrangements are perceived as rigidities blocking the necessary supply-side adjustment to the new international economic situation. Furthermore, it is claimed that the traditional consensual political climate has been decomposed under the impact of the structural crisis (Pestoff 1987).

The extent and importance of these tendencies of crisis are still in question. Do they imply a fundamental change or a transition phase followed by a rearrangement in accordance with the fundamental characteristics of the Scandinavian model of development up till now?

Others maintain that large variations as far as industrial structure and institutional and ideological features are concerned imply that the notion of a common 'Scandinavian model' is futile – especially in the light of divergent developmental trends during the recent structural crisis (Mjøset 1987; Kosunen 1988).

At any event, in spite of some divergent trends there are also striking similarities in the response to the crisis in the Scandinavian countries, and still when viewed from outside, the 'Scandinavian model' is associated with specific post-Fordist options (Leborgne & Lipietz 1987). It must not be ignored that the basic institutional structures have shown a remarkable resistance to external perturbations and pressures in all Scandinavian countries. At the same time no political and ideological ruptures have occurred, as they have in many other countries. Neoliberal trends have certainly not been without influence but common basic societal features seem to have secured a rather modest impact in the long run.

Denmark is (together with Iceland) often considered to be the country in Scandinavia that has undergone the most decisive changes during the crisis (Mjøset 1987, 452). However, basic continuity seems to be the decisive political development feature, also in Denmark. Political stability seems to persist, and the defining features of 'democratic corporatism' still remain.

The Scandinavian countries have been ascribed not only basic institutional and ideological stability but also high capacities for flexible adjustment to external pressures. This is perhaps a more controversial claim in light of current developments. Mjøset (1987) has argued that the argument of Katzenstein does not differentiate between periods. It may be that the flexibility was limited to the 1950s and 1960s when the small European states could benefit from a follower strategy. Since the 1970s, the modernization race following the establishment of a new techno-economic paradigm has been accompanied by a technology gap which the small European countries do not easily overcome through traditional methods for reactive, flexible and incremental adaptation based on international liberalization and domestic compensation.

It remains to be uncovered whether the new international economic and institutional conditions undermine the effectiveness of the trade-off between economic flexibility and political stability. Have the Scandinavian countries reached a stalemate situation and have the capacities for flexible adjustment of political and institutional conditions been exhausted in the wake of the crisis?

The other articles in this issue of *Scandinavian Political Study* touch upon the above-mentioned questions although they do not present exhaustive answers. They investigate the discourses of flexibility and the strategies of flexibilization pursued in Denmark, Norway and Finland. They analyse the current state of 'democratic' corporatist structures of the three countries and relate the findings to the arguments of Katzenstein. Also, they include observations and reflections concerning the new emergent pattern (post-Fordism).

A thorough treatment of the problems raised should not be expected. They are absolutely essential, but very comprehensive and probably unsolvable at our present stage of knowledge. We take pride, however, in approaching these problems anyway. Furthermore, we do not consider it a virtue to apply methods as the one chosen by the man who at night lost the key to his home and searched for it under the nearby street lamp. When asked if he expected to find the key he did not answer in the affirmative. He had chosen to search under the street lamp, solely because at that place the light was so clear.

#### NOTES

1. Katzenstein distinguishes between liberal and social variants of democratic corporatism. Liberal corporatism is characterized by global adaptation and private compensation, while social corporatism is characterized by national adaptation and public compensation. In the liberal variant, business has an international orientation and is more centralized. This leads to adaptation processes directly determined by the demands of the world market. Also, compensation is based on the individual and on market positions, e.g. transfers instead of provision of services.  
In the social variant, on the other hand, the compensation typically takes the form of direct public provision of goods or services. Also, business is more nationally orientated and is more decentralized. Switzerland, Belgium and The Netherlands belong to the first group, while Austria, Norway and Denmark are represented in the second. According to Katzenstein, it is not possible to place Sweden in one of those two categories because its adaptation is global while the compensation is private.
2. An *accumulation regime* comprises a specific pattern of production and consumption considered in abstraction from specific national features. A *mode of growth* comprises the pattern of production and consumption of the national economy considered in terms of its role in the global economy. A *mode of regulation* comprises the totality of institutional forms, networks and norms. The nature of the state and government policy are among the most important aspects of a mode of regulation.

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Aglietta, M. 1976. *Regulation et Crises du Capitalism*, Paris: Calmann-Levy (English trans-

It remains to be uncovered whether the new international economic and institutional conditions undermine the effectiveness of the trade-off between economic flexibility and political stability. Have the Scandinavian countries reached a stalemate situation and have the capacities for flexible adjustment of political and institutional conditions been exhausted in the wake of the crisis?

The other articles in this issue of *Scandinavian Political Study* touch upon the above-mentioned questions although they do not present exhaustive answers. They investigate the discourses of flexibility and the strategies of flexibilization pursued in Denmark, Norway and Finland. They analyse the current state of 'democratic' corporatist structures of the three countries and relate the findings to the arguments of Katzenstein. Also, they include observations and reflections concerning the new emergent pattern (post-Fordism).

A thorough treatment of the problems raised should not be expected. They are absolutely essential, but very comprehensive and probably unsolvable at our present stage of knowledge. We take pride, however, in approaching these problems anyway. Furthermore, we do not consider it a virtue to apply methods as the one chosen by the man who at night lost the key to his home and searched for it under the nearby street lamp. When asked if he expected to find the key he did not answer in the affirmative. He had chosen to search under the street lamp, solely because at that place the light was so clear.

#### NOTES

1. Katzenstein distinguishes between liberal and social variants of democratic corporatism. Liberal corporatism is characterized by global adaptation and private compensation, while social corporatism is characterized by national adaptation and public compensation. In the liberal variant, business has an international orientation and is more centralized. This leads to adaptation processes directly determined by the demands of the world market. Also, compensation is based on the individual and on market positions, e.g. transfers instead of provision of services.  
In the social variant, on the other hand, the compensation typically takes the form of direct public provision of goods or services. Also, business is more nationally orientated and is more decentralized. Switzerland, Belgium and The Netherlands belong to the first group, while Austria, Norway and Denmark are represented in the second. According to Katzenstein, it is not possible to place Sweden in one of those two categories because its adaptation is global while the compensation is private.
2. An *accumulation regime* comprises a specific pattern of production and consumption considered in abstraction from specific national features. A *mode of growth* comprises the pattern of production and consumption of the national economy considered in terms of its role in the global economy. A *mode of regulation* comprises the totality of institutional forms, networks and norms. The nature of the state and government policy are among the most important aspects of a mode of regulation.

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