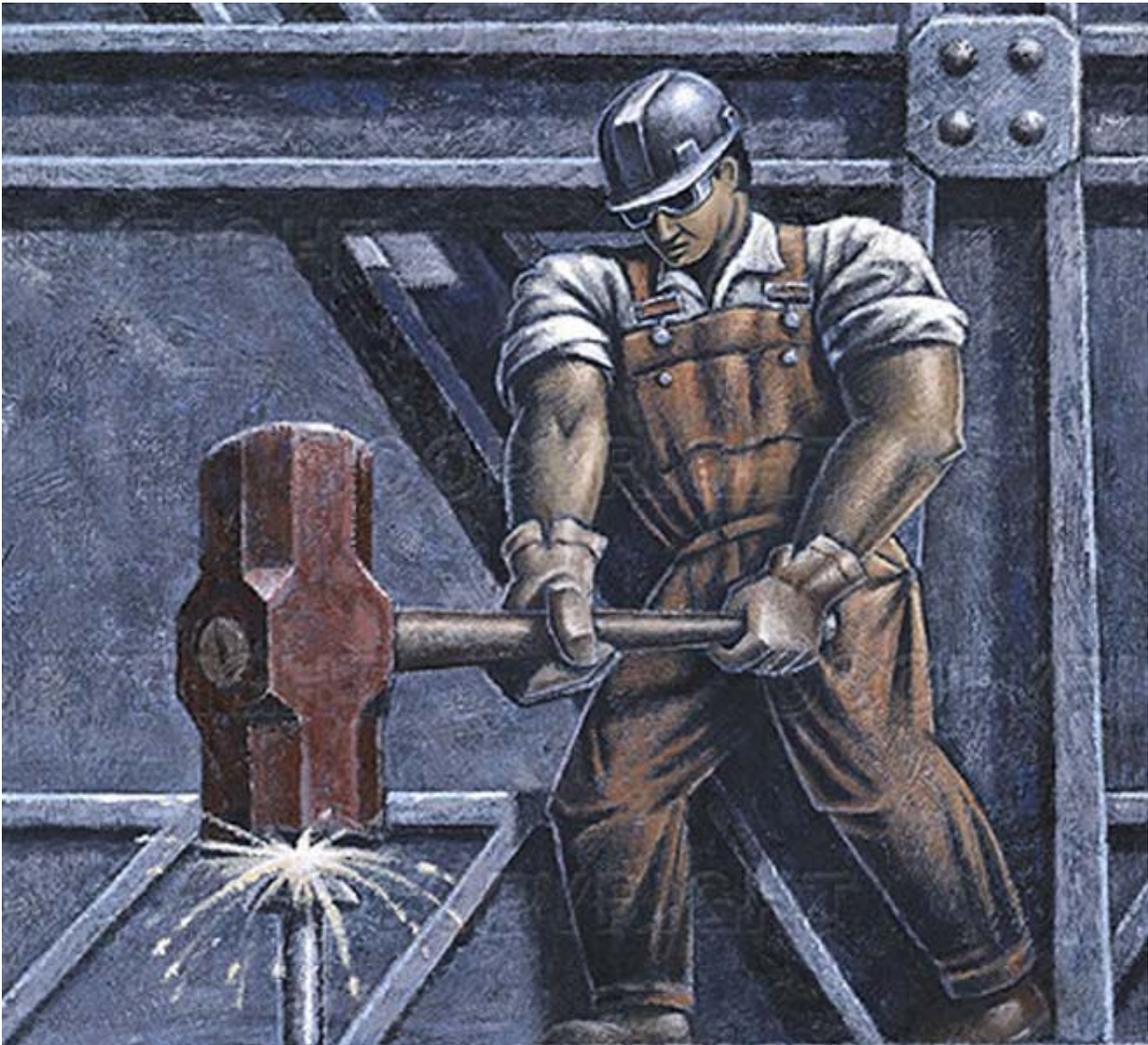


**Economic Democracy:  
Essays and Research on Workers' Empowerment**



**Warner P. Woodworth, Editor**

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# Table of Contents

<b>Preface</b> .....	1
<b>Chapter 1: <i>Empowering Workers Through Economic Democracy</i></b> .....	4
-Warner Woodworth	
<b>Chapter 2: <i>Collective Bargaining, Mutuality and Worker Participation</i></b> .....	16
-Milton Derber	
<b>Chapter 3: <i>The Separation Between Workplace and Commune: Its Implications for Self-Management Socialism</i></b> .....	27
-Hugo Pirela	
<b>Chapter 4: <i>Sociotechnical Systems Ideas as Public Policy in Norway: Empowering Participation Through Worker-Managed Change</i></b> .....	52
-Max Elden	
<b>Chapter 5: <i>The Challenge of Economic Democracy: The Case of Sweden</i></b> .....	71
-Sandra Albrecht & Steven Deutsch	
<b>Chapter 6: <i>Self-Management as a Development Alternative: Reflections on the Peruvian Experience</i></b> .....	92
-Martin J. Scurrah & Mario Padron	
<b>Chapter 7: <i>Workers' Self-Management in Poland</i></b> .....	108
-Roman Szul	
<b>Chapter 8: <i>Experiments in Sichuan: Reform of Economic and Social Relations in China's Enterprises</i></b> .....	124
-Chen Chang-Rong	
<b>Chapter 9: <i>The Moral Postulates of Kibbutz Culture</i></b> .....	134
-Melford E. Spiro	

## Preface

This book, *Economic Democracy: Essays and Research on Workers' Empowerment*, draws on the work of various colleagues around the globe with whom I have worked, met at conferences, and in some cases collaborated with on research projects. I am grateful to each for permission to use their papers and to edit, change the format, or otherwise tweak the material so that this volume has a coherence to it beyond a random collection of country perspectives.

The thrust of *Economic Democracy* is to explicate the wide-ranging strategies, tools, and theories that have been advocated for changing the world. An underlying assumption of all chapters is that creating political freedom and democracy is not sufficient for national development and well-being. My premise is that the process of political change must go hand-in-hand with democratization of the economy. My argument is that dual development of both civil society and the workplace hold the promise of a better quality of life than either sector can produce alone.

Empowering workers so that when they enter the factory gates they do not have to leave their rights to safety, security, free speech and having a voice in decisions is the overarching objective of economic democratization. The roles of unions, management, and other parties are important in truly transforming the workplace from a system of oppression and exploitation to a community of equals who are engaged in achieving a better society. Finding meaning at work, feeling valued for one's productivity, building sustainable economic organizations become important objectives in the world of work.

This book is organized by drawing on the research and analysis of different experts from around the globe. Several authors speak from historical experience as their country has struggled to change over recent decades. Various writers draw upon such academic disciplines and paradigms as business, management, economics, sociology, and/or labor relations. Some build their chapters from Marxist socialism, while others take a more capitalistic stance. For the reader, the result becomes a rainbow of various colors and views.

In Chapter 1, Warner Woodworth introduces the notion of economic democracy and its various manifestations from the level of the individual to that of the whole system. He integrates both the U.S. approach which is still quite new, with the European model that has been developing for decades. Next, Milton Derber in Chapter 2 compares the similarities and differences that exist between two core approaches to economic democracy, one of which is adversarial of nature, and known as collective bargaining; the other which is based on mutual cooperation, examples of which may be producers cooperatives or autonomous work groups.

Chapter 3 focuses on self-managed socialism. Written by Hugo Pirela while at Cornell's Institute for Labor-Managed Economics, the author discusses the social asymmetry between the workplace and the larger community. Written in the 1980s, this analysis identifies core concepts of Karl Marx and applies them to the potential relevance of Yugoslavia as it sought a third way between Soviet communism and the capitalism of the West. Although Yugoslavia ultimately broke up into feuding smaller states, Pirela's perspective articulates the theoretical basis for building worker collectives.

Next are several sections on economic democracy experiments in Scandinavian countries as workers, managers and politicians have sought to build progressive, productive systems in recent decades. Chapter 4 describes the research of Max Eldon, a U.S. academic who has spent much of his career at the Work Research Institute in Norway. His paper traces the innovative research of Einar Thorsrud and others who pioneered the development of socio-technical systems in corporations that became linked with Norwegian national government applications in order to democratize working life through public policy creation. Eldon's argument is that this strategy is applicable in other countries and that it lends much promise for "democratization and national development."

Similarly, Albrecht and Deutsch report on Sweden's steps toward economic democracy in Chapter 5. They argue that the country's humanization of work and its sophisticated social and political structures laid the foundation for a national shift in favor of democratizing the entire economy, a decidedly different trend from the 1970s and 1980s, that has led to Sweden being the most admired nation in the world, with the greatest quality of life, and the least unequal society perhaps ever created.

The book then turns to two examples of growing economic democracy in the Third World. In Chapter 6, Martin Scurrah and Mario Padron focus on the establishment of workers' empowerment and economic democracy in Peru. They argue that some 7,000 worker-run enterprises in their country offer an alternative model for Third World development, in contrast to the contemporary globalization drive that favors gigantic multinational corporations seeking control of world markets.

Next, in Chapter 7 the rise of solidarity in Poland is analyzed by Roman Szul. He traces the oppressive control system imposed on the country by the USSR, and reports how the drive for workers' self-management and economic democracy led to the crisis at the Gdansk shipyards, the mobilization of Eastern Europe's first free and independent trade union, Solidarnosc, and how this movement began to pry Warsaw loose from Moscow.

Then in Chapter 8, Professor Chen Chang-Rong reports on the gradual shift within the Peoples Republic of China from a highly centralized and bureaucratic form of communism toward an economic democracy experiment in Sichuan, Southwestern China. In this case decisions are made at the enterprise level, not Beijing, including production plans and their implementation, sale of products, retention of some of its profits, all of which is carried out with extensive worker input. Sichuan offers a potentially useful validation of the idea that reform from within is both possible and desirable, but that democratizing China's economy must be done with Chinese characteristics.

Finally, this volume concludes with Chapter 9 by the scholar, Melford E. Spiro, who tracks the example of the *kibbutz* as a model for national development. This research centers on a decidedly socialistic method for creating new, democratic communities that value the group, not the individual. The kibbutz approach is to tap the human desire for equality, socio-economic justice, and higher productivity. Whether all the facets of kibbutz life co-exist as a coherent whole or not, factors such as economic success, profits, and social desirability have resulted in rather remarkable outcomes. Namely, that while only 3 percent of the Israeli population lives and works on Kibbutzim, they produce over 7 percent of the nation's gross domestic product.

The pioneers who launched collective communes as the path to development have certainly succeeded in building modern Israel from its impoverished peasant roots only a century ago.

Thus, the nine chapters in *Economic Democracy* suggest a rich, interwoven pattern of various hues and shading, but each with its own vibrant message. Together they make for a strong tapestry which gives ideas for further innovations to the contemporary observer. Written at different periods during the past several decades, they show the rich and varied values, assumptions and institutions that have attempted national movements toward genuine economic democracy.

Thanks is expressed to all who helped produce this volume, including the authors and my associates, students, staff at Brigham Young University. In particular I appreciate the heroic struggles of oppressed workers, visionary managers, and political leaders who have built the global movement toward economic democracy. This book is dedicated to them.

– Warner Woodworth

## Chapter 1

### *EMPOWERING WORKERS THROUGH ECONOMIC DEMOCRACY*

**Warner Woodworth**

This chapter introduces the range of tools and methods that have been implemented around the globe over the past decades to develop stronger economies, empower workers, and fuel greater productivity. Such strategies have been used to develop economies in transition such as the Third World, as well as redesign the new societies emerging from the former USSR and its satellites. Many of those lessons bode well for economic renewal in the United States, and suggest implications for Third World strategies as we enter the new millennium. While many individuals worry about the negative effects of globalization and Big Business spreading its tentacles around the world, there are also signs of resistance and self-determination. While the World Bank, the World Trade Organization, and the World Economic Forum meet annually to plan for expanded trade that benefits rich nations, alternative groups gather in even larger numbers to strategize about more humane options such as the World Social Forum.

Today as we attempt to reverse the financial losses of recent years, numerous U.S. firms have launched quality circle programs, just-in-time production, etc., as executives become enamored with the ideas and techniques of Japanese practices. *Kaizen*, or continuous improvement, for example, has led to an average of 220 suggestions a month at the joint partnership between General Motors and Toyota in California, called NUMMI. But instead of looking eastward to the Orient for answers, we may see that the trends most significant to American industry today are to be found in Europe. It is from there that we derive our roots—the Judeo-Christian ethic, our major theories of political democracy, economic development, and indeed, most of the underpinnings of our contemporary culture.

I propose to review the thrust of organizational changes in the European workplace and perhaps extrapolate from them shifts America might expect in the coming decade. As we reflect on changes in European political and economic spheres, are there any signs that similar seeds have been planted in American soil? What parallels are emerging in the United States? Finally, we will explore several frameworks for a restructuring of organizational power that are beginning to emerge and discuss their implications for truly changing the world.

After 150 years, Europe is again giving birth to a new industrial age. The first was a technological revolution, an era of mechanization and mass production, of assembly-line organizational logic and the triumph of the machine. The second revolution going on now is a transformation of power, a shifting of economic and political control in society, from the few to the masses, from the owners to the producers of labor, from the haves to the have-nots. The results are yielding significant outcomes as the social structure is altered, as political expectations change, as a new psychology of entitlement emerges, and the nature of work itself is redefined.

Today in many advanced countries of Europe, a job no longer means simply arriving on time, operating a machine, and producing one's quota of quality products. Work has been infused with the notion of individual rights, the quality of working life, and the democratizing of

corporate bureaucracy from the shop floor to the boardroom. Whether the national rhetoric is capitalistic or socialistic, the underlying thrust is a push for participation and power. For millions of workers across Europe, new institutional forms have been created in order to guarantee the redistribution of power. The range of these mechanisms makes up a phenomenon known as Economic Democracy (Hall, 1989; Involvement and Participation Association, 1992).

Instead of merely reporting to work and receiving orders for the day, the new worker's role is one of decision-maker and policy setter. The experiments of the 1970s and 1980s have been institutionalized in the 1990s. Indeed, the past decade, especially in Eastern Europe, can be characterized as the most sweeping economic reform of the 21<sup>st</sup> Century. While the arguments from the political left and right vary on *how* to distribute the fruits of labor throughout society, the debate about *whether* to share the benefits of production more widely is all but over.

Immediately after World War II, France began the drive toward economic democracy by establishing mandatory works councils in 1945. Germany went further in 1947, allocating to workers one-third of the board of directors' seats in the coal and steel industries. Since then, an explosion giving rise to full-fledged economic democracy has culminated in over thirty changes in corporate-union relations among some ten countries. Table 1 is a sampling of these developments which empower workers and labor with new organizational and economic clout in different nations:

<b>Table 1: Co-Determination</b>	
The Netherlands establishes works councils	(1971)
Sweden passes one-third co-determination law	(1972)
Austria legislates labor constitution	(1973)
Britain creates Bullock Commission	(1974)
Denmark establishes co-determination system	(1974)
Sweden considers Meidner profit-sharing plan	(1975)
Norway creates work environment act	(1976)
Germany passes 50-50 co-determination law	(1978)

The sum total of these legislative and social innovations means profound industrial change. Consider the following pushes for European economic democracy: A more focused description of major types of change will suggest the flavor of these alternatives in the reform of industrial relations.

### *Collective Bargaining*

The fundamental basis for union-management relations in Europe is still the labor contract, although it is built on a foundation of cooperation, in contrast to the adversary system of the United States. Trade union membership is high, often exceeding half of the work force, and in some Scandinavian countries, up to 80 percent are unionized. This includes not only blue-collar employees, but white-collar and managerial personnel in many countries. In contrast to

the dominant bread-and-butter concerns of bargaining in America, the agenda of European labor unions over the years has been broadened to include not just physical safety and health, but mental well-being also. Other top priorities consist of joint decision making, and the social rights of workers. Sweden, for example, established a Democracy at Work Law in 1977 which essentially tore the lid off issues once considered managerial prerogatives. On the other hand, Italian unions have achieved economic democracy gains through collective bargaining rather than political means. In many cases, the unions have used arbitration along with legislation to widen the focus from wages and working conditions to employment policies, capital investments, production schedules, and new plant construction.

## EUROPEAN ECONOMIC DEMOCRACY

British labor advocates, Coates and Topham (1970) declare: “For us, the question is whether the workers are to control their own destinies, or be subjected to ever more intensive and minute control themselves, as the power of the oligarchs becomes ever more arbitrary and ever more irresponsible” (p. 240). Likewise the French trade union, CGT pushes for its agenda: “We demand steps be taken to fight against the extreme divisions of labor, loss of skills, and the subservience of man to machines.”

### *Workplace Democracy*

The participation of workers at the shopfloor level of the firm has become a major focal point for economic democracy. Early experiments in British coal mines and Swedish automobile assembly plants have led to widespread attempts to alter the relationship between the individual and the machine. Specific tactics and terms may vary: Norwegian work restructuring, job enrichment, British socio-technical systems, Swedish autonomous work teams, and labor-management cooperation. The important goal is to restore meaning and growth to the work experience. Most European nations have as a high priority the improving of the quality of working life, illustrated in Germany’s expenditure of over \$100 million to carry out research under the Humanization of Work Act. The underlying principle seems to be that if workers participate in the design and execution of shopfloor activities, there will ensue a more productive process and higher-quality results, as well as a closer correspondence between bureaucratic organizational life and genuine societal democracy. In numerous cases, organized labor even wants to shift the very nature of products being produced. Consider, for instance, what the Lucas Aerospace Combine Shop Stewards Committee has advocated to combat mass layoffs through the creation of alternative, peace invoking economics: “What we are insisting from Lucas is a move away from weapons production for the arms trade—toward socially useful production: goods accessible to all, products which conserve resources and improve the environment.”

### *Works Councils*

National legislation exists which mandates the formation of a works council at the enterprise level in numerous European countries—France, the Netherlands, Sweden, Belgium, and so on. Usually the councils are established as union-management consultative bodies to monitor factory working conditions and strengthen operations. These councils may range from groups of “all talk/no action” to very powerful committees which basically run the business. Usually between 10 and 20 people in number, membership is either decided by one’s formal

position in the company or union hierarchy, or by the election of representatives. In Belgium, the works councils are mainly an advisory group of top management, while in Italy and the Netherlands they are union-dominated and have heavy control over company decisions. In the latter case, the councils have access to corporate information about future business plans and financial data. Executives must involve the council in such decisions as plant relocations, mergers, product development, and layoffs. The councils have veto power over safety issues, changes in pensions and profit-sharing, and disciplinary policies. Operating a works council consumes a good deal of the time and energy of management and labor, but many argue the effort pays off as the council becomes a vehicle through which decisions get reached and plans are implemented.

### *Co-Determination*

In attempting to mitigate against a rebirth of Nazism after World War II, the West German government attempted to democratize the economy by giving workers board of directors representation in key industries. Since then, the percentage of workers' board seats has grown from 33 percent to parity (50 percent) in Germany. Similar legislation is now on the books in the Scandinavian countries, France, the Netherlands, and Austria. The Bullock Commission Report of Great Britain advocated a similar structure of U.K. industries, but the political support for such a move has not yet been achieved. The European Union has been implementing a two-tier board system for all European companies in which the top level has equal representation for workers and executives, with a second-level board consisting wholly of upper management, accountable as a group to the top board. Some nations mandate co-determination only in certain industries, and only in large companies. On the other hand, Sweden requires labor representation on the board of all firms employing 25 or more people. In most cases of co-determination, trade union power seems to consist mostly of information; i.e., access to profit-and-loss statements and employee relations data, rather than workers using their power to redirect or block corporate activities.

### *Income Redistribution*

Perhaps the potentially most profound and far-reaching European changes have to do with worker participation in the corporate financial picture. The essence of sharing in the profits of a firm, however, is not simply a question of depositing an extra bonus in one's bank, but broad-ranging societal control. The ultimate goal is for the masses to obtain decision-making power through widespread stock ownership—a fundamental form of democratizing the economy. Labor leaders and economists have debated trade union control of the means of production throughout Europe. In Sweden, for example, proposals have been considered that anticipate turning 20 percent of the country's corporate profits over to a central fund administered by the national union. Such a move would give labor virtual control of Sweden's economy within the next few years by creating a political economy of a Third Way, an alternative to the traditional dichotomy of having to choose between capitalism or socialism.

## **U.S. WORKERS' EMPOWERMENT**

While the shifts toward worker participation have perhaps been more dramatic in Europe, the American case also suggests the seeds of change. From human relations training and

organizational development techniques which emphasized trust and working together, but left the central issue of organizational power untouched, the push today in countless firms is on the quality of working life, worker empowerment, and participative management. The underlying thrust seems to be that *it is not enough to do things differently; what is needed is to do different things.*

Hundreds of firms, like Procter & Gamble and Westinghouse, have designed and built new plants based on a logic of “small is beautiful.” These new wave factories tend to be single-storied facilities with plenty of sunlight, access to the out-of-doors, and brightly colored work spaces. Rather than ten thousand workers packed into crowded pigeonholes, the new firms usually have 500 employees at the maximum, a size that is more consistent with human-scale organizations. Such enterprises do not suffer from hierarchical overkill, but are simpler to understand and they generate feelings of belonging to the company family. Smallness enhances the possibility that when difficulties emerge, the organization is not so large and complex that problems are unchangeable.

A number of other aspects of today’s new American plants reveal the cumulative effect of change: no time clocks; no uniforms; teams of workers doing their own scheduling, hiring, and firing; quality control and light maintenance, often without even immediate supervisors. Job design and/or job enrichment are also increasingly important. As Studs Terkel (1997) found when interviewing Americans across the country, people are seeking new changes in the nature of the work they accomplish: “I think most of us are looking for a calling, not a job. Most of us, like the assembly-line worker, have jobs that are too small for our spirit. Jobs are not big enough for people” (p. xxiv).

Meanwhile, dramatic alterations are also appearing in the old manufacturing industries of the Northeast United States. To combat community deterioration caused by strikes, low productivity, and runaway plants, dozens of cities have created area labor-management committees. Among the most widely heralded successes are those of Muskegon, Michigan and Jamestown, New York, where union officials, industrial owners and managers, and elected representatives of the public have created regional councils engaged in cooperative problem-solving (Meek, 1985).

In many cases such efforts have led to reduced work stoppages, improved health and safety records, the retention of once-threatened jobs, and revitalization of the regional economy. These new forums for anticipatory joint planning, rather than post facto reactions to a crisis, have resulted in job guarantees, improved percentages of corporate bids on new work, redesign of plant layouts, and community-wide commitment to a better quality of life.

The 1980s-1990s American era of labor concessions was not merely a period of union givebacks, but a tradeoff. In numerous cases workers agreed to not demand wage increases and even to accept reductions in benefits or other settlements which minimize costs to the firm. However, labor has sought and gained power in exchange for such agreements, illustrated by the following sampling of new contracts: Ford and General Motors agreed with the United Auto Workers not to close down assembly plants and to reduce outside competitive buying of parts; American Telephone and Telegraph agreed to consult electrical workers’ “technological change committees” before any innovations were implemented; the United Rubber Workers won the

right to inspect Uniroyal's books in exchange for concessions; workers at Northwest Airlines, United, and a number smaller firms gained seats on the board of directors so they could monitor corporate performance and have access to critical financial data.

### *Worker Ownership*

Perhaps one of the most fundamental signs of the new industrial revolution in America is the shift toward workers' self-management and employee ownership. Sharing in the fruits of one's labors has been an evolutionary idea for some years, illustrated by the proliferation of profit-sharing schemes, Scanlon plans, and newer programs like Improshare. However, more recently, employee stock ownership has mushroomed. As a strategy for economic democracy, in some cases, the workers simply obtain stock through special company arrangements, illustrated by Hallmark Card or Sears, Roebuck, and Company (which is 30 percent employee-owned). In other instances, employees gained major blocks of stock through some sort of financing package, such as the Chrysler autoworkers obtaining 15 percent of the company's stock, 12 million shares, as part of a large revitalization plan. In hundreds of cases during the last decade, small business entrepreneurs have also turned their firms over to their employees upon retirement. In other instances, workers and communities have fought imminent plant closings through the tactic of a worker buyout, and thousands of jobs have been salvaged (Whyte and others, 1983).

All told, today there are over 11,000 worker-owned firms across the country, employing at least nine million worker-owners whose stock is valued at over 400 billion dollars (NCEO, 1999). In Poland when the heroic trade union, Solidarity, demanded as one of its core economic reforms a program of workers' self-management and ownership, leaders of the regime criticized the union proposal as bourgeois capitalism.

In contrast, in the United States when one speaks of worker ownership, the idea is often rejected as socialism. Curiously, however, congressional legislation reveals the notion of employee ownership to have widespread bipartisan support in Congress, and even in the White House. So today worker ownership is growing, from 17 plywood corporations in the Northwest to an insurance company in Washington where workers elect their own managers. From Okonite, a New Jersey wire and cable firm to the Springfield Remanufacturing Company in Missouri; from Parsons, a Pasadena-based engineering business with 12,000 worker-owners to Science Applications International in San Diego with 41,000 employees; from large-scale agricultural co-ops to new wave collectives in light industry, crafts, and other economic alternatives. The idea was embraced by one of the largest employee-owned firms in the country, a steel mill in Weirton, West Virginia which was bought by 10,000 steelworkers and became the eighth largest steel company in America. Ultimately, American steel workers at other sites bought out over 20 more such companies. Likewise, some 121,000 employees now own the majority of shares in Publix supermarkets, headquartered in Florida.

While the transporting of the new economic revolution across the Atlantic is far from complete, the winds seem to be blowing in this direction. Although we should not overstate the differences between Europe and America, the "Europeanization" of U.S. industry tends to look like the future. A key difference is that much of the shift in power to American workers is coming about through voluntary agreements between unions and companies, not because of political alliances or state-mandated legislation typified by much of Europe. In other words,

while the thrust of the change is similar, the means differ and seem to be based on a distinctly American approach in which the federal government largely stays out of the picture.

Another factor which distinguishes change between the two continents is that in the United States there is generally not a coherent policy among employers' associations or international labor organizations regarding workers' participation. Rather, the process is occurring in piecemeal fashion. There have been several exceptions, such as the creation of plant-level labor-management committees throughout the steel industry, and the General Motors-UAW formal commitment to participative structures which ensure a higher quality of working life. But the norm generally seems to be that the union local and/or plant management propose changes which lead to more of a bottom-up empowerment.

In attempting to analyze quality of working life as an approach to organizational change, it may be useful to look at the global picture from different angles. One view that might be taken arises from consideration of the *level* of worker participation (shown in Table 2).

<b>Table 2: Levels of Organizational Participation</b>
Ownership—Stock control
Governance—Co-determination of policy
Management—Administration
Terms and Working Conditions—Labor Agreements

To explain this chart, let us begin with the lowest level of participation, *Terms and Working Conditions*. In America, the labor contract has been the historical vehicle for worker participation. Collective bargaining was the process for setting the pay, benefits, duties, and it otherwise defined the relationship between management and labor. Essentially, it boiled down to an assumption that “management’s job is to manage and workers do the work.”

A step up in participation has developed over the past few years in cases where the union has been invited to become a partner with management in the administration of the firm. Under the rubric of *Participative Management*, Ford Motor Company has created Employee Involvement Committees in over a hundred of its plants in which workers and supervisors jointly assess problems and brainstorm possible solutions. Quality of working life specialists at General Motors have likewise labored for a number of years to bring UAW and management representatives together for team-building programs in which trust and a new level of open dialogue are established for joint management of the factory. For example, the mission statement mutually agreed to by the management at GM’s Oldsmobile division declares that:

We encourage and support the shared responsibility of all people at Oldsmobile toward a common goal: producing a quality product at a competitive price, in an atmosphere of cooperation and shared recognition, in which everyone has the opportunity to participate in the decision-making process (Union Steering Committee, 1991).

Elsewhere, Dana Corporation increased productivity 126 percent by involving most of its 24,000 workers in participative management programs. Cummins Engine, General Foods, and others began to restructure decision making so that work teams became self-managing. Prominent European parallels consist of the Swedish new plant designs, socio-technical redesign of work experiments in Britain, and so on.

Other efforts have raised the degree of organizational participation even higher, to a third level—the inclusion of workers in a firm’s *Governance*. Examples from Europe consist of works councils at the plant level in France, the Netherlands, and Belgium, and co-determination of the corporation in the cases of Germany, Austria, and Scandinavia. U.S. examples of co-determination include the election of United Auto Workers President Douglas Fraser to the board of Chrysler Corporation, and union seats on the boards of Northwest, United Airlines, Weirton Steel, and others. In other firms, such as Donnelly Mirrors, all employees are represented by an elected committee which sets all policy for personnel issues in the corporation.

Perhaps the most powerful level of participation is that of *Legally Owning a Business*. European instances include worker buyouts in Sweden, Britain’s Scott Bader Commonwealth, and the 200 industrial cooperatives of Mondragon, Spain, which employ 60,000 workers in an intricate network which includes a worker bank, R & D center, engineering school, and housing complex.

Worker ownership in America may arise from a profit-sharing program which gives employees a stake in the business, as illustrated by firms like Kodak which is partially owned by employees. Or the ownership may include over 50 percent of the stock held by the workers as is the case with Publix Supermarkets, Parsons and Okonite.

To look at economic democracy from another angle, three basic *forms* of participation may exist (see Table 3).

<b>Table 3: Forms of Participation</b>
Individual—Direct
Group—Direct
Organizational—Representative

One form is the involvement of the *Individual*. In this case, the employee approaches management with ideas and/or criticisms. These may be verbal or written, solicited or unsolicited, and are often obtained through such programs as an open-door policy or suggestion box. A second form is that of *Group* activity—quality circles, Scanlon committees, semi-autonomous or autonomous work teams, and so on. The third form is *Organizational*, which, in contrast to the two direct approaches, is representational. Illustrations of this include the innovative structure of participation at W.L. Gore, the hi-tech fabric maker. Another case may be the Management Councils created at Westinghouse Corporation in which representatives from supervisory ranks in various departments are elected to open up channels of communication, make recommendations regarding management needs, and so on.

Another angle from which a different perspective of organizational change appears is to look at a scale of participative power. Table 4 attempts to suggest a hierarchy of decision making and is illustrated with examples from cases discussed above. While the range of worker input varies considerably, one might argue that the higher on the ladder worker participation in decisions goes, the more potential exists for genuine workers' control and economic democracy.

<b>Table 4: Range of Economic Democracy</b>				
			Business Products	Profits Distribution and Investment
Word Station Decisions	Day-to day Team Management	Technology and Planning	Worker involvement in the creation of new product lines, socially beneficial products: Scott Bader, Ben and Jerry's, Saturn.	Control of financial budget and corporate investments: Mondragon, U.S. plywood co-ops.
Collective bargaining decisions regarding job bidding, place of work, speed, etc.	Labor-management committees, quality circles: GM, Ford, Kelloggs.	Socio-technical design, layout of new plant start-ups: Volvo, Saab, Procter & Gamble, General Foods.		

Decision-making under conditions of economic democracy tends to move from the lower inputs of the work station, up a step to team structures that operate in the workplace day-to-day, like those at Ford Motor Company. Another step up is the involvement of labor in matters such as long-term planning strategies and the introduction of new technology, illustrated by European companies like Volvo and U.S. firms such as Procter and Gamble.

At the next higher step of joint decision-making is worker participation in the design and creation of new business products. Examples may include Ben and Jerry's ice cream which has launched flavors like "Rain Forest Crunch." It utilizes Brazil nuts purchased from indigenous village cooperatives in the Amazon jungle, and workers determined that profits from this flavor should go to help environmental groups fight deforestation in the Amazon. Likewise, Scott Bader Commonwealth in the U.K. elected workers to the firm's board of directors. In turn, they developed a "Peace Strategy" that shifted the firm's chemical business away from military/defense contracts, and toward products for peaceful uses. Likewise the Saturn Action Council made up of top management and UAW Local 1853 created a new structure to design and build a whole new line of U.S. automobiles (Woodworth & Meek, 1995, pp. 39-48).

Finally, Table 4 culminates at the highest range of worker participation, the step in which workers become involved in the distribution of profits and investments. At this level workers may determine policy decisions such as channeling some of their profits to the surrounding community, illustrated at Mondragon by the policy of giving 20 percent of pre-tax income for

schools and housing. Mondragon workers also invest 20-40 percent back into the firm for new, state-of-the art high tech equipment that will continue to ensure Mondragon's role as a leading-edge cooperative enterprise.

A central thesis of this report is that the impetus for organizational change in the United States has its roots in European culture, not Japan. Shifting worker expectations, "new breed" values about one's job, and the current economic crisis all serve to enlarge the context for an increasingly democratic organizational life. The range of behavioral science theories, managerial practices, and labor proposals are designed to give workers more of a voice, heightened autonomy, and an enlarged share of responsibility in company operations.

During the 1990s, there were a number of innovations in labor/management partnerships that were launched. The United Steel Workers of America (USWA) and National Steel Corporation forged a unique agreement that included a policy of no layoffs and the company opening all its books and financial records to the union. National ran a Wall Street Journal article entitled, "We're Partners With Labor Because We Can't Imagine a Future Without Them." The collaboration saved over a hundred million dollars in cost cutting and productivity increases, and it became a model for other steel plants (Bryne, 1993, p. 10). Similar examples include Scott Paper and the United Paperworkers International, the Communication Workers of America and AT&T, Alcoa and the aluminum workers union, and the American Federation of Grain Millers union and Kellogg Company.

New policies generated from Congress and the White House also supported cooperative moves toward economic democracy during the 1990s. As soon as he became president, Bill Clinton overturned Ronald Reagan's ban on rehiring fired air traffic controllers, allowing some PATCO strikers to finally return to their jobs. Labor Secretary, Robert Reich, pushed forcefully for increased worker training and empowerment. He created the new Office of the American Workplace that brought together 600 business and union leaders to plan strategies for building high performance organizations through labor-management partnerships (Brown & Reich, 1993).

There seem to be two basic premises for changes toward worker participation, whether at the factory floor, or in the boardroom. One is the pragmatic rationale which argues that such participation will ensure corporate profits, improve productivity, and better utilize the firm's human resources. The other view stems from an ideological premise that until the rights of the individual penetrate the company gates, the fundamental ideals of economic democracy in society will not be achieved.

While the thrust of this effort seems to portend a future of dramatic alterations in the social and economic infrastructure of modern society, this movement in America is not without its problems and failures. One of the best-known cases of a worker takeover, the Vermont Asbestos Group, was largely a financial success, but the worker-owners eventually lost a controlling interest in the stock and the firm reverted to a more traditional system. Similarly, the worker participation experiments that the Harvard Project on Technology, Work, and Character launched with Harmon International Industries and the UAW in Bolivar, Tennessee ended up being dismantled, or extensively altered, from an earlier, progressive form to more of a status quo organization.

Doubts and resistance to genuine democratization of industry are articulated in many management and trade union circles. Executive attitudes often reflect the view a CEO once expressed to the author, that the current crisis over productivity and hard economic times is forcing business to seek employee input and listen to shopfloor-level ideas. His expectation, though, is couched in the hope that when the economy bounces back, channels from below will be blocked, and the fortress-type practices of the past will again become the *modus operandi*.

Organized labor also has its concerns about joint union-management problem-solving. Said an official of the International Association of Machinists and Aerospace Workers, “We have a feeling that if we get into bed with management, there’s going to be two people screwing the workers instead of one.” And certain aspects of economic democracy have been referred to as “rainbow chasing” by Thomas Donahue, former executive assistant to the president of the AFL-CIO, who once told the author, “We do not seek to be a partner in management—to be, most likely, the junior partner in success and the senior partner in failure.”

Regardless of the controversies surrounding these new mechanisms for change and worker participation, the likelihood is that these developments may become the norm within a decade or two. Cosmetic changes of the organization’s facade only will die quickly. But the substantive shifts of power beginning to occur suggest a future groundswell as we enter the Twenty-First Century. These changes are exploding from the guts and the heart of middle America. Top management and union officials who do not begin to articulate a coherent new vision of a truly democratized society may be overthrown by the hard hats now clamoring at the company gates.

Who knows, maybe economic democracy will also begin to expand in The Third World and other nations in transition such as the former Soviet Union.

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## Chapter 2

### *COLLECTIVE BARGAINING, MUTUALITY, AND WORKERS' PARTICIPATION*

**Milton Derber**

Efforts to advance economic democracy through workers' participation in management have taken two main approaches. One, exemplified by collective bargaining, is adversary in nature; the other, as expressed in autonomous work groups, producers' cooperation and (within limits) co-determination, is mutualistic or consensual. The adversary concept, as used here, is not the polar contrast to the mutualistic. It does not denote a struggle in which one of the parties is to be vanquished and eliminated. Nor does it preclude cooperation among the adversaries. Some writers have referred to it as "antagonistic collaboration." It might, more appropriately, be labeled "competitive collaboration." It is analogous to the political systems of most modern democratic societies inasmuch as it recognizes opposing interests over particular issues but assumes agreement on the underlying legislative and judicial procedures through which conflicts over interests or rights may be peaceably resolved. Although the mutualistic approach is based on the achievement of consensus, it also recognizes individual or group differences. However, it assumes that when issues arise the parties involved will subordinate their differences in a search for a common solution that will maximize the benefits for the total unit.

Let us examine the differences between the two approaches in somewhat more detail.

1. The collective bargaining approach is premised on the principle of collective organization, that employees and managers will participate in management decision-making through formal organizations, typically a trade union or a management unit. Individuals and informal groups who attempt to deviate from the position of representative organizations are discouraged and, in extreme cases, outlawed. The mutualistic approach, in contrast, emphasizes the role of the individual within the enterprise, acting as a member of a team or family. To the extent that functional roles produce "sides" or opposing interests, it seeks to downplay or soften the groupings and to emphasize individual interests in the whole.

2. The collective bargaining approach assumes that the collective organizations of employees and managers are independent of each other to the extent that each feels free to advocate and press for opposing interests in the bargaining process. The management-dominated union and union-intimidated management can hardly engage in genuine collective bargaining. Collective bargaining, historically, has attached considerable importance to the role of "outsiders," particularly on the union side, because the outside link is expected to add appreciable information, expertise, and bargaining power to the local organization. The mutualistic approach de-emphasizes separate and competing groups. It reflects, further, a preference for minimizing the role of "outsiders" in enterprise decision-making. Thus, outside union representatives appointed to boards of directors are often expected to divest themselves of union positions and to act as individuals rather than representatives.

3. The collective bargaining approach attaches great importance to the distribution and exercise of power between unions and management. It is generally assumed that collective bargaining works best when there is an approximate balance of power. If power is

disproportionate, it is assumed that the stronger party will restrain its exercise of power to some degree, that is the union will not press for gains beyond the capacity of the enterprise to survive as an economic unit and the employer will not seek to destroy the union as the workers' representative. The mutualistic approach tends to by-pass the power concept. It assumes that differences in the decision-making process will be resolved by discussion, persuasion, and rational judgment rather than pressure. Since the participants share common interests, there is no reason for one group to seek to overpower the others.

4. The collective bargaining approach accepts overt conflict in the form of strikes and lockouts as a regrettable but often unavoidable last step in the resolution of differences over interests. While alternatives to the work stoppages may be used for certain kinds of issues (e.g., private or public arbitration, labor courts, or a legislative body), the ultimate resort to self-help remains a major component of the system. The mutualistic approach rejects overt conflict. It assumes that all decisions can be made in a peaceful and harmonious way. If conflict breaks out, it is a sign of disorder, of the malfunctioning of the system.

5. Finally, the collective bargaining approach assumes the continuation of a functional division between "management" and "employees." Although the scope of bargaining has grown over the years, union leaders (with some exceptions) have been reluctant to share responsibility for decision-making in areas that do not directly affect pay, fringe benefits, hours of work, manning, contracting out, and other terms and conditions of employment. Nor have they evidenced a will to assume the roles and functions of management. In turn, management has emphasized its "right to manage" and has strongly resisted union demands for a greater voice in determining managerial decisions. The mutualistic approach, on the contrary, has encouraged employee participation in decision-making areas that have traditionally been exclusively management, notably productive efficiency, absenteeism and waste, and investment or plant location policies. It has not only added employees to decision-making units but, in some cases, has given employee representatives managerial roles and altered the duties of management positions. Supervisors are no longer "bosses" but group leaders or coordinators or even only advisors.

### *Variations in Patterns*

These two basic approaches to worker participation in management are often found functioning separately from each other in "pure" terms. In the United States and Britain, and in other systems flowing from them, the adversary models generally prevails in plants and industries where employees are unionized. In the self-management system of the former Yugoslavia, in the kibbutzim of Israel, and in producers co-operatives of a number of countries, the mutualistic model has been adopted. But there are also examples of systems, particularly in the former category, where the two approaches co-exist in the same industry or enterprise. And there are certain behavioral approaches where the adversary and mutualistic concepts are blended. For example, in Germany collective bargaining occurs mainly outside of the enterprise – at the industry-wide or regional level while a more or less mutualistic approach applies at the enterprise level. The unions in recent years have become much more active at the plant level but the works councils are chosen by all the employees (non-union as well as union), council members must be employees, and they are prohibited by law from calling a strike. A form of bargaining does occur on a variety of employment conditions and rules, but, absent the right to

strike, it is likely to be more discussional than adversarial in character. The supervisory boards include outside representatives for worker as well as shareholders but they, reportedly, do not often interact in a collective bargaining manner.

In Japan the bargaining and mutualistic functions appear to be similarly distributed. The basic wage and hour decisions are essentially determined through a militant adversary approach at the national level (the annual Spring “shunto”) although the agreements are reached on an individual enterprise basis. Other employment and management decisions are made within the enterprises through a largely consensual process. As in Germany, there are some indications that the bargaining approach is assuming more importance in the enterprise, but in comparison with Anglo-American experience, the shift is minor.

In Sweden and Norway the bargaining/mutualism pattern has a somewhat different configuration. Although there is a great deal of consultation and collaboration between management and employee representatives, including employee representation on the company board of directors and a joint plant committee, the dominant rule-making or decision-making process beyond the job level is based on bargaining. The union organization, as distinct from the individual employees, is the focal employee representative and differences between management and labor are resolved through taking “sides.” The recent Swedish law on employee participation in plant decision-making explicitly recognizes management and union interests, but reverses the traditional policy of giving priority to management’s position by letting the union interpretation stand until a labor court has issued an award. At the job level, however, the widespread institution of semi-autonomous work groups has promoted the mutualistic rather than the adversary approach. Decisions about the performance of work are determined in a consensual manner. It is still too early to assess the Swedish “blend”. As the union assumes increasing responsibility for co-determination of managerial policies beyond employment conditions, can the leaders effectively preserve their interest group role or will more adversarial-minded employee representatives arise from below to challenge them? Given the long and impressive record of union-management cooperation in Sweden and the lengthy involvement of Swedish labor leaders in national social and economic planning and implementation, the prospects for success are high. If the mixed pattern does not work effectively, however, it is not likely to do so in other Western democratic societies where cultural conditions are much more heterogeneous and attitudes are much less favourable to collaboration.

Although collective bargaining predominates as an adversary system in the United States and Canada, there have been a minority of situations in which the consensual approach has been linked to the bargaining approach. One well-known example is the Scanlon Plan which sets up committees separate from the collective bargaining contract to receive, discuss and evaluate employee suggestions on how to improve productivity and to reduce waste. Cost savings are distributed to all employees on the basis of an agreed-upon formula. Despite the fact that the Scanlon committees are the result of union-management negotiations, they typically function on a consensual basis rather than as an adversary proceeding. Other examples will be discussed below.

In the Israeli kibbutzim and some producers’ co-operatives it is not uncommon for “hired workers” to be employed side by side with the “owner-workers.” The wages and conditions of the “hired workers” may be determined through national collective bargaining while those of the

“owner-workers” are determined through local consensual procedures. Although ideologically disturbing, and the subject of lengthy debate within the kibbutz movement, this blend has proved to be operational for a number of decades. Israel also provides examples of union-owned enterprises (e.g., Koor, the large industrial company owned and run by the Histadrut) in which bargaining over employment terms takes place between a union-appointed management board and a union representing the employees of the company.

### *The Walton-McKersie Analysis*

These mixed patterns suggest the desirability of a brief examination of Richard Walton and William McKersie’s classic book, *A Behavioral Theory of Labor Negotiations* (1965). In this work the collective bargaining process is analysed in terms of four processes, two of which contain a number of the characteristics that I have included in the bargaining and mutualistic approaches. One sub-process, which they call distributive bargaining, is essentially adversarial in nature. They describe it in game-theory terms as a fixed-sum game in which the gains of one side represent a loss to the other. Distributive bargaining occurs principally over pay issues although it can apply to all the other issues in collective agreements. A second sub-process, integrative bargaining, is problem- rather than issue-oriented; it is described as a variable-sum game in which both parties can achieve gains. Hence it is mutualistic in spirit rather than adversary. According to Walton and McKersie, this type of negotiation applies mainly to non-money subjects, particularly matters of job security.

In practice, Walton and McKersie observe, the bargaining agenda is often comprised of mixed items. The mixed item has both distributive and integrative potential and its outcome will depend upon “the orientation of the negotiators and their tactical approach to the agenda item” (p. 128). Since the two “pure” sub-processes generally conflict, the negotiators find themselves in repeated dilemmas in bargaining over a mixed agenda. The consequence is that each party seeks to obtain a “decent share” while preventing the other party from gaining “the lion’s share of the game” (p. 183).

The significant feature of their analysis when applied to the subject of worker participation in management is that it assumes a continuing division of interests between management and the employees, the existence of “sides”, a concern over power. Even the integrative sub-process is defined in terms of the gains to be achieved by each side rather than commonality of interest. The underlying relationship patterns which Walton and McKersie introduced in their other two sub-processes (the attitudinal structuring model and the intraorganisational bargaining model) lend further support to this interpretation. Cooperation between management and unions within a collective bargaining framework is seen to be different than mutualism.

### *The American Experience*

I turn now to a more detailed analysis of the American system of collective bargaining. Collective bargaining in the United States has functioned for the most part as an adversarial system both in regard to the establishment of the principal rules (embodied in highly detailed contracts) and the grievance procedure for the interpretation and implementation of the contractual provisions. Although many managements and unions have conducted their mutual

affairs within a climate of trust and friendliness, they have been careful to assert and maintain their separate identities. The parties have moved on a relatively limited scale in a mutualistic direction through the establishment of joint labor-management cooperation committees or programs, designed usually for special purposes. Perhaps the earliest of these dealt with apprenticeship training in the building trades. More recently joint programs have been developed to deal with health and safety, including problems of alcoholism and drug abuse, with community charitable drives, energy saving, equal employment opportunity for minorities and women, the administration of retirement and other benefit funds, and recreational activities. In industries that have had difficulty in competing successfully with foreign companies (pottery and dresses, as examples) or with alternative domestic industries (e.g., glass or railroads) unions and employers have co-operated in lobbying for protective laws or regulations or in developing advertising and promotional campaigns.

The record of cooperation in the areas of productive efficiency, cost reduction, and the elimination of waste has been slight. A study by the National Commission on Productivity and Work Quality in 1975 concluded that although "There is nothing in the American system of industrial relations that precludes the use of joint labor-management committees to increase productivity," they "have made comparatively little progress" over half a century (p. 43). Prior to the Second World War the principal examples were found in railroads, textiles, clothing and the Tennessee Valley Authority (a governmental agency for electric power, flood control and related functions). During the War, several thousand joint labor-management productivity plant committees were established with Government backing and guidance and many yielded fairly good results, but virtually all of these committees disappeared after the War ended.

Since the War several notable examples of cooperation have occurred in such diverse industries as meatpacking, steel, and longshore. The first (the Armour Automation Committee), involving the shutdown and relocation of a dozen obsolete plants, provided workers with relocation seniority rights, moving expenses, and retraining opportunities. A second was the Human Relations Committee set up by the United Steelworkers of America and the major steel companies after a costly 116-day strike in 1959 to conduct studies and build up mutual understanding of complex problems involving wage incentives, seniority, medical care, and job classifications. A third example was the so-called mechanization and modernization agreement for the West Coast longshore industry in which restrictive or outdated work rules were given up by the union in return for substantial income and employment guarantees. Other cases include the Scanlon Plans, referred to earlier, but these have been confined to a few hundred enterprises, mostly employing under 500 employees. A recent survey in an Illinois city of 150,000 population revealed five unionized enterprises with joint productivity committees, three with waste reduction programs and seven with plans to reduce absenteeism or turnover.

In recent decades the federal government launched a national campaign to increase productivity through labor-management cooperation committees, linking to productivity the idea of improvement in the quality of working life as an incentive for union cooperation. However, American unions have traditionally regarded the increase of productivity as a function and responsibility of management; as a rule they have become actively involved in productivity increase programs only to protect threatened job interests, particularly where an enterprise or industry is facing extinction. Productivity bargaining has been limited, and typically has involved a trade-off between restrictive union work rules and economic benefits for the

employees. A number of promising programs were developed, including a community-wide effort in the then depressed city of Jamestown, New York; an industry-wide plant-level program in basic steel; national joint committees in the retail food and trucking industries, and a variety of enterprise projects in coal mining, auto manufacture, and fabricated metal companies.

It is interesting to note that most of the American experimentation with job enlargement and enrichment and with semi-autonomous work groups has taken place on the initiative of management in non-unionised establishments or with non-union employee groups in otherwise unionised enterprises. The development on a small scale of self-management establishments has also occurred outside of the collective bargaining orbit.

Why has the American collective bargaining system produced so few programs of a mutualistic or quasi mutualistic nature? The National Commission on Productivity and Work Quality (1975) study concluded that the answer lies in two main facts: (1) the adversary system has worked “reasonably well, and in most situations the parties, through mutual accommodation, are able to achieve satisfactory relations”; (2) “differences of interest between management and union officials and sometimes between the latter and their rank and file” (p. 44).

It is important to note that the adversary approach is theoretically capable of dealing with virtually all of the issues and problems that are dealt with by the mutualistic approach. Although the unions have tended to confine their efforts to the control or regulation of job-related matters, they have gradually widened their conception of what is job-related, including subcontracting and the consequences of plant relocation decisions. Professional and quasi-professional unions, like teachers and social workers, have contended that collective bargaining encompasses the entire scope of their professional lives.

Perhaps the chief restraint on the scope of collective bargaining arises from role differences. Basically they centre on either (1) the reluctance of proprietary or professional management groups to share their decision functions with workers or unions, or (2) the unwillingness of union leaders to risk their leadership role by participating in a management structure which might produce decisions to which the rank and file might object.

Other factors inhibiting mutuality have been the skepticism of the Carter and Reagan administrations regarding the workability of the joint committee approach in the productivity area and, more importantly, the widening gap between organised labor and big business as a result of the bitter struggle during the past few years, over the unions’ proposed revisions of the basic labor law. The defeat of the labor law reform campaign, the minimal success of labor in achieving other legislative goals, and the frustrations of the unions in their Southern organizing campaigns have produced a climate that is not conducive to union-management cooperation. Recessions and the persistence of high levels of unemployment in recent decades have also discouraged union participation in productivity programs that might reduce job opportunities for their members and, in any event, might have dislocating effects.

### *Experience With Collective Bargaining in Other Countries*

In Britain, Canada and Australia, the adversary approach has generally predominated as in the United States and cooperative or mutualistic programs have been the exception. Both in

Britain and Canada the wartime joint production consultative and advisory committees programs were continued after World War II, in contrast to America, but despite some interesting success stories, the general impetus gradually faded away and joint consultation was supplanted by the adversary climate of shop stewardism and collective bargaining. Joint committees of any kind have been rare in Australia's private sector although an industrial democracy movement, mainly implemented in public agencies, was initiated by the Government of South Australia and a small number of private firms were persuaded to experiment with consultative committees, job or work redesign, and semi-autonomous work groups.

As noted above, the experience of several west and central European countries, particularly Germany, the Netherlands, Norway and Sweden has differed significantly from the Anglo-American experience. Very strong collective bargaining systems, operating on adversary principles, have expanded the scope of union participation in the determination of employment conditions, including subjects that traditionally have been regarded as exclusively in the managerial domain, such as plant shutdowns and relocation. The expansion has been mainly the result of increased union involvement in the affairs of establishments in contrast to prior concentration on industry and area bargaining. It has been encouraged in some cases by legislative enactment. Programs of a mutualistic or consensual character, such as worker directors and works councils, have grown, mainly through the adoption of legislation and, somewhat ironically, often despite strong employer resistance.

How does one explain the difference between the two sets of industrial relations systems? In part they seem to be a function of relative union and management power in the society as a whole. Co-determination came into effect in the coal and steel industries of West Germany as a substitute for nationalization in an effort to prevent certain German employers from reviving their former Nazi ties or developing similar relationships in the future. The continuing opposition of many German employers to the Co-determination Act is indicative that the mutualistic approach does not come only from voluntarism but may be imposed by the exercise of political power. In Sweden much of the expansion in worker participation in management at plant level has likewise come about through the exercise of political rather than bargaining power. Future employee share ownership ideas, which are ultimately mutualistic in philosophy, will also be determined in the political arena.

On the other hand, the extensive Scandinavian programs in semi-autonomous work groups and work redesign have been the product of voluntaristic labor-management cooperation. A shared perception of underlying problems (e.g., excess absenteeism, labor turnover, and worker dissatisfaction with their jobs) combined with a joint willingness to experiment with the redesign of the workplace and the decision-making process on work performance appear to have generated these mutualistic programs.

Why the shared perceptions and willingness to experiment with respect to these problems have emerged on such a large scale in Scandinavia and on such a limited scale in North America is an intriguing question that appears to take us into an intricate network of historical, social, and political phenomena.

In the United States and Canada, unionism is a minority, although powerful, institution whose spread evokes strong resistance from numerous employers. Many white collar employees

retain negative attitudes towards collective bargaining and they represent a growing proportion of the labor force. Employers have become increasingly sophisticated in the development of human resource programs designed to win employee allegiance and to improve employee morale. The labor force is fragmented along ethnic, racial, educational, and sexual lines, and class consciousness or cohesion is weak. As a result of these and other factors, the unions are on the defensive, and neither they nor the great body of employers are disposed toward a collaborative or mutualistic approach. In the political arena, power is sufficiently distributed so that legislative changes desired by either side are difficult to enact.

In Scandinavia, on the other hand, unionization and collective bargaining are virtually all-encompassing. Unions and managements have collaborated on a harmonious basis since the late 1930s, and labor's political influence is very great. A relatively small homogeneous population and a common body of social and economic values have also contributed to a climate of mutualism.

The conclusion to be drawn from this very brief analysis is that, because of its inherently adversary nature collective bargaining in private enterprise systems can lead to or function concurrently with mutualistic programs at various enterprise levels only if supported by a sufficient supply of political as well as economic power and, particularly, if motivated by a shared set of beliefs and values among the management and union parties. Where the values are not shared and significant power is held by a group hostile to the idea of mutuality, the adversary system will prevail.

In any event, the collective bargaining approach is inherently self-limiting in terms of worker participation in management because the resistance of managers will usually increase as traditional managerial functions are invaded and because as union leaders assume more responsibilities, intra-party dilemmas and conflicts are created that endanger the organizational position of union leaders and even the survival of the organization. This does not preclude a widening of the scope of collective bargaining, especially where job interests are involved. Europe provides many examples and North America a smaller but growing number of union actions to codetermine the shutdown or relocation of a plant or major division. Usually the involvement in the American cases comes after the main decision has been made and the parties deal jointly with the consequences of the move for the employees. But there is a mounting union concern with an earlier involvement in the decision process, especially in smaller communities with limited alternative job opportunities.

### *The Public Enterprise*

Before concluding this discussion, a brief note on the public sector seems fitting. The question of collective bargaining and worker participation in public management would appear on the surface to be different from that in the private sector. For one thing, private ownership interests are not involved and profitability is not ordinarily a test of performance. Market forces affect the supply and cost of labor but not the price of most governmental services. Political factors play a major role in determining who fills the management role and how decisions are made. Given these conditions, one might expect a much higher level of mutualism in the public sector than in the private sector and a lower level of adversary relations. Yet the experience of most of the countries previously referred to does not support this expectation. It is true that for

decades the Whitley Council system gave British public agencies a mutualistic aura not shared by the private sector. However, during the turbulent economic period following Britain's nationalization of industry (coal, transport, steel, etc.) there has been a great deal of militant collective bargaining, and other parts of the public sector (education, firefighting, police) have reflected a similar pattern. In Scandinavia and Japan the adversary approach has, if anything, been more prevalent than the mutualistic in the public sector. And in North America the single, most dramatic development of the 1990s has been the rise of militant public sector unionism and collective bargaining.

What can we infer from this experience? It reaffirms the proposition that public ownership, per se, as distinct from employee ownership, has little bearing on the issue of worker participation in management. To protect their job interests, workers turn to unions and comparable associations in public employment as they do in private employment. Similarly, public management shares many of the attitudes of private management in carrying out managerial responsibilities and in interacting with employees. Where mutualistic approaches have been adopted in the public service, they can usually be traced to the ideology of an individual or group, much as in the case of the private sector. The effectiveness of such approaches appears not to differ in any noticeable way.

### *Prospects for the Future*

In recent decades, worker participation in management has expanded in varying degrees, in different forms, and at different levels. In Western Europe both collective bargaining and mutualism have expanded dramatically and workers' participation in management seems destined to advance. In Britain and North America, the adversary system of collective bargaining has predominated. Mutualistic schemes have been in the small minority. The attitudinal climate has not been conducive to consensus thinking in industrial relations. Currently, if anything, the conditions for mutualism in the Angle-American world are less favorable than they were two decades ago. But there are pressures for change emanating from the changing character of the labor force, new psychological concepts among professional management, and persistingly serious national economic problems of unemployment, productivity, inflation and foreign trade. These could conceivably change attitudes and standards. I do not expect any quantum jumps in the foreseeable future because collective bargaining seems to be a self-limiting process in respect to decision-making.

A central question remains: how much involvement in the management process can union leaders achieve and maintain in a collective bargaining system without radically transforming the character of the system. In the United States, the scope of union influence on management decisions at establishment level has grown only slightly. The principal areas of increased union involvement have been the so-called fringe benefits or supplemental wage payments (such as private retirement and health and welfare plans), contracting out of work, and occupational health and safety. In general, unions have not attempted to influence management decisions on production engineering, plant location, what products to produce, investment policy, sales, prices and other non-personnel matters. In some of the Western European countries, particularly Sweden and Germany, union participation in management decision-making has been more broadly conceived. Management is expected to supply employee representatives with

information on virtually every aspect of the enterprise and to consult, if not actually bargain, with union officials on a wide array of production and investment decisions.

That the American concept of worker participation in management is more limited than its potential seems to be indicated by European experience. That broader European concepts may fall short of realisation without a shift from collective bargaining to a more mutualistic system based on a radical transformation of industrial government also seems indicated. How far the concepts of worker directors and employee stock ownership are carried appears to depend on the distribution of political power and the enactment of facilitating legislation. How far the concepts of autonomous work groups and self-management are carried appears to depend on local management and union initiatives.

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### Chapter 3

#### *THE SEPARATION BETWEEN WORKPLACE AND COMMUNE: ITS IMPLICATIONS FOR SELF-MANAGEMENT SOCIALISM*

**Hugo Pirela**

In the following text I intend to advance some results of a considerably larger project I am pursuing, which deals with the complex relationship: community – workplace in modern society, and its implications for the structure of power in self-managing socialism.

Because the above constitutes an ongoing research, the findings I will present here are of a provisional nature. Moreover, for the sake of brevity and conciseness, I will only disclose these findings, along with the theoretical context that gives them relevance, and the evidence that supports them, in a partial and summarized way.

#### *Nature of the Study*

First of all, the research is intended as a study on socialism; in particular on the configuration and legitimation of power under socialism; and specifically on how the two are affected, both in the objective and normative sense, by the sociological separation between commune and workplace, proper of contemporary human societies.

In my judgment this social asymmetry between the spheres of community and workplace posits a basic conflict of power legitimation, whose solution lies at the heart of any conception of a fully democratic society. It should have in its own right, therefore, a place as a core doctrinal issue of contemporary socialist thought.

The specific focus here on self-managing socialism is due to my conviction that this social system among all has come to identify politically, in the fullest way yet, this deep legitimacy friction; has the clearest historical opportunity to solve it in favor of democracy and self-rule, and has gone the farthest in the practical route towards such a solution, in the case of Yugoslavia.

Secondly, the study is intended to be historical in nature. In an immediate sense, this historical perspective simply implies that the recognition of self-management as both in theory and in practice a relatively bounded, well-defined ‘socio-economic system,’ should not obliterate its evaluation as a ‘step’ – however revolutionary – in a farther-reaching socialist evolution, i.e., its examination in the dynamic perspective of the general movement toward superior social forms.

For one thing, this approach may complement the type of analysis that, by concentrating on static definitions and cross-sectional examination of the system, or on purely comparative-static derivations about it, may fail to see the development of progressive trends and dynamic contradictions inside the concrete experiences, and to evaluate them sufficiently in the specific historical context in which such developments take place.

Secondly, the recognition that, as Professor Vanek (1975) once put it, “Self management and economic self-determination are without doubt, steps in a secular evolutionary process” (p. 171) gives us instantaneous awareness of the fact that such a process is necessarily inserted in the more general ontological evolution of society, and therefore, must build upon forms, relations and determinations objectively evolved and fixed previously in the course of such historical process.

These pre-conditions, of course, do not belong to the internal normative profile of any system; they face it – so to say – from outside, as a given base, constraint, etc. They constitute the external historical objectivity that the system finds already evolved and mature, and upon which it builds its internal systemic normativity.

The two aspects are therefore two dimensions of any socio-economic system; obviously different, though interconnected. However, once the dynamic approach is adopted we realize that the two cannot rank equally. While the inherited social forms face the systemic normativity as an objective necessity, preconditions for its existence, the inverse does not apply. The historical categories (social forms, relations, productive forces, etc.), are never fixed; in fact they resist the steadiness of any given normativity; they constantly evolve, progress, dissolve into new social forms and relations; dissolving, in the process, all previously established systems and normative codes, which thus become void of social substance, no longer historically valid, no matter how hard they struggle to stay around.

The historical perspective, therefore may help us to recognize the existence of these two aspects; to keep in mind the critical difference between them, and thus avoid what I consider a serious analytical flaw in many arguments concerning self-management, in which either the connection between the two dimensions is insufficiently taken into account – in which case the argument concentrates itself on one single side, often then normative discussion, without an adequate historical perspective – or the very existence of the two dimensions is completely missed – in which case the argument jumps randomly between the two, unaware of the underlying implications – both getting mixed up to the point that sometimes, it is hard to determine when the examination of the system is meant to be based on grounds of normative principles alone, and when the perspective of historical necessity is brought into the discussion.

In short, we propose here an approach that seeks to improve upon the lack of such perspective, which more often than not leads some standard analysis of self-management to put the emphasis on the system as a bounded, self-justified normative body, and not as a necessarily transitional stage in the dynamic development of socialism toward superior forms of social organization and cooperation, inserted, in the general mechanism of social evolution.

In the broader sense, this approach calls not for an historiographical account of the *content* of the social evolution, i.e., a mere description of facts; but for an attempt to lay bare – as in Marxism historical analysis – the *general mechanism* of such evolution (Hobshawn, 1980, p. 11), and how it relates to the concrete social forms under investigation.

So even though the historiographical evidence is essential in this context, it is not history, but rather a theory of history, what we seek to deal with in our research. Again this theory is relevant to us, especially as it may purport the complex relationship between natural and work

community, society and labor process, through the evolution of the social forms; and thus expose the intimate profile of this relationship which is inherent to contemporary industrial society and, in turn, as we move, lies at the base of the friction of legitimacy and power under socialism.

Finally the arguments and evidences discussed in the present study are of an analytical and anthropological nature.

Here again, this approach is intended to lead the investigation around the kind of arguments about society made out of simple extrapolations from cartesian logic, so usual in standard economics, and to bring into consideration the kind of meaningful aspects of social relations that anthropologists and sociologists may contribute to economic knowledge, but are usually left out, just because they, as Carol Smith (1976) noted: “Are not easily put into economic models, or engineered out of systems” (p. 4).

## INTRODUCTION

### *The Historical Justification of Socialist Planning*

From a purely economic point of view the general validity of socialism was always notionally based on the claim of functional superiority of the *planning principle* over the operation of the *market forces*.

As it is well known since the elaborations of Lange and Taylor (1938), in response to earlier allegations about the ‘logical impossibility’ of socialism, the difference between ‘plan’ and ‘market’ is not so much a matter of logics, since both could be legitimately seen as addressing basically the same ‘limiting’ problem of maximization subject to constraints, whose solution, if determinable, will always involve the same three sets of data: utility or preference functions, production functions and prices, conforming the standardized allocational exercise. The internal logic of this exercise would not change, whether prices are established as choice indicators after the general output bill is decided upon (as presumably in the socialist plan), or whether they are established by free exchange of independently produced outputs (as presumably in the market).

The contention against the market mechanism represented by the planning principle was more of a functional nature. It sprang from an essentially practical uncertainty: whether there was any reality to the alleged capability of free exchange to actually produce market equilibrium, as purported by the economic theoreticians, or to achieve in practice, at such equilibrium, socially meaningful efficiently in the allocation of resources, as claimed in the bourgeois mixtification of pure competition.

Marx was the first to lay out the theoretical foundations of this uncertainty, generally accepted today, by showing the anarchic nature of the forces in market. Selucky (1975) conveniently summarized this point in the Marxist critique of the market mechanism: “It operates spontaneously, has no internal aim and regulates production and exchange only ex post” (p. 49). By virtue of this spontaneous, self-steering nature, Marx showed, free value exchange necessarily evolves into capitalist production relations, and these into monopoly; so that free competition could, at most, produce a tortuous, irrational, inhuman form of social cooperation, under capitalism, and, if left to its own natural evolutionary tendencies, it would destroy itself,

creating in the process, inequalities, economic imbalances, profound social disharmony, and periodical crises, which only would be modified and deepened, by state intervention, so long as the underlying production relations were to remain in place.

Such were the objective theoretical bases for the rise of the planning principles; and, surely enough, the latter got to speak, in various shades and degrees, most all over the world (including, of course, the capitalist world); certainly not always as a result of a conscious discussion and appreciation of the above long term historical logic of the market mechanism, but always under the powerful impact of its factual corroboration.

It made little difference that it took orthodox economics until after the most demolishing of the above crises to date, shattered the world economy, to begin grasping – and even then only implicitly – their basic mechanism: i.e., with the appearance of the first Keynesian growth models in the late 1930s; a mechanism whose essentials were already detailed many decades before in Marx's *Capital*, Volume I (1867). The historical evidence was actually there, transforming Marx's prediction into painful facts: massive periodical destructive of the productive base of society and millions of people thrown into misery, as a result of the market operating at its best, i.e.: in the center of the capitalist world; first as the classical 'subconsumption' crises, as in 1873, and later in the form of the – already in the making by then – 'valorization' crises Post-Keynes, 'stagflationary cycles' – which take off in the midst of booming consumption and prices. The latter type represents an even deeper illness of the system, as competition gives rise to monopolistic domination of the economy, and the state steps up its economic intervention without changing the basic economic relations in society.

Since its objective was only to accomplish what competition was meant to, but objectively could not accomplish, and, otherwise, would destroy in practice (i.e.: efficient economic equilibrium, social stability and justice); the rational, 'ex-ante' application of planning seemed, by far, the most rational alternative vis-à-vis the market: that ghostly, self-steering genius, anarchically enforcing the social collaboration and division of labor, regulating the economic allocation in an 'ex post' way, and which only seemed to perform in something like the way elegantly predicted by the neo-classical theoreticians, in the very center of the system under conditions of unequal accumulation, permanent disequilibrium and stagnation in the periphery; and even then, only at the price of periodical disastrous crises and great social distress.

The oft-cited presence of economies of scale, public goods, etc., were never really valid pieces of apology for the failure of this runaway social creature (the market), since they made possible its birth in the first place. Industrial capitalism, long run product of commodity exchange, and, in turn, founding father of the modern national 'market' itself, could never have risen in the absence of such economies of scale and of the state as the great builder, war contractor, borrower, etc., to begin with (Wallerstein, 1974). These already grave results of a purely economic examination, are, however, only the starting point for a deeper-reaching sociological objection to market, which is more central to our own elaboration, and which stresses the degraded character of human relations under free market conditions. In particular the fact that under such conditions, social cooperation cannot occur as a dignified, conscious, and dialogical collective endeavor that leads toward what Paulo Freire (1973) calls "the collective

construction of social truths,” but it must take place as the anarchic, blind outcome of the forces of intercourse which face the individual as an external, inimical, alien power.

This more humanistic critique comes as a reflection of the fact that under market conditions the power of the independent producer constitutes only a chimerical freedom, since it can only be exerted under the tyrannic sway of a powerful and unkind force, inadvertently unleashed precisely as a result of the individuals’ becoming private producers, and that being the creation of men, governs men with the full force of a natural law, value-exchange. Engels (1951) wrote, referring to the original conditions of commodity exchange:

When the producers no longer directly consumed their product, but let it go out of their hands in the course of exchange, they lost control over it. They no longer knew what became of it, and the possibility arose that the product might some day be turned against the producers, used as a means of exploiting and oppressing them.... Quickly, after individual exchange is established and products are converted into commodities, the product manifests its rule over the producer (p. 242).

These are the conditions for the inhuman type of cooperation brought about by the market; one by which, “Every advance is likewise a relative regression, in which the well-being and development of one group are attained by the misery and repression of the other” (p. 205).

#### *Market Mechanism: The Ontological Heritage of Socialism*

While its logical basis could be identified readily enough, the planning principle, however, neither historically, nor ex-definitio, brings with itself a clear-cut institutional model to replace the market forces; to abolish the material conditions of value exchange.

On the other hand, value exchange, as an historical institution, was already fully mature and objectively anchored in the reality of social relations coming out of centuries of evolution under mercantilism and capitalism; and hence, bound to self-perpetuation by virtue of its own ontological weight as achieved fact and condition of human material coexistence.

Admittedly, commodity production and value-exchange are men’s creation, historically contingent forms of social relations, and therefore not as Marx put it (1950) “eternally fixed by nature for every state of society,” as they seem to be assumed in bourgeois economics (p. 93). However, they do constitute ontological necessities so long as their material pre-conditions remain in place; and in all cases short of coming to terms with them, any purely formal normativity – including planning – is essentially powerless in front of these material conditions.

So, being initially based on an institutional critique of the market mechanism, in the course of social praxis, and under closer examination planning reveals itself as a pure logicity without proven institutional substance, and therefore not different from an exercise on pure allocational logics: a mere scientific normativity seeking, by trial and error to replace, regulate, inhibit, etc., the functioning of social relations and economic mechanism already hammered in the objective social reality by a secular evolution, and stubbornly antagonizing such normativity.

In this sense, the economic argumentation for socialism, by becoming just a variation within the category of general equilibrium models – as in the early discussion of market socialism – came to share the latter’s usual infertility to explain the deep nature of mercantile relations; and, by the same token to enunciate any viable way out of them.

As it is contemporarily recognized, the general equilibrium exercise, whatever its version, constitutes, even in its restricted (economic) sense, a limited tool to explain the concrete behavior of the complex modern industrial market, insofar as the latter involves enormously complex frictions of incentive-perception and information flows with are intrinsically resistant to mathematical manipulation.

In a more general sense, the realm of pure allocational logic is absolutely handicapped to properly account for immensely more pervasive and far reaching complexities surrounding the real social existence under conditions of commodity exchange.

Note only under socialism, and in the industrialized west, but also in the third world, where even the western powers after the Second World War, suddenly began to praise the advantages and need for planning, the scientific approach has fallen far short of handling properly the complexities of the underlying real economic determinations surrounding the goals of development, economic stability, social optimization, etc.

Once the abstract terrain of models is abandoned, urgent considerations concerning real social existence begin to crop up, beside the goal of *economic efficiency*. Issues like social equity, environmental protection, communal quality of life, etc., for all their multiplicity are, nonetheless, essential ingredients of what might be called provisionally the *social optimum*; which, certainly, could *be approximated to, within the technical realm of science*, through logic, probabilistic calculations, empirical observation and testing, etc. But these cannot ultimately be decided upon, other than within the political realm itself, according to Friedman and Alonso (1970):

The recognition of the multiplicity of these goals has brought with it a growing awareness that there can be no hope of resolving the dilemmas and trade-offs among them *through technical planning alone*. Difficult value choices must be made and further choices will involve a rather uneven incidence of costs and benefits – hence growing recognition of the need to proceed through *fusion of technical planning with politics*. The very vagueness of objectives of public policy calls for operational clarification through mutual question and answer between the technical and the political realm (emphasis added, p. 118).

#### *Self-Management at the Crossroads of Socialist Debate*

We could advance two analytical conclusions from the arguments so far, concerning this political and institutional aspect of socialism, which is not clearly derived from the planning exercise alone:

- 1) The resolution of the multiple trade-offs present in the objective reality of contemporary socio-economic formations, necessarily overflows the realm of scientific planning and in

the last analysis depends on the resolution of basic questions in the political sphere; i.e., to be established by political doctrine, enforced by political constitution, legislation, etc.

- 2) The basic questions involved, while touching on the political sphere, however, spring from and revolve upon the economic being of society, its material conditions, present in the production process, as historically begotten, evolved, etc.; which on the other hand, may not be capable of transformation by virtue of administrative and legislative measures alone.

In our judgment, both the theoretical elaboration of self-management socialism, and the practical development of the system (particularly in Yugoslavia) objectively discourse around the core of this dilemmatic proposition, and seek a way out of it. It is so particularly because it endeavors to overcome the failure of central-command type of socialism, which to the extent that has abolished 'nominally' (legislatively) class division, has fallen short of achieving, however, a conscious, dignified social cooperation as a matter of course in human coexistence.

This immanent resistance of ontological forms to be modified by a purely doctrinal speech, transformed into political constitution, is perhaps more evident in no other instance than precisely in the case of the legal abolition by socialism of private property and presumably its corollary: private exploitation of labor. In the domain of the nominal, legal forms the condition for the split of society into opposed classes (proprietors and non-proprietors) consists only of the assumed identity between the formal right of property and the effective right of appropriate (control).

Yet such identity could only be achieved historically, because a previous, deeper split was operated, by which the right to control itself was first torn apart from its natural unity with direct possession (spontaneous appropriation) of the means of labor, this being the original condition of ownership (Marx, 1980): "The relationship of the worker to the objective conditions of his labor is one of ownership: this is the natural unity of labor with its material prerequisites" (p. 67). Such a deeper split, obviously did not occur first in the domain of the legal forms. It occurred in the concrete sphere of the labor process, and was later 'ratified' by the legal invention of private property.

Therefore the implication for socialism is clear as expressed in the Yugoslav doctrinal evolution and in the formalizations in the west on the institutions of self-management by Vanek and others, that class division may not be abolished as a matter of legal liquidation of private property, if the separation between direct involvement in the process of labor and control over the operated means is not abolished at the time, no matter what is the legal name of the new form of property. However, from here on, the same previous arguments concerning the relation between legal forms and extra-legal conditions are also applicable to the debate on self-management.

The case may be made, for instance, that the liquidation by socialism of class relation in this deeper sense of restoring the unity between control and involvement, either in the autonomous commune as in the Chinese approach, or in the autonomous work collective as in Yugoslavia, has not been powerful enough to prevent the disintegrating effects of more basic

inherited contradictions embodied in the antagonistic character of the social labor process under commodity production, and in the secular separation between community and work-place.

In the case of Yugoslavia which is more central to our discussion, the achievement of such integrative unity in the work place is of course a great social advance over other forms of socialism; but from it, it does not necessarily follow, nor may we derive ex-definitio, that similar integrative tendencies will also take place in the economic sphere as a whole, upward in the community and in society at large.

The basic arguments against these extrapolations are as follows:

- 1) Unless we adhere to the much problematical framework of spontaneous general economic equilibration based on assumptions such as the atomistic character of society, horizontal aggregativity of utility functions, etc., as providing the automatic bridge between particular and social satisfaction, we would be hard put to explain why the interest of the whole social body would be secure by the mere juxtaposition of the individual interest of the work-collectives or by their aggregative behavior as subjective, atomistic agents, acting autonomously and for their own advantage within the market and in absence of direct social mediation. Yugoslavia witnessed the magnitude of the disintegrative tendencies potentially given rise to by this approach, during the period of the 1963 constitution, or of liberalistic self-management.
- 2) To Vanek (1970) there is no question that in participatory systems the possibility of identification of interest between *work-collectives* and *natural communities*, may be expected to increase; but that, of course, is only necessary when and if (holistic and solidary ideological development excluded) both spheres physically coincide for a given population; which is, in turn, not a necessary occurrence at the very basic level of society, especially in view of the relatively different metabolic laws of the two spheres concerning a specific socio-economic space configuration in the region.

The experiment of self-management in Yugoslavia, has made the fact evident that such identification is far from automatic. Actually the whole set of legislation, coming out of the process of amendments between 1968 and 1971 and culminating in the constitution of 1974 with the institution of Self-Management Agreements and Social Compacts represents the political recognition both of the existence of the basic asymmetry of interest between work collectives and territorial entities, and of the essential friction of legitimacy between the two in the administrative and political process, as well as the spontaneous contraposition between each work community's interest under conditions of commodity exchange.

We move therefore that:

- a) The question of the separation between involvement and control is neither the only nor the fundamental factor standing in the way to full social cohesion and cooperation under socialism, i.e., once private property is abolished constitutionally.
- b) Restoring the unity of both is far from a merely legal matter, for it is objectively conditioned and overshadowed by more profound antagonisms embodied in the

fragmentation of the labor process and in the separation of the latter within the social life of the community.

*The Obstacles to Social Cooperation: Beyond Class Antagonism*

Summarizing the argument so far: while the scientific planning approach alone falls short of solving the complicated real frictions of information and incentives involved in achieving both economic efficiency and the social optimum, the political attempts beyond pure planning, to harness the relevant social forces and determination via genuine participation, must as well face wide asymmetries deeply penetrating the structure of industrial society, which turns in many respects social life into a schizoidic existence, and keep those frictions standing stubbornly as formidable obstacles in the way of full, conscious social cooperation.

Generally speaking, these schizoid-like determinations appear in the form of: 1) the separation between community and work place, 2) the fragmentation and antagonistic character of the social labor process and 3) the separation between involvement and control. These we examine in full detail in the larger study, but only few introductory remarks on the general argument can be made here: The assessment of these essential splits in the base of society, by no means precludes the recognition of the fundamental antagonism of class division, nor do we mean in the following discussion to diminish the value of class analysis to understand the historical motion of society. We move, however, that from a certain point, all historical classist modes of production, along with their particular class configurations, have continuously flourished, and progressively built upon the basic social separations enumerated above, widening them each time around, until under capitalism their disintegrating effect gets exacerbated.

In this sense, we are concerned with a social process reaching deeper than the evolution of class antagonism itself – and in some sense necessarily antedating such antagonism – as it involves a basic alteration in the original relation (natural relation) of property over the means of labor i.e., the spontaneous, naturally given unity of men to land and all other natural means of subsistence. Indeed I take that the basic outcome of this alteration remained fixed underneath all the various forms of property relations adopted later on in the surface as class relations; in other words it lies at the base of the class antagonism in all modes of production.

Closely considered, our three essential splits in the basic structure of society represent nothing more than changes in the deep ontological essence of property relations from what they were when they emerged naturally out of human coexistence and appropriation of the natural means of labor. As Marx put it (Tokei, 1979), “The relation to the objective conditions of production as naturally existing, as the objective being of the individual by means of the community” (p. 51). With this point several important implications are already in place, some of which we could introduce into the analysis as working hypotheses:

The three essential antagonisms described, namely the separation between the spheres of life and work, the fracturing of the work sphere into antagonistic work units, and the dissolution of the natural unity between involvement and control, within the work unit are:

- 1) To variable extents, common conditions embracing all classist modes of production; the class relation in each case both expressing and furthering such deeper social ruptures in a particular way, i.e., being fed by, and feeding them back;
- 2) The foundations – as it may follow from the above – for the very existence of class society itself, which would have perhaps not risen, had those antagonisms not been already in place through social evolution.
- 3) Not necessarily conditioned by, or tied to class division. In other words, insofar as class division could not have appeared but in the presence of deeper antagonistic determinations, the inverse does not follow; i.e., the abolition of class relations does not automatically rid society of the basic contradictions in which it is materially engulfed by millennia of evolution and which keep on seeking to tear it asunder.

As it follows from the above, we view the order in which the three basic contradictions were presented, as the precise order of their importance and depth of their position in the social structure of modern industrial society, the separation between involvement and control being only the ‘last,’ surface expression in the development of such antagonisms. We also view the three as conforming a causal chain in which, each factor evolves out of the maturation of the previous one.

To examine in detail the nature and development of the second and first basic separations we proceed through several approximations in order to a) establish the general trends in the evolution of labor through the diverse modes of production; b) show how the endless process of fragmentation that dominates this evolution could only begin when the labor sphere itself was detached from the sphere of communal life in general, opening the possibilities for the individual, and the individual sphere of labor to reach an unprecedented development and power vis-à-vis the community itself, and finally c) show how the resulting antagonistic character of the labor process is in fact the extralegal (ontological) condition handicapping the absolute unity between the functions of involvement and control in the industrial society.

### *Secular Character of the Form Commodity*

As a first approximation, the fragmentation and privatization of the social process of labor appear in general, as the historic domination of commodity exchange over production.

The form commodity itself has not always been around, much less has its dominion over the process of production; but it certainly antedates capitalism, and envelopes it as one of the general pre-conditions for the latter’s rise. This already has profound implications for the theory of socialism, especially, post-central-command, self-governing socialism; for if mercantile relations are a necessary prerequisite for the existence of capitalism, the suppression of the latter does not imply the suppression of the former.

The debate on the permanence of mercantile relations (or the conditions for mercantile relations) under socialism precisely as a major obstacle in the way of social cooperation, once the capitalist mode of production is abolished, has of course been going on for a while both in the east and the west. Of course, any supposition that the elimination of capitalist relations would bring automatically the uprooting of mercantile exchange is necessarily unwarranted. Capitalism

did not bring about the form commodity; it found the latter already dominating the material sphere as a matter of course, and built upon it. Capitalism itself is only a particular expression – though a highly developed one – of commodity relations, which were around long before its rise; such relations therefore for all we know do not have a cause for not staying around long after the liquidation of capitalism.

More importantly, if, as we argue in our work, it is the privatization of the labor process, not in the legal but in the ontological sense that we have discussed, what lies at the root of commodity relations, then the liquidation of the capitalist mode of production is barely the beginning of the process of elevating social cooperation from being the blind outcome of the forces of intercourse facing the individual and society from outside with the power of natural necessity as in the mercantile societies, to being a true conscious and solidary collective endeavor which socialism is supposed to bring about.

The evaluation of the survival of commodity relations under socialism is the more important, the more it is realized that the next step on the above process must clearly be the liquidation of those relations themselves: a step that will certainly not withstand, in principle, the technical nor the ‘social’ division of labor implied by all human cooperation (Tokei, 1979):

This division of labor is a necessary condition for the production of commodities, but it does not follow conversely, that the production of commodities is a necessary condition for the division of labor. In the primitive Indian community there is social division of labor, without production of commodities” (p. 51).

In our research, then, we assess where does the present analysis stand with respect to such a debate before undertaking the detailed exposition on the labor process sketched above. Secondly we derive an analytically manageable definition of the labor process itself, which the very fact of the fragmentation makes of course not transparent. This is a whole task in itself; but absolutely necessary for our analysis to make sense. Lastly, we revisit the basic notions surrounding the relations of property, real appropriation and control as stemming from the labor process itself, in order to lay bare the ontological profile of such relations, hiding underneath their legal formulations.

### **MERCANTILE RELATIONS UNDER SOCIALISM: THE DEBATE**

Discussions on the survival of commodity relations in socialist countries, usually tend to focus on the circulation sphere, at the expense of detailed investigations of the conditions in which the process of labor takes place under current socialism. The form commodity however, can only be partially understood as a category of circulation; i.e., by looking only at the particular form of economic intercourse that it entails. On the contrary, the nature of mercantile exchange, as any other form of intercourse, is already fully specified in the form of the underlying – and, in fact, inseparable – social organization of production. Thus, the form commodity is primarily a category of labor, a form of the labor process.

To be sure, circulation itself is a necessary component of commodity relations. Indeed the first commodity, could never have appeared, if the original unity between manufacture and agriculture within the self-sufficient primitive community had not been destroyed, and the

ensuing social division of labor had not created the possibility of labor to be spent not for consumption, but for barter; and goods to be consumed not by the direct producer but transferred to someone else. Further, a particular form of this transference (value exchange) was shown by the classics to be the form of circulation characteristic of all forms of commodity production (even of the rudimentary ‘petty’ commodity production), vis-a-vis still earlier forms of communal labor and distribution. But in the Marxian perspective, generalized value exchange was only the surface outcome of the dominion of certain kinds of social relations over production; i.e., the expression at the level of circulation of things, of a process involving relations between men in the sphere of labor.

In this sense, a Marxist assessment of commodity relations in post-capitalist societies must both, repeal the kind of reifying overemphasis on the circulation sphere that filtered certain early debates on socialism, and widen the analysis of deeper determinations embodied in the labor process, analysis much abridged usually in subsequent discussions.

### *The Social Substance of Commodity Exchange*

The conditions of commodity exchange are clearly underspecified in the mere ‘busing’ of goods between individuals, or in any pure logic attributable to it, abstract from labor. In its form as exchange, circulation may resemble an independent lawfulness, with existence of its own; a pure proportionality problem whose specification depends in the limit, on no objective historical condition of labor whatever, but – as in the neoclassical value problem – on the fixed, subjective notion of utility, and transtemporal assumptions of scarcity, differential natural endowments, individual insatiability, etc., and whose solution is determinable as a mere allocational exercise. On the other hand, from Marx’s critique of the fetishism of commodity, it follows that the assessment of such apparently self-containing, transhistorical logic of circulation, however sufficiently it appears to explain exchange, cannot substitute for a detailed specification of the underlying production sphere in screening the presence of commodity relations; and that once such specification is in place, the logic of circulation immediately reveals its subsidiary character. Perhaps in no other place does Marx (1950) express this point with more force than in the critique he called “vulgar economy.”

The value form of the product of labor is not only the most abstract, but is also the most universal form, taken by the product in bourgeois production, and stamps that production as a particular species of social production, and thereby gives it its special historical character. If then we treat this mode of production as one eternally fixed by nature for every state of society, we necessarily overlook that which is the *differentia specifica* of the value-form, and consequently of the commodity-form, and of its further developments, money-form, capital-form, etc.... Once for all I may state, that by classical political economy I understand that economy which since the time of W. Petty, has investigated the real relations of production in bourgeois society, in contradistinction to vulgar economy, which deals with appearances only, ruminates without ceasing on the materials long since provided by scientific economy, and there seeks plausible explanations of the most obstructive phenomena, for bourgeois daily use, but for the rest, confines itself to systematizing in a pedantic way, and proclaiming for everlasting truths,

the trite ideas held by the self-complacent bourgeois with regard to their own world, to them the best of all possible worlds (p. 93).

Still, early characterizations of socialism could not avoid this fetish substitution of circulation categories for real social relations, although in a transposed way; as they undertook to prove that value exchange could be done away with, without leaving the realm of formal logic; so that the dictatorship of the forms of circulation, would be vanquished by power of their own circulation logic, as in the first formulations of market-socialism.

Indeed, since the same logic of exchange as purported by a purely formal allocational exercise, will yield optimality, given any coherent set of assumptions concerning social welfare, production functions, etc., not necessarily defined by the autonomous market forces, there was a clear justification for the socialist planning argument that optimal allocation could be achieved without having commodity circulation. By the same token then the implication was powerful that the essentials of mercantile society might be overcome ‘administratively,’ i.e., by virtue of *replacing value-exchange with a different circulation rationality* – established in the plan, etc. – still as a matter of an exercise on the formal logics of efficient allocations. This extrapolation was not justified.

#### *The Survival of Commodity Relations Under Socialism: How Long? How Deep?*

Admittedly, the fact that circulation between firms of a socialist industrial sector – or, for that matter, between units of a giant corporation – constitutes already a degraded or merely apparent mercantile exchange is, in an immediate sense, a matter of transformation in the circulation logic. Namely, only when, and if the internal exchange rates resulting from quantities of output and employment centrally imposed upon the individual units are at variance with the clearing prices that would result from spontaneous valorization or free competition between units, we will know that the logic of mercantile circulation has been dissolved in favor of a different ‘optimal’ allocational rationale, whatever it may be, within the conglomerate.

But such new rationale alone can hardly be enforced if changes affecting the institutional setting of the production sphere, are not already in place, by whose power alone value-exchange can be obliterated (or mitigated) and replaced by price administration, physical allocation, etc., within the firm, the conglomerate, the sector, or the economy. Concretely, the laws of commodity exchange are held back from full operation in this type of setting, primarily because the outputs of the different units are not allowed to face each other as independently constituted values, products of independent labors, in the act of exchange; and this is entirely a function, not of the rational power of a new circulation logic, but of the degree to which monopoly and centralization has effectively penetrated the organization of the labor sphere.

This point is already of far reaching significance for socialism, especially because it is a two-way argument; namely, for all that commodity relations can only be effectively (and are being indeed) transformed, not in the circulation, but in and by the transformation of the production spheres and will not be idyllically abolished by decreeing a socially superior distributive rationale as a matter of allocational planning, this process of transformation will necessarily have to take the form of the encroachment of the social-reproductive apparatus upon

the individual units of labor, i.e., the elimination of the latter as separate social spheres, within the social process of production; and this can hardly be achieved by decree either.

Incessantly antagonizing this encroachment are the complex frictions involving information flows, individual incentive requirements, etc. that appear ‘naturally’ linked to each stage in the development of industry and its technical mastery on the natural forces, making the individual sphere of labor (firm, unit) the insuperable cell of the reproductive apparatus.

The long struggle in the Soviet Union, and other eastern countries with value-exchange (first to cast it out, later to accommodate it within socialist circulation), reflects, perhaps, more than anything else, this pervasiveness of the individual unit of labor: to the extent that it exists as a socially differentiable, naturally self-centered microbody and insuperable constituting cell of the reproductive apparatus, it opposes continuously the latter’s independent existence as a social whole, with its own immanent rationality.

In the research, we pursue this argument and its implications in full, while attempting a general examination of the conditions for commodity relations under socialism. Here only the conceptual object and nature of this examination may be established. In this sense the analysis presented so far suggests that is primarily in this dialectic relationship between the social and the individual spheres of the labor process, as it shows itself in the concrete evolution of industries and branches vis-à-vis the individual productive unit, and not in the logic of circulation, where the conditions for the presence or absence of commodity relations should be looked for.

#### *The Need for a Socialist Reconsideration of the Labor Process*

Summarizing the argument on this section: the political economy of socialism has established that there is nothing notionally inconceivable with circulation based on exchange in the absence of autonomous market and commodity production. Marxian analysis goes further to show that no circulation between separate producers constitutes commodity circulation (regardless of its ‘exchange logic’) unless the decisive requisite that those producers should become independent of each other is fulfilled. We have argued, accordingly, that the practical validity of the socialist planning argument cannot be realized as a matter of mere allocational planning, but to the extent that the privatization of the individual sphere of labor is liquidated.

In the evolutionary course of the private sphere of labor from the first simple commodity production up to the highest stages of monopoly capitalism, the back of pure value exchange is broken as the necessary logic of circulation; but only when and if such private sphere is abolished ontologically (and not only legally), society may be able to adopt (or cast out) value exchange, or any other circulation logic, as a matter of pure rational choice; i.e., not in response to material and social determinations embodied in the process of labor, that subjugate it to the form commodity. Is the private property relations in the sphere of labor what explains the subjugation of such sphere by the forms of commodity production and circulation; yet not in their legal constitutional formulations as expressions of a socio-political will, but as they express a stage in the evolution of the objective antimony between the individual and the social spheres of the real labor process. This stage, as we argued earlier, corresponds to objective conditions ontologically evolved in the labor sphere, that could only be overcome by further objective

transformation of such sphere and that could only backfire under pure legal repression of suppression.

But then, what are those conditions that make up for private property relations? In other words, abstracting from pure legal formulations, what ontological conditions can we isolate in the social process of labor, by looking at which we will know it is being carried on 'by the accounts of private individuals' or groups of individuals. This takes us to examine the objective nature of human labor. What is it? How has it evolved? What is the significance of its present form of organization in industrial society?

### **THE SOCIAL LABOR PROCESS IN HISTORICAL PERSPECTIVE: IMPLICATIONS FOR SOCIALISM**

#### *Yugoslav Workers' Self-Management and the Social Notion of Labor*

At first the Yugoslav doctrine of self-management did not make this inquiry on the nature and evolution of human labor. It took for granted the dominant presence of the work unit as already found under the conditions of capitalist commodity production: the individualized firm as a universal form of organization of labor, and built upon it its systemic normativity; first by transforming the work unit into a true work-collective, and second, by elevating it to the position of ultimate depository of economic decision power in society.

The principle of free association of labor is the base upon, as Supeck (1975) puts it, the integration of society which proceeds "from bottom up" under the Yugoslav system of workers' self-management (p. 7). Even the institutions designed to generalize the rights of self-determination to the whole of society, beyond the basic working collectives, are, themselves, based and built upon the primacy of such principle of free association of labor, from which all the decisive power in society stems.

Accordingly, the work collectives in general enjoy a relative supremacy over every other sphere of life within Yugoslav society; they are the true origin and end of the political power. Indeed, the whole system is intended to "give the working people in general, complete control over all aspects of social reproduction, social capital, income and surplus labor, in short, over the conditions, means and fruits of their labor as the material base for their political power" (Kardelj, 1978, p. 16).

However, as we shall discuss below, to the extent to which the work collectives have the primacy over the cellular territorial communities, as the base and foundation of the political power in the system, is the status of man as worker within social relation of production, rather than that of man in general, within social relations "in general," what becomes the true dominant source of individual power and freedom.

To the extent to which the "working community" in the present stage of development of the human productive forces, has existence as a distinct human community, separated from the natural, (territorial) community – and hence, their interests are not necessarily mutually consistent – the sphere and relations of production do not comprise the whole of human existence and social relationship. For this reason, as long as the sphere of the productive process relevant to man's material survival, continues to be alienated from the sphere of natural human

life, i.e. the natural community, the confrontation between the latter and the working community, as to which one is the legitimate base for the “integration of human society,” and the ultimate source of political power, is at the center of the development of self-management socialism, both in its theoretical and practical dimensions.

### *The Atomistic Notion of the Labor Process: A Critique*

Our common sense idea of labor is very much fixed in the image of the individual laborer (or group of laborers) in the direct work environment; and when we think of labor as a process we tend first to imagine it as occurring in this idealized sphere: the Proudhonian ‘producer and the workshop.’ The notion of the labor process as, above all, an individual matter is here conveyed in two ways, i.e., not only in the immediate sense that labor occurs as a relation of an individual subject with his/her particular means of subsistence, but also in the sense that it occurs within basic social aggregations (workshops, etc.) each of which although perhaps encompassing a plurality of individuals interacting with each other, faces the rest of society as an integrated singularity of interest, a separate individuality or unit of work.

How much this notion has pervaded also the gamut of social theory and doctrine reveals the extent to which such ready – made image of the ‘producer in the workshop’ has come to be assumed as the definitional framework for human labor in general, rather than an accidental manifestation of its historical evolution; its necessary, immanent expression, rather than a particular form, securely evolved through diverse modes of production and therefore contingent upon the continuous transformation of labor itself in human society.

This of course is commonsensically justified by the universal fact of the social division of labor, and the ensuing secular detachment of the work unit vis-à-vis social production; but unless these conditions are taken as fixed transhistorical premises themselves, the above extrapolation is not acceptable as the basis for a legitimate examination of the labor process in general. The real lack of scientificity lies precisely in such ahistorical assumptions. Thus, for instance, because the entire neoclassical analysis of the production process builds upon the given reality of the *individualized enterprise* as it emerged as a form of organization of labor out of the whole pre-capitalist evolution, the general validity of such analysis has to rest on the single assumption that the labor process *must* forever express itself in this particular way.

This fact alone explains why neoclassical production analysis must absolutize the existence of the ‘firm,’ as a separate social body and must present itself first and foremost as a theory of the ‘firm.’ Of course, an abstract, transtemporal concept of firm or work unit may be a permanent requirement of any formal exercise on the technical organization of tasks, or economic allocation of resources in the labor process. To the extent that this exercise falls entirely in the realm of pure logics, the ahistorical character of its premises may be justified. But the relevant notion in our present critique is not that of the work unit as a pure logical formalization, but as a real human entity, that engages the spectrum of concrete social relations in each society as a historically evolved self-centered *social body*, i.e., aggregation of human individuals that presents society with a particular ‘claim’ as legitimate sources of interests and trading partner.

Concerning the firm, neoclassical analysis is not really true to either approach, but rather mixes up both. Effectively it starts from the work unit as it appears historically under capitalism: the private firm and its historical claim toward society: private profit, but then tries to absolutize them as a transtemporal (logical) requirement of all economic efficiency. The application of neoclassical analysis to the case of monopoly yield also irrational results even for its own special equilibrium standards.

But there is nothing in the mathematics of efficient allocation per se that would yield a case against the advantages and economies of scale whenever they exist; here again is only the postulate of the capitalist firm and that of its private profit claim toward society, what turns these economies of scale and the whole analysis sour; for it alone explains why monopolistic competition appears and hence: holding back technical progress to protect the value of invest capital, chronic unemployment, etc.

It is precisely the presence of the profit motive that makes the capitalist firm not a pure mathematical formulation, but a very real historical product, submerged in concrete social relations. Consequently by adopting this particular motivational mechanism as a crucial explanatory piece, neoclassical production analysis sails its 'marriage' with this particular historical form of organization of labor. On the other hand however, the applicability of such theory in absolute terms depends on postulating the capitalist firm as a transhistorical form of the labor process as much as the subjective value (utility) theory depends on postulating non-satiability as an eternal characteristic of all consumers in all societies.

### *Social and Individualized Spheres of Labor*

As noted earlier, the presence of the detached sphere of labor (be it the household, the workshop, the capitalist firm or whatever else) gravitates upon any general definition of the labor process no more than the human individual and his/her distinct capacity to work does; and this gravitation goes beyond the limits of the neoclassical school. Analyzing labor and labor power in his excellent book of 1974, Braverman stated, "Labor like all life processes and bodily functions is an inalienable property of the human individual" (p. 54). According to our research though, no examination of human labor may support this assertion, unless the notion of labor is restricted to the very special meaning of purely physical, 'bodily function,' in which case we are not differentiating human from the objective labor of animals.

In all its manifestations and levels of aggregation – even as the most personal activity of the individual brain – human labor is social in nature, and therefore by definition does not belong exclusively to the separate sphere of the individual. This fact may not be legitimately neglected in any contextual analysis; and, on the contrary – except perhaps for the above restrictive notion in Braverman – the examination of human labor in different analytical contexts, not only confirms its social character, but may help us to specify it in detail. Analytically we must be allowed to view the labor process at different levels of aggregation, i.e., either as it occurs within the *individualized sphere* in its diverse historical forms (household units, individual crafts, workshops, etc.) – true particular processes of production, or else detached units (phases) of more general processes of production – or as it occurs in the form of objective cooperation in *the social sphere*, between the different units, crafts, branches, etc., also as they appear and disaggregate historically.

But trying to understand individual labor, without recognizing first its insertion into the social process of production makes as little sense as trying to explain the existence at all of the individual crafts, without first establishing the fact of the social division of labor; fact which already presupposes the existence of the social sphere, and therefore postulates the ontological priority of social cooperation, that faces individual labor both as a necessary and an antithetical pre-condition.

We cannot pursue here – as we do in the larger study – this examination of the labor process in all its contexts, but such examination leads us to the following conclusions concerning its essential characteristics:

- 1) It is above all a *finalistic (teleological) process* by which men consciously appropriate and for their own purpose transform nature as the ‘inorganic object of their subjectivity.’
- 2) In true human labor, the finalistic character is never chimerical. It constitutes at the same time a real (effective) control of the teleology of the work involved, based on the appropriation of its materiality: its objective conditions, purpose, outcome, etc.

Any productive aim, as a pure finality, conscious project, does not become labor unless it gets united in practice with the actual appropriation of the real elements that will make such an aim to materialize. This unity, however, is not given ex-definitio at the level of the human individual, according to Braverman (1974):

In humans, as distinguished from animals, the unity between the motive force of labor and the labor itself is not inviolable. *The unity of conception and execution may be dissolved.* The conception must still precede and govern execution, but the idea as conceived by one, may be executed by *another*. The driving force of labor remains human consciousness, but the unity between the two may be broken in the individual and reasserted in the group, the workshop, the community, the society as a whole (pp. 50-51).

Despite his generally insightful analysis, Braverman’s order of exposition here, unjustifiably suggests the notion of such unity as pre-existing by definition at the level of the individual in which, only later, it would be broken, and then ‘reasserted in the group,’ as if individual consciousness, mindful labor, and individuality in general were possible at all outside the context of the human group, and not having it even as their necessary, existential pre-condition.

Our investigation convinces us, on the contrary, that the unity between the intentionality and the materiality of human labor, between its conception and its execution occurred originally, and by definition in the group, and only later on, through a complex evolution, was ‘reasserted’ at the level of the individual.

## **COMMUNITY AND LABOR PROCESS: THE LONG RUN VIEW**

*The Original Primacy of the Community*

As schematically advanced already, and examined in detail in the study, we pose the thesis that both the conscious and the real appropriation of the teleology of labor belonged in the first place, and in its own right, to the community of human individuals, as Marx argues:

The spontaneously evolved tribal community or, if you will, the herd – the common ties of blood, language, custom, etc. – is the first pre-condition of the appropriation of the objective conditions of life... Only insofar as the individual is a member – in the literal and figurative sense – of such community, does he regard himself as an owner or possessor. In reality *appropriation by means of the process of labor takes place under these preconditions*, which are not the product of labor, but appear as its natural or divine preconditions” (Hobshawn’s translation of Marx, 1980, p. 69).

Social evolution, however, leads to the detachment of the individual sphere of labor within the community, process in which the former not only gains relative independence from, but also power against the latter. That constitutes what we have called provisionally the privatization of the labor process. When petty-commodity production began to develop within the primitive agricultural community – which was both a working and a natural community at the same time – labor began to move, settle, relate to natural endowment, organize itself, etc., along patterns completely independent from the metabolism of the original community, based on territorial tie, kinship, language, tradition, etc., and to develop its own logic of organization: the social division of labor.

With the advance of this division of labor and of commodity production over agriculture, the “individual productive unit,” as the footloose, crystallized expression of the spontaneous flow of labor in its own dynamic relationship with the natural resources, grew more important over time as the very incarnation of the production sphere, the center-ring upon which the whole process of creation of material value rests. The natural way in which material resources are spread and available to man throughout the world, and the historical way in which human resources are distributed are constraints that, in the face of the limited possibilities of transport, have made appear the ‘unit of work’ (work-shop in late feudalism, firm, enterprise in capitalism) as the superior social tool of concentrating and organizing resources in the most efficient way to produce commodities.

This empowerment, however, occurs primarily in the material sphere of society and only secondarily, and with a time lag, in the sphere of legal formulations. Indeed it did not begin with, nor did it depend on the rise of legal private property, but on objective developments in the sphere of the production forces, bringing the individual up to the center stage of production vis-à-vis community. Tokei’s (1979) quotation from Marx argues:

The community itself appears as the first great force of production; special kinds of conditions of production, e.g., animal husbandry, agriculture, lead to the evolution of a special mode of production, both objective and subjective, the latter appearing as qualities of the individuals (pp. 51-52).

Private property as a legal form, therefore, was only a relatively late – though necessary – formal consequence of a long material process by which the individual and the individual sphere

previously gained factual control on the objective conditions and outcome of labor to such an extent, as to be able to enforce such appropriation vis-à-vis society. Elsewhere Marx's words suggest the following:

Circumstances arise in which individual property does not require communal labor for its valorization . . . entering substantially new conditions of labor and developing the energies of the individual further, the more such factors operate . . . the more do conditions arise which allow the individual to become a private proprietor of land – of a particular plot – whose special cultivation belongs to him and his family (in Hobshawn, 1980, p. 72).

Legal private property can only serve to consecrate this objective development of the 'energies of the individual' by virtue of which the individual would valorize his/her possession independently of communal labor.

In our research we undertake to study how this rise of the individual sphere of labor occurred, and how it ultimately led to enthrone the 'producer and the workshop' as the center ring of the production process. Viewed from another angle, we examine the process of transformation of property relations in the deep, extralegal sense explain above, of the objective relation of the individual and the means of labor *in the context of society*, i.e., as they relate men not only to nature, but also to each other in the process of production. The essential lines of this process have been systemized, although in a somewhat different context, by Tokei (1979) in describing the metamorphosis of this three-way relationship from its Asiatic or 'tribal' manifestation to its Germanic or feudal form.

Elaborating on Marxian investigation of pre-capitalist formations, Tokei shows how while in the Asiatic form, the individual can only relate, as a proprietor, to the means of labor (in this case land) through the community, i.e., as a natural member of society. This situation is diametrically reversed in the Germanic form where, on the contrary, the social membership of the individual is only granted once his/her private ownership of a piece of land is asserted, and only as a consequence of this previous condition, with an 'intermediate' stage present in the 'antique' form represented by the Greco-Roman state, in whose context private property over land rises for the first time, and, for a while, thrives alongside the ancient institutions of the common property, the *Ager Publicus*.

#### *The Present Evolutionary Trends in the Labor Process (Beyond the Industrial Setting)*

The historical investigation above shows us the very process by which the sphere of production becomes relatively autonomous from the sphere of the original "natural community." It is the same process by which it becomes fragmented into multiple atomistic, subjective, self-contained "units;" and this is the same process by virtue of which production itself acquires an ever increasing independence as a different "domain." In this process, natural resources, labor and, later on, its accumulated expression, capital, relate to each other, move and organize themselves spatially and historically, responding to a complex of social and natural relations of production that, even though occurring within territorial socio-historic formations, maintains its relative autonomy from the latter's influence, its own laws of development, its own partial logic and rationality.

Another extremely important conclusion extracted from this historical analysis, which concerns the development of socialism is that to the extent to which society's capacity to dispose of the social product is a function of the integration of the productive process, the process of fragmentation yields, as a result, not only the inability of the natural community to dispose of the material wealth by its own, but also its heavy dependence on the behavior of the individual productive units within the productive apparatus, even to provide such output.

On the other hand, the scientific and technological development, being, largely the process of ever advancing homogenization and integration of the productive process, is the defined historical limit of this secular fragmentation in the sphere of production. Paradoxically, the technological development that historically has always stimulated such fragmentation, by reducing constantly the productive process to its minimum set of activities in every sphere of human production, is precisely the condition for the process of reintegration of such productive activities; which, under the current technological and scientific revolution takes the form of the principle of automation.

This principle, as Richta (1969) has shown, along with other homogenizing trends, facilitates the above mentioned integration not only in the means of production itself, but also in the field of raw materials and in power resources, with an invariable result throughout. The increase leads to the exclusion of physical labor from the process of production, coupled with the increasing capability of man and society, as a unity, to control such process directly, and to dispose of its product entirely.

The upsurge of technology is excluding man with his limited physical and mental powers from production proper, introducing an intrinsic technical unity as the basis of automatic working, the technological revolution carries on from the point where the breakdown of labor into simple elements ended (in this sense it takes complex mechanization to its logical conclusion); but it employs, on the other hand, a synthesis which is a natural technical process that man has achieved and appropriated – and therefore control (p. 26).

The critical importance of this ability of society as a unit to dispose of the value created, directly, for overcoming the “crude” phases of socialism – predicted by Marx – is becoming clearer. Of course, we are not here talking about the idea that ... “Society one day will dispose in an ‘integral’ manner ‘all’ the means of production socialized, and ‘all’ the products ... up to the last nail” as Ernest Mandel (1974) once put it rather mockingly (pp. 180-81). Instead, there will emerge a level of economic integration in which the productive apparatus is capable of yielding the bulk of the needed social output, and of making it available to everyone in society ... “with a relatively minor dependence on the behavior of the individual unit of production” (Pirela, 1980, p. 15).

Richta (1969) further writes:

To the extent to which man allows the products of his past labors to operate as natural forces, with a consequent withdrawal of human labor power from participation in the immediate production process, there enters into production a far more powerful force of human society – science as a productive force in its

own right, operating on a basis of all-inclusive social cooperation. The production process then ceases to be labor in the immediate sense; it finds its support in 'man's understanding of nature.' [Hence] human activity is then relegated to the pre-production stages, to technological preparation, research, science and the welfare of man (pp. 27-28).

So, it is clear that as the productive apparatus reduces its dependence on the individual atomistic unit of production, so it does society as a holistic united entity. Furthermore, as the role of the individual unit diminishes, so does the labor as main substance of the value produced in society, and thence, the role of commodity exchange.

### *Workers' Self-Management and Full Self-Managing Democracy: The Process Toward Mature Socialism*

Reacting against Soviet statism, the Yugoslavs asked themselves, "Who controls?" past labor which took them to the power of the work collectives, and the principle of free association of labor. Certainly the relevant question of socialism always has been "Who controls the past labor?" but the issue involved in scientific socialism was never the working collectives, not even only the working class, but the whole society. The working class was not to perpetuate itself in power, but to bring about the classless society of the future, and, with it, its own elimination.

But the formula by which the work collectives are the ones "who control" past labor does not guarantee in any meaningful way, as already shown, the identification of interests of the productive apparatus, with the interests of society as a whole, nor with the interests of workers as a class. There is nothing in such a formula itself that could substitute for *political education* and *ideological advance* to make the working collectives adopt as theirs, the holistic vision of the general social and working class's interests. Here, again, it is difficult to see how this holistic approach could come about if the democratic process outside the work place, in the natural communities does not gain weight relative to, and at the expense of the autonomy of the work collectives, either by voluntary giving up of such autonomy by the workers themselves, by virtue of their ideological advance, or by the strengthening of the democratic institutions intervening in the productive process, led by forces coming from outside the work collectives.

Hence, the tremendous importance and progressive character of institutions such as Self-management Agreements and Social Compacts, to achieve the goal of "all-inclusive social cooperation" within the socialist evolution. Such actions represent the best effort to leave behind the empirist view of "working class" power as a purely aggregative notion by introducing the principle of mutual obligations outside the work collectives; not only with respect to other work collectives, but also towards the citizens and the natural and socio-political communities. However, institutions such as the Self-Management Agreements and Social Compacts do not substitute for the basic primacy of the work collectives in the Yugoslav system. Instead, they were built upon such principles as their basic premise, the predominance that makes such agreements viable.

Certainly, to the extent to which the stages of development of the productive forces entails the establishment of social priorities, the principle of social predominance cannot be done away with in such agreements. In this sense, the antagonistic character of the productive

process, namely: the friction between needs and resource endowment, technological constraints, inherited economic and spatial inequalities in the amounts of past labor accumulated, etc., make the social agreements appear, necessarily, as “compromise solutions” aimed to preserve cooperation and unity vis-à-vis the competitive, disintegrating tendencies of the market, rather than the expression of a society that can already afford organic consensus.

Thus, the notion of social agreement here, necessarily requires a “social articulation of interests *with predominance*,” the latter being typically controlled by the work collectives. Conversely, if such agreements were to eventually evolve to become more comprehensive forms of social predominance, they would be more and more at variance with the primacy of the work collectives. Showing a highly sensible analytical mind, Kardelj (1978) implicitly recognized the fact that the hegemony of the work collectives under the Yugoslav system represents the survival of profound contradictions at the level of the process of production and reproduction. So he writes:

These contradictions cannot be simply abolished, they must be transcended through history, through the further development of the productive forces, through a further emancipation of man from material need, and of course *through further development of the system* (my emphasis), which will become increasingly capable of dealing with problems of this kind. This will be achieved through self-management practice, by workers themselves, subject to continuous influence of socialist progressive, ideological and political forces (p. 27).

The strength of this thesis is its historical nature; indeed such contradiction within the Yugoslav system may only be overcome by virtue of the development of the productive forces.

Its main weakness is that, it fails to reach the necessary consequences of such historical perspective. First of all, the problems derived from antagonism and inequalities in the relations of production, are not merely “problems of this kind,” they are the very “crux of the matter” of human and self-management socialist development. Secondly, given the objectively atomistic character of the work collectives, the evolution and improvement of the system would more likely be achieved by “the influence of socialist progressive, ideological and political forces,” namely, by political education and ideological development, rather than “by the workers themselves” with only market forces at work.

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## Chapter 4

### *SOCIO-TECHNICAL SYSTEMS IDEAS AS PUBLIC POLICY IN NORWAY: EMPOWERING PARTICIPATION THROUGH WORKER-MANAGED CHANGE*

**Max Elden**

Nowhere are ideas about Socio-technical Systems (STS) design of work taken more seriously than in Norway. Three of the Norwegian public policies aimed at democratizing working life rely significantly on STS ideas first developed by the Norwegian Industrial Democracy Program (NIDP) more than two decades ago (Bolweg, 1976; Emery & Thorsrud, 1976; Herbst, 1976; Qvale, 1977; T. Sandberg, 1982). In Norway, the evolution of these ideas since that time (Elden, 1979, 1985b; Gustavsen, 1983, 1985; Thorsrud, 1984) has supported—and, more importantly, been supported by—additional labor legislation and innovative industrial relations policies aimed at democratizing working life (Gustavsen & Hunnius, 1981). This chapter summarizes these ideas about STS and the democratization of working life in Norway by presenting a model of concrete practices, refining the model by comparing it to reports of similar kinds of work democratization efforts in other countries, and assessing STS's promise as a practical policy guiding strategies for democratization and national development.

STS concepts offer one way of addressing democratization and the development of parity of power and democratic values in working life. The techniques of STS do not make democracy in the workplace inevitable; indeed, as these techniques become more widespread, they appear to become divorced from democratic values. The problem does not stem as much from engineers becoming technocrats or from social scientists becoming “sociocrats,” as it stems from job and organization design specialists becoming “sociotechnocrats” (Herbst, 1976, 1984). This situation differs vastly from the vision shared by the architects of the NIDP—such “founding fathers” of STS as Emery, Herbst, Thorsrud, and Trist, among others—who considered work organizations to be on the “leading edge” in eliminating the domination of the few over the many, and who believed that democratizing work could lead to the democratization of other social institutions such as school and families. Put simply—perhaps too simply—according to this view, autonomous groups at work could lead to more participatory democracy in society at large (Elden, 1981; Emery, 1969; Hunnius, 1979; Pateman, 1970).

The evolution of STS theory and its impact on public policy in Norway during past decades presents an unusual opportunity to explore STS and its values and the ways they have provided a basis for policy—both public and private—promoting participatory democracy.

#### **STS IDEAS AND EMPOWERING PARTICIPATION AS PUBLIC POLICY**

Researchers in the NIDP in the 1960s drew on basic STS ideas originated at the Tavistock Institute in London in the 1950s and invented new conceptual tools. At least three important public policies affecting Norwegian industrial democracy during the past 25 years have roots in STS theory and concepts.

In 1977, Norway passed an innovative law affecting the work environment (Gustavsen, 1983; Gustavsen & Hunnius, 1981). The law's unique provisions affecting job design come

directly from STS criteria. Specifically, the law's "paragraph 12" seeks to outlaw alienating and dehumanizing labor by improving social and psychological working conditions, or the Quality of Working Life (QWL). The law also mandates company QWL councils charged with studying, planning, and carrying out QWL improvements. One of the important objectives is self-study and self-managed change at the local level. This makes participation a means of empowering workers to study and change their own work places. Such participation empowers workers to increase their control over their own work places.

In 1982, the Norwegian Trade Union Confederation (LO) signed a national agreement with the Norwegian Employers Association (NAF) to increase union-supported worker participation in management decision making, particularly in decisions affecting labor-management company development programs (Gustavsen & Engelstad, 1985). The LO-NAF company development fund explicitly supports participatory planning and employee-controlled work design or redesign efforts (Elden, 1985b). Although by 1985 the program had barely left its formative stage, by that time more than 150 companies had already become involved in it. Its aim clearly is to support "do-it-yourself," employee-managed change; the LO-NAF funds cannot go to consultants. Such participation empowers persons to change their own work situations.

The third example of Norwegian public policy building on STS ideas is an official government inquiry by a special commission addressing the further democratization of industry. This commission emphasizes direct forms of participation in the work place and has recommended that further democratization be a national industrial development strategy. Such democratization should promote direct participation—direct empowerment through organizations promoting autonomy—which should increase workers' involvement and learning and promote more effective use of human resources. According to the commission, if workers have more influence on the decisions directly affecting them, this will benefit a variety of stakeholders. Such empowering participation enhances both industrial democracy and industrial development.

These are not the only public policies aimed at promoting democracy in working life. Other Norwegian legislation has placed workers on company boards, and Norway has an unusually cooperative and comprehensive system of trade union representation (International Labor Office, 1984). Nearly everyone in Norway seems to belong to a trade union, professional association, or other bargaining unit. The three policies discussed above share an emphasis on increasing workers' direct control over their own work places—that is, the development of autonomy-based work organizations. This approach stems from such STS ideas as autonomous ways of organizing tasks, cooperative labor-management change processes, and humanistic-democratic values.

If one phrase were used to summarize the evolution of STS ideas in Norway as the basis for public policy on democratizing working life, that term might be "empowering participation." Empowerment, obviously, is not a neutral word. As used here, it does not refer to power possessed by everyone under any conditions for any purpose. Rather, I use it to refer to persons gaining greater control over their own lives. Such empowerment is not unlimited, but is self-limiting. What one person considers empowerment, another may consider oppression. Raw empowerment in the absence of democratic values could be synonymous with autocracy or

tyranny. Participation without empowerment, however, would be synonymous with cooptation or manipulation.

Psychologists have long addressed empowerment as a psychological phenomenon on the individual level (Kieffer, 1981). This chapter deals with how empowerment can occur in particular types of organized settings: work places. STS theory holds that autonomy-based work organizations allow workers to learn how to act efficaciously in their interests without acting selfishly.

Between STS theory—and empowering participation at work—and increased levels of political efficacy and participatory democracy in and beyond the work place exists a gap that is large, complex, and confusing (contrast Elden, 1981, and Pateman, 1970, with Greenberg, 1983, and Levin). All design and redesign of the work place and efforts at improving QWL rely on workers' participation, but not all participation in QWL efforts need be empowering. How can one tell if participation in STS-based QWL efforts is likely to be empowering?

One way to address this question is to classify QWL projects in terms of power, specifically by determining how much emphasis such an effort places on autonomy and self-management in relations based on tasks compared to its emphasis on social relations and “team feelings.” Variables of power and task control tend to correlate with political attitude and activity variables even outside the work place, whereas indices of social relations, work satisfaction, and “good feelings” do not (Elden, 1981a, b). This means that efforts at improving QWL can either be humanizing, democratizing, or both. Humanistic QWL allows persons to feel more involved in the work place, feel better about their colleagues, feel accepted, and the like without making any change in their relations with authority toward greater parity of power and autonomy. Under these circumstances, increased participation implies both decreased empowerment and improved QWL.

This finding is consistent with those of other research showing that increased participation—that is, greater involvement of workers under conditions of openness, trust, and free exchange—in circumstances in which two systems have unequal amount of power actually increases rather than decreases the differences in power (Braten, 1973; Dickson, 1982; Muldern, 1971). In such cases, participation preserves the unequal distribution of power in favor of the powerful; it does not empower the relatively powerless. Such “pseudo” participation (Pateman, 1970), or cooperative participation, contrasts with empowering participation and is most evident in circumstances characterized by deep conflicts of interest and values. For participation to be empowering under these conditions, participation requires parity of power (see Table 1). Work reform in Norway aims to democratize more than humanize the work place. It aims to empower participation.

Table 1 Different Consequences of Participation Under Different Conditions			
<i>Power structure</i>	<i>Converging interests and values*</i>	<i>Diverging interests and values**</i>	<i>Best outcome of combinations</i>
<b>Unequal: Unilateral control</b> <ul style="list-style-type: none"> <li>• “top-down” decision making</li> <li>• hierarchical authority structures</li> </ul>	When combined with unequal power structures produce paternalism and cooptation	When combined with unequal power structures produce problem solving and conflict management	<ul style="list-style-type: none"> <li>• Job satisfaction</li> <li>• Humanization</li> </ul>
<b>Equal: Multilateral control</b> <ul style="list-style-type: none"> <li>• countervailing powers and negotiated order</li> <li>• autonomy-based organization</li> </ul>	When combined with equal power structures produce joint planning and decision making by consensus	When combined with equal power structures produce negotiation and mutual accommodations	<ul style="list-style-type: none"> <li>• Empowerment</li> <li>• Democratization</li> </ul>
<p>* Converging interests and values occur when no deep conflicts exist over values and a model of “love and trust” prevails.</p> <p>** Diverging interests and values occur when deep differences in values exist and a mode of “power and conflict” prevails.</p>			

## EMPOWERMENT AS STRUCTURE AND PROCESS

The development of STS ideas in Norway has undergone several “generations” or major phases. The first generation—evident during the 1960s—aimed to empower workers by installing more self-managed forms of work, that is, through “empowerment as structure.” The next generation, evident during the 1970s, aimed to empower workers by making the process of generating the structure itself more worker-managed, that is, through “empowerment as process.” Both processes equally address STS and empowering participation, but from different, though mutually supportive, perspectives. These efforts solidified during the 1980s, and over the past decade they have reached out to more fully empower citizens as a whole, not just in the workplace.

### *Empowerment as Structure*

Four STS-based field experiments conducted by the original NIDP (Bolweg, 1976; Emery & Thorsrud, 1976; Qvale, 1976; T. Sandberg, 1982; Thorsrud, 1984) extended the original work of the Tavistock Institute by demonstrating that autonomy-based forms of work organizations can exist under different organizational and technological conditions in quite different industries. Although numerous alternative forms of autonomy-based organization exist (Ernst, 1976), according to this generation of STS ideas, empowerment was seen as participation in a particular form of organization: the autonomous work group. The experiments conducted by the NIDP were technically successful in demonstrating “organizational choice,” but little

diffusion generally occurred, and only limited indications showed organizational learning in and among the companies that were subjects of the experiments.

Assessing the reasons for such limited diffusion and learning is beyond the scope of this paper, but I will point out a contradiction noted by researchers in the early 1970s. The manifest goal of the change efforts based on first-generation ideas was to change organizational structure from a hierarchical, centralized form to a more self-managed, autonomy-based form. The change process itself, however, was based on a model of hierarchical organization and expert authority. If this process provided a source of learning, then participants likely learned not self-management, but another form of submission to “higher authority.” The first-generation change agents provided the model of a nondemocratic organization even as they attempted to install democratic organizations. Democratizing the change process itself was thus considered one means of improving diffusion and learning.

### *Empowerment as Process*

During the 1970s, a variety of methods of participatory research were developed (Davies, 1983; Elden, 1985b; Gustavsen, 1985; Gustavsen & Engelstad, 1985). The common purpose of these methods was the creation of ways in which workers could study and change their own organizations. Participation has, of course, long been recognized as a powerful means of overcoming resistance to change. Even pseudo or co-optive participation has been found to have powerful effects on participants (Blumberg, 1968; Dickson, 1982; Pateman, 1970).

For the first time, however, inquiry and change were controlled by participants rather than by those representing a higher authority—that is, by higher-level managers or socio-technocrats. The process of inquiry, learning, and self-study can empower participants because it creates new definitions of what is possible, new explanations of why things are as they are, and, therefore, new possibilities for action. Participative research is thus a means of empowerment (Brown & Tandon, 1983; Elden & Taylor, 1983; Hall, 1975; Levin, 1986).

A Norwegian project conducted in the mid-1970s particularly demonstrates the importance of deciding who will analyze the work place. Odegaard (1983) helped train a group of internal “experts” to analyze the working environment of a department of their company. Later, workers in the same department received the same training. Comparing the experts’ and workers explanations of the causes and effects of what happened in the work place indicated that the workers and experts had significantly different explanatory frameworks. The experts, for example, failed to see the organization as the cause of any problems, even of any social/psychological problems, whereas workers attributed more than half of the problems related to the sociopsychological environment of the organization itself. Obviously, then, workers would seek to improve their QWL by making changes quite different from those the experts would recommend.

This indicates that workers may have different explanations or “theories” about their situations than outsiders have. Workers work directly from “insider knowledge” (Evered & Louis, 1981). Such knowledge is rich with implicit possibilities for action, but remains fragmented and tacit unless systematically brought forth. Workers as individuals have partial and latent explanations related to their work places. Alone, each worker fails to see the whole

pictures and tends to make incorrect or incomplete attributions of cause and effect—demonstrating “pluralistic ignorance”—and this leads individual “causal maps” to remain isolated, fragmentary, and unused.

By involving workers in a process of participatory research, change efforts allow individual causal maps to surface and become integrated with others to create a more complete, locally grounded explanation of the workers’ situation. This explanation is called “local theory,” in contrast to more general, abstract, or “context-free” social science theory. Projects conducted in Norway have shown that workers tend to have maps or local theories about their work places that are more complex and sophisticated than the theories of either their managers or of external experts (for examples, see Elden, 1983). Workers, however, tend to lack the authority necessary to develop “local theory” or act on it. Conversely, managers and experts have the authority to act, but not the detailed, practical, “insider” knowledge necessary for effective change.

One solution to this dilemma is to organize the process of inquiry and change to develop methods allowing workers to study and change their own organizations. This allows empowering participation that lets workers generate knowledge useful for action through participatory research and change. Workers thus empower themselves through collective efforts to produce new definitions of reality and new possibilities for action. Empowering participation as a process rather than as a structure leads to self-managed learning through changing one’s own organization. Workers thereby create their own work place according to their own local theory.

Democratizing the process of organizational change means empowering workers to design and redesign their own work place in harmony with the larger organization as a total system. Empowering participation calls for consciousness-raising and self-managed organizational learning, which necessarily means learning about oneself in relation to others. Herbst’s observation (1976) that the product of work is people is aptly illustrated in the conclusion of a report on one of the more dramatic cases of participatory research and change in Norway, which occurred on the merchant ship *Balao*:

What is important here is that when you are participating in developing your own organization (in this case of both work and free time), you are also creating your own relationship to other people and your view of yourself and others. *You become a product of your organizing* (Johansen, 1979, pp. 126-127, emphasis in original).

### **THE NORWEGIAN APPROACH TO EMPOWERING PARTICIPATION**

The work on STS in Norway has returned to the origins of STS itself. We tend to forget that Trist, Herbst, and the other researchers at Tavistock did not invent autonomous groups in the coal mines, but discovered the groups there. The English coal miners invented self-managing groups on their own, yet this invention has proven so powerful it has come to the foreground and been elaborated, extended, and generalized into a highly popular consultant intervention. The workers’ ability to learn and invent, however, has fallen into the background and largely been forgotten. Over the years, thinking in Norway about STS has been a reversal of figure and ground, with interventions moving from a basis of external expertise to one of internal invention.

Empowering participation calls for workers to intervene in their own organization as part of continuous worker-managed learning, which results in workers' inventing their own organizations and QWL. Democratizing work calls for workers to invent their own organizations. This Norwegian approach can be summarized in terms of a model having the following five main features.

### *Institutional/Political Support for Democratized Working Life*

Such support creates a basis for parity of power and labor-management cooperation within organizations. Although the support of top management is desirable, projects have been carried out by unions acting alone (e.g., Elden, 1985; Levin, 1986). Changes in job design affect multiple stakeholders. The work environment law passed in 1977 mandates QWL councils in all but the smallest companies and substantially enlarges the extends the State Work Inspection Agency. The nationwide LO-NAF agreement made in 1982 with respect to worker participation in company development projects requires company and national labor-management review processes. Management alone is clearly not the only arbitrator of work improvement and democratization efforts.

### *Conflict and Cooperation*

Conflict and cooperation are often viewed as existing at opposite ends of a continuum. This is not so in Norwegian working life. An organization can score either high or low on either dimension simultaneously (Whyte, 1984). Conflicts of interest—such as those about wages—are negotiated while common interests lead to cooperative projects, such as those seeking work improvement. No models of change indicate a simple dichotomy between “conflict” and “harmony.” Effective organizational learning involves both conflict and cooperation as stakeholders work out new meanings and new possibilities for action.

### *A Vision of the Good Organization*

The Norwegian tradition of STS-based action research is highly normative: It aims at democratizing working life. The idea of an autonomy-based organizational structure is at the center of a vision of the good organization (see, for example, Emery & Thorsrud, 1976; Qvale, 1976; Thorsrud, 1984). It is based on alternatives to hierarchy (Herbst, 1976), adaptable to turbulent environments, and characterized by self-maintained organizational learning processes (Thorsrud, 1972). Moreover, democratizing work organizations is a strategic intervention in societal development; the “relations of production” are the leading edge of social change. Thus, change efforts are not limited to efforts within companies, but extend to relations between companies (interorganizational networks) and among work and family life, leisure, education, and community development. A project is developed not just because management is interested in more effective organizational functioning, but also because of the strategic importance of developing a more democratic society (Thorsrud, 1984).

### *“Do-It-Yourself”—or Participative—Research*

Workers have sufficient useful, “insider” knowledge—though it initially is fragmented and tacit—about their work places to be considered practical experts. One need not be formally

trained as a researcher to produce new knowledge and apply it toward changing one's own organization (Elden & Taylor, 1983).

### *New Methods of Worker-Managed Inquiry and Change*

These new methods employ researchers as “co-learners.” Different, participatory methods assist workers in developing local theory as a basis for local organizational learning managed by workers themselves (Elden, 1985a; Gustavsen, 1983; Gustavsen & Engelstad, 1986). Researchers and consultants are not necessarily irrelevant, but they have new, different roles. Creating new meanings, new definitions of reality, and alternatives for change are no longer exclusively “managerial prerogatives” of researchers or consultants. Experts are no longer the exclusive managers of change, but become co-learners (Elden, 1981) who must surrender unilateral control over the process of generative new meaning.

In short, the Norwegian model aims at democratization in the work place, not just humanization. It seeks democratization through participative action research within an STS framework. Some argue that other elements are necessary (Berstein, 1976), that this approach will not in the long term change power relations in Norwegian enterprises sufficiently to democratize them (Levin, 1986), or that significant democratization of working life is not possible in “market capitalist societies” (Greenberg, 1983). Knowledge of such things as the long-term effects of the Norwegian approach to democratizing working life and the relationship between political democracy and industrial democracy are not yet possible. Norway has, however, a national public policy based on STS theory, and Norwegian policy makers have used STS ideas in formulating public policies supporting the democratization of working life. New thinking in Norwegian research on work and public policy concerning work place democracy are closely intertwined and have been mutually supportive for more than three decades. The further development of STS ideas on empowerment, from that of empowerment as structure (a 1960s view) to empowerment as process, is also reflected in recent public policies. The common theme of Norwegian STS-based democratization policy is one of organization structures and learning processes rooted in and promoting empowering participation.

### **WORK DEMOCRACY AS EMPOWERING PARTICIPATION: OTHER VIEWS**

Is the Norwegian model of empowering participation unique? Descriptions of organization design and redesign projects based on STS ideas abound, as do studies of worker-owned enterprises and other forms of worker control, industrial democracy, and the efficacy of participation. Unfortunately, QWL and industrial democracy appear in the literature as quite separate ideas. QWL projects tend to humanize rather than democratize organizations, and worker-owned enterprises seem little concerned with self-managed work design and democratizing organizational change. The Norwegian model based on STS as a means to democratization is presently neither widespread nor limited to Norway.

Concepts and cases from other countries also differentiate between democratic and humanistic work reform. A review of three such cases—from Denmark, Australia, and Germany—demonstrates that the idea of empowering participation is not limited to Norway. These cases also help develop a more complete and general model of work democracy.

Before discussing the model, I will clarify some core concepts. Participatory research (PR), also known as worker-managed inquiry and change, overlaps with action research (AR) and organization development (OD) with respect to values, the centrality of experiential learning, and the collaborative role of the researcher or change agent. Participation plays a central role in both PR and AR, and both approaches profess similar values. Brown and Tandon (1983) make clear, however, that these two approaches to change differ significantly with respect to how, where, and for whom these values are sought or realized. Each approach has its own ideology and “politics of inquiry.”

Brown and Tandon (1983) note that PR originated under conditions of political oppression in relatively unorganized settings—such as that of peasants living in Third world countries with authoritarian governments—as a way of building basic political resources and power bases. Participant-managed learning and self-organization are the building blocks of political autonomy and liberation under conditions of deep, often violent conflicts of interests and values.

In contrast, Brown and Tandon describe AR as a developmental strategy used primarily within organized settings such as work places within which change occurs through broad consensus on common goals. In such circumstances, AR resembles OD or the humanization of work. Both allow for participation without parity of power. AR inquiry would not occur outside of those areas of consensus permitted by management. Furthermore, AR’s politics of inquiry impedes the transformation of hierarchical authority structures into more democratic structures.

PR, however, defines problems, collects and analyzes data, and uses the results of research to increase the resources of power available to the relatively powerless. Applied to an organization, PR should result in worker-controlled inquiry and change under conditions in which management is not the sole arbiter of new knowledge. In short, PR results in empowering participation and democratization, not just humanization. The Norwegian model of empowering participation represents one attempt to explore the use of participatory research in a work setting. Let us now examine similar attempts in other countries.

#### *A Case From Denmark*

Borum (1980) describes a “power strategy” for organization development, in contrast to conventional “communication strategies.” He demonstrates his power resource model by describing a year-long PR project aimed at improving working conditions in a surgical support unit at a large (1,000 beds) Danish hospital. This surgical unit consisted of 21 employees, 17 of whom were nurses—all female—who assisted three groups of surgeons with patients from four wards and two outpatient clinics. Borum’s goal for the project was to help the surgical units more effectively with respect to their own interests.

A key problem was the surgical nurses’ lack of power. They could not get the surgeons to plan operations, for the doctors preferred the status quo of day-to-day, “ad hoc” arrangements that gave them maximum flexibility—and they were powerful enough to maintain this situation. To solve their work load problems, the nurses had to change this power relationship. Unless the nurses had sufficient power to negotiate, their participation in the project would make no sense.

The nurses had several bases of power with respect to the doctors. First, the nurses had sufficient group cohesion and autonomy to initiate activity. Furthermore, they increased their knowledge base by gathering and analyzing operational data that would support their case that better planning would improve the functioning of all units. Finally, they developed coalitions with head nurses in the wards housing surgical patients, explaining that better planning would also benefit these wards. By developing these and other power bases, the nurses eventually won the surgeons' cooperation.

According to the Norwegian model, Borum presents a case of empowering participation. With respect to Brown and Tandon's (1983) definition, this is a case of participatory research (PR). A key element in Borum's case that is not stressed in the Norwegian model is the development of power bases *prior to* participation. The issue of power parity among participants is a crucial difference between empowering participation and participatory management.

### *A Case From Australia*

Power parity also raises the issue of the role of an expert in helping persons learn to rely more on themselves as sources of expertise in improving their own circumstances. Williams (1982) describes an experiment in an Australian university in which students of organization and management were allowed to choose to self-manage their learning. His data show that even under favorable conditions in which those in authority promote democracy in a socio-technical fashion, not all participants are willing to participate in this process—at least not initially.

Williams developed an STS-based, self-managed learning design to provide students with “direct experience about active adaptation through participative organization democracy” (p. 64). This application of STS is particularly relevant because newer STS ideas deal with the design of self-managed learning systems and “action learning.” In university classrooms, authority is often as centralized and hierarchical as it is in industrial bureaucracies. The professor plays the same role as top management, teaching assistants as middle managers or supervisors, and students as workers. Students do not normally participate in decisions affecting their work as students. They perform assigned tasks and are rewarded—usually on an individual, piecework basis—after being evaluated by their hierarchical superiors. Students do not participate in deciding what topics are taught, how the classroom should be organized, or how evaluation should be carried out. New STS-designed factories offer more of an alternative to centralized, hierarchical authority.

Williams began his courses by asking students to define their learning goals, and then developed self-managed student groups based on members' shared goals. The instructors became resources for the various student-run groups. The design was intended to help students “to discover what they need to learn, to become motivated to learn continuously, and to learn how to learn for themselves in the face of uncertainty and in cooperation with others” (Williams, 1982, pp. 63-64).

Williams implemented this design in three courses on organization and management: a large (210 students) introductory course for undergraduates, a more advanced undergraduate course for 75 seniors, and an MBA course for 43 first-year graduate students who mostly attended school part-time and worked full-time. Systematic evaluations—based on student

performance, faculty observations, and questionnaires—indicated that a significant proportion of the students at all levels rejected the democratic, more ambiguous design in favor of more directive, well-structured, bureaucratic forms of learning. The proportions varied by level, with approximately half of the undergraduate students and a third of the graduate students rejecting the alternative promoting self-management. Apparently, hierarchical authority patterns may be so ingrained that they impede self-managed learning, even in higher education.

### *A Case From Germany*

Consistent with the above conclusion, Fricke's research in Germany (1983) led to his finding that the nature of the hierarchical organization itself – “the Taylorization of work, the influence of experts, and the isolation of workers by piece work and work distribution”—is the chief barrier to workers' developing learning skills, which he calls “innovatory qualifications (p. 73).” Through an experiment in participatory AR lasting several years, Fricke demonstrated that a combination of workers' changing their own organization and a supportive adult education program based on self-managed learning was able to overcome this barrier.

Fricke's project at Peiner AG involved 47 unskilled workers—of whom two-thirds were either women or from foreign nations—from the company's car parts and screw factory. Working under conditions in which work was highly repetitive and physically demanding and wages were based on piecework, the workers also suffered from high levels of noise that made conversation difficult. Fricke chose this site expressly because of its “extremely stressful and restrictive working conditions” (p. 76). If participatory AR could work in this setting, he reasoned, it could work anywhere.

Fricke and his colleagues developed a new method of “accompanying observation” that made workers actively involved in explaining tasks in ways that contributed to the researchers' understanding, the workers' learning, and the workers' proposing changes. The workers' proposals and change strategies were further developed in a series of week-long participatory learning workshops during the four years of the project. The project resulted in improved working conditions, self-maintained learning processes—in which workers displayed creative and innovative skills that their work organization and working conditions otherwise discouraged—and a new relationship between adult education and self-managed learning in the work place.

The Norwegian model of empowering participation is not unique to Norway. The three models presented above support and extend the one developed in Norway. The central feature common to all models is a requirement that participants not merely participate but also have some power, control, and authority over what they are involved in. Without power, participation results in paternalism at best, and in a hidden managerial control strategy at worst (Dickson, 1982).

## **EMPOWERING PARTICIPATION AND SOCIOTECHNICAL SYSTEMS IDEAS**

This chapter explores other models of workplace democratization that support and extend the Norwegian model of empowering participation. Given the diversity of the backgrounds and approaches of these different models, any features common to all are significant. I find at least

four such features: rejection of conventional OD as a source of empowerment, skepticism of participation as potentially co-optive, the view that organization and political democracy are not the same thing, and the view that empowerment as a learning process legitimates new possibilities for action from the “bottom up.”

The rejection of conventional OD as a source of empowerment implies that conventional OD is insufficient for promoting parity of power and empowering the relatively powerless. Even STS ideas can be used for co-optation. Each of the models discussed above distinguishes between conventional and empowering forms of planned organizational change. The Norwegian model prefers democratization to humanization; Brown and Tandon prefer participative research to action research; Borum prefers “power-based” OD to that which is “communications based”; Williams prefers participatory democracy as a basis of organization to a bureaucratic model; and risk attacks the uncritical acceptance of fragmented, centralized forms of hierarchical control (Taylorism) and argues for self-educative processes of worker control.

These analyses imply that conventional OD tends to sustain rather than transform hierarchical authority, that it fails to develop structures based on autonomy. Although such structures are central to STS theory, what is needed is a structure-generating process that is itself autonomy-based and self-managed. The Norwegian model of empowering participation attempts to integrate classical STS ideas about autonomy-based structure with OD’s emphasis on change and learning processes and with PR’s ideas about participant control of the creation of knowledge and “sense making.”

The skepticism of participation as potentially co-optive may seem odd, for all of the models presented above aim to increase participatory democracy at work. This skepticism is based on participation’s inherent duality, which is often overlooked in OD. Participation is both a powerful mechanism for integrating individual and organizational goals—that is, a strategy for increased management control (Dickson, 1982)—and a potential means of transforming organizational authority (Pateman, 1970). Participation is not the equivalent of democratization (Elden, 1981, 1985a; Levin, 1986; A. Sandberg, 1976). For example, authoritarian political regimes often require a great deal of “participation.” All of the models presented above emphasize forms of participation that enhance autonomy and equalize power, not participation of any type at any cost. Participation—along with other typical OD values such as openness, trust, and the like—under conditions of unequal power tends to increase differences in power in favor of the powerful. Therefore, whether or not participation is empowering depends on the existing distribution of power and whether or not interest and values converge or conflict, as suggested in Table 1. Empowering participation presupposes some form of countervailing powers, or parity of power, that allows one to have an impact even when interests do not converge.

The recognition that workplace and organizational democracy are not the same as political democracy stems from the knowledge that a polity such as a nation-state differs fundamentally from a business. Although a business can be analyzed as a political system, the floor of congress and the shop floor are not the same with respect to systems of power, control, and authority. Although justice and effectiveness can overlap, by definition business organizations must be effective and should preferably be efficient. Mechanisms such as “one person, one vote,” majority rule, and checks and balances contribute to realizing a democratic polity, but can conflict with the economic survival of a business. Democratic enterprises require

other mechanisms, at least on the direct level. Democracy in working life is inherently more limited and partial compared to political democracy.

Although all of the models of democracy at work share the values and goals of advocating industrial democracy, we need a clearer recognition of the limits of democratic planning and decision making in a commercial enterprise (A. Sandberg, 1976). Good economic performance depends upon the effective mobilization of relevant competence, not simply upon majority rule. Authority at work is organized so that competence can be allocated appropriately. In a business, goal-related competence is an important means of converting power into authority.

In a democratic polity, the conversion of power into authority depends upon general, undeniable, and equally distributed rights, not just on competence in contributing to limited economic goals. The popular image of economic democracy is that of an organization modeled upon a democratic political system (for example, Berstein, 1976)—that is, one employing one person, one vote, checks and balances, judicial appeal, freedom of speech, and the like. On the level of the work place, however, the models analyzed in this chapter clearly emphasize increasing one's power base by increasing one's organizationally central or "strategic" areas of competence (Salicik & Pfeffer, 1977) and power bases (Borum, 1980). In such terms, democracy means free play and fair play: free play for developing and applying competency, and fair play among all relevant stakeholders involved in self-regulation in the interests of the organization as a whole.

The emphasis on developing competence supports empowerment as a learning process. In all of the models presented in this chapter, the organization and management of inquiry and change is crucial. Brown and Tandon (1983) focus on the "political economy of inquiry." The Norwegian model uses participatory research to help create new meanings and possibilities for action through the development of local theory. Fricke (1983) relies on a strategy of adult education. The seeds for developing authority structures necessary for democratizing work are sown through structuring authority for organizational inquiry and change. This extends Pateman's (1970) argument for the educative value of participatory democracy: "The major function of participation in the theory of participative democracy is an educative one, education in the very widest sense including both the psychological aspect and in the gaining of practice in democratic skills and procedures" (p. 42).

The models discussed above imply that a central element of workplace democratization is increasing workers' power through their development and application of new knowledge on their own. The source of such knowledge is not external experts, but workers' analyses of their own experience. Participative research is therefore simply a form of action research directed and performed by workers according to their interest and needs for learning. Democracy at work, according to this interpretation of STS theory, is not a particular organizational form, but a continuous process of self-directed learning and "active adaptation" (Williams, 1982).

## **SUMMARY AND CONCLUSION**

Below Table 2 summarizes the results of this exploration of the conditions in which STS ideas can lead to empowering participation. The 12 conditions presented suggest that the organization and management of work reform efforts may be more significant for

democratization than any particular change or organizational form. When inquiry and change are more self-managed, new definitions and symbols can emerge that contribute to empowerment.

Table 2 Some Necessary Conditions for Empowering Participation		
<i>The Norwegian Model</i>	<i>Other Models</i>	<i>Significant Common Features</i>
1. Institutional and political support at “higher” levels	6. Some parity of power prior to participation	9. A rejection of conventional OD and STS as a source of empowerment
2. High levels of cooperation and conflict	7. Systematic development of bases of power	10. Recognition that participation can be either co-optive or empowering
3. A vision of how work should be organized	8. Overcoming resistance to empowerment by the powerless	11. Recognition of significant differences between organizational and political democracy
4. “Do-it-yourself” participative research		12. Empowerment as learning legitimates new realities and possibilities for action from the “bottom up”
5. Researchers act as “co-learners,” not experts in charge of change		

Workers acquire power by developing new definitions of their own situations. One way of doing this is by analyzing their own organizations as socio-technical systems (Davies, 1983; Elden, 1985b; Thorsrud, 1977). The key is to create new, shared definitions or new local theory that can more easily be put into action. This evolution of new, “coincident meanings” is articulated by Gray, Bougon, and Donellon (1985) as follows:

[It is a] political process in which the powerful shape meaning for other organizational members. The most important role of leadership is to define organizational reality for others and to engineer its consensual acceptance. By drawing members’ attention to certain aspects of their experience, and not to others, leaders impose a pattern of meaning on an otherwise ambiguous context. Leaders, or emergent leaders, influence sense-making through any of the meaning construction processes—by introducing concepts, by inculcating cause/effect relationships, and by imparting values.... Thus, it is the interpretative schemes of the powerful which are eventually rationalized as organizational policies and practices (p. 83).

From this perspective, the one controlling and directing organization inquiry determines the possibilities for power and empowerment. Participative research at work empowers relatively powerless stakeholders by treating them as “leaders or emergent leaders.” Empowering

participation means that workers influence or contribute to “sense making” and that organization policies bubble up as well as trickle down.

Participative research and self-managed inquiry thus emerge as central elements of a strategy of empowering participation. Researchers are in the business of defining new possibilities and creating new meanings. Although social scientists may, with good cause, feel relatively powerless with respect to democratizing work life generally, inquiry and learning are at the heart of workplace democracy, and researchers have much to contribute to these processes. The researchers’ role cannot, however, be based on the traditional model of the expert in charge of change (Elden, 1981), or on a model of science based on unilateral control (Torbert, 1981). The findings presented in this chapter suggest that STS “experts” who seek to contribute to self-management and democracy at work must divest themselves of the typical expert’s managerial prerogatives if the sense-making process in organizations is to contribute to empowering participation.

Ultimately, STS ideas imply the need for more local control in policy making. A new challenge for STS is to design systems of governance that extend the ideas of self-regulation beyond the work group. If, as this analysis suggests, sense making is essential to empowerment processes, then so are new ideas about leadership. Further study of these issues is necessary if STS is to contribute as much in the future, as it has in the past, toward democratizing organization development and the larger society.

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## Chapter 5

### *THE CHALLENGE OF ECONOMIC DEMOCRACY: THE CASE OF SWEDEN*

**Sandra Albrecht and Steven Deutsch**

No industrial country in the world better illustrates the legislative approach to reforming worklife than Sweden, and in recent years the Swedish system of industrial relations, its moves toward workplace democracy and its achievements in work environment reform have all been held up as examples for other industrial nations.

Sweden, like other Western industrial nations, has experienced the profound economic crisis caused by the internationalization of the world economy, global competition, the introduction of new technology and other related factors. Inflation, rising unemployment, slowed economic growth and other problems have emerged in Sweden, though on a substantially lesser scale than most other industrial market economies.

In this paper we outline the shift from social and industrial democracy to proposals to democratize the economy of Sweden. It is a logical extension of the “politics of production” scenario in Sweden during recent decades. Because of the economic crisis, however, the specific proposals and strategies for political mobilization have taken a distinct character which we examine. In short, the changing socio-economic environment of Sweden has shaped a different approach than that underlying the industrial democracy reforms of the 1960s and 1970s, but the connection is logical and continuous. While the primary objective of this paper is to detail and analyze the Swedish case, there are some clear implications for other countries which we note as well.

#### **THE MOVE TOWARD INDUSTRIAL AND ECONOMIC DEMOCRACY**

The emerging discussion about economic democracy, or shop floor worker control, which came throughout the Western world in the late 1960s and the 1970s was built on pragmatic as well as philosophical or ideological foundations. Clearly the matter of employee morale, productivity, and the broader context of participatory movements helped to shape the dialogue in most industrial nations (Deutsch, 1979). In Sweden some critical decisions were made in a complex of labor market policies. For example, while the 1950s and 1960s saw the need for considerable importing of labor, the decision was made to lessen that pattern and better utilize the one source of available labor within the country – women. As a result, less out of ideological persuasion than pragmatics, policies were shaped to include such inducements as job sharing for part time employment, company child care, extended maternity/paternity leaves and other features to increase female labor force participation.

In a similar fashion other reforms were enacted through a combination of ideological and practical arguments. The evidence did reveal greater worker satisfaction, higher morale and hence less turnover, and greater productivity through the use of restructured workplaces, including such improvements as autonomous work groups, job rotation, and worker representation in managerial policy making bodies. These reforms came about through voluntary or negotiated agreements. Because of employers’ concerns with productivity and

worker commitment, these increases in socio-technical participation at the workplace were seen by employers as the goal of the economic democracy movement. Labor, however, defined democratization of the economy differently and pushed for its historical mission of gaining greater control on the job. For labor the issue was one of redistributing decision-making power at the workplace which inevitably meant the reduction of managerial prerogatives. The combination of perceived resistance to granting such rights to labor by employers, and the fact that the Social Democratic Party (SAP) was in continuous political power during this period, resulted in growing pressures for legislative remedies and approaches toward work reform. This paralleled developments in some other countries (Deutsch, 1977; Gustavsen, 1982; Gustavsen & Hunnius, 1981; LO, 1982).

It was in the 1966 Swedish Labor Federation (LO) Congress that the issue of economic democracy first commanded labor's attention in Sweden (Dahlström, 1977). A committee was appointed to study the issue of economic democracy and offer suggestions for implementation to the 1971 LO Congress. Looking back at the report, we can see it replicated in the series of legislative acts on economic democracy from 1972-1978: Act on Employee Representation on Boards, Security of Employment Act, Promotion of Employment Act, Act on the Status of Shop Stewards, Worker Protection or Safety Act, Act on Employee Participation in Decision-Making (MBL), and the Work Environment Act (Martin, 1976, 1977; Albrecht, 1980, 1981; Forsebäck, 1980; Schmidt, 1977).

Taken together, this body of legislation has as its goal the increased influence of employees over their workplace. Although these reforms have not moved to transfer ownership or erode private capital, they go well beyond limited shop floor participation and call for a share in larger capital decisions on such things as plant investments, technological changes, and production decisions. Separately, some of this legislation has been more successful than others. But, at the same time, optimism over the Work Environment Act continues to grow.

Some of these legislative reforms were based on what is seen as fact in Sweden, but remains hotly contested and hence political or ideological in the United States. For example, the postulate that workers' health, both physical and mental, is enhanced by greater worker participation on the job is taken as factual in Scandinavia, and is built into the Work Environments Act in Sweden and Norway (Deutsch, 1981a). That postulate remains a matter of debate in the U.S. and is left to labor/management negotiations. The point here is a profound one: certain fundamental, underlying assumptions in Sweden take on an ideological character elsewhere. The Swedish social welfare system and the range of labor market policies are predicated on the standard that all workers should be able to work and that the government has certain responsibilities to maintain full employment and social services which protect the quality of life for all citizens. Even the idealized version of American constitutional rights and governmental role do not build on that base.

There is always a debate between what, in Gorz' terms, are reformist versus revolutionary reforms. According to Evelyn Stevens (1980) those which lead to further structural changes fit into the second category. "Practically any scheme of participation has the potential to generate challenges to the status quo if a strong and ideologically committed union mobilizes workers to realize fully structural given possibilities" (p. 6). It seems clear that the LO/SAP programs which emerged in the 1960s was one which emphasized the erosion of older

notions of managerial prerogatives, and put into practice the historical social democratic view that labor is to gain ever greater control (Tilton, 1979). In that sense, the series of legislative reforms not only gave labor greater control over the workplace, but made the connection between that level of participation and labor's control over capital decisions, or economic democracy. If labor was to sit on corporate boards, help to shape investment and disinvestment decisions, have a say about the rationalization of technology and the social arrangement of production, then it was almost inevitable to move towards greater control over total capital. In short, the industrial democracy program of past decades should be seen as organically connected with the economic democracy push started more recently. That connection, of course, is made in other Western nations as well (Deutsch, 1979; Gustabsen & Hunnius, 1981).

### *Toward Workers' Collective Wage Funds*

It was the same LO Congress that supported the industrial democracy report in 1971 that also initiated the move toward economic democracy in the form of wage-earners' investment funds. The original impetus came from the Metalworkers Union and their concern for the growing problems arising out of the "reverse side" of the LO's wage policy of solidarity. This wage policy has been in effect for many years and stresses the solidarity among workers with a special commitment to the lower-paid workers (Meidner, 1974). This solidaristic wage policy is basically a policy of equal pay for equal work, where pay is determined by the kind of work done rather than a firm's ability to pay. What this has meant in operation is that wage-earners in the more profitable firms have practiced a form of wage restraint and wage differentials in Sweden have diminished over time in favor of greater inequality. With the growing success of this solidaristic wage policy, however, "excess profits" began to accrue in the hands of private capital in the more profitable enterprises. Because of the growing discontent of labor with this undesirable side-effect of the wage policy, a solution needed to be found. To that end, a committee was appointed under LO Labor economist, Rudolf Meidner, which was instructed to come up with a plan to solve the problem of "excess profits." In addition, the committee was to seek a solution that would also counteract the concentration of wealth in Sweden and would increase the influence of workers over the economic process.

The Meidner committee set out to construct a proposal to satisfy these goals. A first version draft was circulated in union study groups which acted as consultants in the process. Responses by 18,000 LO members who participated in the study program on wage-earner funds were overwhelmingly supportive of the outlined plan (Meidner, 1978). A final report was then prepared by the committee and presented to the LO Congress. Referred to as the "Wage-Earners' Investment Funds," (Meidner, 1976) it was unanimously supported by that Congress. The report called for the transfer of a certain percentage of a company's profits into shares that were to be collectively owned and controlled by employees and their unions. Even the dividends were to be collectively used for labor education and research (Höglund, 1978). As the plan was designed, a suggested 20 percent of the pre-tax profits of an enterprise would be transferred yearly into these funds in the form of labor-owned shares. That proportion of profit transferred from capital owners to labor would remain within the enterprise, and "share issues" would be transmitted to a central wage-earners' fund. The responsibility of this central clearing fund would serve both as a depository for these share issues, and the administrator of the dividend income from these shares for the benefit of employees as a whole. Voting rights to the shares were not vested in this central fund, but rather were to be divided between local plant unions and

inter-industry funds. As Meidner explained it, “The object of this part of the proposal was to strike a balance between the demand for decentralization and the need for some coordinating body covering employees in different companies” (1981, p. 211).

At that time it was predicted that profitable firms could theoretically have a labor majority ownership in 20-30 years. The report was to be interpreted only as a set of guidelines where the actual details would be worked out at a later date. However, the report was clear about the fact that these funds were to be collectively owned by labor, and that the solution to the excess profits issue and the concentration of wealth problem involved a partial transfer of ownership from private capital to labor influence.

The Meidner proposal was immediately controversial and sides were quickly drawn along traditional socialist/non-socialist lines. It is important to point out that the debate was sharply focused. There had long been agreement among political and economic groups about the need for some form of employee profit sharing (Åsard, 1978). The point of disagreement was the manner in which labor had chosen to do this, i.e., collective ownership. Rather than distributing the profits to employees in some individualized profit-sharing scheme, the profits were to remain within the enterprise under the control of labor in the form of shares. The solution accomplished the three distributive goals; financed by a percentage of the “excess profits,” the compulsory share issues and the dividends accruing to them were placed under collective labor ownership and influence, and in turn, reduced the concentration of wealth.

The 1976 election reflected the intensity of the conflict over the wage-earner funds. The non-socialist parties were singularly opposed to the plan, calling it a move toward excessive concentration of labor power and the outright confiscation of property. For their part, SAP and LO did not present a unified position on the plan. Claiming they were not ready to discuss the issue of wage-earner funds, the Social Democrats attempted to remove the issue from the election debates. Their attempt failed, and in the end, the wage-earner funds debate was considered one of the main reasons for the Social Democratic electoral loss after 44 years of power (Pettersson, 1978).

One of the main ways the Social Democrats attempted to subdue the electoral controversy over wage-earner funds involved reference to the Public Commission on Wage-earners and Capital Formation. Olof Palme, whose Social Democratic government was responsible for setting up the commission in 1975, sought out the commission as a defense for his party’s inability to articulate a position on wage-earner funds in the election, stating that they needed to wait until the question had been fully explored by the commission before taking a stand. This happened again in 1978 in preparation for the next national election to be held in the fall of 1979. The Social Democrats, with the concurrence of the LO, chose to postpone the discussion of wage-earner funds until after the election and the presentation of the final report of the commission in 1981.

Throughout the operation of the commission, and often contrary to the apparent continuing divisiveness of the issue, there was always an underlying hopefulness that the commission could pull together the disparate set of plans into a consensual solution. This hope, however, ended in 1981 when the commission was unable to resolve the internal controversy over the conclusions and recommendations for the final report. The severity of the disagreement

was apparent when the chair, Allan Larsson, resigned from the committee. Although there was talk at that time of disbanding the commission altogether, it was reinstated under a new chair and an attempt was made to salvage the six years of work that already gone into the preparation of the final report. In 1981 (*Dagens Nyheter*, May 22, 1981), however, the commission gave up when it again found itself unable to agree on the important sixth chapter that was to be the outline of the different alternatives and details of their construction in terms of such issues as organization, financing, and investment policies. This chapter, which was considered the most important one of all, was noticeably absent from the final published report which was drawn from the five completed chapters on the historical and international background of the issue *Statens Offentliga Utredningar* (SOU, 1981).

The public debate began with the original Meidner proposal prepared for the LO Congress, and, like the Public Commission, its history has been marked by controversy. To date the original proposal has undergone a number of revisions. The first such revision came in the Spring of 1977 when a new working group was formed composed of both LO and SAP representatives.

The revised plan was published in 1978 and mirrored the growing concern over the worsening economic situation and the declining capital necessary for industrial investments. Sweden and its dependence on imported oil was heavily affected by the international recession. Domestically, the structural problems in major industries such as iron and steel, shipbuilding, and forestry contributed further to Sweden's economic problems. The felt need for increased capital for investments in order to revive the Swedish economy and its competitiveness on the world market resulted in the addition of a *fourth goal* to the wage-earner funds (Höglund, 1978). This new goal was to increase collective capital formation for productive investments. Its addition substantially changed the structure of the funds by introducing "development funds."

The LO/SAP working group was committed to both the original three goals set out in the Meidner proposal and this new fourth goal. Unlike the Meidner plan, however, which sought a solution to all the distributive goals within one set of funds, the new plan called for two separately designed funds. One set of funds were similar to the Meidner plan in that "excess profits" were to be transferred from capital to labor in the form of share issues with the money remaining within the enterprise. The second set of "development funds" were to be financed by a certain percentage of the annual payroll (3 percent) to be paid by employers, and were specifically designed to address the fourth goal of collective capital formation. Made up of two nationwide funds and 24 regional funds, the "development funds" were for the express purpose of providing capital for investments for such things as industrial expansion and technological development. This new plan, then, was a combination of both profit sharing and compulsory savings.

It was thought at that time that this new plan would form the basis of LO and SAP's united political position on wage-earner funds for the next national election. The expectation was that this plan would be followed by a massive educational program and hopefully made into a successful election issue. This scenario, however, was never played out. Although LO and SAP approved the four goals, they did not endorse the plan in its entirety. Rather, as mentioned previously, they chose to postpone the discussion until after the commission report and their national congresses.

## *Wage-Earner Funds in Contemporary Perspective*

The process of hatching an investment fund scheme involved a complex incubation period (Bulletin of the European Communities, 1979; Eidem and Öhman, 1979). The initial impetus came from LO and fed into SAP. The failure to agree on the role of the initial wage-earner funds in the past elections has led to some resolve to come together and place this issue before the voters in such a way as to help the Social Democrats regain power.

In 1980 the International Centre of the Swedish Labor Movement (AID) held a major international conference on the theme of “Capital and Economic Democracy.” At that time it was abundantly clear that the ranks of LO were not solidly behind the plan for wage-earner funds, as it stood then, and the leadership of SAP certainly was cautious. Foreign participants at this meeting would have joined with the Swedish press in anticipating a declining commitment to push for such a proposal in the subsequent LO and SAP Congresses, while at the same time sensing a good deal of support within the ranks of labor and the Social Democrats. Of course, the Public Commission was then expected to generate a report which would form the basis of the real discussion and nothing in the few remarks between one of us and Allan Larsson suggested the skepticism and despair which led to his resignation. Given the events since that time, it is clear that hard-headed strategists and committed unionists and Social Democrats have come together to mold a proposal which is both a logical development towards increasing the control of work by labor and which is more palatable to the Swedish electorate.

This proposal was ultimately presented and represents the most comprehensive plan since the original Meidner report in 1975 (LO News, 1981). Some of the central aspects of this new plan were presented earlier in an LO/SAP position paper to the Public Commission (Hancock, 1981). For the first time there was a link made between wage-earner funds and supplementary pensions. These supplementary pensions (ATP) have an important history of their own preceding their adoption in 1959 (Hancock, 1972; Molin, 1966; Stephens, 1980; Wheeler, 1975). Essentially, these pensions augment retirement benefits with supplementary payments based on an employee’s salary in his/her best 15 years of work. They are compulsory and under public control (Korpi, 1978), but because of rising inflation, there is growing concern that the supplementary pensions will decline in value without some kind of financial increase. Therefore, it was suggested that the wage-earner funds could be set up in connection with the supplementary pensions. The wage-earner funds would purchase shares to be collectively owned by labor, with the dividends being fed back into the ATP system to insure its continued ability to supplement retirement benefits. The financing of these funds would be from “excess profits” and an employee payment of an “ATP fee.”

The plan both modified and expanded the earlier position paper. This new plan served as the working paper on wage-earner funds for the LO and the SAP national congresses in 1981. Though structurally different, it resembles the LO/SAP 1978 revision more than the original Meidner proposal. The most important aspects of this new version are its linkage to the ATP system, the change from compulsory share issues to cash payments for the purchase of shares on the open market, and the greater emphasis placed on the fourth goal of collective capital formation. The plan placed a high priority on the wage-earner funds as a way to help solve the economic crisis in Sweden. Ingvar Carlsson at the 1981 Social Democratic Party Congress listed the major problems for the Swedish economy: large budget deficit, trade deficit, rising inflation,

and a low level of investments (Carlsson, 1981). The wage-earner funds was seen as a part of an overall economic program to remedy these problems. And to do so, the fourth goal has been given added weight. This message is clearly articulated by LO in its Congress reports (LO, 1981):

The working party's proposal is based on the fundamental principles laid down earlier within the labour movement. However, the present proposal is, to a greater extent than earlier proposals, intended as the outline of an Employee Investment Fund system directed towards safeguarding employment and contributing towards a solution of the economic crisis in which Sweden finds itself (p. 13).

Referred to as the "Capital-Sharing funds," this revision involves the purchase of shares on the open market to be collectively owned and controlled by wage earners, as shown in Table 1 below. Financing for the funds would be drawn from the "excess profits" of companies and an increase in the contributions to the supplementary pensions system. "Excess profits" are considered to be 20 percent of the profits over and above an estimated inflation rate of 15-20 percent. The additional increase in the supplementary pension contribution would be 1 percent. Unlike the earlier proposal, this payment is made by the employers not the employees. Overall, this financing is expected to yield 2-3 billion Swedish crowns yearly. In terms of operation, both the "excess profits" and the additional supplementary pensions contribution would be turned over to the supplementary pensions scheme, which in turn, would transfer the money to the capital-sharing funds. There would be 24 regional funds for the 24 Swedish counties. The funds are to purchase shares. In the event that a company does not want to issue new shares, there would be a "trade union right to initiative" whereby the trade union could call for a new issue of shares. It is understood that a percentage of the dividends from these acquired shares would go to the supplementary pensions system. When a fund purchases shares, the voting rights are divided between the fund and the employees in the enterprise in which the funds are bought. The voting rights are equally divided between the fund and the employees until each has acquired 20 percent of the voting power in the company. After that, all the voting rights from subsequently purchased shares go directly to the fund. In this way, regional interests are given priority over single enterprise interests. The funds may purchase shares from any company within their own county or outside their county.

The proposal concluded with two alternative suggestions for how the funds can be managed. One way is to have a directly elected representative body for each county fund. This body would be elected by all "wage-earners," defined as individuals who have contributed to the supplementary pensions scheme. The second alternative is to have the government appoint representatives to the funds. These appointees would be representatives of the employees and would be drawn from a list of trade union nominations. This second alternative makes it clear that a majority of the representatives on the board of the funds must be employee representatives while allowing other representatives from the county and local councils.

Table 1  
LO-SAP Capital-Sharing Fund Proposal

GOALS	<p>1 – To solve the problem of excess profits as a consequence of the wage policy of solidarity.</p> <p>2 – To counteract the concentration of wealth which stems from industrial self-financing.</p> <p>3 – To increase the influence which employees have over the economic process.</p> <p>4 – To increase collective capital formation necessary for productive investments and future job creation.</p> <p>Purchase of shares from enterprises to be collectively owned and controlled by wage-earners.</p>
FINANCING	<p>1 – Percentage of excess profits (20% of profits over and above an inflation rate of 15-20%).</p> <p>2 – Increase in employer contributions to the supplementary pension (ATP) funds (1%, with the understanding that a percentage of the dividends earned will revert to ATP).</p> <p>2-3 Billion crowns per year expected.</p>
OPERATIONS	<p>1 – Contributions and profits are turned over to ATP.</p> <p>2 – ATP transfers the money to the capital-sharing funds. In all, there are to be 24 regional funds, equal to the number of counties.</p> <p>3 – The funds are for the purchase of company shares, with a “trade union right to initiative” in case a company refuses to issue new shares.</p>
CONTROL	<p>1- Voting rights to the purchase shares to go</p> <p>a) the regional fund which acquires the shares, and</p> <p>b) the employees in the enterprise in which the shares are bought.</p> <p>2 – The voting rights are equally divided between these two until each has acquired 20% of the total voting rights in the company.</p> <p>3 – Any voting rights from shares purchased after this amount would go directly to the regional fund.</p> <p>4 – Each of the regional funds can purchase shares in companies of all lands inside or outside their county.</p>
MANAGEMENT	<p>There are two alternatives under consideration for the selection of board members for these funds.</p> <p>1 – The direct election of a representative body by the wage-earners in each county. Eligibility for voting would be open to all individuals who had acquired at least one ATP point.</p> <p>2 – Government appointment of employee representatives based on trade union nominations. Employee representatives based on trade union nomination. Employee representatives should be in the majority on the boards, county and local representatives should be included as well.</p>

As mentioned previously, the original wage-earner funds proposal was an LO initiated proposal, later joined by the SAP in its revised forms. It should be pointed out that the controversy over the idea of wage-earner funds is defined not only by external criticisms of the idea of funds but also by internal criticisms as well. For example, there have been two issues that have surfaced within the various factions of the LO and SAP that have consistently plagued unity over the issue of wage-earner funds. One has been a concern over the possible “double role” that workers would play in a system where they would be both workers and have a role in the ownership of the enterprise. Two has been a concern that funds based on one’s role as a wage-earner, and now specifically as a participant in the ATP system, may be undemocratic; alternatives have been suggested based on some form of citizen funds instead of wage-earner funds (Korpi, 1980; Korpi, 1981). These internal conflicts, however, seem to be of lesser and lesser visibility since the proposal and the Social Democratic Party’s commitment to that proposal as a main election issue for the future.

It should also be pointed out that the controversy over these funds has not only taken the form of direct criticism of the LO/SAP proposal by other political parties and employer organizations, but has also consisted of alternative proposals for the construction of funds. Although these proposals have a history of their own and have undergone changes through the course of the debate (Öhman, 1979; Hancock, 1981), they have typically opposed the principle of collective funds which would increase the influence of workers through their unions. When the Public Commission on Wage-earners and Capital Formation terminated, for example, there were three different models that had a following among the different political parties: the Social Democratic Party was in support of collective wage-earner funds; the Center Party and the Liberal Party were both interested in some form of citizen funds with individual benefits; and, the Moderate Party in alliance with the employers’ representatives favored some form of tax savings system that would encourage individuals to purchase shares.

To complete the picture of the relevant actors involved in the issue, it is necessary to draw out the position of the TCO (Central Organization of Salaried Employees), the largest labor organization of white-collar workers. Throughout the debate on wage-earner funds, the TCO has been closely aligned with the LO/SAP fundamental idea of collective wage-earner funds. In fact, TCO’s 1981 fund proposal was quite similar to that of the LO/SAP (*Svenska Dagbaldet*, January 29, 1981). However, recent developments within TCO may result in this central organization withdrawing its support for wage-earner funds and remaining neutral in the debate. TCO’s largest union, SIF, which is comprised of industrial white-collar workers, has polled its member unions on the issue of funds. Out of the 3800 local unions in SIF, 626 responded. Over half of these unions were negative to the idea of wage-earner funds, stating their opposition to any system that might transform the economy. The role that the TCO will take in the future is now unclear and according to its head, Lennart Brodström, is dependent on what position the majority of TCO’s unions will take (*Statsjanstemännen*, May 1981). SACO (Swedish Confederation of Professional Associations) which organizes professionals into unions in such areas as medicine and law has always maintained a position in opposition to collective wage-earner funds and has recently come out with a proposal in favor of some kind of citizen funds (*SACO/SR-Tidningen*, 1981).

This new revised plan by LO/SAP, outlined earlier, reflects much of the debate that has gone on since the first Meidner report. It incorporates into what is basically a plan for collective

ownership and influence a form of individual return via a percentage of the dividends being fed back into the supplementary pensions. Eventually, in the form of retirement benefits, these dividends will be passed on to the wage-earners. The plan is decentralized to the county level, where the county maintains dominant voting control to insure a certain degree of regional influence. In the second alternative for the management of the funds, the plan offers the possibility for citizen representation on the funds, addressing the often cited issue of societal influence in the employee funds.

Finally, the plan attempts to solve all four of the presented goals. Although the concern over “excess profits” has abated since Swedish industrial profits have declined, the financial base is still “excess profits,” with additional money coming from an ATP contribution. Concentration of wealth is diminished as these monies are transferred to labor control. Employees gain influence both through their collective participation on the ownership of companies and in their role in collective capital formation for investments.

The major point of controversy – collective labor ownership – has remained throughout all the stages of revisions in the plans. However, with the increasing emphasis on the need for collective capital formation, the nature of that ownership has undergone change. On the one hand, this new plan does not insure that collective ownership within a particular enterprise will, in fact, be accomplished. Unlike the direct link made in the Meidner report between “excess profits” and acquisition of shares within the enterprise, this new plan does not require the funds to purchase shares in any particular company. Could this result in the excess profits of one enterprise aiding the collective ownership of another enterprise rather than its own employees? On the other hand, this plan has the potential to strengthen the role of labor not only in ownership within enterprises, but in collective decisions on investments that affect all of the Swedish economy. Certain questions arise here also. For example, what could be the result of one county fund buying shares in companies in another county? Since voting rights are divided between the employees in the enterprise and the fund itself, what difficulties could arise where one county funds buys shares in a company outside of its region?

Hence we see that the current discussion revolves around broader sectors of the population (not limiting control to workers in a particular enterprise), is organized by geographic rather than production units, and stresses societal economic democracy versus a push towards worker ownership. Such, however, is “the Swedish way” and we might anticipate that the LO and SAP will go further towards gaining broadened support for the compromise proposal (Meidner, 1980). “The LO and the Social Democrats hope that this will help resolve the economic crisis prevailing in Sweden at the moment,” (LO News, 1981, p. 2). In short, the final scheme worked out at the Congresses in 1981 was geared to gaining popular support in future elections.

There are good reasons to believe that the idea of collective wage-earner funds will not pass away from the Swedish debate leaving no trace as has been the case in some other countries. A more likely prospect is that different concepts will, through a long and pragmatic process, melt into practicable solutions. Controversial issues earlier in the history of modern Sweden often eventually have developed into widely accepted elements of the Swedish welfare system (Meidner, 1981, p. 17).

## THE SWEDISH ECONOMIC SITUATION

The major dimensions of the Swedish economy are in many instances parallel to those of other Western industrial nations, although the points of crises and their magnitude vary. For example, the early expansion of Swedish industrial production was largely for domestic markets, but accelerating in the 1960s, the economy has been increasingly tied to global markets rising to over 40 percent of total domestic industrial production. At the same time overseas capital investment by Swedish firms has increased at a rate far in excess of the domestic rate of increase, further internationalizing Sweden's economy and making the nation even more linked to global economic conditions. This becomes even more complex when we include the role of foreign-owned companies within Sweden, whose domestic and international sales have increased substantially. Sweden is more vulnerable than most countries in this market because it is "one of the few countries whose companies invest more abroad than foreign companies invest domestically" (Larsson, 1979, p. 94). To understand the Swedish economic situation, then begins with a recognition of its heavy involvement in the global economy.

One reason for the expansion of Swedish foreign investments and the total growth in production has been, of course, the rationalization of technology. Sweden also had the advantage of not having to rebuild a ravaged industrial base after the Second World War. Quite the contrary, the pattern of industrial expansion, plan modernization and expansion continued during the war years and immediately beyond. The growth of legislation which protected worker job security, maintained government commitment to full employment, and introduced labor market policies to implement these commitments, and LO's wage policy of solidarity, all contributed to Swedish labor supporting technological change in industry. However, from earlier conditions of expanded production, expanded social services, and improved quality of life, there has developed the rise in unemployment, capital shifts abroad, and the concern over capital formation. This changing economic situation has been a key factor in the wage-earner funds discussion. While the labor market philosophy and conditions have allowed Swedish labor to support increasing productivity through technological change, there are new pressures which have led labor to push for greater economic control over investments and production (Himmelstrand, 1981: Part IV). As Fredriksson says, "It is simply not possible to demand that union members show moderation in wage demands if those members cannot be certain that the resources they abstain from receiving do indeed go to productive investments in Sweden and give them sufficient influence in economic decision-making to guarantee this" (1980, p. 4). As the issue of excess profits decreased in significance and concern over capital formation increased, the position of labor on wage restraints and control over capital has also increased.

There are a number of other major characteristics of all Western capitalist states which Sweden shares. Among these are rising unemployment and structural dislocation, stagflation, balance of trade problems, and deficit budgets and spending. While the proportions are dramatically different between double-digit unemployment in such countries as Canada and England and the relatively low rate of official unemployment in Sweden, the problem is still significant. Both unemployment and the diminished opportunity structure for youth in Sweden is critical. Structural dislocation is also significant in regard to the massive job loss in timber and wood products, steel, and shipbuilding. Sweden ranks among the leading nations in the world at the present time in dependency on imported oil. Gustavsen and Hunnius (1981) describe the Swedish economy as one where there is

a vastly expanding rate of concentration and centralization of capital as exemplified by the excessive rate of recent mergers, an export-dependent market which has not only outgrown the domestic market in terms of consumption but also in terms of potential for investment capital, a growing rate of capital intensity, accompanied by a falling rate of profit and a decline in the rate of investment. At the same time, these developments have produced a situation, together with an international recession, where employment is declining in the industrial sector, not only in relative but in absolute terms, and where conditions of employment in capital intensive industries are leading to occupational illness and the development of a secondary labour market.

These structural problems have added to the growing concern over capital, forms of new investment, and the future expansion of the economy.

Inflation is an additional problem, even where pension benefits and other social services and wages are geared to cost-of-living indices. The inflation factor also fits into the global economic situation with the revaluation decisions made on the Swedish crown at times indicative of the concern in international terms. Similarly, the concern over balance of payments and international trade is of mounting importance to the Swedish Government. Since the national debt and governmental spending is a major issue in the United States, and in years back Americans looked to Swedish long-term economic planning as an alternative to our notions of annual budget balancing, it comes as a surprise perhaps to note that per capita national debt for Swedish families is the highest in the world (17,000 SKr.).

In brief, it is important to understand the economic developments in Sweden since 1945, especially in more recent years, and to note some major similarities to other Western market economies. The ability of most nations to cope with their domestic economies will be ever more tied to the international political economy. Sweden is no exception. Nevertheless, there are very vital developments within Sweden which do reflect some of the unique and special features of the economy, polity, cultural components and the very important economic achievements in the past twenty years which have been built on social democratic philosophies. Contrary to the situation in the United States today where some calls have been heard for economic democracy or labor's involvement with capital to help salvage some of the economic crises, in Swedish it is necessary to place the contemporary discussion within a context which over the past decades has systematically legitimated the rights of labor and the social democratic issue of economic control (Tilton, 1979; Abrahamsson and Broström, 1980; Von Otter, 1980). There has not been a major move to socialize the means of production, and in fact, Sweden has a higher concentration of private ownership than the United States, but the legislative approach to reform has quite systematically extended the rights of labor in the economy.

### *Economic Crisis and Wage-Earner Funds Political Strategies*

A key issue in Sweden emerging during more recent years was the debate over potential adoption of a unified position by the Swedish Labor Federation (LO) and the Swedish Social Democratic Party (SAP). The debate centered on the form of the wage-earner investment funds proposal and the degree to which the particular component parts were to be spelled out. There was no doubt as to the general support for the concept both within LO and SAP. However, there

developed a considerable amount of discussion between the more moderate and more radical elements within the Swedish Left. Just prior to the LO and SAP Congresses, national public opinion polls revealed quite clearly that a coalition of SAP and other Left Parties would win a substantial majority. The leadership of the Social Democratic Party took the position that the wage-earner funds proposal and all that it represents must be deeply debated. Olof Palme (*Aftonbladet*, September 13, 1981) has argued that if the issue of employment in the economic crisis in Sweden were to be solved the wage earner must have a share of ownership in the growth of wealth in the nation but *within the market economy* (emphasis added). Palme stated in particular, “You don’t get rid of the market economy but you change the distribution of wealth and influence within the market economy, that I see as democratization.” This view was articulated as well by others in positions of leadership within the Social Democratic Party. The speaker of the Riksdag, Ingemund Bengtsson, and the second secretary of the Social Democratic Party, Leif Andersson, were among the leaders who argued that of course the Social democrats in national elections would have an aggressive economic policy and the wage-earner funds proposal would be a part of it. Nevertheless, there was some indication that specific strategies in the working out of particular components would have to await the LO and SAP Congresses and strategizing sessions to follow.

Immediately before the opening of the LO and SAP Congresses the secretary of the Public Commission on wage-earner funds, Berndt Öhman, (*Dagen Nyheter*, September 9, 1981) took a very strong position challenging the Social Democratic Party and the Swedish Labor Federation to reaffirm its commitment to the market economy and make clear that the proposal for wage-earner funds would in no way jeopardize the Swedish system. This position, which was consistent with that articulated by much of the leadership of the SAP, was clearly designed to allay the fears of the electorate that the Social Democrats had in mind if they were to be reelected, a dramatic overhaul of ownership and the economic system. This is especially interesting in the light of the polls which indicated that the electorate was shifting away from support for the bourgeois parties who have been in power since 1976. The position of attacking the failures of the bourgeois parties’ economic policies since 1976 – the rise in inflation, unemployment, economic dislocation and general economic crisis – was characteristic of many speeches given at the time of the 1981 LO and SAP Congresses. For example, former Finance Minister Gunnar Sträng who gave the official SAP opening speech to the LO Congress on September 19, 1981 gave a strong critique of the bourgeois parties in their economic policies and laid out a blunt challenge to the Swedish Employers Federation stating, “come out of the trenches. Get your blinkers off and look at the future in a realistic way.” By that Sträng was arguing for the continued logical extension of political democracy and worker co-determination to economic democracy. However, while he sounded quite militant he nevertheless indicated that SAP supports the market economy but with constraints and within a social democratic framework. This seems to be indicative of the general position of leadership within the Social Democratic Party.

One needs to understand that there has been a relatively low level of public awareness of the wage-earner funds issue or at least it ranks relatively low among the key issues in the minds of the electorate. The media in general continue to refer to the revisions of the wage-earner funds as basically, “the same old stuff” according to some analysts. Nevertheless, public opinion polls continue to show a substantial increase of electorate support for the wage-earner fund proposal (*Svenska Dagbladet*, October 11, 1981). As expected the overwhelming majority of

those in support identify with SAP; however, fully one-quarter of those in support are members of the Moderate Party which suggests something of a potential swing for future elections.

In short, by the time of the critical LO and SAP Congresses, a good bit of debate was generated among the Social Democrats within the Swedish labor movement over the strategy for trying to regain power. The dominant view of the SAP seems to indicate a stance which would be basically critical of the accomplishments of the existing governments since 1976 and an argument to the Swedish electorate that they, the Social Democrats, would revitalize the economy and return the nation to a healthier economic posture. Within that strategy there would be a muted reference to the economic democracy proposal and linking of the wage-earner funds proposal to the ATP pension system which also in the 1950s was initially unpopular and is strongly endorsed by the full Swedish population. On the other hand, there were those within LO and within SAP who took quite a contrary view and argued that the wage-earner funds proposal had to be a cornerstone of a general political strategy suggesting that Sweden was at a crossroads: one direction was the continued economic distribution under the bourgeois parties, the alternative was a vital socialist economic alternative. Those who took this position could point, for example, to Denmark where there was a failure of a labor program and there is an economic program that is distinctly aligned with the bourgeois parties. Also, the Labor Party lost power in Norway again suggesting a possible redirection, on economic dimensions at least, in their other Scandinavian neighbor.

People such as Per-Olof Edin and Anna Hedborg of the Swedish Labor Federation and persons who have worked closely with the wage-earner funds proposals since 1975, argue that the SAP leadership is firmer in its commitment to the proposal now and that these proposals cannot be kept in the background. Although wage-earner funds will not be a cornerstone policy, it will be important as a part of an overall economic program. Such persons point out that over 200,000 LO members since 1975 have participated in education programs on economic democracy and wage-earner funds and that the educational program is vital. They point out that during the ATP campaign in the 1950s the population was split with a substantial half in between and not well informed. Nevertheless, they understood that LO and SAP supported the ATP proposal and thus gave their endorsement. A similar strategy was argued for the wage-earner funds in later campaigns. That is, recognizing that the public was often already split in favor and against, but also that many are were undecided, the strategy has been to regain confidence among the electorate in SAP and thus win the elections.

All of this is to analyze the political climate in Sweden. A considerable amount of open debate has been generated over how far to go in endorsing the wage-earner funds proposals and whether or not to take a position contrary to or in support of the market system. Prime Minister, Olof Palme, took a position that he wanted a “free hand” to negotiate the entire issue of wage-earner investment funds with industry. He stressed only unspecified profit sharing, the need to invest in strong industries, and the issue of democratizing industry and utilizing employee representatives on boards, but he did nothing to stress either wage solidarity or some of the other component parts of the broad wage-earner funds debate. The SAP Congress stressed as aims of the wage-earner funds: 1) to support wage policy of solidarity; 2) to counteract the concentration of wealth and power in industry; 3) by means of co-ownership to strengthen wage-earner influence on the reforms of labor legislation; 4) to help increase collective savings for productive investments and industry. The language of the Congress makes clear what the point of emphasis

should be: "Wage earner funds must purchase shares according to their own assessment of the purpose of their investments. Thus the funds will be at liberty to buy shares or to acquire other types of holdings in limited companies of every kind. Considering that the need for risk capital and enterprise is one of the main arguments for introducing wage earner funds the Executive Committee endorsing this fundamental principle concerning investments by the funds." In short, LO and SAP have perceived that there is too little capital available for reindustrializing Sweden, and since they reject the means of tax incentives for providing risk capital, they must find an alternative.

It is interesting to analyze when the shift occurred in the wage-earner investment funds proposal debate and moved in the direction of capital formation. This basically happened in the LO/SAP working party revision in 1978 where the decision to incorporate the fourth goal of collective capital formation was first made and has proved to be a decisive change. According to Rudolf Meidner, when 20,000 participants in LO study circles looked at the wage-earner funds proposal they overwhelmingly favored the regional basis of the funds and were committed to the concept with a high degree of enthusiasm. He saw a good bit of that enthusiasm waning in the intervening years with debates over decentralization, expanding control beyond workers, and the various other changes along the way. He reflects on past elections with some trepidation noting the timidity of the LO and SAP leadership in pushing the wage-earner funds as a campaign issue. He wonders if the SAP will indeed prefer to stress the usual economic issues of inflation, unemployment, and the economy, and attack the bourgeois parties and back away from stressing a socialist program, including wage-earner funds, versus a traditional free market alternative ideology. Since he saw SAP on the defensive, he assumed that something would be learned, but he concluded that this was largely a repeat, and again the Social Democrats were on the defensive, attempting to ignore the wage-earner funds idea and refusing to articulate what the SAP would do if they regained power on this issue. Meidner feels this is publicly unacceptable and that SAP must come out with a clear position on the wage-earner funds if they are to regain power.

So the developments took on an interesting character. The debate within the labor movement and the Social Democratic Party has been considerable (*Ekonomisk Debatt*, 1981; *Principfrågor for Fondmodeller*, 1981; Skog, 1981). Both the LO and SAP Congresses have gone on record as strongly endorsing the wage-earner investment funds proposal. The leadership of SAP argues that the wage-earner funds idea will be part and parcel of a broad economic policy for the future of Sweden. But it is one of literally dozens of key platform positions in SAP and one of dozens of policy statements adopted by LO in their Congress.

### *Economic Democracy in Sweden and Possible International Implications for the United States*

The move toward economic democracy in Sweden has flowed naturally from the increased emphasis placed on industrial democracy in the 1960s. This focus on greater worker participation has marked a new period in the transformation of Swedish society. The 1975 Social Democratic Party Platform refers to this period as the third stage in the democratization of Sweden: the first stage was political democracy, the second stage was social democracy, and now the third stage is one of workplace or economic equality, economic democracy. To John Stephens (1980), this development represents a move away from consumption politics. Whereas policies of the former are aimed at distribution of consumption, the latter policies are concerned

with the distribution of control. Others have similarly referred to this as the difference between economic distribution and the distribution of power (Martin, 1976) or, more generally, a move from questions of “economism” to ones of “control” (Giddens, 1973). The Swedish welfare state was shaped by a concern for policy output, i.e., that decisions should reflect the wishes of the majority and hence be egalitarian in their results. Issues of industrial and economic democracy, however, have supplanted this concern with a new one of policy making, i.e., that decisions should be made by the active participation of its members (Ruin, 1974).

The recognition that a fully egalitarian society could not be accomplished by dealing with economic distribution alone does not imply a dismantling of the welfare policies that have been established and continue to be considered, but only that such policies alone cannot insure the goals of societal transformation. As Castles (1978) explains it:

What has emerged from the debate on equality in Scandinavia in the last decade is that the existing reformist strategy combining social welfare and economic growth is not by itself sufficient to bring about an egalitarian society. At a minimum, the traditional strategy must be supplemented by an attempt to begin to reshape the fundamental industrial and economic relationships that determine a large part of social inequality. However, there is no evidence that the Scandinavian Social Democratic parties have any intention to depart from their long-cherished ideas of social harmony and democracy. The question for the future is whether the conditions which permitted a peaceful development towards a society with a high level of welfare state provision will be as propitious for a gradual but basic change in the economic system of capitalism (p. 92).

This next stage of economic democracy will be defined and played out within the context of growing economic problems. It has been mentioned previously that some of the key structural features of the Swedish economy today and points of crises are similar to those of other industrial nations. Clearly most of the West shares the dilemmas created by a global political economy and concerns such as oil dependency, foreign competition, balance of trade issues, and other such concerns. Additionally, the problems of stagflation – insufficient domestic economic expansion, high inflation, along with the staggering high unemployment – are all features of most industrial market economies today. As foreigners examining developments in Sweden, we are struck by the impact of the “Swedish model” and the potential impact abroad.

## **U. S. IMPLICATIONS**

It is interesting to note that some of the debate in Sweden over the economic rights of labor were being echoed in the United States (Carnoy and Shearer, 1980; Woodworth, 1985). For example, there has been a rapidly rising discussion in the labor movement concerning worker pension funds and the rights of workers to help determine how this enormous amount of capital – over 600 billion dollars today and increasing at 11 percent per year – is used and how labor might influence such funds (Rifkin and Barber, 1978; AFL-CIO, 1981b). In particular, the AFL-CIO took an official position in favor of greater labor control over pension funds to create jobs, put investments in socially responsible areas (i.e., avoid South African investments or anti-union U.S. corporations), and help to shape the U.S. economy (AFL-CIO, 1981a, 1981b). This discussion has very much been influenced by Swedish developments, and the American labor

movement and its economic consultants have carefully studied the investment funds developments in Sweden.

Ralph Nader along with various labor and citizen groups has pushed for the Corporate Democracy Act which allows for worker and citizen representation on corporate boards and opens up the corporate books to allow for greater accountability to workers and communities (Bernstein, et. al., 1980). Federal legislation and laws in over 20 states are directed towards plant closings and run-away shops, again to give workers and communities greater influence over investment/disinvestment decisions which directly affect them. In virtually every instance the legislators and staff members have made reference to Swedish labor market policies and the push toward greater economic rights of labor in Sweden (Harrison and Bluestone, 1980; Labor Union Study Tour, 1979).

In most of the literature in the United States on job reform and workplace democratization, there is considerable appreciation for Swedish developments. Unions currently piloting new collective bargaining agreements with rights over the introduction of new technology into the workplace have carefully consulted their Swedish counterparts and the rich base of applied social research on work life in Sweden. The entire occupational safety and health field in the United States has been informed by Swedish sources and many of the proposed reforms here are influenced by such sources (Deutsch, 1981a, 1981b; Kelman, 1981).

It would be wrong for the United States to simply view Sweden as a blueprint for action. The differences in the countries need not be pointed out. They are both apparent and enormous. However, the fascination in the U.S. for Swedish developments are increasingly not in terms of the social welfare state – long the prime point of focus – but upon the major achievements in the area of industrial and economic democracy. But there is one striking difference which should be underscored. In Sweden the economic crisis, which has led to the continued commitment to wage-earner funds, came after more than a decade of legitimated workplace reforms. That is, the commitments to democratizing the workplace and giving labor increased control over work and economic activity were well developed and accepted before the discussions about economic democracy.

In contrast, in the United States, we have seen the calls for corporate democracy, corporate accountability over investments and disinvestments, etc., coming during a time of considerable economic crisis, but without a foundation of both a commitment to full employment and legitimate control by labor over the job. It is difficult to know what that difference will ultimately mean for the United States. Reforms in Sweden came during relatively good times economically, with new challenges in tougher times. Reforms in the United States seem to come mostly during times of economic crisis. Simply paying homage to Swedish developments, putting the President of the autoworkers union on the board of the Chrysler Corporation, hearing the calls for greater worker control over pension fund capital, seeing new plant closing laws, and the like, does not tell us what the short-run impacts Sweden will have for the United States. One thing is absolutely clear, the Swedish case for economic and industrial reform has had far-reaching impacts (Van Houten, 1981) and has contributed to a major way to the great increase in interest in Sweden and Scandinavian studies. That is a fact of no small import in itself.

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## Chapter 6

### *SELF-MANAGEMENT AS A DEVELOPMENT ALTERNATIVE: REFLECTIONS ON THE PERUVIAN EXPERIENCE*

**Martin J. Scurrah and Mario Padron**

In Peru one out of every four employed workers has been a member of a worker-run enterprise. Each day over 700,000 workers have to confront and deal with the problems facing over 7,000 worker-run firms in an environment characterized by economic and political uncertainty. To what extent do these firms and their workers represent an alternative development model within Peru's "pluralist" economy?

What are some of the lessons that have been learned over past decades through the establishment of various forms of worker participation and self-management? What are some of the issues and dilemmas that have been and are being raised and faced and that may be of relevance for other countries exploring alternative development possibilities?

Self-management as a form of workers' organization and economic democracy no longer enjoys the degree of support that Peru's government gave it in former years. Workers have experienced a decline in their living standards in the context of the country's several serious economic crises in past decades, and this has affected the viability and even threatened the existence of many of their firms. In the context of a transition from military to civilian rule, of new forms (or, rather, the resurgence of old forms) of political articulation favorable to the urban bourgeoisie, and of an improving export income which promises to restore real income levels to their earlier levels, self-managed enterprises and their worker-owners face new challenges and opportunities.

#### **PERU'S HISTORY OF SELF-MANAGEMENT**

The Peruvian experience in the field of self-management offers ample material for analyzing which elements of that experience have proved valuable; the limitations and restrictions encountered; the key questions in any attempt to introduce forms of self-management in a context of dependent capitalism; the possibility of developing a general theory of self-management; the experiences that could prove to be valid for other countries; and, concretely, the perspectives for self-management in Peru under present conditions and given the specific problems that the poorer and marginalized sectors face.

In the face of disintegration in the support for civilian leaders, various economic crises, and growing (but not necessarily unmanageable) political chaos, past decades have led to the implementation of a number of "structural" changes aimed at transforming the nature of Peruvian society.

As these reforms began to take shape and began to be intellectually articulated by civilian allies within the state bureaucracy, a vision emerged of a future fully participatory social democracy constructed on the bases of an economic democracy consisting of various forms of worker-managed enterprises, and a political democracy based on government-sponsored interest

organizations. As we shall later see, this idealistic – even utopian – vision tended to overlook the interest of and difficulties posed by existing political parties, unions, cooperatives and other worker organizations, and the contradictions involved in the creation of democratic grassroots organizations by top-down, authoritarian methods and institutions.

### *Legislating Economic Democracy*

The civilian government of 1964 had passed a General Cooperatives Law which, together with a number of fiscal and other incentives, had promoted the rapid growth of a wide range of cooperatives. However, these were mainly service cooperatives, including building societies, savings and loan cooperatives, consumer cooperatives and marketing cooperatives, with very few production cooperatives being formed. Weakly articulated internally, the cooperative movement tended to serve as a basis of economic support for the predominant capitalist enterprises and as a basis of political support for the APRA political party. Under the Juan Velasco government (1968-1975), the cooperative movement lost some fiscal and other incentives it had enjoyed, and tended to languish in a state of relative stagnation due to the unfavorable economic and political conditions it confronted.

Despite its generally negative attitude towards pre-existing cooperatives, the next major piece of reform legislation, the Agrarian Reform Law of 1969, sought to expropriate I throughout the country and convert them into agrarian production cooperatives, rather than divide and distribute the land to former farm laborers and surrounding peasant communities. In fact, two forms of cooperatives were created: the agrarian production cooperatives (CAPs) composed of farm laborers who had worked on the estates before expropriation and who became the new owners and managers, and the agrarian social interest societies (SAIS), formed on the basis of sheep ranches in the high grasslands (*puna*) of the Andes, where ownership and control was shared between ranch shepherds and neighboring peasant communities. Both were, of course, production cooperatives but little attempt was made to coordinate their activities with those of other organizations within the nation's cooperative movement. However, second level cooperatives (called *centrales*) to provide common services such as purchasing, marketing, accounting, were sponsored. Except for their dedication to the export of specific products such as wool, coffee and sugar, the performance of the *centrales* was in general disappointing.

To complement these new forms of economic organization in the rural sector based on self-managed firms, the government, through its quasi-political organization SINAMOS (*Sistema Nacional de Apoyo a la Movilizacion Social* / National System to Support Social Mobilization), organized the *Confederacion Nacional Agraria* (CAN / National Agrarian Confederation) on the basis of local district agrarian leagues and departmental agricultural federations as a means for giving political representation to the agrarian sector. It suffered the weaknesses inherent in any new organization due to a lack of complete coverage and inexperience, as well as its attempt to ignore or bypass existing peasant organizations, especially the Maoist *Confederacion Campesina del Peru* (Peruvian Peasant Confederation). This strategy also was weak because of its initial financial and organizational dependence on government agencies, yet, the CAN was clearly the most representative and autonomous of all the political organizations created by the Velasco government.

In 1970 an Industrial Community Law was passed whereby all firms with more than five workers, or more than S/.1,000,000 in annual sales (about \$U.S. 22,000 at 1970 exchange rates), were required to establish an industrial community composed of all workers in the firm, from general manager to doorkeeper. This community was to receive 25 percent of the firm's annual profits, 10 percent to be distributed in cash among community members, and 15 percent in the form of company shares, either through the issue of new shares, or by buying out existing shareholders. Whether holding shares or not, the community was to participate in the shareholders' meetings and have a minimum of one representative on the board of directors. Through this mechanism it was intended that over a period of years, workers through their industrial community would achieve a 50 percent share in the ownership and control of the company. It was never made clear what would happen when this 50-50 situation was reached, nor how potential impasses would be resolved. Yet rumors circulated that once a substantial number of firms achieved this status they would be converted into production cooperatives. Later laws created similar communities in telecommunications, mining and fishing firms, with the added twist that in the last two sectors, compensation communities were also established to redistribute shares and cash benefits from the more profitable to the less profitable firms.

As in the case of the agrarian sector, a representative political organization, CONACI (*Confederacion Nacional de Comunidades Industriales* / National Confederation of Industrial Communities) was organized. However, as Pasara et al (1974) have shown, in its founding conference, disputes between SINAMOS and the Ministry of Industry as to who would control (or "orient") the nascent confederation led to later divisions, fatally weakening its effectiveness as a national spokesman for the industrial communities. This was further compounded by opposition or, at best, suspicion by unions and their national confederations which viewed the creation of CONACI as an attempt to undermine their power and influence. There was also widespread conflict with individual employers and employer organizations who viewed the industrial communities as a threat to their prerogatives and eventual existence.

Later, the Social Property Law was passed. Under this law worker self-managed firms would be created (although a number of pre-existing, bankrupt firms taken over by their workers were also incorporated), and they would be integrated into a sector where all the firms would be owned by all the workers in the sector. These firms could be created in any economic sector, and would receive top government priority with the goal that the social property sector would eventually become the predominant sector in the Peruvian economy and the principal basis of the eventual economic democracy. A new government agency, CONAPS (*Consejo Nacional de Propiedad Social* / National Social Property Council), was established to govern and promote the new sector in its initial stages. Also, a financial agency, FONAPS (*Fondo Nacional de Propiedad Social* / National Social Property Fund) was created to provide initial financial support and serve as a mechanism for social capital accumulation at the sectoral level. When a sufficient number of firms had been created, they would be grouped into regional units, and an assembly representing all the firms in the sector would be formed for planning and policy making purposes.

This new law and the self-management model contained in it reflected the culmination of five years of extensive experimentation and reflection over the appropriate form of self-managed enterprise in Peru. Unfortunately, it also represented a swan song for the Velasco government. By 1974 the effects of the world economic crisis were being felt in Peru, making the creation of

any new firm, whatever its design, an increasingly hazardous and difficult task. Political conflicts on a number of fronts with powerful sectors of society were also taking their toll in the increasing politicization and disunity within the armed forces. As important sectors of the society passed from estrangement to active opposition, newly emerging sectors of the rural and urban working class were insufficiently experienced and organized, and they lacked conviction that the government's program was sufficiently coherent to warrant their total support. Finally, the president's failing health seriously limited his ability to reconcile conflicts within the armed forces and maintain the hegemony of the fragile military-civilian bureaucratic coalition which had been the driving force behind the reforms.

### *Further Governmental Intervention*

If the Velasco government had a reformist (or "revolutionary") mission whose detailed outlines only became clear towards the end of its term, the new government of General Francisco Morales Bermudez, which assumed power in another bloodless *coup* in August, 1975, saw its mission as one of coping with what was perceived as a growing political and economic crisis. Although continuity with the policies and programs of the previous government was promised, within a year it was clear that this was not to be the case. A dramatic decline in export income, rampant inflation, a crippling overseas debt burden and lack of organized political support, led Bermudez to seek a reconciliation with those sectors of society, especially the urban bourgeoisie, which had been in conflict with the Velasco government. These new alliances, and the changed economic policies devised as a way out of the economic crisis, rendered the Velasco model, and the organizations created on the basis of it, increasingly irrelevant to the new strategy and potential threats to its implementation.

However, these changes did not represent any noticeable relief for the traditional cooperative movement. Though active harassment ceased, benign neglect was not sufficient for it to recover its former dynamism, and towards the end of the Bermudez government co-op leaders looked with increasing optimism towards a civilian government, especially if it were APRA-dominated.

The Bermudez government was prepared to accept agrarian reform as a *fait accompli*, and devoted its efforts to maintaining government control over CAPs and SAIS, defending them against threats of invasions from surrounding peasant communities and seasonal workers. Within the limits of a policy more inclined to give lip service to agriculture as the country's first priority, rather than a real transfer of resources, Bermudez sought to consolidate the enterprises through such measures as forgiving agrarian debt.

Since the industrial bourgeoisie was one of the key elements in the new political alliance and its economic recovery program, the industrial community had little chance of surviving in its original form. In 1976 the legal definition of a small business was changed so that firms with sales of up to S/.32,000,000 at that date would be considered "small," and for that reason exempt from the requirement to have an industrial community. By this definition about 60 percent of firms would be considered small. Later legislation eliminated the community's participation in shareholder meetings, allowed the community's share of the profits to be invested in forms other than the purchase of shares, and in the case of the latter, converted them into individual, rather than community, shareholdings. The theoretical maximum to which these shareholdings could

rise was lowered from a half to a third and the permission to transfer them after five years meant that the concept had been transformed into a form of widely distributed share ownership, with only nominal participation on the board of directors. Thus, the industrial community passed from being an evolutionary path towards co-determination or self-management, to a Peruvian version of peoples' capitalism.

Under the Bermudez government, an ongoing evaluation of the social property sector was carried out. Many projects were dropped and its status was reduced from "predominant" to "priority," and not even that was respected in practice. Emphasis was placed on investments in labor intensive, marginal and rural projects, rather than highly profitable, technologically sophisticated, and rapidly growing sectors. Also, the supply of capital was limited, and only made available on not particularly favorable terms. Growth was limited. In a travesty of the ideals of self-management and economic democracy, most firms were kept under strict government control until late 1979. Many found themselves locked into supplying segments of the market, especially when satisfying basic needs, whose purchasing power had been drastically reduced. When the Constituent Assembly produced a new constitution that failed explicitly to mention the social property sector, the government embarked on a frantic program to constitute the surviving approximately fifty social property enterprises. The hope was to organize regional units, and elect the sectoral assembly so that an independently functioning sector could be allowed to sink or swim in a sea of capitalism, faced with the waves created by the new, and not particularly sympathetic, civilian government.

This brief sketch of the various forms of self-managed enterprises created in Peru as part of an effort to create an alternative development strategy forms the backdrop for the following reflections on the successes and failures, problems and possibilities of self-management as a development alternative.

## QUESTIONS AND REFLECTIONS

The remainder of Chapter 7 poses a series of questions and our answers and reflections on Peru's moves toward economic democracy.

*Can a military government use the state apparatus as the principal agent for achieving a self-managed society, drawing from Vanek and Reiner (1978)?*

The actions of the military government in Peru since the 1960s have been subjected to diverse interpretations: a revolution to introduce a participatory social democracy (SINAMOS, 1973); the failure of military populism (Cotler, 1971); a capitalist modernization process (Petras and La Porte, 1971); a "peculiar revolution" (Hobsbawn, 1971); the process of constructing a nation-state (Wils, 1975); the consequence of neo-imperialist development (Quijano, 1971); the decline of the oligarchic state (Pease, 1977); and the culmination of the bourgeoisie revolution (Bollinger, 1977).

Despite the diverse approaches in the examples mentioned, all agree there was a process of change introduced by the state apparatus. The military government claimed to be carrying out these strategies in order to create a self-managed society. Knight (1975) and Scurrah (1978) have criticized the strategy's effectiveness; Franco (1979) has analyzed the contradictions and

limitations involved in its implementation; and others (Padron, 1977) have argued that it was an unviable objective from its inception since it implied committing “class suicide.”

Looking around the world, it seems that strong governments are those that implement policies of modernization and macrosocial transformation. Poulantzas (1976) has developed some theoretical concepts for understanding the limits and possibilities of these governments in the context of dependent capitalism. What are the additional considerations to be taken into account in this context? Do strong governments still have a role when the class struggle and the advance of the popular sectors towards a better standard of living gain momentum? What do these governments represent, and what alliances and strategies should the working class develop? Is the transition from a strong government to a truly participatory one possible? Is the capture of the state by economically powerful sectors inevitable?

*Given the new international economic order, what are the possibilities for building successful models and forms of self-management in underdeveloped countries?*

To what extent does the capitalist articulation in the world market leave open the possibility of introducing elements of self-management in the development of dependent capitalist countries? The strategy of the “non-aligned countries” implemented, for example, during the first phase of the military government in Peru, enabled certain negotiating margins with large-scale capitalism to be created. Later, Peru developed a different policy, concentrating its relations in the geopolitical blocks, with Latin America first, which tended to undermine its bargaining position with international capitalism.

In addition, the international economic order aims at creating conditions in the international scene for actions of revolutionary transformation. What are these conditions? To what extent does the creation of these new conditions and opportunities depend on the outcome of North-South dialogues? What is the significance of the role of the transnational corporation in this context, and what is the impact of the common interests among the technobureaucrats in transnational, state and national capitalist enterprises? What are the prospects for, and limitations to, the implementation of self-managed systems in these circumstances? Are alliances and strategies possible? How is the situation and composition of respective local bourgeoisies reflected in this new order? What strategies for implementing their political models remain for the future? How do these conditions differ in Latin America, Africa or Asia? How and why could a self-managed system be either useful, or counter productive, for their aims of domination and exploitation?

*Who should be the promoter or agent for introducing self-management? How can such changes be institutionalized, and by whom?*

The introduction of self-managed forms of organization undoubtedly requires an agent to carry out the functions of promotion, training, economic, financial, technical and managerial support (Vanek, 1973), as well as forms of political education and management. Can the state apparatus carry out these activities? What are the consequences of its role as promoter of self-management?

When the promoter is the state, as in the Peruvian case, a set of contradictions and reactions are generated which diminish the possibility of creating effective forms of self-management. At the same time, however, these contradictions stimulate self-management because of the reaction against state verticalism. This becomes evident when the worker discovers that this same state apparatus restricts and limits his access to the forms of participation which he is supposedly able to enjoy. Our experience shows that when the state is the principal agent for promoting self-management, it negates the elements of initiative and autonomy that are inherent to self-management. It directly opposes the spontaneity and democratic traits that self-managed show when used by the workers for their own ends. This is confirmed by other historical examples in other nations such as Yugoslavia and Spain (Tusquetts, 1977).

What other social force, apart from government, can carry out this role? Political parties? Unions? The church? The Catholic Church in Latin America, for example, has acted in coordination with the establishment on some issues. But, since the Second Vatican Council and the Medellin Conference, it has adopted a position much closer to that of the popular sectors (Roncagliolo, 1977). Skalick (1975) has described the relationship between self-management and the Catholic Church, and for the Peruvian case Padron (1977) has described examples of church support and promotion in rural areas.

But it is equally important to discuss how the self-managed mechanism that is introduced can be institutionalized, and how the state may incorporate it into its own activities of class representation and control. Kester (1976) analyzed this problem in the Maltese case.

*Ought self-management be understood as a utopian model, or as a process of mobilization and societal change?*

This is a question that, to a certain extent, summarizes the opinions and strategies of the different social forces concerned with self-management. The political parties of the left in Peru consider the utopian aspect of self-management to be an argument against it, while in the Yugoslavia case, for example, its incremental and processal aspects were used as arguments in favor of utopianism (Pasic, 1977). The complexity of this question requires that its different aspects be treated in a disaggregated form.

### *The Meaning of Self-Management*

Implicitly, in the writing of some theorists, self-management appears as an “ideal state,” as a final model to be attained, regardless of the context in which it is implemented (Vanek, 1971). For others, it is treated as a society with socialist-type conditions (Horvat, 1975) but this still doesn’t explain the costs required to reach such a level. There have been some attempts to identify self-management traits or characteristics on the basis of the analysis of some concrete experiences (Cornell, 1975). Finally, it is only since 1977 (Pasic) that the analysis of self-management as a historical process, rather than as a model that has been achieved or is to be implemented, has been begun. The Peruvian experience reveals more about this “process” than about an ideal model (that was never implemented). However, this model was employed to justify all kinds of excesses and abuses, including the “expropriation” of the management of the workers’ enterprises.

### *Self-management as an Ideological Device*

In effect, it can be used in order to legitimize a de facto government that claims to be trying to transfer power to the workers (Padron, 1977). This seems to have been very much the case in Peru, where the meaning of self-management turned out to be different for the workers than for the public officials in charge of its implementation.

However, the fact that the concept of self-management is used for such purposes and for the promotion of participation, it plays a role in the agitation and conscientization of workers. They can compare the concrete situation in which they live, with its partial and bounded participation, with the grand works and promises they receive. For example, “The boss will not eat from your poverty;” “the land to the tiller;” “the worker has the right to determine his wage;” and so on.

### *Self-Management and Corporativism*

The forms of participation introduced by the military governments in Peru have been characterized as corporatist-type mechanisms (Cotler, 1975; Palmer and Middlebrook, 1976; and Stepan, 1978). These studies argue that corporativism restricts participation to those areas that are not substantially related to the control of property, and the distribution of wealth generated in the society.

What are the essential characteristics of this corporativism? Is this a situation unavoidably and inherently linked to self-management? Or is it due to the fact that it is promoted by the state apparatus, instead of being held in the hands of the workers?

### *Enclaves of Participation*

Generally, successful cases of worker participation are islands separate from the social reality which surrounds them, as illustrated by Israel and the cooperatives of other countries. A large part of criticisms of the corporatist model concentrate on this aspect, as reported by Fals Borda (1974) and UNRISD (1975).

But self-management cannot be understood as such. Its survival and expansion depends on the development of the productive forces within it, and on their articulation in economic, political and social forms that will enable it to expand its area of influence and action. Self-managed forms of organization involve an element of dynamism and resource mobilization that necessarily transcend purely local or regional concerns. Otherwise, they run the danger of distorting their very essence and converting themselves into ideal situations, isolated and precisely of the enclave type.

What is, then, the dimension of social, political and economic ferment to be associated with self-management and its concrete forms? To what extent does it constitute merely a sleeping pill for workers, isolating them regarding problems of their enterprises? Can they transcend this limitation? How?

### *Criticisms From the Right and From the Left*

Criticisms about economic democracy from sectors of the left mainly focus on the argument that self-management constitutes a distraction, when not actually a drug, with respect to workers' consciousness and interests. On the other hand, the conservative sectors oppose it to the extent that the possibility of participation by workers in the management and ownership of the society's enterprises and of the resources and social wealth produced, undoubtedly constitutes a threat to the established order of things.

The Peruvian experience was shown a durable opposition that adopted various forms and that materialized on different occasions, with an increasing deterioration in, and restriction of, the margins or spheres of decision-making left for workers.

The labor community was thus an example in which from the possibility of progressive access to ownership and workers' rights were restricted, until it ended as a form of individual share ownership for workers. In reality, this form of share ownership did not represent a viable form of either co-determination or self-management, since, even in the best of cases, when workers were able to retain ownership shares, they found themselves obliged to sell them on the stock market, pressured by a deteriorating economic situation that reduced their already limited financial means.

What kind of ownership is acceptable to the conservative sector of the society, and why? How is it used for its own good? What are the criticisms from the left? Which criticisms are sound, and which not? Can one conceive of a viable strategy which would take these criticisms into account, and take advantage of the margins from the right?

### *Self-Management and Trade Unions*

In terms using of self-management by the state, a role for the union has been denied under the pretext that the workers are now the "owners" of their enterprises, and that for this reason, an organism for defending their interests against themselves would not make sense. This approach, in the Peruvian case, created confusion and error. In addition to being illogical in and of itself, it involved a fundamental error in that it supposed that the society already was self-managed, and that for this reason the worker has no need for unions.

On the other hand, as the military government has itself acknowledged on repeated occasions, the predominantly capitalist condition of the society had not changed. Self-managed forms are introduced in a capitalist environment, both nationally and internationally, and in this context the union has demonstrated its effectiveness as an instrument of struggle, and for the organization of the workers in defense of their interests. Union leadership and organization involve much more than the simple wage or economic claim inside the firm. They represent a mechanism for articulating the interests of rural and urban workers, and for enabling them to assert themselves on the national scene.

Additionally, they constitute one of the forms of political education which the worker is used to and familiar with. They provide him with experiences and results that, where necessary, can be evaluated and corrected.

The union is indispensable as a form of organization that complements that of self-management. Under conditions of worker exploitation, as in capitalist societies, it constitutes a

mechanism for the defense and realization of the worker's own interests. What are the limitations of the union and the importance of whether it is democratic or authoritarian for the creation of a self-managed society? What are its advantages? What are the experiences to date? What has the role of the union been under different historical conditions?

In what ways does the union organization enable the limits of the enclave to be transcended? What roles do education and conscientization of the worker concerning his conditions of exploitation play? In what way does the union allow him to create forms of economic and political articulation and organization that offer more effective resistance to the ideological uses of self-management? What are the limits imposed by the positions of left-wing parties? Is a political strategy that builds self-management by the popular sectors possible?

### *The Definition of the Scope of Self-Management*

Self-management implies participation in its widest sense, including at the level of the enterprise itself, and all the matters to be decided in its management, and at the level of the society as a whole, including the sphere of political decisions. But self-management, when it does not include specified areas in which the worker can exercise his decision making, ceases to be a mobilization factor.

In this sense, the Peruvian experience provides various examples for understanding this phenomenon. Land and participation, for example, were offered to the rural worker in generic and, therefore, ambiguous terms. Yet the individual could not decide what to produce, how much to produce, what price to set for his produce, how much income he could receive, or even how to market the produce. The margins or scope of one's participation was thus reduced to their minimal levels because of the lack of any defined and precise boundaries.

By contrast, it is surely the case that, in imposing such boundaries, the state apparatus would have restricted the definition of participation, thereby revealing its abuse of the concept.

This would have enabled the worker to clearly identify the spheres in which he was not permitted to decide, thus generating an additional reason for protest over the types of decisions forbidden to him. But, in this case, he was offered participation in broad, general terms. In practice there was very little about which he was allowed to decide. Once again, the contrast arose between what was said about that which was really permitted, a contrast that served to create agitation. It became a catalyst for the worker becoming aware of the reality in which he lived, and of the unviability of the model proposed by the state apparatus from above.

In addition, the fact that self-management was presented in ambiguous terms meant that it had a different meaning for the worker than for the public official charged with its implementation. For the peasant, it meant the possibility of improving his standard of living and his access to the decision making structure. For the functionary it signified an ideological device in whose name the worker ought to abstain from strikes, work stoppages, and economic and political demands, because in making them, he would be undermining his own interests as "owner," theoretically, of his firm. An instrument of liberation in one case, and of oppression in the other, self-management was left ambiguous and used as an ideological tool by the dominant sectors of the society.

It is worth pointing out, however, that these distinct meanings will always exist, since they arise from the class position of the worker, the public official, or of whoever acts as the promotional agent of self-management.

But it seems to be equally clear that self-management, even when used as an ideological weapon for rationalizing and defending an existing order, incorporates elements of mobilization and concientization. This occurs when the worker compares the real situation in which he lives with that society, or aspects of it, with full participation that the state apparatus, or whoever uses the concept, offers him, even when they do so for their own ends.

### *Problems in the Implementation of a Self-Managed Sector*

In Peru there was an attempt to implement a self-managed sector in the society: the social property sector. It would therefore be appropriate to make a more detailed and minute analysis of the strategy, the achievements, the difficulties, and the causes of its deterioration and almost its deformation as it appears today.

Did it represent a final model pushed by a group of utopianist libertarians who could not realize their goal because of the specific circumstances surrounding the military government? Was the strategy of promoting many self-managed organizations carried out in order to be able to count on seeds from which a better one would later prosper? Should they have been more realistic and pragmatic, or, by contrast, even more audacious in the creation of such enterprises? Were the financial mechanisms sufficiently flexible and opportune? Was the logic of economic profitability firmly established, or should it have been?

Should they have avoided, as seems to have been the case, forms of political organization for articulating the enterprises? Should the production cooperatives and industrial communities have been included? Was a political party necessary to sustain and defend self-management, and the interest of the workers and the reforms and improvements obtained? Was it possible, or should it have been possible, to distinguish between an economic and a political sphere for the organization and representation of the workers? What was the role played by the concrete social property enterprises created: Villa El Salvador (CUAVES), Decision Campesina, Moto Andina, etc.? Were the institutionalization mechanisms created, such as SINADEPS and FONAPS, sufficiently autonomous and in the hands of the workers themselves, or were they simply additional elements for control by the state? Were they then promoters, or controllers of popular initiatives?

### *Self-Management and "Group Egoism"*

When forms of self-managed organization are introduced within a capitalist context, they face a hostile environment that can have various consequences. The first is that of subsuming these forms within the ruling capitalist system, converting them in this way into another kind of firm operating within the logic of profit-making. A second consequence may be violent opposition both at the level of words and actions leading to their disappearance. A third type of result is the deforming of the enterprise, that is, causing it to lose its self-managing character through the effects of group egoism.

The Peruvian example of the sugar production cooperatives offers food for thought in this regard. They were introduced into a capitalist environment in conditions of generalized unemployment, exploitation and extraction of the surplus generated by workers, carried out by the state and through the market to which production was oriented. The state apparatus controlled and supervised the cooperatives, yet they lacked a design beyond that of the individual enterprises that would incorporate other organizations at the regional level. These conditions constituted a set of factors that favored the rise and development of the group egoism, that the worker who was a member of a production cooperative experienced against other workers.

But the Peruvian experience also offers contrary examples of landless peasants incorporated into cooperatives at the initiative of the cooperative members, in spite of the logic of income maximization. Various mobilizations, land invasions, pronouncements and concrete struggles sharpened the worker's perception that this group egoism had its origin in the capitalist system in which he found himself.

Is the egoism of the workers, then, a consequence of the system in which these different forms of organization are inserted? What is the price of solidarity when the remuneration for individual work is different from that received for collective work? How can this egoism be combated? Are there cases when this has occurred? If so, what were the results?

*The Fundamental Questions: Who participates? Why? How?*

The introduction of self-managing forms of organization, within a context of institutional change, requires a definition as to who are the actors in such a process of participation. Workers, citizens, socio-political organizations and the apparatus of the state are, perhaps, the four most clearly identifiable agents. They are the ones who are going to participate and exercise their right to determine decision making.

But their participation will be real and effective only when the reasons for participating are clear and defined. The identification of what is distributed, of the scope or sphere of decision making, is thus an equally indispensable element. When their immediate interests are more directly affected, their participation will be more intense. But when the subject of participation is more remote or ambiguous, it becomes deformed and can be susceptible to manipulation by workers. There may be participation in decisions about the social use of wealth generated, and about resources and their distribution and use, but only to the extent that they are identifiable and clearly defined.

It is also important to be able to count on clear rules of the game which guides this right to decision making. Whether we are dealing with geographical or sectoral units, or specific spheres of everyday life, there ought to be clear rules of the game, indicating possibilities and limits, that govern the exercise of participation.

The Peruvian legislation was not sufficiently precise about how to participate. The dimension of the commune, or district, for example, was not included in the analysis of other historical experiences of Yugoslavia, China and Poland, for example, were considered. They show that this is an important factor for establishing the limits to, reason for, and interest in participating.

To the extent that concrete aspects of participation are identified, interest will grow. Those interests, and rights, that have been expropriated from the worker and the citizen by the established order, by the state, or by the different sectors and social forces, will also be perceived. Self-management will then be on a realistic path, a historical process that it generates and feeds.

## **FUTURE PERSPECTIVES**

Self managed organizations have lost the substantial support they enjoyed from the Peruvian state apparatus in previous years. Decades ago, the government's gradually evolving political model placed increasing emphasis on the creation of self-managed enterprises as the economic building blocks and neighborhood organizations as the political building blocks of what hopefully would be a fully participatory social democracy. Indeed for a brief period, public discourse proclaimed that the social property sector would become predominant in Peru.

But, this support for self-management was never either unqualified or disinterested. The cooperative movement which preceded self-management lost a number of government financial and tax incentives, and suffered serious setbacks, principally because of its close association with the Accion Popular and APRA political parties, whose bases of support the government was keen to undermine. Although the cooperative movement was weakly articulated internally, and served to support, rather than question, the predominant capitalist system, the treatment received at the hands of the government served to create resentments and hostilities between the pre-existing cooperatives and the newly formed agrarian production cooperatives, SAIS and social property enterprises.

The later Bermudez government looked for political support from bourgeoisie, petit-bourgeoisie and foreign capital, as well as, of course, the armed forces. It distanced itself with increasing speed from the organized rural and urban proletariat. This led to a rapid drop in support for social property enterprises; an attempt to assert greater controls over the agrarian cooperatives and SAIS; the conversion of labor communities from models of co-determination to a version of peoples capitalism; and increasing repression of trade unions. The economic crisis, the politicization which threatened the unity and longer-term political power of the armed forces, as well as the loss of a sense of mission, and international pressure all led the Bermudez government to seek a way out. This was done via an agreement with those political parties the Velasco establishment had sought unsuccessfully to eliminate and which represented the social classes which now formed the basis of support for the government.

In this period of transition between military and civilian rule, there had been an effort to tidy up loose ends, defending the agrarian cooperatives and SAIS against peasant invasions in some cases, bailing them out of bankruptcy in others, and trying to put people on an independent and financially viable footing. Face-saving efforts were made to shore up the weaker social property firms, to try and get them on a sounder economic basis, and nearly all firms were suddenly found to be able to govern themselves, enabling the mechanism to be established. Thus, five regional units and the national assembly converted the social property sector into one, essentially being independent of state control and support.

These developments signaled a significant decrease in state control and intervention, and while the improving economic situation increases the chances for economic survival, the overall prospects for self-management in Peru are currently not very promising. The major political parties are firmly wedded to maintaining Peru's condition as a dependent, capitalist society. Within that limitation, they are prepared to return to earlier policies in giving support and incentives to various forms of cooperatives as a way of humanizing the rougher edges of capitalism. This would also be a way of creating a popular economy serving the needs of private enterprise, and as a way of creating bases of political support. The past heritage of authoritarian creation, intervention and political manipulation means that the elements from which a popular economy could potentially be formed – various kinds of cooperatives, trade unions, social property enterprises and labor communities – are now disarticulated and divided politically, economically and ideologically. Once again, the political enmity between APRA and the Marxist left, which dates clear back to the 1920s, is reflected in the competition for support from, and control over, popular organizations. This practically eliminates the possibility that in the future a strong, united and politically articulate self-managed sector allied with other elements of a popular economy, especially unions, could present a credible challenge to capitalism in Peru.

Nevertheless, something remains. Not only have intense experiences been lived through, but also important lessons have been learned. A sufficient number of self-managed enterprises still exist to provide a potential training ground in democratic management for a significant number of workers. The potential exists for developing a dynamic and relatively self-contained people's economic sector, if resources can be managed with skill and the economic and financial circuit is not closed. If political and ideological clarity are achieved, a popular economic base exists which could be employed in support of the struggle for liberation and development. Past experiences have taught important lessons and raised critical issues, some of which will aid in the continuous search for a viable national development alternative.

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## Chapter 7

### *WORKERS' SELF-MANAGEMENT IN POLAND*

**Roman Szul**

For several decades now, Poland has been a popular subject abroad. During the whole post-World War II period up to 1980, few books and papers were written about Poland. Their authors were usually Poles living abroad or foreigners, with often, alas, only a superficial knowledge of Polish realities. Scarce, on the other hand, were papers written by authors living and working daily in the Polish reality they describe. The present chapter is intended to contribute, be it only a small degree, to bridging this gap regarding economic democracy through self-management.

Thus, it is intended to show what are the most important facts and problems from the history of workers' (employees') self-management in post-war Poland, with special consideration of the period after 1980. The choice of subject is motivated by the fact that this topic has become one of the central concerns in Poland.

The author wished to deal separately with the evolution of the theory and practice of self-management in Poland, but making this distinction proved in some cases to be impossible. This was particularly so in the stormy period of 1980-1981 when various political forces fought over self-management and its shape, and this process defined the whole of the theory and practice of self-management. It is only in the more recent past that one can speak of the beginnings of true self-management and Polish self-management theory.

The present paper comprises three parts, in which the consecutive periods, 1944-1980, August 1980-December 1981 and 1982-1985, are analyzed.

#### **STAGE ONE: 1944-1980**

Within this span of time, there were a few short periods during which self-management was brought to life and the same numbers in which it went into long hibernation. The periods of liveliness took place at historical turning points, moments of political activity by Polish society as a whole, and lack of weakness on the part of the central authorities, while periods of atrophy occurred at times of political stabilization, politically passive behavior by society and with the presence of strong central power (Horvat, 1982).

The first signs of life come in the years 1944/45, when workers were taking over factories abandoned by the occupants or devoid of owners; they were rebuilding the plants with their own hands and putting them into production. This process found its legal reflection and sanction in the decree of 1945 on factory councils. The strengthening power of the central authorities and introduction of Stalinist methods of management of the economy and society soon led to the annihilation of these buds of workers' self-management.

A real eruption of the workers' self-management movement took place a decade later in 1956. It accompanied the violent stream of political events started in June of that year by the strike of Poznan workers, which was put down in bloodshed, and terminated in October when the

central power was taken over by a new group of people who enjoyed, at the beginning, a vast support from society. The spontaneous movement giving birth to new workers' councils was legalized in the law on workers' councils in November 1956. This law gave the workers' councils broad legal capacities, including the appointment of the factory's director. This law was probably even more radical than the analogous Yugoslav law of 1950, which initiated the development of self-management in that country.

The new party and state authorities, however, treated workers' self-management with deep distrust. In principle, they did not have a vision or a goal towards which the nation could be led. The philosophy adopted by the new government can be reduced to just a few simple precepts, such as ensuring the country's external safety, ensuring internal order, and not getting involved in risky economic projects. Such a philosophy did not leave sufficient margin for the radical transformation of social relations, including the creation and maintenance of employees' self-management. Taking advantage of a decline in social tensions and in the political activity of the working class, the authorities introduced a new law on workers' committees in 1958, which severely limited the significance of workers' self-management. According to this law, the workers' committee became just one, and in fact, the least important one, of the three component parts of the so-called Workers' Self-Management Conference. The other two components were those of the trade union and party organizations (Kabaj and Wroblewski, 1978). This led to the downfall of the importance of genuine self-management.

A new stirring of the idea of workers' self-management took place after 1970, although on a much smaller scale than in 1956. Dramatic events in the city of Gdansk were followed by a new change of the governing group, and, in a wave of criticism directed at the errors committed by the previous authorities, various concepts for the improvement of the country's socio-economic system were put forward. The new government chose to aim at speedy economic development of the country and improvement of the standard of living. The intended methods for carrying out these plans were investments, modernization of production assets and technologies, and improvement of skills. It must be admitted that such concepts were widely approved by the public. Problems emerged only afterwards, when declared goals were no longer being attained. These concepts did not leave much room for self-management. In general, self-management, whether for factory workers, or for inhabitants of a certain territory, or within a cooperative, was regarded as synonymous with dilettantism, and therefore opposed to the notion of "proper" professional skills.

From the legal point of view, only a superficial form of workers' self-management preserved its continuity throughout the period 1958-1980. The self-managerial practice of this period would not, however, deserve any attention were it not for the fact that, in an important way, it shaped workers' attitude towards self-management, an attitude which was afterwards reflected in the significant period of 1980-1981.

In 1958 the principle of one-man management triumphed again, at the expense of self-management which was additionally weakened by the creation of the Workers' Self-Management Conference, mentioned above. Power was very unequally distributed within the Conference: actual workers' self-management became the weakest partner, a weakness which led to its being subordinated to the enterprise's trade union organization. It was the union that organized self-management committee elections, and rules issued by the central board of trade

unions determined in a detailed way the manner in which self-management should proceed, the rights and duties of self-management activists, and so on. In their turn, trade unions were unconditionally dominated by the communist party. Thus, within the power setting formed by such partners in the enterprise as the directors, the party organization, trade union and self-management committee – the last was the weakest.

This weakness of self-management was one of the causes for the low level of interest that workers began to show in the idea of self-management. This made it easier for the stronger partners to manipulate the self-management process, by placing people trusted by and subordinate to management in the self-management bodies, which led to total dependence of these bodies on the enterprise, and to their isolation from the workers. The alienation of the latter from self-management deprived it of its natural basis, weakened its power and thereby made it even more dependent upon stronger partners. This, in turn, led to the eventual atrophy of self-management, and to the decline of its meaning and relevance.

Such practices lasted over 20 years as a negative influence on workers' attitudes. From their point of view, self-management was something alien and of little importance. Inimical and derisory attitudes towards particular self-management bodies were automatically transferred to the whole idea of self-management. Workers became deeply convinced that it had nothing to offer them, just like the trade unions, which were also subject to the authorities. But under these circumstances, the idea of independent trade unions which were organized after the image of the unions in capitalist countries, started to gain popularity among Polish workers. Such popularity was enhanced by observing living conditions in Western countries and, surprisingly, by official propaganda, which explained that the high living standard of workers in the West came from the power enjoyed and used by their trade unions, which were able to force employers to pay high wages and social overhead costs. The situation therefore seemed ripe for the creation of strong independent trade unions in Poland through which the employer, i.e. the state, could be compelled to provide wage increases and greater social benefits. This reasoning was corroborated, in the workers' opinions, by existing practices. It repeatedly turned out that, after each period of workers' demonstrations and strikes, the authorities were able to find resources for wage increases and/or price decreases. It sufficed only to press for them hard enough (Pajestka, 1983).

Along with the weakness in self-management practice, there also was inadequate theoretical debate. The problems of self-management were pushed away into the distant peripheries of research and theory carried out by Polish economics experts. Except in a few sporadic positive cases, nothing innovative was created (Balcerek, 1973). But even these were narrowly-oriented studies describing examples of employee participation in the West and the few modest practices of self-management practice in Poland.

Thus, the history of workers' self-management in Poland up to 1980 shows how easily self-management ideals die during periods of political status quo when such ideals are not backed by politics and science, and when they do not become a part of a coherent strategy for changing social relations.

## **STAGE TWO: AUGUST 1980-DECEMBER 1981**

This very short period was extremely rich in important events, which is why it deserves separate treatment. This was also a time of frequent changes in the situation and attitudes of the main actors in this drama. But changeability often left foreign researchers with false impressions, especially when they stayed only a short time to observe and then try to encompass whole period as a single entity. Writing about this time is difficult also because of the intensity of change in events and situations, as well as the emotions that were aroused. It is quite easy to be accused of allying oneself with inimical forces of the regime, on the one hand, or antisocialist instigations on the other.

The period 1980-1981 started with mass strikes by workers which led to turnover in the composition of the central authorities, this time with no bloodshed. It also led to the creation of independent trade union organizations, primarily the rise of *Solidarnosc*, or “Solidarity” at the Gdansk Shipyards.

The attitudes of the striking workers and the activities of Solidarity during the first few months of its existence, generated a strong trade-union consciousness within workers. However, any search for self-management-oriented postulates would be in vain, both among the famous 21 Points of the workers strike in August 1980 in Gdansk, as well as the demands put forward during the numerous strikes during the autumn and winter of 1980/1981. The demands formulated were, for the most part, trade-unionist nature, concerning such things as wage increases, shortening of working time, increasing social benefit funds, and so on. They also addressed broader political questions such as the democratization of political life in Poland, the softening or abolition of censorship, the limitation or liquidation of the so-called “nomenclature,” the limiting of privileges granted to people from the power elite, recognition of the pluralistic nature of the trade union movement, and so forth. These political demands cannot be treated as constituting a push towards workers’ self-management.

The idea of self-management was, in fact, brought into the light of day, not by Gdansk Shipyard workers, but by intellectuals in Warsaw. Perspectives of social change were opening up at this time, as proposals for economic reform proliferated. These new possibilities often referred, and with quite strong emphasis, to the self-management idea. This idea also found its place in the economic reform concepts being elaborated by the national government. Accordingly, self-management was to be one of the three “pillars” of reform, together with independence for, and self-financing of, an enterprise. The concept was backed by the Ninth Extraordinary Party Congress (PUWP), which took place in July 1981.

The newly-coined self-management idea encountered an almost unanimously negative reception among workers and the activists of the strongest trade union, Solidarity. They considered the creation of self-management as an attempt to transfer the burden of the crisis, and the fight against it, onto the workers’ shoulders. Instead, they felt that the whole responsibility for the crisis should, in fact, rest upon “Them” (i.e. the party, government, directors, administration, and scientists). Besides this, workers and trade union activists considered the running of enterprises as none of the workers’ business. Instead, they believed that it was the duty of managers who got paid for doing just that. Therefore workers’ participation in management could only be a cost-free source of help to management.

Workers' participation was thus not perceived as a possible opening in the direction of a democratic Polish society, but rather as an additional unwanted duty, a "penalty" for harm not done. The negative attitude of trade union activists was also caused by another fear, namely, that the independence and self-management of enterprises without one supreme employer to whom demands could be addressed, might lead to a breakdown in the unity of the newly-formed trade union, Solidarity. Both ordinary workers and trade union activists preferred a demanding position rather than becoming a co-managing and co-responsible partner. As can be seen, Solidarity did not in that respect differ much from many Western trade unions, with their own negative attitudes towards self-management.

Therefore, a situation developed which may seem paradoxical today to many people: the government, backed by some intellectuals, was at this moment *for* workers' self-management, while Solidarity, supported by the majority of workers, was *against* it. This situation lasted until June 1981.

It was during this month that an important change occurred. It occurred on the Solidarity side, mainly within its top-level leaders. They suddenly and radically reversed their attitudes and started, with the energy of the newly-converted, to fight for radical worker self-management, and to make it the main point of their overall strategy.

The change of Solidarity's attitude towards the self-management ideal was so thorough and abrupt, it made one wonder. There were two possible interpretations about this change. The first is that Solidarity, or at least its top activists, had matured politically and become ready to undertake the citizen's duty of co-responsibility for combating the national economic crisis. The second, is that the Solidarity leaders saw the independence and self-management of enterprises as a way of taking over national power. There is evidence to support both these interpretations.

Behind the first explanation is that of a so-called "personality crisis" which the union had experienced in the spring of 1981. The spontaneity and enthusiasm which had accompanied the birth and quick growth of this union by then had passed. The general belief at the outset that solidarity was sufficient to press the authorities hard enough to force them to find money for everything began breaking down. Social support around the nation had likewise diminished. As a trade union, Solidarity had simultaneously attained everything, and yet it had nothing. It had achieved wage increases, but market collapse had caused an incredible drop in living standards. It had succeeded in obtaining Saturdays free from the job, but time was now lost in the interminable shopping queues. This resulted in people having no more free time than before. Solidarity had fought for citizen's rights, but rationing had abolished the free choice of the consumer. It even limited freedom of movement because of the regional system of rationing, registration of rationing cards in shops, and so on. There was an urgent necessity for a change in philosophy, and for the creation of a positive program of action. And that is what happened, with workers' self-management as the foundation of this movement for change.

The second interpretation of all this is corroborated by certain circumstances and the very abruptness of change itself. During this particular period of time, a growing influence upon the Solidarity leadership started to be exerted by advisers who were regarded by Polish authorities as their political enemies. These advisers could perhaps persuade the union leadership that, in

gaining an upper hand in self-management and the creation of independent enterprises, the union could gain power over the entire economy.

Most probably, various key people had different motives. For some, self-management was an authentic strategic option, while for others, it was an instrument of political struggle. I would not venture to estimate the proportion of these two conflicting groups within Solidarity.

Notwithstanding different motivations, declaring its support for self-management became very important to Solidarity. From that moment on, the trade union organization became transformed from a narrow, syndicalist framework to that of becoming *par excellence* a significant political organization. The self-management catchword became an important factor in mobilizing huge masses of Solidarity activists. They were the initiators and organizers in the creation of self-managerial bodies in their workplaces. Just as in the autumn of 1980, the energy of union members focused on the formation of their own organization, so that in the fall of 1981, it became directed at the creation of self-management bodies, although the latter movement occurred on a smaller scale. It should be stated here that the enthusiastic attitude of Solidarity activist leaders was not shared by rank and file worker-members, which formed quite a contrasting picture. This was also recognized in sociological studies conducted by the union itself.

The change in Solidarity's position with regard to self-management also opened up broad possibilities for Warsaw's intellectuals to sympathize with the union, and to argue present their more liberal views. For them, the idea of self-management became a positive value around which their creative efforts could be organized and towards which they were directed. Most often, the drive which these people, as well as the union leaders, felt towards the self-management concept was only equaled by their ignorance. Lack of adequate knowledge of the weaknesses and problems of self-management allowed them to push for perhaps its most radical form.

Thus, the significance of the change in Solidarity's position vis-a-vis self-management, consisted not only in the fact that it turned from being an opponent to becoming a proponent, but also in that it proposed a form of self-management which had considerable clout, much stronger than had been envisaged in previous government-run programs. The term "Self-Managing Republic" (i.e. Poland) became the fundamental political slogan of Solidarity. Thus, there was much more at stake here than just workers' self-management.

Whether the intentions of Solidarity were sincere or not, the speed and scale of change of the organization's stance were viewed with great suspicion by government officials. They treated Solidarity's new position as a tactical political maneuver, or at least as dangerous romanticism, but not as a sign of the union's readiness to take co-responsibility for leading the country out of its economic crisis. It must be stated that, in many of its moves, Solidarity justified such suspicions, persistently refusing, for instance, to support the government's necessary price increase decision.

It was in such conditions that, in the middle of 1981, a bitter political struggle took place between the government and Solidarity over the shape of employee's self-management (Wachtel, 1984). This conflict concentrated around the question of who should appoint an enterprise's

director. Solidarity insisted that the director should be appointed by a workers' self-management body, while the government argued that it should be by governmental bodies. There was general agreement from both sides that the reformed Polish economy should link with Yugoslav and Hungarian elements of workers' self-management

In the course of this sharp political conflict, two very important laws were passed by the Polish Diet on September 25, 1981: the Law on State Enterprises, and the Law on Self-Management of an Enterprise's Employees. These two bills were to form the foundation of the economic reforms being prepared at that time. Their significance can be compared to that which the Law on Associated Labor had for the Yugoslavia economic system of self-management. The bills were, on the one hand, a compromise among the proponents of various scopes of enterprise independence and various forms of employees' self-management. Yet on the other hand, they deferred solutions to many important problems for a later date. It should be noted that these solutions were introduced after martial law had been declared, that is, in the context of an entirely different political situation.

A model of the new Polish economic system, as designed in these two laws, can be described as follows: The independent, self-managing and self-financing enterprise was to become the basic element of the Polish economic system. The authorities would direct the economy with purely economic instruments. Direct intervention by them in the form of orders (directives) should be limited to a few, clearly defined situations. These would be in questions of national defense, reduction of the consequences of natural disasters, fulfillment of international agreements and contracts, and so on. Exceptions to this general rule were so-called public utility enterprises, e.g. enterprises in the municipal sector. Their independence was severely limited, and they would not be subject to self-financing.

Power in an economic enterprise would be held by three decision-making bodies: First, a general assembly of employees (and in cases where the number of employees is higher than 300, an assembly of employee delegates), second, an employees' committee, and third, the director-general of the firm. The hierarchically highest body is the general assembly, and the lowest, the director general, who was to function as an executive arm of the self-managing bodies. Both the self-managing bodies and the director act independently when carrying out their legally-defined tasks. They can mutually influence each other, and they are able to stop actions related to decisions taken by the other side, through a veto. The director is able to stop a decision of the employees' committee, if this decision does not conform to legal regulations, and likewise, the employees' committee is able to stop a director's decision which does not conform to legal regulations and self-management decisions. In conflicting situations, the ultimate decision would be determined by a court, or through an arbitration commission.

Regarding the most controversial issue, that of the director's appointment, a compromise solution was adopted consisting of joint decision-making by both sides, i.e. by enterprise self-management and by the state authorities. In the majority of enterprises, the director general would be appointed by the employees' committee after competition for the post and the appropriate state authority decides to accept the self-management-appointed candidate. For enterprises "of special significance to the economy," there would be a reverse procedure to be in force. The list containing the names of the latter enterprises was to be put together by the government with appropriate consultations from the trade unions, and it would be presented

later. This actually began to occur under martial law, but without any consultations with the unions. The new unions formed under martial law were just being set up, and the actual list turned out to be quite long.

With regard to the more detailed organization and functioning of the enterprise and its self-management systems, the solutions adopted were similar to those of the analogous Yugoslavia mechanism. An important difference was the fact that in Yugoslavia the weight of management had been put upon the basic organizations of associated labor in the larger society. Yet in Poland, management was to be executed at the enterprise level.

A number of exceptions from these general rules were also specified, aiming primarily at limiting enterprise independence and self-management within those firms which were subject to the ministries of national defense, finance, and justice, as well as Polish firms operating abroad.

All in all, in spite of certain exceptions and limitations, the two laws granted what was for Eastern Europe, an extraordinary degree of independence and scope of self-managerial power to the enterprises and their workers.

After these bills had been passed into legislation, an intense process was begun for organizing new self-managerial bodies in enterprises, and adapting already existing ones to the new rules. Some firms succeeded in completing this process before the declaration of martial law in December 1981. A very important role in this process was played by Solidarity activists, especially by young people with university educations who worked in the enterprises, such as engineers, mid-level managers, and white collar workers. Thus, in a period of one year, Solidarity underwent an important evolution from being a traditional blue collar workers' organization with typical trade-unionist goals and features, to a new political organization dominated by an industrial intelligentsia that had far-reaching societal objectives.

As far as scientific thinking about self-management is concerned, this period was too short to allow for the research and publication of important theoretical works. It was, however, a very significant time with regard to discussion, debate, and analysis. Many scientists, especially the younger generation, discovered self-management to be an object of study worthy of special attention. In this context, the visit of Branko Horvat to the Institute of Planning in Warsaw, just a few days before martial law was proclaimed, played an important role. The lecture he gave then is often quoted, even now, in publications on the economics of self-management.

### **STAGE THREE: 1981-1985**

This entire societal development was soon interrupted by the proclamation of martial law on December 13, 1981. This event requires a few words of commentary, because its interpretation clearly impacts the possibility of understanding previous and later societal events, including those related to self-management.

Two highly different interpretations regarding the declaration of martial law can often be encountered abroad. According to both, however, the period of 1981-85 became the final phase of a fight between good and evil. In this conflict, one of the two sides won, and then had nothing more to do than eliminate the residual resistance of the defeated enemy, and annihilate all that had been achieved in the period 1980-1981. Also, according to both interpretations, if all the

achievements of 1980-1981 were not eliminated, then this was seen only to be due to the continued resistance by the defeated side, or to errors on the part of the victors, who did not exploit their success to the fullest. These two interpretations are based, however, upon very simplistic thought schemes, which are unable to grasp the whole depth of the problems, divisions and complications haunting Polish society.

In the first of these two interpretations, the fight between good and evil ended with the victory of evil, the communist power structure. The good side was Polish society and its spearhead, Solidarity, fighting for democracy, national independence and human welfare. Evil was embodied in the authorities, primarily in the Party, because they represent foreign interests in Poland, those of the USSR, and they enforce a totalitarian system upon the masses. But, this interpretation does not allow for an understanding of other aspects pertinent to that period. For instance, why was introduction of martial law and its subsequent course relatively peaceful? If it had been true that the authorities were faced by a whole inimical society of at least ten million solidarity unionists who were united as a homogeneous and bellicose organization, there would have been a much fiercer conflict. But application of physical force by one of the sides may not entirely explain the weakness of the other. Martial law showed that society's support, and also that of the members of Solidarity within the union's leadership, was quite moderate. This corroborates the existence of a certain gap between the Solidarity leadership and its rank and file members, which already had been observed before the proclamation of martial law. The fate of Solidarity after its delegalization is also in line with this observation. Several attempts to organize demonstrations, or even symbolic strikes, to protest against the very unpopular decision of the authorities to increase prices ended without success.

Nor does this interpretation allow for an understanding of what made the authorities agree to the reactivation of employee self-management, albeit in a more constrained form than that of the bills passed in September 1981. The idea that this was enforced by Solidarity does not make sense, in view of the actual helplessness of this organization. Equally doubtful is the explanation that this move was forced by the working class, in general. The fate of employee self-management after 1981, like that of other changes, resulted from a much more intricate power play between various social interests than simply a fight between evil authorities and the good society.

According to the second interpretation, the good side was constituted by government authorities which together with the party and the army, defended socialism in Poland. In this view, the evil side was Solidarity, a counter-revolutionary organization inspired and taken over by imperialist agents, which was just one step away from bringing down socialism. By taking this reason to its absurd conclusion, it would seem that the fate of the whole Polish political system, a country with 37 million inhabitants, depended upon the good or bad will of the American CIA.

A more precise evaluation and description of the circumstances in which martial law was introduced does not lie within the scope of this chapter. Two aspects, however, should be noted, those of Poland's international political situation, and its economic situation. The country's international political situation did not give the authorities a very large margin to maneuver. In this context, the proclamation of martial law may be considered a necessary evil (Dragosavac, 1983). With regard to the economic situation, this necessitated some very unpopular moves,

such as huge price increases, reinstatement of basic work discipline, and so on. Making these moves without the introduction of martial law seemed almost impossible, according to government officials, some Polish economists, and even émigré experts such as Waldemar Kuczunski, the previous Associate Editor of *Tygodnik Solidarnosc* (“Solidarity Weekly”).

Notwithstanding its causes and circumstances, the proclamation of martial law was a heavy blow against workers’ self-management, and, under martial law, economic democracy was weakened in several ways. Starting on December 13, 1981, the activity of the self-management bodies, along with that of other organizations, was forbidden although this interdiction later began to be lifted in the spring of 1982. Many active believers in self-management ideas, activists and intellectuals, were jailed, or they found themselves becoming outsiders, or their activity was limited in some other way. Within the period of interdiction of self-management activity, the authorities carried out a number of actions which were, according to law, within the frameworks of self-management, such as the appointment of directors, the creation of enterprise associations and the like, thus putting *faits accomplis* in front of future self-managing bodies. These circumstances had a negative influence on the morale and trust of employees, and on their engagement in self-managerial activities.

In the self-management suspension period, the functions of self-managed structures were taken over by company. Yet in the spring of 1982, a very slow process of self-management revival commenced. A decision to reactivate self-managed enterprises was formally made by the economic minister, responding to directions from both political and military authorities. Thus, the fate of self-management was placed in the hands of its most ardent opponents: company directors and national economic administrators. This process of resuscitation was accelerated at the end of 1982 by pressure from changing political factors. An important role in the mobilization of this pressure was played by the Diet, especially by the Diet Committee on Employee Self-Management, and also by the Minister for Economic Reform. At the end of 1982, self-management was again functioning in 3,620 enterprises out of a total of 6,580 throughout the nation.

One expression of this political pressure was, for instance, an obligation imposed on ministers and state authorities to allow self-managed bodies to recommence their activities within a deadline of three months, i.e. up to March 19, 1983. This was stipulated in the bill on the special legal regulations in force during the period of suspension under martial law, passed on December 18, 1982. According to this bill, only those self-managerial bodies which were elected in accordance with the law of September 25, 1981 could be reactivated. In other enterprises, new elections were to be held and new self-management statutes adopted. From this moment on, there was an acceleration of growth in reactivated self-management bodies. By the end of October 1984, self-management was active in 6,403 enterprises, i.e. in 87 percent of those entitled to have it. This included almost 6 million employees out of a total of approximately 11 million of employees in the social sector of the economy, according to the Secretary of State for Economic Reform (1985).

But the revival of self-management did not mean a full return to all the legal workers, management rights resulting from the laws of September 1981. Limitations on those rights were of both a direct and an indirect nature. Direct limitations consisted in transferring certain rights formally belonging to self-management that were now given to other bodies such as the

directors, the central economic administration (ministers), and, at the end of the period in question, also to the newly-formed trade unions. Indirect limitations consisted in constraints put on enterprise independence in favor of the central economic administration, and in the creation of large associations of enterprises. To this set of limitations should be added the broadening of the list of enterprises which had narrower degrees of self-management and independence. The range of these limitations was in itself not quite uniform: in some domains there was a gradual retreat from limitations, while in the other ones, new limitations appeared. Evaluation of the results of these changes depended upon who one asks. Circles close to the government hold the common opinion that the general direction was positive, i.e. it was leading to a strengthening of self-management. The opinions of economists who supported self-management being disconnected from the government, were, however, quite to the contrary. The actual direction of the evolution of self-management became more clear after the law required that all self-management limits should cease as of January 1, 1986.

Besides the formal limitations, there were also frequent cases of placing illegal limitations on the role of self-management, especially by enterprise directors and the economic ministry of Poland.

The first and most important formal constraint to which self-management became subject was deprivation of the right to appoint a firm's director. With time, this limitation was gradually lifted and, in 1984, employees' committees appointed over 200 directors of enterprises. Simultaneously, however, a number of small, but important changes in enterprise organization were introduced, which weakened self-management's position vis-à-vis the director. These changes included: the removal of the right to determine the director's wage, and a modification in the way in which the conflicts between the director and self-managed workers were resolved. Since that time, the director began to be able to stop implementation of a self-management decision, not only when it did not comply with the law, but also when this decision threatened certain societal interests. Moreover, the director's veto could cause instantaneous halting of any action related to the decision. Such decisions could only be undertaken anew when a court, or an arbitrating commission, ruled in favor of the self-management side. In the case of a director's decision, it is the other way around. When this decision is vetoed by self-management, it can nevertheless still be implemented, until a court or arbitrating commission rules in favor of self-management. For example, during the first half of 1985, one of Poland's largest companies, *Huta Warszawa* (Warsaw Metalworks), huge conflicts occurred between the firm's director and the self-management body, leading to numerous lawsuits and slowdowns in production.

The revival of self-management was accompanied by equipping the economic ministries, with the power to suspend self-managerial bodies in particular enterprises for periods of up to 6 months. They even had the power to dissolve self-management, and, this power was occasionally utilized. However, in order to stop potential abuses, the Council of State was vested in 1983 with the right to annul any administration decision in this domain. The economic ministry also gained broad powers of intervention in the internal affairs of an enterprise, including the power to formulate and assign concrete tasks, many of which went beyond the scope envisaged in the law on enterprises. This kind of limitation resulted partly from Polish economic problems. A tremendous market imbalance, which occurred at the moment when economic reforms started, made it impossible for the market to efficiently perform the function of resource allocation. Under such circumstances, a centrally-administered approach to rationing

took over the process of resource allocation. This inevitably led to limitations on enterprise independence. According to widely shared opinion, however, such a situation had a tendency to petrify because, on the one hand, it ensured a peaceful life for enterprises, and on the other, it provided a *raison d'être* for the economic ministry.

One great danger to the independence and self-management of enterprises was the process of monopolization taking place in the Polish economy. It consisted in the creation of huge, integrated associations (socialist corporations) in which firms tend to lose their independence and even their legal identity. This process gained greater momentum during 1985, with the central economic administration acting as the initiating agent. This was primarily a consequence of the fact that, from 1986, the possibilities for the administration's direct intervention in the internal affairs of enterprises had been limited. The administration, unable or unwilling to utilize instruments of indirect control, wished to shape such economic structures, which would make it easier to direct the economy. The only real braking forces in this process were the self-management bodies that might be broken in the future. This was justified by the fact that enterprises, when joining an association, gain certain advantages, including a significant increase in wages. This was not by any means because of a greater efficiency of the socialist corporations, but because of their greater bargaining power.

A further limitation on self-management's impact with respect to what was envisaged in the laws of September 1981 had been established by a broad interpretation of the notions of enterprises that were "of particular significance for the economy," as well as "public utility enterprise," as defined by the government when the lists of such enterprises were compiled in 1983. Approximately 1,400 enterprises were listed in the first category, and 434 in the second. In such organizations, independence and self-management are constrained, as already noted. The list of public utility enterprises included, for instance, those firms, which by virtue of their type of activity cannot earn their own income, but must function irrespective of their financial performance (e.g. schools, hospitals, city cleaning services, and the like), and are thus not subject to self-financing, or the law of insolvency.

Another threat to workers' self-management came from the creation and development of new trade unions. These were initiated and supported by the political authorities after the previously existing trade unions, including Solidarity, had been dissolved by government intervention. Formation of these unions entailed the necessity of transferring part of self-management's work concerning wages, work conditions, social affairs, etc. to the newly-created official trade union bodies. This caused the conflicts between self-management and the unions, and such conflicts were far more dangerous for the former than the latter, since the political authorities, which have a decisive voice in these matters, were more apt to support the certainty of the union, rather than an uncertainty of self-management. Development of these new trade unions also created a threat to enterprise independence. The unions were organized according to the classical branch principle, and since 1984 have also had a central board. They were inclined to prefer unified systemic solutions encompassing whole branches, and this especially applies to wages. Thus, the trade unions became a natural ally of those who supported the socialist corporations.

The ups and downs of self-management, as depicted above, resulted from the conflicting interests of various socio-professional and political forces. It therefore seems useful to analyze the attitudes of the main participants with regard to self-management.

Political authorities displayed an ambivalent attitude towards self-management. On the one hand, it seems, they were not opposed to the idea of the broader working masses taking over a portion of enterprise management duties and responsibilities. Such a view is corroborated by numerous declarations made by representatives of the highest authorities. At a meeting with representative of employees' self-management, Poland's leader, General Jaruzelski (1985), declared the following:

The workers' movement, from the beginning of its existence, put forward, together with the question of ownership of production means, the question of working-class, employees' participation in management. All the historical changes which occurred in this domain, resulted from the fight of the workers' class, of working masses for their rights. The process of the economic implementation of social ownership requires: dialectical unity of central planning and the initiatives of employees' collectives: persons professionally dealing with management and participation in management of possibly the broadest circles of working people.... The development of self-management stems from the very essence of our system, in which it is organically implemented.... The whole of society is the owner of the socialist enterprise.... On the other hand, the host of this enterprise, as a portion of the whole national property – is its collective, through the intermediary of its democratically-elected, democratically-acting and vested with the appropriate competences of self-management. This is the essence of the doctrine, of the philosophy of employees' self-management functioning, and we must more and more deeply confirm it in practice. Self-management is then the way to overcome the old and, finally, the harmful division into “we” – “they”, “ours” – theirs”. It is also an essential condition for strengthening the motivation to productive work and effective managing, to technological, organizational and economic progress.

Simultaneously, however, the authorities, still influenced by the events of 1981-81, were afraid that self-management bodies could be seized by the political opposition which advocated greater democracy. This feeling was deepened by the fact that in the employees' committees there were many ex-activists of Solidarity and radical plans in the underground movement of Solidarity, who viewed self-management as their last chance. It should be stated here that, irrespective of the goals which the political opposition wanted to attain, it regarded self-management as instrumental in their attainment, as a “bridge head” for changing society. The worries of the authorities were also caused by a lack of conviction as to the economic efficiency of self-management (Szeliga, 1985).

Enterprise directors and government economic administrators constituted a group with extraordinarily definite and homogeneous views on self-management. If it had been up to them, self-management would already have been annihilated. This group voiced arguments related to the alleged economic inefficiency of self-management, and its ineffectiveness in the decision-making process to diminish the workers' cause. But the real basis of their negative attitude lied

mainly in the fact that self-management changed the rules of the game to which those at the top had become accustomed. It was this very group that most often initiated limitations on self-management and violated its rights. Cases of self-management rights violations became so common that the Supreme Chamber of Inspection was forced to undertake a special investigation of abuses. It showed that, in more than a third of the enterprises inspected, the rights and competences of the employees' committee had been illegally constrained.

The attitudes of this socio-professional group were highly influenced by the community of engineer technicians, who brought up the principles of the "scientific organization of work," and constituted the core of the managerial stratum. It was within this community, more often than any other, that the opponents of self-management worked to block its success.

The scientific and journalistic community, consisting of economists, sociologists, and lawyers, was very heterogeneous. Extreme attitudes were encountered within it, but a moderate sympathy for self-management was dominant. This community, though, was more united on the issue of defending enterprise independence.

Employees of enterprises did not present a unified opinion, either, but instead of a distinct division into followers and opponents of self-management, there was a division among workers who were either more or less active in self-managerial functions. The most active were those who had been elected to the employees' committee; much less active were those elected to the delegates' assembly, and still less, other rank and file employees. Employee attitudes were negatively influenced by the suspension of self-management under martial law and by the way in which self-management was reactivated afterwards. These attitudes, and the degree of support given by employees to the self-management idea, depended to a large extent on whether a given self-managerial body was elected before or after the declaration of martial law. Those elected before enjoyed greater trust and support from employees, which is why they turned out, usually, to be more active. In some enterprises, the employees became so discouraged that self-managerial bodies were not created, despite the existence of the formal right, and even duty to do so. In approximately one third of the cases, existing self-managerial bodies were only formal constructs. Another threat to self-management arose from the fatigue of people caused by the daily difficulties of life in Poland, which led to a decrease in their activity in self-managerial bodies, especially in the general assembly of employees.

During this third stage in the history of self-management in Poland, there appeared a large and quite energetic group of self-management advocates including a majority of self-management activists, a number of scientists and economic journalists, as well as some politicians. This period saw the flourishing of scientific inquiries into workers' self-management. Institutes belonging to the Polish Academy of Sciences, ministerial institutes, the Institute of Work and Social Affairs, university-type schools, including the Academy of Social Sciences, associated with the Party, as well as individual scientists, conducted numerous studies, primarily of a sociological nature. The problems of self-management occupied a lot of space in socio-economic journals, particularly in *Zycie Gospodarcze* (Economic Life). There was also a separate journal devoted to the problems of employees' self-management – *Tygodnik Robotniczy* (Workers' Weekly). This topic also became the subject of scientific conferences, some of them international in scope that argued for this democratization of Polish economy.

On the other hand there were critical opinions about self-management mostly among specialists in management and organization. They considered the managerial system to be always more effective, irrespective of the political economy's situation. This resulted, according to them, from the fact that skillful management has a decisive influence on an enterprise's results, while self-management introduces an element of dilettantism, constrains the freedom of choice of company directors, and waters down responsibility. They were inclined to treat self-management as either a necessary evil, enforced by the political situation, or as a beautiful, but unrealistic idea of the socialist-utopian kind. Such opinions became quite common among Polish economists, along with U.S. researchers, particularly those at Cornell University.

## CONCLUSION

As stated at the beginning of this chapter, the history of workers' self-management in Poland to date is a history of short ups and long downs. Is this history going to be repeated again? In contradistinction to previous periods, there has been a quasi-balance of forces between the supporters and adversaries of self-management, and there are many scholars still undecided about it. It may be that the fate of workers' self-management derives from the activity of Polish workers themselves. The development of economic democracy in Poland's future will depend on whether it turns out to address the authentic needs of working people, and at the same time, whether it will contribute to the process of solving the burning problems of the Polish economy. The successful development of self-management requires satisfaction of both of these conditions, because otherwise, the delicate balance may be destroyed, which would then give advantage to the adversaries of workers' self-management in the years ahead.

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## Chapter 8

### *EXPERIMENTS IN SICHUAN: REFORM OF ECONOMIC AND SOCIAL RELATIONS IN CHINA'S ENTERPRISES*

**Chen Chang-Rong**

In recent decades, we have been carrying out experiments on the extension of the enterprises' authority in one of our industrial centers, Sichuan, which is also the country's most populous province. The experiment was launched in the light of the principle set at the 3<sup>rd</sup> Plenary Session of the Chinese Communist Party's 11<sup>th</sup> Congress to adapt China's current economic administrative system to the needs of building a modernized, powerful socialist country. The past years have witnessed important developments in this experiment. Having brought about significant changes in the economic and social relations between China's industrial enterprises, it has not only attracted the attention of Chinese economists and sociologists, but also aroused wide interest among foreign colleagues in various lands. The author himself, for example, has received scores of economists, sociologists and other research workers coming from Japan, Britain, the United States, France, Germany, and Australia to make on-the-spot investigations in Sichuan. Some of them have thereupon written treatises and monographs on their findings. Now opinions, both Chinese and foreign, unanimously hold that this experiment in Sichuan represents an important step taken in the reform of China's economic administrative system.

To understand the significance of these experiments, it is necessary to take a look back on the history of China's economic administrative system. Since 1949, when we founded the People's Republic of China down until recently, a highly centralized administrative system was practiced with regard to the enterprises under the ownership of the whole people. Among its characteristics were that the enterprise had its production plan mapped out and assigned by Beijing. Funds for production were allotted, the labor force was managed, and products were purchased and sold, all by the state. Finally, all the firm's profits were turned over to the state, while the latter assumed the sole responsibility for its profits or losses. Viewed historically, such a system had helped to make it easy for the state to centralize manpower, material and financial resources for a set objective and it exercised positive effects on New China's quick healing of her war wounds, rehabilitation of her economy, settlement of the series of economic and social problems left over by Old China, and the building of a rudimentary industrial basis.

With further development of the economy, however, it had gradually revealed certain drawbacks. For under such a system, an enterprise tended to become, instead of a vigorous economic organization, just like abacus beads, which only the state could move at will. Whether an enterprise was well-run or not had no direct bearing on the material interests of its workers. Its managerial personnel and workers had no way to exert influence on its operation and therefore could not ensure the most profitable economic results. The communist ideal of "to each according to his work" could not be well put into practice. It is evident that should we fail to get rid of these disadvantages, we could not possibly bring into full play the intelligence and wisdom of our workers, technicians and managerial personnel. All this would be an obstruction

in the way of our progress to the goal of four modernizations. It was under such circumstances that the various experiments in Sichuan were mapped out and implemented.

These experiments were carried into effect in six enterprises in the late 1970s, later extended to 100, and further extended to 417. These were the most economically important enterprises, whose output value made up approximately 70 percent of the province's total in industry. Up to now a structural reshuffle can be said to have been realized in all these enterprises by various means and in various degrees.

The experiments in Sichuan granted to each enterprise the following powers:

(a) The partial authority to draw up its own production plans. After providing a guarantee to the fulfillment of the state plan, the unit is empowered to make its own additional production plans in accordance with the market demands.

(b) The partial authority to sell its products. The enterprise is authorized to sell those of its products which the state material and commercial departments do not purchase; to sell new products that are still in the stage of trial manufacture, and, with the agreement of the material and commercial departments, to retail part of the products which are supposed to be purchased by the state.

(c) The authority to retain a certain percentage of its profits. When an enterprise fulfills the economic and technical norms set in the state plan, as well as those stipulated in the supplying contracts, it is allowed to retain a certain percentage of its achieved profits for its own funds. As for this fund, the enterprise has the right to budget the use of it. Parts of it may go for expanded production, for staff and workers' collective welfare facilities, and as material rewards for its staff members and workers.

(d) The authority to enlarge production with its own funds. An enterprise's own funds include what it gets through retention (as mentioned above in (c)), its depreciation funds, and its own overhaul funds. Now the enterprise has the power to spend these funds on its equipment reconstruction and technical innovation, and to extend production.

(e) The partial authority to engage in external trade. Those units which are qualified to produce export commodities and those in a position to import new foreign technology and equipment may, with the approval of the respective authorities at a higher level, contact and hold import or export talks with foreign businessmen, or participate in such talks held by the foreign trade departments. Of the income from exports in foreign currency, the enterprise may keep a certain percentage according to the rules set.

(f) The partial authority to appoint or remove its personnel, and also to confer reward or administer punishment. The unit has, that is to say, the independent power to appoint or remove its middle-level cadres (the heads of the factory shops or the administrative offices), to institute reward regulations, and to mete out proper punishments (which can be as severe as discharge) to those administrative personnel and workers who violate discipline, or neglect their duties.

In terms of the ultimate aim of China's economic system reform, the aforesaid reform is still in its early stages, and therefore, is imperfect. Yet compared with the administrative system

we used to execute, in which the administrative power was so overly-centralized that the government and the enterprise became indivisible, and the problem of egalitarianism very serious, this experiment in Sichuan has been a breakthrough. It has brought to pass a series of changes in the economic and social relations between the enterprises. In the relationship between the state and the enterprise, it has broken through the old administrative pattern which was characterized by the focusing of all the managerial policy decision on the state, which took an all-round responsibility for the enterprise's sales, income and expenditure, profits and losses. The experiment has granted the enterprise a certain amount of policy-decision power in its economic activities, when it has fulfilled the state plan and observes the state economic laws and regulations. Thus, having its independent economic interests which are closely related to the economic interests of its own management and workers' goals, the enterprise is beginning to be a self-managing organization. In the relationship between the enterprise and its staff and workers, this experiment integrates the economic interests of the individual staff members and workers with the results of their work. Thus it has broken the pay-you-the-same-whether-you-work-well-or-not collectivism, and enabled us to better implement the principle of "distribution according to one's work." In this way we have greatly aroused the enthusiasm and initiative of the masses of managerial personnel, technicians and workers, and brought vigor and vitality to not only individual enterprises, but to the regional economy as well.

### **ENORMOUS ECONOMIC RESULTS**

This experiments in Sichuan have yielded enormous economic results. Take the production management activities, for example. Of the hundred experimental units, the 84 under the supervision of Sichuan's local authorities increased their total output value by 14.9 percent, and their profits by 33 percent, which were both above the average increases of all the enterprises in the province. To compare over one year, the total output value of the 417 experimental units increased by 9.7 percent, while their profits by rose 7.9 percent, which were also above the average of all the province's enterprises. Among these 417 experimentals, there were 10 which went furthest in the present reform, and executed the principle of independent business accounting and sole responsibility for its own profits or losses; the increase in these ten's total output value and profit were respectively 32.5 percent and 57.8 percent, which were again higher than the average of the 417 experimentals.

Apart from economic growth, the financial results of the Sichuan experiments have found expression in another even more important aspect: they have brought about the development of intellect, the growth of talents, and improvement, in the art of management. The process of implementing the reform of economic systems has provided the enterprises' managerial personnel with a vast field for giving full play to their intelligence and wisdom. So the current movement is, so to speak, a great school for mastering the art of management and administration. Emerging from this school, we find large numbers of socialist experts in business management who are versed in science and technology, good at management and administration, and charged with the spirit of getting on with the work. For China's modernization, this is most important.

To illustrate this point, the instance of Sichuan's machine-building industry can be cited. Having a solid foundation, Sichuan's machine-building industry is one of the important bases in China. In the past we failed to keep a rational balance in the development of our national economy; hence there existed a lot of irrationalities in the product structure of the province's

machine-building industry. Over 80 percent of its products was produced to serve the needs of heavy industry and capital construction; while less than 20 percent was oriented to meet the demands of agriculture, light industry, people's everyday life and foreign trade. Now, in the present readjustment of China's economy, priority is given to the development of agriculture, light industry, energy resources, communication and transportation; while the development of heavy industry, (with the exception of energy resources), and the scale of capital construction are kept under strict control. And this, as a consequence, brought about for the machine-building industry such difficulties as poor marketability and poor utilization of capacity. It became, therefore, a weighty problem confronting the managerial personnel of every enterprise to investigate the ever changing social demands, then to readjust its product structure, its orientation of production and to improve its service. In solving this problem, a large number of leaders and managerial personnel have learned a great deal, and therefore obtained remarkable achievements.

One of them is that they enhanced the enterprises' adaptability to social demands by developing new products catering to the needs of agriculture and light industry with a view to economize in energy and raw material. In one year alone, Sichuan's machine-building industry developed some 200 new products. Many enterprises guaranteed a continual renewal of their products by producing new models, while trial-manufacturing others, and simultaneously researching still better ones for the future. A second achievement is that they found good markets for their products by improving the quality of their products and their service, thus winning the consumers' trust and confidence.

For example, the Ningjang Machine Tool Plant is a factory devoted to the production of small precision machine tools. It has devoted major efforts to developing and manufacturing machine tools for making watch parts, basing its policy on the forecast that the demand for such machine tools would tend to increase by a large margin together with a big increase in the sales volume of watches, as a result of the general rise of the peoples' living standard. Having succeeded in trial manufacturing, they began to process watch parts with their own materials, and afterward invited specialists from the watch factory to examine their quality. Then they also taught the watchmakers new skills. Only after the machine tool's quality and precision were proved reliable and up to standard, was it that the plant signed sales contracts with new users in light of their demand. Such emphasis on quality and service enabled this plant to win the trust and confidence of the users. So it has gradually established itself as the country's leading watch-part-processing enterprise.

A third achievement is that they vigorously developed export products in response to the demands of the international market. For instance, the small diesel engines made by the Sichuan Internal Combustion Engine Plant found their way into the international market; and this plant has become one whose major effort is devoted to the production of export products. The Chongqing Machine Tools Plant won an international reputation for its strict keeping of its contracts and credit. Now its products have found a market in 38 countries and regions. Of the province's machine building industrial enterprises which produce export products, there were just 18; but the number has grown to 50. The improvement of management and administration extricated Sichuan's machine building industry from a predicament, so that there appeared a tendency to increase. This had something to do with the special factors in the period of economic readjustment, to be sure; and many enterprises were either guided by the state plan, or

under the united planning of, or coordinated by, the state's leading economic bodies. Nevertheless, it vividly and concretely illustrates the fact that through the economic system's reforms, China's industrial enterprises have become economic organizations with inexhaustible vitality, capable of self-adjustment and self-multiplication, so as to achieve the greatest economic results at the lowest labor costs. This is precisely where the hope of a vigorous development of China's economy lies for the future.

### **CHANGE OF THE SOCIAL RELATIONS IN ENTERPRISES**

These experiments to extend the enterprise's authority have also brought about far-reaching changes in the social relations within enterprises. First of all, there arises the problem, now that the enterprise is granted greater authority, of who should be the right one to exercise this authority? China is a socialist country and it is operated by public ownership of the means of production. Here in Sichuan now, the masses of staff members and workers are the masters of the means of production, i.e., of the enterprise. Hence the authority of the enterprise should belong to them. This is a principle China has always adhered to. Theoretically speaking, it is nothing new.

But in practice, it is the present experiments that have been endowed with rich and concrete contents have embued their execution with unprecedented significance. This is because the enterprise before this experiment, had not any independent authority in connection with its management and administration. In other words, the ownership of the enterprise was out of keeping with the power of its management. Hence, though they were masters of the enterprise, the workers could not allocate or control its means, processes, and the fruits of their labor. Under such conditions, the dictum that the masses of staff and workers exercised their right over the enterprise was only verbal, but lacked concrete substance. Things, however, are different after the reform. Now that the enterprise has an independent power and its independent economic interests, its management, good or bad, directly affects the workers in it. Under such circumstances, the question of who should exercise the authority of the enterprise, and how the authority should be exercised, has a direct bearing on the enterprise's success and prosperity, on the staff and workers' economic interests, and on the development of our national economy as a whole. So it has naturally become a problem on which is focused the attention of the masses of staff and workers, as well as the economists and sociologists.

There must be concrete channels through which the staff and workers can exercise their authority over the enterprise. In the present experiments in Sichuan, we have summed up and developed our experiences in applying the Congress-of-Staff-and-Workers system practiced in some enterprises back in the 1950s. We use this congress as the basic form of the enterprise's democratic administration, and as a setup of power through which the masses of staff and workers can participate in the decision making and management of the enterprise, and supervise the cadres in their work. In short, we are establishing economic democracy. In part of the enterprises we have experimented by electing directors (or managers), shop heads, and team and group leaders by the Workers-and-Staff Congress, or assembly. Take the industrial enterprise concentrated city of Congqing, for example. There are now 19 enterprises which got their factory directors (or managers) through election, and 92 units whose shop heads and team and group leaders were elected.

The Central Committee of the Chinese Communist Party and the State Council of the People's Republic of China have begun to promulgate the "Provisional Regulations Regarding the Congress of Staff and Workers in State Enterprises." This document sums up our experiences in effecting democratic administration of enterprises in Sichuan and other provinces in China, and investing them with legal rights.

These provisional regulations stipulate that the Congress (or assembly) of Staff and Workers be the basic form of democratic management of the enterprise, and that a sharing of power enables the staff and workers to participate in the decision and administration, and to supervise the cadres in their work. In light of the requirements of the country's policy and, decrees about planning, the Staff-and-Workers Congress have the following powers:

(a) The power to discuss and make relevant decisions regarding the factory director's work report, production and construction plan, financial budget and final accounts, as well as potential tapping innovation schemes and other important issues concerning management and administration.

(b) The power to discuss and decide upon the right way to use the enterprise's funds for labor safety programs, for staff and workers' welfare, and for their encouragement and use of rules to reward or punish the employees, and upon the plan for allotting dwelling houses to employees.

(c) The power to adopt through discussion motions concerning enterprise system reform, and to pass wage-adjusting schemes, offer training programs for the workers and staff members, and other important factory-wide rules and regulations.

(d) The power to supervise the leading cadres and functionaries at all levels of the enterprise: to ask the higher authorities to praise and encourage those who always work hard and have made outstanding achievements, to suggest that the higher body promote those cadres who have made special contributions, to propose that the higher authorities criticize, punish or remove from office those cadres who are irresponsible and have caused losses, and to suggest that the Communist Party's discipline-inspecting organ and the state judicial organ sternly punish those cadres who have seriously neglected their duty and violated the laws.

(e) The power to elect the enterprise's leading administrative personnel in accordance with government authorities. The names of cadres at different levels who come from democratic election should be submitted to relevant authorities for examination, approval, and appointment.

The document has also set stipulations concerning the staff and workers' representatives in being elected, their terms of office, rights and duties, and the organizational system and working setup of the Staff-and-Workers' Congress representative assembly.

During his tour of investigation in Sichuan, a Japanese economist told me he worried whether this democratic administrative system now being practiced in China in the form of the Staff and Workers' Congress can effectively manage the enterprise, especially whether the democratic election of cadres can really put into office those people endowed with the talent of management. His worry was not totally groundless. As a matter of fact, some Chinese economists and sociologists, and some cadres themselves, had similar worries in the early

implementation of the system. However, facts about the success of this system are convincing. The following are some of them:

Congqing Iron and Steel Company, a large complex consisting of 24 factories and mines with 45,000 workers and staff members, was among the first batch of enterprises in the province to be extended independent powers. It was also one of the first to institute the Staff and Workers' Congress. The company began the experiment by selecting middle and grassroots level cadres through elections, and after two months this was completed in all of its 24 factories and mines. As a result, 2,124 people were elected either as shop heads or section chiefs, or work team leaders. Among this number 1,379 people had been cadres originally; but for 745 people it was the first time for them to hold such positions. This led to three changes in the composition of the current cadreship, as compared with that of the pre-election days.

First, the number of technical personnel has increased four times. Second, the number of people with technical secondary school education, or more, has increased four times. Third, their average age is 8 years less than the previous leaders. In other words, in the cadre ranks now there are more people who know not only their professional work, but new technologies as well. They are better educated and are still in the prime of life. All this is in conformity with the demand of China's modernization strategy. No doubt, therefore, this is enormous progress. Now the change in the composition of the cadre ranks has brought about an improvement in the art of management and administration of the enterprise. In the past few years, the company has created the best economic and technical record since its founding. Several of its technical and economic indices rank first in all of the country.

Number 1 Cotton Textile, Printing and Dyeing Mill of Sichuan, a complex with 10,000 workers and staff members, was another of the 100 enterprises which carried out the experiment to enlarge its independent powers. In this unit, the fully democratic cadre has not yet been put into practice, but its Workers and Staff Congress is playing a remarkable role in the enterprise's management and policy-making. Before reform, the factory had held occasional meetings of staff and workers' representatives, but 85 percent of the agenda was related to welfare matters, and nothing else. And because the factory at that time had no funds of its own which it could freely budget, most of the draft resolutions could not be put into effect. Now, however, 85 percent of the proposals from the Staff and Workers' Congress have focused on the factory's management and administration. And once adopted, they are readily carried into effect.

What is it, then, that has impelled the masses of workers and staff members to show such deep concern for the enterprise's management and administration, and for the election of cadres? The workers' representatives at the Number 1 Cotton Textile, Printing and Dyeing Mill of Sichuan answered this question for me. They said that it is the extension of the enterprise's independent power which has closely tied together the interests of the state, the enterprise, the staff, and workers. This factory is among those which practices the system of independent accounting, and it has sole responsibility for profits or losses. It has agreed with the authorities on the following experimental method.

From its sales proceeds, the factory must first of all deduct its expenses for raw material, production costs, and payment for industrial and commercial taxes. Then, of the remaining sum, 69 percent goes to the state in the form of income tax, while the remaining 31 percent can be

kept for its own uses. Of this share, a part is to be used for wages, and the remaining part is to be spent as follows: 40 percent should be spent as funds for the development of production, 30 percent for collective welfare funds, 20 percent as funds for encouraging and rewarding staff and workers, while the remaining 10 percent is saved as a reserve fund.

This experimental method contains mechanisms which can automatically readjust the interests of the three parties, namely, the state, the enterprise, as well as that of the staff and workers. It means that as the enterprise keeps more funds, staff members and workers get more pay. Under such conditions, to run the enterprise well becomes the common desire of both the responsible state institution and the broad masses of workers and staff members. Therefore, how to choose or recommend the best people with managerial and administrative talents for the leading posts naturally becomes an important task which focuses everybody's attention. After reforms, the enterprise's proprietary rights and the power to manage and administer are combined into one. The workers and staff members' personal interests are brought in line with those of the state and the enterprise. This is where lies the secret of why the staff and workers' representative assembly has great vitality.

Along with the Staff and Workers' Congress under the leadership of the Party committee, Chinese enterprises have also instituted a system of vesting responsibility in the factory director who works under the leadership of the Party committee. The main element of this system is to establish a highly authoritative production-directing system, with the factory director as its head. It seeks to set up a system of responsibility for production technology and for the economy at different levels, headed by the factory director. Thus, he may exercise a commanding power over all the activities of the factory's production, management and administration.

In the next step toward economic democracy, the Central Committee of the Chinese Communist Party and the State Council of the People's Republic of China promulgated the "Provisional Regulations Concerning the Work of the Directors of State-Run Factories." This document defines the factory director's appointment and removal, duties and powers, rewards and punishments, and it shows the way to establish a production-directing system in the factory. Like the aforesaid "Provisional Regulations Regarding The Congress of Staff and Workers in State Enterprises," this document is also an economic decree for all Chinese industrial enterprises to abide by. Regarding the relationship between the factory director and the Staff and Workers' Congress, this document stipulates that the factory director should have respect for the functions and powers of the Congress, support its work and accept its supervision. He should regularly report back to it on his work regarding the resolutions adopted by the Congress concerning production or administrative work. Should the director's opinion differ from that of the Congress, the former might ask for reconsideration. Should he still disagree with the decisions made after reconsideration, he can submit the issue to the factory Party Committee for a ruling.

In the Chinese industrial enterprise, the organization of the Chinese Communist Party exercises a collective leadership in the implementation of the Party's general and specific policies, and in ideological and political work. The factory director gives directions regarding production and technology as well as managerial and administrative activities. Therefore, the Staff and Workers' Congress runs the enterprise in a democratic way. These are the three cardinal principles concerning the system of leadership of industrial enterprises. On hearing that

economic democracy was effected in Chinese enterprises, some foreign experts thought this was an abandonment of the unified system of a command economy. Others regarded the restructuring of our former economic system as bringing about capitalist liberalization. Both were total misunderstandings.

### **THE REFORM WILL BE CARRIED ON WITH UNREMITTING EFFORTS**

The reform of economic administration and managerial systems carried out in Sichuan over the years is only partial and exploratory. The methods used are far from perfect, especially, as to how to strengthen and guide the macro economy, while also stimulating the micro economy. There still exist a number of problems to be solved. But the orientation of our reforms is quite correct.

It signifies several changes: (a) To strengthen centralized leadership of the state in the macro economic activities, while in micro economic activities granting organizations their own independent powers; (b) While upholding socialist planned economics as a prerequisite, to make every effort to bring into play the supplementary role of the market; (c) In place of the past practice of managing the economy merely by administrative means, to resort to a new approach which is a combination of administrative and economic measures; namely, to manage the economy by means of both economic levers and economic decrees. Now to make a long story short, we seek the best solution to these problems, and they constitute the overall task of China's system of economic administrative reform. For this purpose, it is necessary not only to extend the enterprise's independent powers, but also to carry out a series of successive and synchronous restructuring and reforms in planning, financing, taxing, pricing, and banking, as well as in commerce, obtaining raw materials, conducting foreign trade, and paying wages. It also requires the reorganization and merging of enterprises, the establishment of leading economic organizations, and their obligations. This is a complex and arduous, but historic task. But China's relevant leading organizations, as well as economists and workers, are determined to fulfill it.

China is a developing socialist country, and a large one, having a population of over a billion people, most of whom are peasants. The nation's economic, administrative and managerial systems must fall in line with this basic condition. I greatly appreciate the remarks of an American scholar who spoke during a visit to China, about how China should correctly deal with the problem of learning from foreigners about management and administration. The concluding comment was as follows: "The key to China's fundamental problems lies in China, and nowhere else."

This is quite true. Since conditions differ from country to country in the world today, no foreign country's economic, administrative, and managerial systems, however effective, can be copied without being adapted in China. By this, of course, I do not mean that we should not learn from other countries and their experiences. What I mean is that we must not indiscriminately follow foreign models regardless of our own experience and conditions. The task confronting the Chinese people and the Chinese economy is to draw upon our experiences during past decades since the founding of the new People's Republic of China. We should especially assess our recent years of experimentation in reform. Through carefully studying the experiences of various foreign countries, we may draw on their good qualities, and then work out

a well-conceived program for our own reform. Finally, through practice, we can gradually develop a new managerial and administrative system that fits the development of China's economy and society. The Chinese people, and Chinese economists, are confident and capable of fulfilling this task. They are also willing to exchange experiences, with the people, economists and sociologists of all countries on friendly terms.

## Chapter 9

### *THE MORAL POSTULATES OF KIBBUTZ CULTURE*

**Melford E. Spiro**

This chapter will focus on *Kiryat Yedidim*, a kibbutz in modern Israel. The strength of the kibbutz, according to official federation principles, lies in its essential social nature which strives for the complete harmony of the individual and the group in every sphere of life, for the maximum development of each individual, and for the constant deepening of human ethical relations and social values.

To have begun this chapter on economic democracy in the usual fashion, with a description of the natural environment or of the subsistence economy of Kiryat Yedidim, would do violence to the inner meaning of its culture. Kiryat Yedidim, to be sure, is an agricultural village consisting of men and women who inhabit a common geographic area and who make their living by tilling the soil in a cooperative fashion. But Kiryat Yedidim is also and primarily, a fellowship of those who share a common faith and who have banded together to implement that faith. To live *in* Kiryat Yedidim means to become a member of a kibbutz, and membership in a kibbutz entails more than voting at town meetings, or driving a tractor in the wheat fields, or living in a lovely village. It means, primarily, becoming a *chaver kibbutz*, a comrade of the kibbutz, that is, a person who is dedicated to the social, economic, and national ideals for which the kibbutz stands. These ideals were formulated before Kiryat Yedidim came into being and, indeed, it was founded with the purpose of bringing these ideals into being. Hence, these ideals must be understood, if the kibbutz is to be understood.

Probably the single most important ideal upon which the entire kibbutz culture is based is what might be termed the moral value of labor. It is no accident, for example, that today, when the entire kibbutz movement is experiencing a profound crisis, it is this principle of *avodah atzmit*, or self-labor, which has become the measure of the devotion of a kibbutz to its original ideals. The founders of Kiryat Yedidim, in many instances, were intellectuals for whom labor was a calling rather than a habit. For them, labor was not merely a means for the satisfaction of human needs; rather, labor itself was viewed as a need, probably man's most important need, the satisfaction of which became an end in itself. *Ki ha-avodah hi chayenu* is the way the kibbutz expresses it, "For labor is the essence of our life." This phrase may be said to be the very essence of kibbutz living.

This attitude toward labor did not, of course, originate with the early Kibbutz pioneers, the founders, of Kiryat Yedidim. Emphasis on labor had long been integral to the pioneering tradition in Zionism. As early as 1882, when one of the first contingents of Russian Jews migrated to Palestine, the ideal of labor on the land was already in process of formulation. As one pioneer put it:

Farmer! Be a free man among men, but a slave to the soil... Kneel and bow down to it every day. Nurse its furrows-and then even its stony clods will yield a blessing! And in this "slavery" remember that you are a tiller of the soil! A tiller of the soil in Palestine! This must become a badge of honor among our people.

## THE RELIGION OF LABOR

But the most important influence came from the pioneers of the Second Aliya (1904-1914) and, specifically, from the seer of the Palestinian labor movement, Aaron David Gordon (1856-1922). It was Gordon who invented the term, *dat ha-avodah*, “the religion of labor.” For him labor was a uniquely creative act, as well as an ultimate value. Through labor, he taught, man became one with himself, society, and nature. But, he warned, it would not be easy:

A people that has become accustomed to every mode of life save the natural one—the life of self-conscious and self-supporting labor—such a people will never become a living, natural laboring people unless it strain every fibre of its will to attain that goal. Labor is not merely the factor which establishes man’s contact with the land and his claim to the land; it is also the principle force in the building of a national civilization. Labor is a great human ideal for the future, and a great ideal is like the healing sun. We need fanatics of labor in the most exalted sense of the word (Gordon, 1938).

Gordon’s “religion of labor” not only influenced his own generation of Zionist pioneers, but it served to shape the subsequent history of Jewish labor enterprise in Palestine. Hence, the stress in Kiryat Yedidim on labor as a calling is an ideal which it shares, not only with other collective and cooperative settlements, but with the entire labor movement in Israel.

This attitude to labor is particularly significant and, in a profoundly psychological sense, explicable only in view of the *petit bourgeois* backgrounds of the pioneers. Before their immigration to Israel, they had not engaged in physical labor; moreover, they were reared in a culture that demeaned labor, as well as the laborer. The persons who were looked down upon in the *shtetl*, the Eastern European villages in which the pioneers were born, were the *prost*. “Prost” is the Yiddish equivalent of “crude” or “vulgar,” and the attitude towards unskilled workers on the part of the *shtetl* is revealed most clearly in its appellation of these workers as the *prost*. In such villages, according to Zborowski and Herzon (1952)

It is better... to be a salesman than to be an artisan. A salesman works with his brain, an artisan merely with his brawn. For a man who “comes from *yikhus*” (a respected family) to engage in manual labor, even under stress of economic necessity, is a calamity for manual labor has come to symbolize the antithesis of the social ideal—a life devoted entirely to study (p. 247).

Hence, the ideal of work as an ultimate value represents, in the case of the pioneers, a cultural revolution. To achieve it they had to overcome the resistance of both their trained values and their untrained muscles. It is little wonder that one of their first goals was *kibbush ha-avodah*, the conquest of labor.

Kiryat Yedidim, then, is not a worker’s community in the same sense that many of the utopian societies of Nineteenth-Century America were. This is a community which was founded, for the most part, by middle-class intellectuals who deliberately chose to be workers. By so choosing, they reversed both the traditional prestige hierarchy and the historical aspiration of upward mobility. Instead of aspiring to rise up the social ladder, they aspired to descend. For

the comrades, then, it is not business, as in European bourgeois culture, or scholarship, as in the shtetl culture, but labor which is the highest vocational goal. This goal, it must be stressed, is primarily a spiritual goal, it is a means to self-realization. As the folk-song has it: "To Palestine we have come, to build and to be built in it (the land)." This Tolstoyan attitude toward work could be evolved, it is not hazardous to say, only by romantic, urban intellectuals.

The "moral value of labor" stresses not only the latter aspect of the principle of self-labor, but the former aspect, which emphasizes the self is equally important. This general principle of the labor movement, when applied to the kibbutz, means that no one may be employed from the outside to work in the kibbutz, and that all work must be performed by the members of the kibbutz. Exceptions might be made in certain kinds of labor for which members may have had no training, such as house construction or language instruction in the high school, but no exception may be made in the case of other kinds of labor, no matter how difficult or repulsive it might be. The opposition to hired labor is based on three ethical considerations. First, there is the *mystique* of labor, already hinted at, which stresses the dignity and creativeness of labor and the need to strike roots in the soil. Then, there is the fear, which first arose when the Arabs were the majority group, in Palestine, that the introduction of hired labor would open the way to the employment of cheap Arab labor. If this happened, it was thought, the kibbutz would eventually become a plantation, worked by Arab labor for the benefit of what would then become the leisure class of kibbutz owners. The socialist ideology of Kiryat Yedidim, with its abhorrence of "surplus value" and its notion that all wage labor entails exploitation, is the third ethical opposition to hired labor and the insistence on self-labor.

The early pioneers, in short, constitute a class-conscious proletariat, *par excellence*; and it is not surprising that one's prestige in Kiryat Yedidim is determined primarily by excellence in and devotion to one's work.

Not all work, however, is equally valued. Physical labor enjoys the greatest prestige. The further removed it is from physical labor, the less prestige a job confers. This means, of course, that pure intellectual work does not confer great prestige, despite the fact that Kiryat Yedidim is a highly cultured community, one which is devoted to intellectual and artistic experience. Of the various categories of physical labor, agricultural labor is valued the most. Even among the agricultural branches, however, differential stereotypes have arisen. Those who work in the orchards and vineyards are thought to be intellectual, easygoing people, who are not particularly energetic. Shepherds are supposedly romantic, and inclined to be a bit lazy. On the other hand, the *falachim*, those who work in the grain fields, are presumably hard, energetic workers. They enjoy a national reputation, moreover, for the stereotype has it that the field workers of the past have become the country's leaders, and have built the important labor institutions.

It is difficult to assess the relative physical difficulty of these various occupations. It is probably true that, in many respects, the *falach* has the hardest job. There are certain periods, such as the harvest, when the combines work almost twenty-four hours a day, demanding almost superhuman effort. But there is another, and probably more cogent, reason for prestige which has little to do with the difficulty of his work. The kibbutz distinguishes between "productive" work and "services." The former enjoys the greater prestige, and, or, perhaps, because, it yields a cash income. Hence, *falcha*, the cereal crop, is the most important agricultural branch in the

kibbutz economy, for it historically has yielded the highest economic return. The economic importance of the branch has been generalized to the social importance of the person who works in that branch.

The importance attached to work is in constant evidence in Kiryat Yedidim and almost everyone responds to it. Work has become almost a compulsive habit, so that absence from work, even for good cause, elicits feelings of guilt. For three months, for example, I had been working in the fields with a companion whose work was characterized by drive and great energy, and who seldom took a break. I was amazed to discover somewhat later that this labor was tortuous to her; she could not tolerate the heat, and she suffered constant pains in her arms and hands. In another case, a kibbutznik donated one day a week to work in an immigrant camp. She became quite ill, and was ordered to bed by the doctor. She complained, however, that she must return to her work, and when she heard that there was no one to take her place in the camp, she insisted on rising from her sickbed and returning to the camp. It is interesting to note in this connection that, according to the kibbutz nurse, there are no cases of malingering or of “gold-bricking.” How compelling this drive for work can become, even for an outsider, is illustrated by another experience. During my onsite research it was mutually decided that I would pay for my expenses by working half a day, and by paying the kibbutz for the other half-day. Toward the end of the study, it became apparent that it would be impossible to complete my projected research aims, unless I had more free time for research. I obtained permission from the Secretariat of the kibbutz to work only one-quarter time for two months, and to make up the difference in cash payments. As soon as I started my quarter-time schedule, however, I realized that I would accomplish little work. My own guilt feelings were too great. No one mentioned the fact that I was not working regular hours, and probably few knew of it; nevertheless, I felt that I was shirking my kibbutz responsibility. I stayed away from public places during the day, trying to avoid my comrades. The influence of this dominant attitude is so great, that a complete stranger becomes acculturated to it within a few months.

Since labor is of such great importance, it follows that the individual who shirks his work responsibilities, or who is inefficient in his work, does not enjoy the respect of his fellows. Regardless of his other talents the lazy person occupies the position of lowest prestige in the hierarchy of Kiryat Yedidim.

### COMMUNAL OWNERSHIP

A second moral principle of kibbutz culture is that the property used and produced by the entire community rightfully belongs to the entire community as a communal asset. Hence, the economy rests on the public ownership of property. The land inhabited and worked by the kibbutz is not owned by any individual or by any family, nor even by the kibbutz itself. It is owned, rather, by the entire nation, having been acquired by a national agency, the *Keren Kayemet*, the Jewish National Fund, by funds raised through voluntary contributions. The Keren Kayemet rents the land to the kibbutz on a ninety-nine year renewable lease, for which the latter pays an annual rent starting only after its fifth year of two percent of the original cost of the land, plus improvements. National ownership of land is an ethical imperative, it is believed, because it precludes such “evils” as land speculation, absentee ownership, and “unearned” income through rent. Moreover, it prevents the rise of a society composed, of a landed gentry and a disinherited peasantry.

Although its land is owned by the nation, all other property in Kiryat Yedidim is owned collectively by the members of the kibbutz. Ideally, the individual owns nothing with the exception of small personal gifts and those personal effects which he may buy with his annual vacation allowance a few Israeli pounds. Hence, the house in which he lives, the trucks and tractors he operates, the cattle he cares for, the clothes he wears, and the food he eats are owned by the kibbutz. Since private property has been abolished, the individual receives no wages for his work; since he lives in a house owned by the kibbutz, he pays no rent; and since he eats in the kibbutz dining room, he has no food bills. Moreover, he receives his clothes, like everyone else, from the kibbutz clothing room while smaller articles, like combs and toothbrushes are obtained at the kibbutz communal store. Should he be ill, his medical and hospital bills are taken care of by the kibbutz. In short, the individual has no money, nor does he need any, because his economic needs are satisfied by the kibbutz.

The principle of public ownership derives, of course, from the emphasis placed on the moral value of equality. Private property, it is felt, together with the profit motive and the competitiveness that accompany it, destroy the bonds of brotherhood. The kibbutz insists that only in the absence of private property is it possible to establish an economic system in which economic classes and economic inequalities are abolished and, consequently, in which greater brotherhood can be achieved.

Communal ownership, then, is related to another moral principle underlying kibbutz culture, that of social and economic *equality*. In the event that Kiryat Yedidim does not have enough goods or services to supply all its members equally, distribution is regulated according to seniority of arrival in the country. For example, the new housing development, consisting of two-room, instead of the usual one-room apartments, is open only to those persons who have been in the country for at least thirty years. Except for such special cases, however, economic distribution is formally equal such as the distribution of clothes.

In the past, the emphasis on formal economic equality was taken much more literally than it is today. Clothes, for example, in earlier years of the 1920s, were not marked in the laundry, on the principle that all clothes were publicly owned. Hence, a person did not receive from the laundry the same clean clothes that he had previously worn. Instead, he was given the first pair of pants, dress, or socks that happened to be on top of the laundry pile. This, of course, created highly ludicrous situations, such as tall persons having to wear short pants, or slender persons being forced to wear large dresses. This system, known as the first commune, was soon modified at the insistence of the women, who demanded that they be fitted for dresses. The sizes of the clothes were marked, so that a member, when he came for his weekly laundry, would not necessarily receive the same clothes he had worn the week before, but he would, at least, receive his own size.

In the middle 1930s, the second commune was instituted. It was becoming apparent that the members were not entirely careful with the clothes they wore, and there was a high percentage of torn and soiled clothes. It was felt that if the clothes were marked, and if each person were to receive the same clothes from the laundry, he could then be held responsible for their care. This is the system that is still in operation. All clothing, like everything else, is technically owned by the kibbutz. But each individual receives his clothing allowance for the

year, and the clothes he receives are “his,” in the sense that they are marked with his name, he wears them, and he is responsible for them.

Despite this formal equality in the basic necessities, certain inequalities in luxuries have arisen due to conditions not provided for in the formal structure of the kibbutz. Some people receive presents of food, clothing, and furniture, from relatives who do not reside in Kiryat Yedidim, while others do not. Some individuals, moreover, work outside the kibbutz during their vacations, and purchase what they please with the extra money they earn. Some have relatives or friends outside the kibbutz with whom they can stay when they go to the cities, which enables them to save from their annual vacation money, what others must pay in hotel and restaurant bills. This saving enables them to purchase small personal objects. As a result of all these factors, the complete economic equality that once characterized the kibbutz has been slightly qualified.

It may be stated as a general rule, however, that all individuals receive the same clothing allotment, eat the same food in the communal dining room, and enjoy the same housing conditions, regardless of their economic skill, their economic importance to the kibbutz, their prestige, or their power. For, despite having awareness that people differ greatly in ability or in skill, the kibbutz insists that such differences should not be used as a basis for differences in privileges. All individuals have an equal right to the good things of the community, although they do not contribute to it equally.

This observation serves to remind us that the equality principle of kibbutz culture is qualified by another ethical consideration, that of need. The kibbutz believes in the principle “from each according to his ability, to each according to his need,” an idea which conflicts at times with its principle of equality. In resolving this conflict, it is usually the need, rather than the equality, that prevails. A field hand, whose relative productivity is great, eats the common austerity fare of the dining room, even though he has worked strenuously in the hot Israeli sun. But an office worker of low prestige in the kibbutz value hierarchy, whose productivity is low, may receive a special diet, comparatively sumptuous, because of some physical condition. A man with children works no harder than a man without children, but the kibbutz provides not only for his wants, but also for the care of his children. In effect, those with no children, or with few children, subsidize those who do have children.

## **SOCIAL EQUALITY**

Not so obvious upon first arriving in Kiryat Yedidim, but just as important for an understanding of kibbutz culture, is the social equality which exists, and of which one becomes acutely aware whenever one leaves the kibbutz, even for a short time. There is no class structure in Kiryat Yedidim, and there is no differential reward system for different kinds of labor based on some ranking technique. Some kinds of work, as has already been observed, are valued more highly than others; but those who occupy the more highly valued jobs, receive no greater reward than the others. The important psychological fact about kibbutz culture is that everyone, regardless of their work, is viewed as a worker, with the same privileges and responsibilities as anyone else. Menial work, which in capitalist society might mark one as a social inferior, does not carry that stigma in Kiryat Yedidim. The general manager, the highest elective officer in the kibbutz, is not the social superior of the janitor cleaning bathrooms. Hence, there is no work

which a person is ashamed to accept because it would demean him socially. There is, thus, little, if any subordination of one group of individuals to another; there is no polarization of society into those who command and those who obey, those who are respected and those who respect. There is no need for some to be subservient before others, or to be nice to them, for fear of losing their jobs. In short, many of the social inequalities existing in a stratified society do not exist in Kiryat Yedidim (Rosenfeld, 1957).

This achievement can be illustrated by two examples. The recently arrived European physician, not a member of the kibbutz, asked one of the women for the name of the maid in the clinic. She did not understand to whom he was referring until he explained that he meant the woman who regularly cleaned the clinic. The woman then explained to him that there were no maids in Kiryat Yedidim, that this woman would probably be sitting next to him at dinner that evening, and, moreover, that this maid was an important official in the kibbutz. While making a survey of the various types of kibbutzim, we arrived at a certain kibbutz in order to interview a member of the Israeli Parliament. We were told, on our arrival, that he was to be found in the cemetery, for his job, when Parliament was not in session, consisted in caring for the graveyard. He came to greet us in his work clothes and kindly consented to grant us an interview in the meadow, for his wife, who worked nights in the dairy, was sleeping in their room.

It should be emphasized that the absence of social classes as conventionally conceived, does not imply the absence of either some type of ranking system in Kiryat Yedidim or of horizontal social groupings. The kibbutz is not a homogeneous concentration of persons, all of whom enjoy equal prestige and power, and each of whom interacts with all others with equal frequency. On the contrary, differential prestige and power as well as social cliques are to be found in Kiryat Yedidim; and it may be well to delineate their broad outlines.

Although the various kibbutz offices are held on a temporary and a rotation basis, those who happen to hold these offices do enjoy considerable power. Moreover, though the tenure of office is limited to two or three years, only a small number of members possess the necessary skills required to cope with the complexities of such offices as general manager, secretary, treasurer, etc., so that, in effect, these offices rotate among a small core of twelve to fifteen persons. Hence, power within the kibbutz is not equally distributed; it is, rather, concentrated within this small core. It should nevertheless be emphasized that those who occupy these offices enjoy no special privileges and receive no material rewards. Their power, moreover, is limited by the fact that major decisions are made, not by them, but by the town meeting; and that they are under the constant surveillance of the town meeting, and subject to its power of recall. At the same time this core is not a united group, but is comprised of individuals and of sub-groups who disagree, and are often in conflict, with each other. Finally, this is neither a closed, nor a self-appointed group. Rather, it is a group whose members are elected by the kibbutz on the basis of ability and demonstrated performance, and one which is always open to recruits chosen by the town meeting should it deem them capable of holding office.

Many of these same considerations apply to those who enjoy prestige. With one possible exception, prestige in Kiryat Yedidim is a function of achieved, rather than of ascribed, status; and the persons of prestige constitute a social category rather than a social group. Prestige is achieved by being a productive and devoted worker, by implementing kibbutz ideals in one's daily life, by being a synthetic personality, and by being a founder of the kibbutz. The first three

qualifications are, of course, attained only through achievement and they are open to all. The fourth, though not open to present achievement, was attained through past achievement. Moreover, it is not sufficient merely to be a founder; to merit prestige, the one must constantly validate his status by his daily behavior rather than by resting on the glories of the past. Nor, it should be noted, is prestige inherited by one's children. The latter must achieve their own prestige through the same avenues that are open to children of other members, and the status of their parents confers upon them no competitive advantage.

But Kiryat Yedidim is not only stratified by power and prestige. It may be subdivided into horizontal groups, as well; that is, into friendship groups or cliques, based on at least four factors: age, occupation, residential contiguity, and interests. Usually these criteria overlap, for friendship groups, as measured by social visiting in the evening, usually consist of individuals of the same generation. The latter, in turn, usually share the same interests; and, as a result of the kibbutz system of distributing housing, they usually live in the same living area. The kibbutz itself recognizes what it calls, four age layers, and it is rare that a clique consists of individuals from overlapping layers. Not all members of the same layer, however, comprise a single clique. Within the layers, cliques are formed on the basis of common interests-intellectual, political, discontent, and so on.

This combination of age and residential contiguity does not account for all cliques, for it is sometimes overruled by occupational interests and by power position. Those who comprise the small core which holds power are not necessarily a friendship group, but they are, nevertheless, characterized by a high frequency of interaction, since it is they who must meet, frequently over a cup of tea in the evening, to solve the many problems that are constantly arising in the kibbutz. They are not always of the same generation, nor do they live in spatial proximity.

Similarly, workers in some economic branches, establish a strong *esprit de corps* which may carry over to their non-working hours. Hence, though not of the same generation and though they do not share a common living area, they constitute a clique based on personal friendship which had its origin in a common occupational interest. It should be noted, moreover, that to the extent that some economic branches are unisexual in character membership in the cliques is also unisexual, so that sex becomes a criterion for social grouping.

## **FREEDOM AND THE GROUP**

Another principle underlying the culture of Kiryat Yedidim is that of individual liberty; indeed, the kibbutz prides itself on being the freest society in the world. In the early history of Kiryat Yedidim, emphasis on freedom meant primarily freedom from the artificial conventions of all urban civilization. Once it was settled on its own land, however, and the necessity for some kind of social organization and authority arose, this earlier notion of freedom was expanded to include opposition to any system of authority. The kibbutz, it was assumed, was an organic community, and its work would somehow get accomplished without the necessity of investing any individual or individuals with power over their associates. Hence, Kiryat Yedidim had no officers, and all decisions were made in informal group discussions that included neither a chairman nor an agenda. As it grew larger, however, and as its economy expanded, it became evident that some kind of formal organization was required and that it was necessary to delegate

power. But in order to prevent any individual from acquiring personal power and/or to prevent the rise of an entrenched bureaucracy, it was decided that all offices, from the most menial to that of the general manager, should be held for a maximum of two or three years. This tenure limitation, it was hoped, would lead to a rotation of individuals in the various power positions, and would, therefore, ensure the maximum liberty of the kibbutz members.

This emphasis on freedom, it should be noted, is manifest not only in its formal structure, but in its freedom of expression as well. Any curtailment of freedom of speech, or of reading, is abhorrent to its members, and no censorship of any kind exists.

Finally, a discussion of the moral postulates of this culture must include the principle which might be termed the moral value of the group. The group, in kibbutz culture, is not only a means to the happiness of the individual; the group and group processes are moral ends in their own right. This has three aspects. It means, first, that the interests of the individual must be subordinate to the interests of the group. When the needs of the individual and those of the group come into conflict, the individual is expected to abdicate his needs in favor of the group's. This applies to vocational interests, as well as to ideological convictions. A person's vocational preferences are usually considered in deciding his work assignment; but if the kibbutz requires his labor or skill in some special branch, he is expected to recognize the paramount needs of the group. The same logic applies to ideological matters. An individual is permitted complete freedom in the process of arriving at political decisions and in attempting to convince others of his point of view. But once a formal decision is reached by the kibbutz, he is expected to acquiesce in its decision and to support it, however much it conflicts with his personal views.

A second aspect of the emphasis on the ethical value of the group involves the assumption that the individual's motivations will always be directed to the promotion of the group's interests, as well as of his own. Behavior is expected to be characterized by mutual aid. This means that every member of the kibbutz is responsible for the welfare of every other member and for the welfare of the kibbutz as a whole, just as the kibbutz is responsible for the welfare of each individual. The consequence of this principle is that no one is to suffer for lack of medical care, education for children, food, shelter, clothing, or any other need, as long as the kibbutz can provide the individual with these requirements.

The emphasis on the moral value of the group means, finally, that group living and group experiences are valued more highly than their individual counterparts. Indeed, so important is the value of group experience that those who seek a great degree of privacy are viewed as strange. The kibbutz is interested in creating a community. The ultimate criterion of either a good kibbutz, a good high school, or a good kindergarten, is whether or not it has become a community. Kiryat Yedidim is a group which is characterized by intimacy of interaction, and by mutual concern, if not by love. The kibbutz, in short, is a *gemeinschaft*, or, to use their term, an organic community. It is apparent, therefore, that the individualist, the person who cherishes his own privacy more than a group experience, constitutes a threat to the group. The desire for privacy either prevents the group from becoming a community, or symbolizes the fact that it is not one, for if it were, the individual would prefer to be with the group than to be alone.

To insist on privacy is a serious weakness. One of the worst things you can say of a man is, "he keeps it for himself," or "he hides it from others," whether "it" is money or wisdom,

clothes or news. Locked doors, isolation, avoidance of community control, all arouse suspicion. Members should be free to come in whenever they like at any time of the day. Withdrawal is felt as attack, whether physical or psychological, and isolation is intolerable. Life is with people. Everywhere people cluster to talk, at home, in the market place, on the street. Everyone wants to pick up the latest news, the newest gossip.

The freedom to observe and to pass judgment on one's fellows, the need to communicate and share events and emotions, is inseparable from a strong feeling that individuals are responsible to and for each other (Zborowski & Herzog, 1952, pp. 225-227).

These moral postulates constitute the social ethics of Kiryat Yedidim and represent, for them, the basic tenets of socialism. But socialism is only one of the twin principles on which the historical kibbutz culture rests; the other principle is Zionism. For Kiryat Yedidim, the kibbutz is not only a means to social and personal liberation, it is a means to national liberation, as well. Socialism, as defined by the tenets described in this chapter, represents the universalistic principle of kibbutz culture. Zionism represents its particularistic, Jewish principle. It is no accident, therefore, that Kiryat Yedidim was founded in Palestine rather than in Eastern Europe, the birthplace of the founders.

## ZIONIST VALUES

The Zionist convictions of Kiryat Yedidim which, for the most part, is shared with the entire Zionist movement, may be simply stated. The Jews constitute a nation, however dispersed they may have been in the last 1900 years of their history, and however lacking they may have been in the external *accoutrement* of nationhood. Every nation has not only a right, but a duty to survive, and to perpetuate its national culture. The physical survival of the Jewish nation is under a constant threat as long as the Jews remain a national minority living among other political nations. Only in their own historical homeland is it possible for them to escape anti-Semitism and to escape their anomalous minority status. But this minority status has not only made the Jews an easy target for anti-Semitism; it has distorted their psychological and cultural complexion. Being deprived of numerous channels for economic activity, the Jews have been forced into a narrow range of economic outlets—they have become "middlemen." Middlemen are not only economic parasites, but they become distorted by the very nature of their work. They have no appreciation for nature and, hence, strike no roots in the soil. They have no understanding of the essential dignity and creativity of physical labor so they develop a sterile intellectualism, a scholasticism which has no basis in real life.

Zionism can change all these characteristics. By living in their own homeland, Jews are no longer economic parasites, for they are not only middlemen, but they also work the land and run the factories. Having normalized, that is, broadened, their economic base to include the entire range of economic activities, the cultural and intellectual life of Jews will become normalized as well, since it will have its roots in the creative life of the people. And this economic and cultural normalization, in conjunction with its national normalization—escape from minority status and, hence, from anti-Semitism—will enable the Jews to take their rightful and normal place among the nations of the world.

In short, Zionism, for Kiryat Yedidim, although a particularistic movement, has as its ultimate aim a universalistic and humanistic goal. This goal is not the geographic segregation of Jews, with the intention of developing specific Jewish characteristics that will separate the Jews from the non-Jewish world. Its aim, rather, is the concentration of Jews in their homeland so that they may develop a normal national life which, in turn, will enable them to interact with the rest of the world as normal human beings, rather than as members of a dependent, parasitic, fearful minority. For Kiryat Yedidim, then, national liberation is not only as important as social and personal liberation; it is a necessary condition for their existence.

This is not to say, however, that its conception of Zionism does not contain much of the ethnocentrism that characterizes other nationalist philosophies. Like other Israelis, the kibbutzniks polarize their world into *Aretz*, whose literal meaning is “country,” but which is used to refer to *the* country, Israel; and *chutz la-aretz*, which refers to the rest of the world literally, “outside the country.” So, too, they polarize the peoples of the world into *Yehudim*, a term which includes Israeli and non-Israeli Jews alike, and *Goyim*, literally, nations, the rest of mankind. This distinction is rhetorical, inherited from an epoch in which the world was polarized into friends (Jews) and foes (the rest of mankind). Nevertheless, it does not take long for one to realize that this rhetoric expresses an important contemporary psychological attitude. The ethnocentrism of kibbutzniks is expressed, moreover, in their insistence that all Jews ought to settle in Israel, and in their expressed amazement that any Jew who has visited Israel should want to return to one’s native country.

The Zionist philosophy of Kiryat Yedidim serves to explain some of its important characteristics and behavior. Its emphasis on physical labor and its choice of rural, rather than urban living, stems not only from its general social philosophy, but from its Zionist convictions. The “normalization” of Jewish national life requires that Jews return to physical labor and that they strike roots in the soil. Moreover, the very geographic location of the kibbutz was dictated by its Zionist conviction. Kiryat Yedidim was founded on what was then swamp land, in an area which was remote from Jewish settlements. This was part of deliberate Zionist settlement policy, whose aim was to drain the Palestinian swamp land so that more acreage could be brought under cultivation, and to continuously extend the frontiers of Jewish colonization so that all of mandated Palestine would be dotted with Jewish settlements.

It is this same Zionist philosophy that today motivates Kiryat Yedidim, together with other kibbutzim, to devote so much manpower and energies to non-kibbutz, nationalist goals. During, and immediately following, World War II, kibbutz members were to be found in Europe in the vanguard of those who risked their lives in order to smuggle Jewish refugees out of Europe and into Palestine. After the war, the kibbutzim loaned some of their members for work in the refugee camps that were scattered throughout Israel.

Finally, since Kiryat Yedidim viewed itself as a Zionist agency, it has opened its doors for the settlement and rehabilitation of refugee youth. When children from Hitler’s Europe and, more recently, from Moslem countries, arrived in Israel, the country was faced with the problem of how to provide for their care. The kibbutzim, in an agreement with the Jewish Agency, agreed to accept groups of adolescents who would live and be educated in a kibbutz until they were prepared to take their place in the life of the country. And when one group left, another would take its place. The kibbutzim provided them with food, shelter, and their entire education.

This is not to say that their motivations were entirely altruistic. Kiryat Yedidim, for example, derived some benefit from this arrangement in the stipend it received from the Agency for each child it accepted and in the work performed by the youths in the kibbutz economy. The fact is, however, that the financial gain was small, and was more than offset by the great inconveniences which this arrangement caused the kibbutz, all of whose facilities were already strained.

These, then, are the moral postulates of Kiryat Yedidim and, indeed, of all kibbutzim. They are important, not only because they constitute the basis for the social structure of the kibbutz, but because they provide a clue to an important premise of its living, the premise that life is serious. It is serious because the realization of these values, rather than immediate pleasure or self-seeking, is taken to be the purpose of living.

The feeling that life's primary meaning is to be sought in the realization of values that transcend one's own personal importance was best expressed by a kibbutznik who had recently returned from a visit to the United States. When I asked how long it had taken her to become lonesome for Israel, she replied that she missed it almost at once. In America, she said, "they have no values. Of course, in Israel we have austerity, but we have values. We are absorbing immigrants, building a new society. Hence, you feel that your life has meaning. But what meaning does it have in America?"

The consciousness of the seriousness of existence, which is characteristic not only of Kiryat Yedidim, but of the kibbutz movement as a whole, is emphasized at every opportunity, including festive occasions. The annual nationwide dance festival, for example, is held at Kibbutz Dahlia, and is staged by various groups throughout the country, including the kibbutzim. The year that I attended, the audience numbered more than 50,000 and the theme of the festival was the cultural contribution of each of the groups of immigrants to Israel. The dances and songs of the various countries of origin were presented by these groups which had migrated from every part of the world. But, amid the spectacle of the colors and music of many cultures, arose the feature tableau of the evening, wherein was depicted the tragedy of Jewish life throughout the Diaspora, and the struggle and eventual success of the return to the homeland. The audience was reminded that there were still many Jews suffering in the Diaspora, and that the task of all was to work for their redemption and return. It seems that even an evening of folk art cannot be enjoyed simply and for itself, without some message of social significance.

Decades ago, the founders of Kiryat Yedidim, young Jews from the villages of Eastern Europe, left their middle-class homes and emigrated to Palestine in order to found a community based on the principles of equality and community. These are indeed, the moral postulates of kibbutz culture and socio-economic organization.

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