

## SELF-MANAGEMENT IN MATURE CAPITALIST ECONOMIES: PROBLEMS AND PROSPECTS\*)

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### I

The United States has undergone dramatic structural changes in the past several decades, posing serious challenges to democratic policy-making. These structural transformations and their accompanying political-economic impacts have not been limited to the United States. Virtually every advanced capitalist democracy has experienced similar transformations, although the particular way these changes impact on each country takes on specific forms related to the country's history, culture, and the intensity of the structural transformations in each country. Additionally, important changes have occurred in the political-economic role of developing nations which, in turn, have further affected the political economy of the advanced capitalist countries.

The economies of the west (and Japan) have been characterized in a variety of ways: market economies, free market economies, free enterprise economies and monopoly capitalist economies, to list a few. I prefer the characterization: *mature capitalist economies*. This connotes a social system, basically capitalist in form, which has evolved beyond a stage of *infancy* (the period in England, for example, which attracted Karl Marx's attention) through an intermediate or *adolescent* phase (for example, Germany and Great Britain in the early part of this century — the system of imperialism analyzed by Lenin). I would posit that World War II, roughly speaking, saw the end of this adolescent phase and heralded the *mature* phase of capitalism in which we now reside.

One of the primary political-economic questions we face is what is this system and how can it be rationalized? Policy formation and social science analyses have remained mired in the adolescent phase of capitalism creating, in my judgement, some of the malaise we encounter in politics, not only in the United States but in every other mature capitalist economy. Though our economic system remains capitalist in its fundamental contours, nevertheless a mature capitalist system can

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be so unlike its infant and adolescent predecessors that using an analytical framework relevant to one phase can be desperately misleading if applied to a later phase. Similarly, proposing policies relevant to an earlier phase can be quite inappropriate if the underlying political-economic structure is no longer compatible with the contemporary phase in which we reside. This perhaps is a clue to understanding why social democratic or welfare state reforms no longer seem to have the relevance to the social reality we now face that they had previously. I might note, paranthetically, that this is also one of the principal errors of contemporary Marxists who attempt to use either Marx's analysis of the labor process in the infant stage of capitalism as a guide to comprehending the current mature phase of capitalism, or Lenin's equally insightful analysis of imperialism in the adolescent phase of capitalism to understand the contemporary forms of international capitalism as manifested in the multinational corporation.

The characteristics of mature capitalism appear in virtually all of the major advanced capitalist countries with greater or lesser intensity depending upon the particular historical and cultural circumstances of each nation. The salient structural features of these societies are:

1. Currently a phase of relative economic austerity occasioned by the recent regime of economic stagnation which has beset mature capitalist countries. The most important manifestation of the new austerity appears in the rising rates of unemployment coupled with a most severe dose of international and domestic inflation. This phenomenon of economic instability is not readily explained by conventional economic analysis and not at all susceptible to the economic policy instruments presently available to mature capitalist countries.<sup>1)</sup> Whether this is a transitory phenomenon or a more permanent feature of the economic landscape in the remaining quarter of this century is a matter of conjecture. However, any analysis of political change must account, at least, for the possibility of a phase of stagnation and economic austerity which was not dominant in the second quarter of this century.

2. Measurable increases in the concentration of economic power with potential implications for increasing concentration of political power.

3. The development of global institutions — both private and quasigovernment — which transcend national political boundaries.

4. Increasing economic interpenetration both within countries and between countries via the multinationalization of the international economy.

5. The growth of new political-economic power centers whose influence resides in the geo-political sphere and is exercised by means of control of important natural resources.

6. A political malaise caused by the absence of any coherent political program relevant to the mature phase of capitalism, buttressed by the employment of outmoded ideologies to rationalize the current

<sup>1)</sup> I have recently addressed these questions in: Howard M. Wachtel and Peter Adelsheim, *The Inflationary Impact of Unemployment: Price Markups During Postwar Recessions, 1947-1970*, Joint Economic Committee, U.S. Congress (Washington: Government Printing Office, 1976).

phase of capitalism. In the face of current problems, social reform movements of the welfare state variety appear vacuous and inappropriate to the contemporary structural dimensions of mature capitalism.

7. A further and accelerated disintegration of social bonds such as the family, schools, and culture. This leads to a social-psychological disorientation with its attendant forms of destructive reactions to this condition.

8. Further deterioration in work discipline leading to secular declines in rates of productivity increase.

9. Accumulation problems due to falling rates of productivity and problems with work organization. Accompanying this reason for falling rates of accumulation are government regulatory policies which are quite expensive to administer for firms and have a substantial »nuisance« impact. The consequence of these developments is that rates of profit are below expectations and rates of accumulation are reduced. Funds are being hoarded in the form of liquid assets and production is being transferred outside of the borders of the mature capitalist countries to escape work problems and government regulations.

10. Government tax and expenditure policy appears to have reached its limits in that both reduce available funds for private investment. Government borrowing has become so substantial that private borrowers have become »crowded out« from financial markets.

## II

As economic power has become concentrated into fewer and fewer hands, the citizen's outlet for democratic influence has receded. With the growth of centralized private economic power, governmental power has also moved toward the center and away from the individual and the local community. One cannot say definitively which was the cause and which the effect; no doubt both occurred in a reinforcing manner. We do know, however, what the consequences of these structural developments have been: substantial estrangement of the citizen from both economic and political institutions on the subjective (or psychological) level buttressed by clear objective forces which remove the citizen from influence over both economic and political affairs. This separation of the citizen from key institutions has reached the point where the only island he has left is his ability to choose what to buy in the market, but even that island is becoming rapidly encroached as the range of product-choice becomes so narrow that in many cases it approaches a choice between two plastic hamburgers with different brand names, both equally devoid of any nutritional satisfaction. The same is true at the political level where national poll after national poll reports that voters view the political process as offering a narrower and narrower range of choice, much like the two plastic hamburgers, of limited *political* nutritional value — only in this instance, political parties are substituted for brand names. And the result is diminished voter participation, enhanced cynicism about government, and a loss of trust in our democratic institutions and those who represent them.

Part of this estrangement from our major institutions derives from the growing concentration of economic and political power within our national boundaries. Along with this development has been the extension of concentrated economic power to other countries, via multinational corporations. The growth of the multinational corporation has accelerated global interdependence. For purposes of this discussion, the growth of multinational corporations has both increased social instability and added to the objective basis for the feeling of impotence among citizens of the United States.<sup>2)</sup>

For example, a worker has a good job as a machinist in an electronics factory in a town small enough to be manageable. He has had this job for many years; he is approaching middle-age and watches with pride as his children approach college. Then one day he learns that his company is closing its plant in town and moving to Singapore. Plans for a lifetime go down the drain. The worker turns to the two institutions which traditionally are supposed to assist him in these kinds of problems: the union and government. Both proclaim impotence in the face of the plant closure.

This vignette happens; but even where it does not happen it stands as a threatening symbol, impinging on any economic security the working man has struggled to carve out for himself. If unions and government are unable to combat this situation, how can the citizen be expected to transcend the real objective weakness of these two powerful institutions? Putting this vignette into a more analytical context, we find that private economic institutions have been able to augment their increased domestic power even further by becoming global in their operating dimension. And as national governments have been superseded in their ability to influence those private transnational institutions, we have also seen the growth of quasi-governmental international organizations whose role to date has been more to *lubricate* the path toward economic globalism and concentration rather than *regulate* international expansion.

### III

The institutional role of the corporation in mature capitalism is a central and dominant one just as it was in earlier phases of capitalism. In the light of the previous structural analysis of mature capitalism, what should be done with the corporation to mitigate the rough edges of mature capitalism?

The most prominent liberal reform posture toward the corporation involves a combined program of additional and more intense *regulation*, coupled with the use of antitrust policy to break up large corporations into smaller economic units. The latter aspect of the program is designed to reintroduce competition into the market. There are problems with both aspects of this program. Taking the issue of breaking up

<sup>2)</sup> See Richard J. Barnet and Ronald E. Muller, *Global Reach* (New York: Simon and Schuster, 1974).

corporations first, the program presupposes the existence of sufficient popular power to override the substantial political power of corporations, whose very source of power derives from their concentrated economic structure. Consequently, if the source of corporate political power is their economic power, where will the political power come from to undermine the very source of corporate political power other than a new source of economic power? Here we reside in an utterly vicious circle.

Secondly, even if a mammoth effort were mounted to do this — involving legislative, executive, and judicial action — the same thing would have to be redone perhaps every generation. There is one simple fact: the inherent dynamic of the social system of capitalism is toward the elimination of competition and the creation of its opposite — economic concentration. Competition, the touchstone of the Adam Smithian rationale for capitalism, is fundamentally unstable. Inherent forces in the economy tend to create the opposite of competition, namely concentration. A system of concentrated economic power, though perhaps stagnant as an economic system, is stable in that it does not have an inherent dynamic which undermines itself.

Regulation as a way out of our present dilemma seems equally problematical to me. The error of reform movements of the 1960s and 1970s, in my judgement, is that they have intruded into institutions by asking (indeed requiring) those institutions to resolve systemic problems which they were never established to do and which they are incapable of doing. All that happens as a result is increased cost, increased administrative bureaucracy, frustration, and a further estrangement of the individual from institutions. A corporation's purpose, as a functioning economic institution, is to make profits by producing commodities and offering services to buyers. If the social system of which it is a part has inequities in it, the corporation is culpable in so far as they are a part of that social system. But can an *institution* resolve a systemic problem? I think not. And to require it to do so is inordinately costly as well as inefficient. If the problems are systemic, the solutions must be equally systemic in that they seek to go to the core of the structural problem with structural solutions. In spite of these difficulties, there is, nevertheless, a promising future for political rhetoric of corporate regulation and the disassembling of the large corporation, because it is so consonant with the dominant American ideology and mythology. But opportunities for real structural solutions via these avenues are limited by the very underlying structural conditions I have been addressing in this paper.

#### IV

The evolution of capitalism to its mature phase is a structural transformation of important proportions. This structural transformation has affected virtually all of the western capitalist nations (and Japan), albeit in forms peculiar to each country. One response to this transformation has been a movement for workers' participation in va-

rious forms and with varying degrees of intensity depending upon the country. Workers' participation can mean many different things — from the reorganization of factory work into work teams, which have some modicum of control over their immediate work situation, to workers participating in management decisions and in the profits of the enterprise.

In the United States, activities of work reorganization have a long cyclical history, with the latest chapter written in the past six years. The most recent efforts at work reorganization involve primarily the development of work teams which have some influence over »arms length« work decisions. In Sweden, on the other hand, recent legislation was enacted setting up machinery for worker participation in Swedish enterprises, from the immediate »arms length« work decisions to management decisions. Similar legislation is presently being debated in Great Britain with support from important segments of the British labor movement. Co-determination, a postwar German innovation, has been extended and deepened in that country in the past few years.

Why have these movements arisen and how are they related to the structural dimensions of mature capitalism? In mature industrialized societies, the function of *work for the worker* has been the provision of economic gratification. Little attention, if any, has been given to the personal gratification one can obtain from work, even though work occupies nearly one-half of one's waking hours. This fact has not gone unnoticed among workers themselves.

In light of the structural transformations we have identified, many workers in a great number of countries are reacting with their own responses to the social crisis by proposing various forms and degrees of *work humanization*. What this involves pure and simple is an extension of democratic political rights, guaranteed by the U.S. Constitution, into the workplace. In brief, workers are moving to attain more participation in this crucial aspect of their lives.

In terms of Western democratic ideology, what the movement for work humanization entails is the recognition that some of the most important democratic rights involve those decisions closest to the individual — which many of the work decisions are. In the United States, we find that formal democratic rights through voting are guaranteed citizens but many of the decisions taken by politicians are far removed from the day-to-day life of the average citizen. However, every »average citizen« works someplace, and it is important to recognize that democracy has its most significant meaning when the citizen can influence the decisions which most directly affect him. The work decision is a crucial one for it affects the workers' physical safety, personal growth and development, commitment to the institutions closest to his personal and economic welfare, and so on. This view reverses conventional democratic principles. Citizens participate as voters in selecting people to make decisions which are, for the most part, removed from their daily lives but have no formal, or in many instances, even informal democratic rights over decisions that have immense impacts on their daily lives. The worker participation move-

ment argues that individuals should have democratic rights over decisions that most closely affect their welfare and day-to-day activities.

In terms of some of the economic dimensions of mature capitalism, workers' participation is seen by its advocates as a route out of the dilemma of meager work discipline which leads to low rates of productivity, profits below expectations, and, therefore, inadequate rates of accumulation. Put crudely, advocates of workers' participation in Europe are saying to management: »If you will not invest in our industry, we will turn factories over to the workers who will reinvest the surplus«. Paradoxically, this reverses one of the arguments against workers' participation — namely that workers will not accumulate as rapidly if they manage factories and instead will appropriate the surplus for their own wages. The contemporary argument for workers' participation is that this form of management will mitigate the accumulation crisis since a collective of workers will have different expectations about profits and will manifest a different form of investment behaviour leading to higher, not lower, rates of capital accumulation. And not only will rates of accumulation increase, due to different profit expectations, but rates of productivity will also increase owing to the fact that workers now have a stake in running the enterprise. This argument requires less amplification because it is a familiar one that inevitably arises during discussions of workers' participation.

The introduction of a system of workers' participation, however, is not some »magic pill« which once swallowed then corrects all social and personal ailments. In this sense, workers' participation has been oversold by its adherents, promising more than can be delivered. (Workers' participation has its advantages but it also has its problems.<sup>3</sup>) To talk only about the advantages without the problems does a distinct disservice to the institution of workers' participation. There are serious problems of workers' participation. There are serious problems of managerial efficiency once workers' participation is introduced. The primary issue is finding the proper jurisdiction for decision-making power. Some decisions are largely technical in nature and do require training and expertise. The messianic advocates of workers' participation deny this premise. I would argue for a posture which attempts to locate decisions at the point where expertise is greatest. So, for example, it is quite possible that certain aspects of the day-to-day organization of work at the immediate point of production can be done most effectively in work teams by the workers who do those jobs. Other decisions of a more technical nature can be made by teams of experts guided by an overall advisory worker and manager input.

A second issue to be aware of relates to the overall systemic context in which workers' participation is introduced.<sup>4</sup>) Every complex economy needs a synchronizing mechanism in order to integrate the multitude of disparate activities that occur in an economic system. To date we know of two economic instruments which can successfully

<sup>3</sup> I discuss this in more detail in a paper prepared for a *Festschrift* for Paul Sweezy, entitled, »Reflections on the Theory of Socialism« (as yet unpublished).

<sup>4</sup> I discuss this at greater length in: Howard M. Wachtel, *Workers' Management and Workers Wages in Yugoslavia* (Ithaca: Cornell University Press, 1973).

provide an integrating function: markets and central planning. Markets have traditionally been used in Western capitalist countries and central planning in the socialist economies of East Europe. Invariably some combination of markets and central planning are used but typically one dominates over the other. The stability of the two forms coexisting as equals is not operational and the dynamic is towards one dominating over the other. For purposes of our discussion here, each mechanism has an inherent dynamic which tends to weaken worker participation by placing severe constraints on the latitude workers have in making decision.

## V

The question of the appropriate economic mechanism for contemporary economies is the central problem for both socialist and capitalist economies in this century. For not only does the development of an economic mechanism affect production and efficiency, it also affects the character of the enterprise as well as the character of the work done in the enterprise.

It is not feasible to speculate about the future of the modern corporation without at the same time analyzing the structural foundation of the social system in which the corporation resides. Nor is it possible to talk about the future of the corporation without discussing the specific economic context in which the corporation resides. Examined from the vantage point of both the structural transformations in a mature capitalist society and the evolution of economic systems, workers' self-management in some form seems to be one new social innovation which will attract more attention as the remainder of this century unfolds. However, though the prospects for workers' self-management can be envisioned today and even implemented in some countries at the present moment, its problems should not be ignored or the prospects will evaporate, doomed to the same fate as previous social reforms gone sour.

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### SAMOUPRAVLJANJE U ZRELIM KAPITALISTIČKIM PRIVREDAMA — PROBLEMI I PERSPEKTIVE

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#### R e z i m e

*Privrede na Zapadu (i u Japanu) autor definiše kao zrele kapitalističke privrede. Tu je, dakle, reč o društvenom sistemu, u osnovi kapitalističkom, koji je u svojoj evoluciji prošao kroz fazu detinjstva (period u Engleskoj, npr., koji je privukao Marksovu*



pažnju) i mladosti (npr., Nemačka i Velika Britanija — sistem imperijalizma koji je analizirao Lenjin). Drugi svetski rat, grubo govoreći, označava kraj adolescentne faze i početak zrele faze kapitalizma koja još uvek traje.

Obeležja zrelog kapitalizma javljaju se u skoro svim razvijenim kapitalističkim zemljama u većem ili manjem stepenu, u zavisnosti od specifičnih istorijskih i kulturnih prilika u kojima su se pojedini narodi razvijali. Ovo bi bile najizrazitije strukturne karakteristike tih društava:

1. Relativno ekonomsko »samouzdržavanje«, povremeno praćeno privrednom stagnacijom. Najznačajniji oblik ispoljavanja novog »samouzdržavanja« predstavlja rastuća stopa nezaposlenosti, praćena jakom dozom međunarodne i domaće inflacije.

2. Povećana koncentracija ekonomske moći s potencijalnim implikacijama na povećanje koncentracije političke moći.

3. Razvoj globalnih institucija — i privatnih i kvazidržavnih — koje prevazilaze nacionalne političke granice.

4. Povećano ekonomsko »prožimanje« — i unutar zemalja i među zemljama — kroz multinacionalizaciju međunarodne privrede.

5. Rast novih centara ekonomsko-političke moći čiji uticaj se ispoljava u geopolitičkoj sferi i koji se ostvaruje sredstvima kontrole nad značajnim prirodnim resursima.

6. Politički problemi izazvani nepostojanjem koherentnog političkog programa relevantnog za fazu zrelog kapitalizma, kombinovanim sa upotrebom demodiranih ideologija koje treba da racionalizuju sadašnju fazu kapitalizma. U svetlu tekućih problema, pokret društvenih reformi tipa države blagostanja ne odgovara savremenim strukturnim dimenzijama zrelog kapitalizma.

7. Dalja, ubrzana dezintegracija društvenih veza u porodici, školi i kulturi uopšte, koja vodi socijalno-psihološkoj dezorijentaciji i pratećim formama destruktivnih reakcija na ove uslove.

8. Dalje narušavanje radne discipline koje vodi sekularnom opadanju stopa produktivnosti.

9. Problemi nedovoljne akumulativnosti koji se javljaju usled opadanja stopa produktivnosti, a u vezi pitanja organizacije rada.

10. Budžetska politika države izgleda da je dosegla svoje krajnje granice, s obzirom da i porezima i svojim rashodima država smanjuje fondove namenjene privatnom investiranju. Državni zajmovi postali su tako zamašni, da su privatni zajmoprimeci gotovo istisnuti sa finansijskih tržišta.

Jedan od odgovora na pomenute strukturne transformacije, koje obeležavaju zrele faze kapitalizma, predstavlja i pokret za radničku participaciju. Pri tome, participacija radnika znači različite stvari — od reorganizacije fabričkog rada u radne timove, koji imaju neku vrstu kontrole nad neposrednom radnom situacijom, do učestvovanja radnika u upravljačkim odlukama i dobiti preduzeća.

U terminima zapadne demokratske ideologije pokret za humanizaciju rada predstavlja priznanje da među najvažnija demokratska prava

spada i pravo odlučivanja u procesu rada. U SAD formalna demokratska prava izražena kroz glasačko pravo garantovana su građanima, međutim, mnoge od odluka koje donose političari udaljene su od takozvanog života običnog građanina. Svaki »prosečan građanin«, međutim, radi negde, i iz toga poizilazi značaj tvrdnje da demokratija dobija svoj najdublji smisao tek onda kada je građanin u mogućnosti da utiče na one odluke čiji ga se efekti najdirektnije tiču. A takve su odluke koje se odnose na rad i s njime povezanu fizičku bezbednost, lični razvoj, blagostanje i t. sl.

Sa ekonomskog stanovišta, pristalice samoupravljanja vide u njemu izlaz iz problema koje nameće slaba radna disciplina koja vodi niskoj stopi produktivnosti, dobili ispod očekivanja i, stoga neadekvatnoj stopi akumulacije.

Uvođenje sistema radničke participacije, međutim, po mišljenju autora, ne predstavlja »čarobni štapić« koji će ukloniti sva društvena i individualna zla koja se javljaju u zreloj fazi kapitalizma. Pored niza prednosti koje obeležavaju sistem radničke participacije treba pomenuti i probleme koji prate njegovo uvođenje. Autor pominje dva takva problema. Prvi je efikasnost u rukovođenju, vezana za pronalaženje adekvatnog razgraničenja nadležnosti u odlučivanju. Drugi se odnosi na sveopšti sistemski kontekst u okviru koga se participacija uvodi. Naime, svaka složena privreda zahteva određeni mehanizam sinhronizacije koji intergriše mnoštvo disparatnih aktivnosti koje se odvijaju unutar nekog privrednog sistema. Danas su poznata dva ekonomska instrumenta koja uspešno obavljaju integracionu funkciju: tržište i centralni plan. Oba ova mehanizma poseduju inherentnu dinamiku, koja teži da oslabi radničku participaciju time što nameće oštra ograničenja radnicima u procesu odlučivanja.

Pitanje izbora ekonomskog mehanizma koji bi odgovarao savremenim privredama centralni je problem i u socijalističkim i u kapitalističkim privredama ovog stoleća.

Sa stanovišta strukturnih transformacija u zreлом kapitalističkom društvu, kao i sa stanovišta evolucije privrednih sistema, radničko samoupravljanje je, izgleda, jedna od onih socijalnih inovacija koje će, zaključuje autor, što se više približavamo kraju ovog stoleća, sve više privlačiti pažnju.

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