

**CONTROL, MOTIVATION, AND STRUCTURE:
THE »NEW MANAGERIAL PHILOSOPHIES« vs. INDUSTRIAL
DEMOCRACY**

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In Europe today there exists a great concern for industrial productivity and employment. The solution to these problems — advanced by economists as well as by many politicians — usually reduce the power of the unions. There does however exist an alternative way of raising the productivity which does not rely on increased coercion and control of the workers via such social mechanisms as unemployment and social misery. This alternative way is to raise the productivity of employees by initiating suitable reforms focusing on the motivation — as opposed to the control — of workers. In this paper, which uses examples mainly from Sweden, we will show that there do exist attempts to develop the »fourth factor of production« — social organization — which is central to overall productivity. These attempts, our argument goes, are very difficult to understand with the tools of neo-classical economics. From the perspective of economic sociology, however, they can be profitably analysed.¹ We will substantiate this argument by loo-

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¹ For an overview of the basic principles of economic sociology, see Swedberg, Himmelstrand, and Brulin (1985:7), from which the following figure is taken:

*The Paradigms of Neo-classical Theory and Economic Sociology:
A Comparison*

	NEO-CLASSICAL	ECONOMIC SOCIOLOGY THEORY
CONCEPT OF THE ACTOR	individuals, households, and firms (<i>separate utility maximizer</i>)	individuals, groups, classes, institutions (<i>social actor</i>)
ARENA OF ACTION	any situation where choice and scarcity of resources are present; by preference the market (<i>separate economy</i>)	the economic system as part of society (<i>social economy</i>)
TYPES OF ECONOMIC ACTION	exclusively rational actions with emphasis on choice and maximization (<i>formal rationality</i>)	rational actions as well as other forms of actions (<i>social rationality</i>)

king at two different approaches to the »fourth factor of production«, the so-called »new managerial philosophies« and workers' self-management. The former of these is a manipulative managerial attempt to release the productive energy of the employees; the latter is an attempt from the side of labour to combine workers' productivity, workers' satisfaction and workers' self-respect not through socio-psychological manipulation but by structural reforms of the social relations of industrial production.

THE »NEW MANAGERIAL PHILOSOPHIES«

During the 1960's and early 1970's in Sweden an increasing amount of attention was focused on the need to democratize the workplace. Today, however, the climate of opinion has changed and the employers have regained the initiative. One example of this is the popularity of a new type of managerial philosophy which originated in the U.S. and which has found an expression in such works as William G. Ouchi, *Theory Z* (1981), Terrence E. Deal and Allan A. Kennedy, *Corporate Cultures* (1982), and Thomas J. Peters and Robert H. Waterman, Jr., *In Search of Excellence* (1982). The main message of these works is that a company, in order to be successful, must develop a very strong sense of self-motivation among its employees. The managers are no longer supposed to just take care of the business side; the key to real success (»excellence«) is to install a sense of purpose into the employees and thereby get them to put in that extra amount of effort which sets a company apart from its competitors. In the Nordic countries especially, the Scandinavian Airlines System (SAS) and its dynamic head Jan Carlzon have become symbols for the idea that a firm which can make its employees truly enthusiastic will also succeed financially. At the moment, quite a few Swedish enterprises are trying to run their operations on the basis of the »new managerial philosophies«.

However, this emphasis on the »human side of production« is not really »new«. Many of the basic ideas of so-called »new managerial philo-

RESULT OF ECONOMIC ACTION	tendency to equilibrium (<i>equilibrated harmony</i>)	tendency to a more or less institutionalized yet ten- sion-filled interest struggle (<i>tension-filled interest struggle</i>)
VIEW OF THE ANALYST	producer of scientific re- sults (<i>objective outsider</i>)	producer of scientific re- sults and member of soci- ety (<i>objective insider</i>)
CONCEPT OF TIME	stylized and stationary ti- me concept; identical to action that is analysed (<i>stationary and adaptive time</i>)	extended and variable ti- me concept; goes beyond the action that is the focus of the analysis (<i>socio-hi- storical time concept</i>)
SCIENTIFIC METHOD	<i>predictions based on radi- cal abstractions</i>	<i>descriptions-explanations based on empirically adju- sted abstractions</i>

sophies« were quite evident in the »human relations« school after the Second World War — a movement quite popular at that time among Swedish employers, but more as a philosophy than as a practice.

Today the situation is different. The changes of the administrative organization of work called for as a result of modern »informatics« also called for a new spirit to make the new system work. Management increasingly realizes that the human side of production is central for improving efficiency and productivity. This has opened up a new niche for management consultants.

In Sweden, management consultants are among the most important transmitters of the »new managerial philosophies« to executives. To sell a solution to the motivational problem of the workplace — a solution acceptable to executives — is a major element of the job of consultants. Recent research done at The Swedish Centre for Working Life² indicates that management consultants do a lot to spread and implement these new ideas as solutions to problems of motivation. At the Centre an interview survey was carried out among 25 management consultants, including representatives from the six largest firms. All the consultants interviewed expressed ideas in line with the »new managerial philosophies«. Quite a few also made explicit references to key works in this genre.

The consultants saw their main tasks to develop »strategic planning« and to change the climate within the firm by improving the so-called corporate culture. This implies the elimination of layers of bosses and planners, thus decentralizing the organization. In this way, management hopes to get rid of red tape and to energize the organization from top to bottom. The reduction of central staff is probably an effect of both an increasing computerization, which leads to new administrative system, and of new ways of pursuing strategic planning. Of interest also is the fact that executives see it as their prerogative to decide the shape of administrative systems. Consultants on the other hand are called in mainly to help the employees to adjust to the work situation. Consultants are engaged in such activities as introducing the so-called »service concept« and organizing »quality circles«. The main purpose is to forge closer links between the individual workers and his or her firm.

The kind of ideas one can find in *Theory Z*, *Corporate Cultures*, and *In Search of Excellence* may seem to constitute an ideology in the classic sense of the word, but still it would be wrong not to acknowledge that they express a very distinct reality as well. The main task in a scientific analysis of the »new managerial philosophies« is to theoretically understand this reality and to document its empirical existence. As far as we know, no such analysis exists today. We shall therefore indicate how such an analysis could be carried out from the viewpoints of first neo-classical economics and then economic sociology.

² The name of the project is LAKE (Ledning, Arbetsorganisation, Kvalitet och Effektivitet = Management, Organization, Quality, and Efficiency). It is carried out under the guidance of Åke Sandberg, The Swedish Centre for Working Life. The LAKE project was initiated in June 1984 and will last for three years.

The neo-classical theory of the firm, which originates with the work of Cournot in the 1930's, has as its central assumption that »businessmen strive to maximize money profits subject to the constraints of technology and the prevailing pattern of demand« (Blaug 1980:175). Since the firm itself is treated as a »black box«, little of interest can be said about the »new managerial philosophies« from this perspective.

During the last thirty years a growing amount of criticism has been directed at the orthodox theory of the firm, all of which basically argue that this theory is unable to explain the way firms actually operate. Several interesting attempts have also been made to reconstruct the neo-classical theory of the firm, and we shall here look at some of these in order to find out whether they can be of assistance in understanding the »new managerial philosophies«. The ones we have chosen are the analyses by Coase (1937), Alchian and Demsetz (1972), and Williamson (1975, 1981). These three analyses are generally considered to constitute the most promising alternatives to the orthodox theory of the firm.

Coase's main purpose in »The Nature of the Firm« is to bridge the gap in economic theory between the assumption that resources in the economic system are allocated by means of the price mechanism and the finding that the allocation within the firm is dependent on a »co-ordinator«. Coase's answer to this problem is to suggest that there is a cost of using the price mechanism:

The most obvious cost of »organizing« production through the price mechanism is that of discovering what the relevant prices are... The cost of negotiating and concluding a separate contract for each exchange transaction which takes place on a market must also be taken into account.

(Coase 1937:336)

From this perspective, markets and firms emerge as functional alternatives; the price mechanism — or, more precisely, the cost of using the price mechanism — determines whether the market or a firm will be used. The size of the firm, it can be added, also depends on the principle of decreasing returns via the mechanism of co-ordination.

The theory outlined in Coase's article represents a skillful attempt to open up the »black box« of the firm in a way that is consistent with the basic principles of neo-classical economics. It is doubtful, however, whether his argument can be used to further the understanding of the »new managerial philosophies«. The main reason for this is that in the last instance Coase depicts the inside of the firm in terms of functional expediency. The fact that a firm's productivity is dependent, among other things, on the interaction between the people working in an organization, eludes him.

In Williamson's »transaction cost«-approach, Coase's idea of firms and markets as functional alternatives is further elaborated. Williamson (1981:553) proposes to analyse the internal structure of the firm with the help of »a more self-conscious attention to human nature as we know it«. By this he primarily means that the employees are subject

to bounded rationality and also that some of them are given to opportunism. Apart from the fact that Williamson's attempt to analyse the internal structure of the firm is psychological rather than sociological in nature (something which can easily be corrected), his theory is not particularly well suited to unlock the secrets of the »new managerial philosophies«. Briefly stated, the reason for this is that his theory only covers situations where employees do not work as hard as they are supposed to be doing. That a happy or pepped-up employee might want to work extra hard, under certain conditions — the focus of the »new managerial philosophies« — is not taken into account.

Alchian and Demsetz, as apposed to Coase and Williamson, do pay attention to the situation where employees work extra hard in the sense that they stress the voluntary aspect of the employees' behaviour. Management's difficulties with shirking and keeping the employees from wilfully lowering production is thus solved, according to Alchian and Demsetz, by the fact that it enters into a perfectly voluntary contract with each employee. The firm, they (Alchian and Demsetz 1972:777) stress, »has no power of fiat, no disciplinary action any different in the slightest degree from ordinary market contracting between any two people.« By eliminating practically all of the actual social interactions that do go on in any firm, Alchian and Demsetz however also reduce their chances to account for other phenomena than shirking and the like. Why the management would like an employee to put his or her whole soul into a company or to be totally merged in its »culture«, thus also eludes these two thinkers.

How then would economic sociology go about analysing the »new managerial philosophies«? One can, of course, imagine several different approaches. All, however, would have to pay attention to at least two central facts — the positive role that social interection must play for a firm to be successful and the fact that management has to produce a profit. We shall highlight these two elements and suggest what an analysis from the viewpoint of economic sociology would look like. In this task we shall draw on Mark Granovetter's (1984) theory of the role that social networks play in the economy and on Samuel Bowles' (1985) attempt to construct a Marxian microtheory.

According to Granovetter, the neo-classical emphasis on the economic agent as a »separate actor« fails to acknowledge the fact that all economic interactions usually take place in a complex social situation, where the actors are related to each other in intricate social networks. As opposed to Coase, Williamson, and Alchian-Demsetz, Granovetter thus makes room for interpretations not only of phenomena such as opportunism and the like but also for their »opposites«, which the »new managerial philosophies« are emphasizing. Granovetter's idea that the key to many economic phenomena resides in networks of a limited size, is actually quite congenial to analysing the new managerial efforts to increase production through various self-energizing measures since these, as a rule, imply the creation of small and cohesive groups of employees.

Granovetter's analysis can thus help to explain what some employees find valuable in the »new managerial philosophies«: the pleasure

of being part of an active social network, the joy of collective purpose, and so on. It has however less to say about why management is favourable to these philosophies. Here it might be useful to complement Granovetter's ideas with Samuel Bowles' (1985) recent attempt to construct a Marxian microeconomic theory. According to Bowles' analysis, which is explicitly launched as an alternative to the »neo-Hobbesian« theories of Williamson *et al.*, there exists a conflict in capitalist firms over the intensity of labour; »the employer can do better than simply hire workers and let them work as they please« (Bowles 1985:3). The reason for this conflict is that the employer pays for the time of work as opposed to the amount of work (»labour power« vs. »labour« in Marx's terminology). That the »new managerial philosophies« with their emphasis on highly self-motivated employees would be a perfect solution to this conflict, is obvious. With little costs for traditional supervision, the employees can be made not only to work hard but extra hard — a nice bonus for management.

Of great interest is also the fact that some of the theoretical ideas presented in Bowles' paper from 1985 have been put to an empirical test in a study entitled »Hearts and Minds: A Social Model of Productive Growth«, which appeared in *Brooking Papers* in 1983 (Weisskopf, Bowles and Gordon 1983; see also Bowles, Gordon and Weisskopf 1984a:122-49, and Bowles, Gordon and Weisskopf 1984b). In this study, which attempts to explain the productivity slowdown of the U.S. economy since the mid-60's, the authors argue that mainstream economics goes wrong in its analyses of productivity because it fails to take into account various social factors. They (Bowles, Gordon and Weisskopf 1984b:42) write:

We have never doubted that productivity would increase if there were an increase in the availability of capital goods and other inputs per hour of work, or if the available inputs were more fully utilized, or if there were improvements in skills and advances in technology. But we began our analysis of the productivity puzzle convinced that these kinds of factors get at only part of what determines productivity growth. We suspect that the key to the mystery lay in understanding how people in the production process — workers, managers, and others — affect productivity independently of the mechanical or technological environment in which they work.

This position, which can be characterized as an imaginative mixture of sociological and economic analysis, is more or less identical to that of economic sociology and is quite useful in helping us to understand the problems that the »new managerial philosophies« try to address.

In their study of the productivity slowdown in the U.S. economy Bowles, Gordon and Weisskopf claim that two key factors have been left out in mainstream economic analysis: »work intensity« and »innovative pressure on business«. For our purposes it is the former that is of

most interest and we shall briefly describe how the authors attempt to operationalize this concept.

The authors first note that there does not at present exist any direct evidence on work intensity. However, one can find »indirect evidence« on workers' own motivation to work as well as on the effectiveness of management's control over the employees. The measure they construct of »workers' motivation to work« consists of three items: »real spendable hourly earnings«, »work safety« (= the inverse of the industrial accident rate), and »job satisfaction« (= % workers satisfied). »The effectiveness of management control« is measured through »intensity of supervision« (= the ratio of supervisors to productive workers), »cost of losing your job« (= number of weeks' pay lost), and »index of divisions« (= a weighted measure of the extent of income inequalities among white male, black male, and female workers). The data for each of these measures turn out to follow the decline of productivity in the U.S. industry since the mid-60's very closely. Also when the authors allow for the simultaneous impact of all relevant variables — capital intensity, capacity utilization, external input prices, innovative pressure and work intensity — the »social variables« emerge as central to explaining the change in productivity. The authors (Bowles, Gordon and Weisskopf 1984:47) conclude that »we have been able to show that a social analysis of productivity explains what the meat-grinder model of the economy cannot«.

The study of Bowles *et al.*, it should be noticed, was carried out in the same country where *In Search of Excellence* and the other »new managerial philosophies« originated. Perhaps the »new managerial philosophies« could be seen as an intuitive response to the discrepancy between generally accepted norms, and the harsh conditions found in U.S. factories, and to the fall in U.S. industrial productivity. The inability of the average worker to give his or her best in a hostile social environment and the failed attempts by the capitalist firms to offset this inability through more control and infusions of technology and capital constitute the challenge to which the »new managerial philosophies« are responding.

In order to produce a full understanding of the »new managerial philosophies« and their limitations more is needed, however, than the kind of analyses carried out by Granovetter and by Bowles *et al.*, even if both contain clues toward a solid analysis of these »philosophies« from the vantage point of economic sociology. What is needed is a better understanding of the extent to which one can unambiguously distinguish elements of motivation and control in these new management styles, and the extent to which motivation needs the permanent or at least intermittent intervention of psychological manipulators. Can motivation be functionally autonomous and based on how workers/employees define their own situation in organizational structures allowing them more participation and responsibility than is presently the case in most firms? To find an answer to questions like these we now turn to another tradition within which it is easier to distinguish the elements of control, motivation, and structure that we are interested in — namely the tradition of workers' self-management.

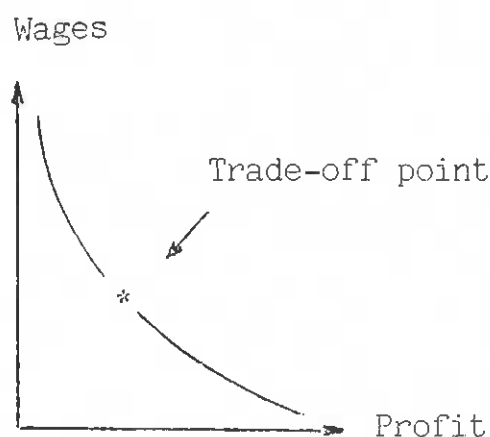
A DIFFERENT APPROACH TO MOTIVATION AND PRODUCTIVITY: SELF-MANAGEMENT

The »new managerial philosophies«, it should be stressed, approach the problem of motivation and productivity from the viewpoint of managers and place the emphasis on short-term, psychological factors. Self-management theories, in contrast, look at the problem from the workers' point of view and what they suggest as a solution are long-term, structural reforms which imply changes of the very parameters of economic action.³ We will now show how a change in structurally determined parameters of economic action — as exemplified by the Swedish wage-earners' funds — could redefine the trade-off function between wages and profits. We shall then, using an interesting analysis by Claus Offe and Helmut Wiesenthal (1980), discuss another aspect of workers' self-management, namely class-specific aspects of workers' organizations and workers' class-consciousness.

In conventional mainstream economics the mutual enjoyment of »excellence« of management and labour does not figure at all. Labour is simply a factor of production with a certain cost which imposes constraints on profit-making and capital accumulation. Owners of capital and management on the one hand and labour on the other are represented by variables — profits and wages — and their interrelations can typically be represented by a curve such as the one in figure 1. On this curve a trade-off point can be established, the location of which is determined by the relative bargaining strength of capital and labour, that is by an exogenous variable.

³ For an interesting and recent comparison of economic and sociological theories of the enterprise and industrial democracy, see Tomlinson (1984). The author suggests that neo-classical theory is incompatible with workers' control since it assumes that the capitalist firm is »unitary«. Sociology and Marxism view the firm differently and also have other concepts of industrial democracy. Tomlinson (1984 : 596) illustrates his argument with the following figure:

Economics	Sociology	Industrial democracy
simple maximizing	unitary	consultation
behavioural	oppositional	participation
Marxist	pluralist	workers control

Figure 1: *The Trade-Off Function between Wages and Profit*

In this kind of economic analysis the main actors of the economy are represented, as it were, by variables. There is no need for the actors themselves to appear in the formal part of the analysis; but their relative strength may be taken into account.

The question emerging on this point is whether it is necessary ever to make explicit reference to real social actors in microeconomic model building? For an answer let us look at one of the most enlightening analyses of the relationship between capital and labour, namely Kelvin Lancaster's (1973) paper on the »dynamic inefficiency of capitalism«. In this analysis Lancaster argues that labour employed by capital hesitates to apply wage restraint in a situation where there is no trust in the willingness of »capitalists« to invest rather than to consume, while capitalists hesitate to invest, because they fear that strikes would offset the gains that otherwise might have ensued.

This type of analysis goes a little bit further than economic models, which do not allow actors to enter the stage, properly speaking, but only allow their representation by variables. Quite obviously, the situation depicted by Lancaster is a game situation where psychological factors of trust and distrust have great impact; and these psychological factors certainly belong to the actor level of analysis. But the emergence and the significance of these psychological factors depend in their turn on the structural factors involved, or on the social relations of production, as a Marxist would put it.

Assume that a stable and trustworthy »historical compromise« has been formed between labour and capital in a particular country. Then the psychological factor of mutual distrust assumed to operate in the situation analysed by Lancaster would not be present to the same extent. On closer scrutiny of this particular »historical compromise«, it may turn out that a certain sharing of responsibilities is involved, which destroys a clear-cut picture of capital and labour as exclusive »bearers« of distinctly different and contradictory processes. In this specific situation the usual dimensions of conflict between labour and capital may be overlaid with a certain amount of »criss-cross« relationships, to borrow a term from Lewis Coser's sociological theory of conflict. Here is thus a case where the actors cannot be left out of the picture as in

orthodox economic analysis. They can no longer simply be represented by variables and processes, and the reason is that the actors do not unambiguously »belong« to one particular process but each is involved in several processes and even in contradictory ones. This means that the conflicts in question no longer take place exclusively between categories of actors represented by variables involved in trade-off relationships but within these actors as well.

Let us now look at a second example. Imagine a collective profit-sharing scheme such as the wage-earner's funds recently legislated in Sweden.⁴ Here labour becomes involved as collective shareholders on the side of capital, and capitalists are thus forced to share its previously exclusive power over the use of capital with collective labour. This kind of profit-sharing scheme (in spite of being far from equivalent to workers' self-management in the strict sense) is a good example of actors straddling contradictory processes which cannot be analysed theoretically without bringing the actors into the picture (as well as the structures which have brought about this straddling type of relationship).

Once we have a straddling relationship of labour in relation to capital, this can be expected to have a significant impact on the parameters of the wage/profit trade-off. One possible outcome which is likely to ensue is the following.

If labour knew that it would attain control over part of the »excess« profit produced by restraint on its part, it would be more willing to show such restraint when needed. Collective labour could afford to be more tolerant to letting an increasing amount of profit go to the capitalists, if labour itself increasingly becomes a collective capitalist. In this situation capitalists would feel more certain about the loyalty of collective labour to invested capital, and as a result investments are likely to increase. At least part of the »dynamic inefficiency« of capitalism as we know it today would, according to Kelvin Lancaster, thereby be removed. Perhaps also other manifestations of the contradictions of the capitalist order, such as stagflation, could be partly eliminated in a similar manner.

In theories of workers' self-management this kind of argument has been developed even further by Branko Horvat, Jaroslav Vanek and others.⁵ Many of these theoretical developments have taken off from

⁴ For a presentation of the original proposal on wage-earners' funds, see Meidner (1978). A later version, closer to the kind of funds which eventually were legislated, was presented in SAP-LO (1981), *Arbetarrörelsen och löntagarfonderna*. The wage-earners' funds which were legislated in 1983, were a considerably watered-down version of those originally proposed (LO 1984 and Ministry of Finance 1984), but may still serve as a basis for other reforms toward a more consistent economic democracy. For an analysis and evaluation of the debate on wage-earners' funds, see Himmelstrand et al. (1981).

⁵ See for instance the discussion in Horvat (1982) and Vanek (1971). For a continuous, highly professional discussion of problems connected with the economics of workers' self-management, see the journal *Economic Analysis and Workers Management*, published quarterly by Prosveta Publishing House in Belgrade, Yugoslavia. See also the interesting collection of essays in Burns, Karlsson and Rus (1979).

neo-classical microeconomic theory, and then changed some of the conventional assumptions and restrictions placed on such theory, for instance by stipulating changes in the »social relations of production«, that is in the ownership of the means of production. Labour is thus redefined from being a »factor of production« to being a »rational and maximizing economic agent«, and so forth. Even if such extensions of neo-classical economic theory have their obvious limitations, we think that these attempts provide suitable starting-points for developing an approach which is closer to economic sociology. But the transition from various kinds of sociologically guided extensions of neo-classical theory to a more full-fledged economic-sociological approach to problems of capital-labour relationships involves many other possibilities.

Let us look, for instance, at the assumptions made by one of the present authors about certain differences between the incentive structures of capitalists and labourers (Himmelstrand et al. 1981:133 ff). The reason why the incentive structures between actors related to capital and to labour are fundamentally different are structural in nature and not psychological. The main incentive of capital owners is profit, usually stable and predictable profit. To the workers in direct production, profitability is certainly also an important incentive or at least an indirect one, since profitable companies are more likely to pay reasonable wages. However, workers also have other incentives related to their place of work, such as stability of employment, quality of working-life, and also prices of commodities (which constitute a larger portion of the total budget of workers than of capitalists), etc. If one assumes that workers are as rational decision-makers as capitalists, then the rationality of labour, because of its concern with a larger number of dimensions of decision-making, becomes a *multi-dimensional rationality*, while the rationality of capital remains *one-dimensional*. A one-dimensional rationality in a world of multi-dimensional problems, pay-offs and externalities, constitutes a contradiction which finds no room in neo-classical microeconomic theory; but the concepts of incentives and rationality basic to this argument are indeed derived from such theory.

If we move a step closer to the sociological end of the spectrum from neo-classical theory to economic sociology, we can find theories which expound notions rather similar to our distinction between one-dimensional and multi-dimensional rationality, but which are derived more directly from sociological concepts of actors and organizations. Offe and Wiesenenthal (1980), for instance, maintain that the power of capital, as manifested in the operation of the competitive market, can exist without the help of organizations, whereas the power of labour can only exist if there is organization. A corollary of this argument is that capitalists basically do not need the kind of collective identity required for the formation of a common organization, whereas labourers need such a collective identity in order to overcome the separation of their individual fates and to face the costs of coming together collectively to articulate and defend their interests. According to Offe and Wiesenenthal, it is not necessary for capitalists to consult each other to reach a common understanding of their true interests, since their consciousness is »monological« by virtue of its concentration on one single goal

— the maximization of profit. This one-dimensional consciousness corresponds to what we have called the one-dimensional rationality of capital. The structural position of labourers, however, makes it necessary for them to enter into a »dialogue« (presumably both internal and external) in order to aggregate their various interests into one common interest. In short, it takes much more of communicative and organizational effort for labour than for capital to identify, develop and sustain their common class interest, which, in our interpretation, is characterized by a multi-dimensional rationality. Labour here emerges as a »social actor«, not only as an »economic man«.

Obviously the notions of Offe and Wiesenthal enrich the kind of theoretical formulations needed to address the dilemmas of conflict between actors related to capital and labour respectively. What we have here is more than just a conflict of interests — it is a conflict between class-specific types of consciousness and between different organizational needs and forms.

We will now use these notions of class-specific types of social consciousness and class-specific organizational needs and forms to elucidate the contrast between private capitalism, however modernized and propped up with »new managerial philosophies«, and workers' self-management. We then find that the present system of private capitalism,

* *firstly*, distributes various type of conflicting incentives (among which the system requires reasonable trade-offs) between actors occupying contradictory positions in the system, thereby promoting actor conflicts which give rise to considerable transaction costs for the attainment of sensible trade-offs between opposing interests;

* *secondly*, this system allocates most systemic power to the actor (s) with the most limited repertory of incentives, and the least capacity to strike a properly balanced trade-off between conflicting incentives, and

* *thirdly*, as a result, this system requires costly state interventions to rectify the imbalances, externalities and other negative effects ensuing from the contradiction between this uni-dimensional rationality or monological consciousness, and a multi-dimensional world which demands dialogical trade-offs rather than distracting or destructive struggle against outmoded monological forms of organizational power.

In contrast, multi-dimensional and dialogical forms of consciousness and organization are built-in features of workers' self-management. Workers' self-management operating within the parameters of competitive commodity markets implies a shift of power from monological actors and organizations to dialogical actors and organizations. *Most systemic power is given to the category or class of actors who exhibit the least limited spectrum of productive and social incentives, and have the most dialogical forms of organization, namely workers.* Within this relatively wide spectrum of incentives, many incentives may be contradictory, but here these various incentives are processed in dialogical trade-offs based on the multi-dimensional satisficing processes of a *single* actor, namely collective labour, rather than in a problematic and uneven con-

flict between a powerful monological actor and an equally, or mostly less powerful dialogical actor. Transaction costs are thus reduced (Williamson 1981).

It could be maintained, of course, that the adoption of the »new managerial philosophies« by capitalist enterprises proves the compatibility of capitalist organizational structures with a dialogical consciousness. We doubt this. The adoption of the new managerial philosophy as an instrument for manipulating the motivation of employees is completely tenable, of course, but unless this motivational trust becomes structurally anchored in a new kind of partnership which implies a genuine shift of power to employees, this psycho-philosophical manipulation of the motivation of workers is nothing more than a loosely attached appendix which will be sacrificed as soon as it proves unnecessary. Furthermore, while psychological processes like these suffer from satiation and fluctuation, structurally anchored positions of power do not.

The multi-dimensional complexity of society and human existence is less likely to suffer neglect, if the basic organization of work and production in society is structured in a manner that implies the hegemonic power of dialogical actors and organizations. To express this proposition in the language of neo-classical economic theory would be quite difficult; it would be impossible to assess empirically with the methods of economics what kinds of actors and organizations have built-in dialogical propensities and multi-dimensional styles of satisficing.

So far we have attempted to show that workers' self-management represents a more serious and sophisticated solution to the problem of motivation and productivity than the ideas of the »new managerial philosophies« and also that economic sociology is better equipped than neo-classical economic theory, even if suitably supplemented and revised, to address this problem theoretically. In the concluding part of the paper we shall discuss how orthodox neo-classical theory is currently being used in Sweden to justify political measures that would seriously weaken the trade union movement, its growing involvement in schemes of economic democracy, and the country's public sector. That such measures would disturb production as well as seriously lower morale and motivation, is apparently something far beyond the horizon of these economic ideologists.

THE THREAT AGAINST THE SWEDISH MODEL OF UNION POWER

While the Swedish debate was until quite recently preoccupied with questions of »economic democracy« and wage-earners' funds, we today discern a regression into puristic versions of neo-classical economic theories about the need to reduce the power of trade unions. In a recent treatment of wage formation and economic stabilization, a group of Swedish economists (Calmfors et al. 1985) has thus indicated that the rapidly rising costs of the public welfare sector in Sweden — and the imbalance thereby created in the Swedish economy — can be rectified only by drastic changes in the Swedish system of wage negotiations

and in the prevailing organization of unemployment insurance. Some of the main theses of Calmfors *et al.* have also been discussed by Assar Lindbeck (1983). According to these economists, the centralized character of wage negotiations in Sweden in combination with the enormous organizational strength of Swedish trade unions have led to excessive and unrealistic wage demands, to destructive strikes, lockouts, and so on. It is claimed that the famous »Swedish model« of labour market peace and restraint has broken down. As a remedy, a decentralization of wage negotiations is recommended, particularly in the public sector. Union power becomes much weaker at the level of industrial branches (»förbunds-nivån«, in Swedish), and at the level of local unions. By decentralizing wage negotiations to these levels, the centralized union »monopolies« and »oligopolies« will be broken down, and forces of supply and demand on the labour market will be more concretely felt by those involved in negotiations. In order to make market forces even more visible, these economists propose that state financing of unemployment insurance be reduced to a minimum. Local insurance schemes with local financing, it is argued, should become the rule in order to make the threat of unemployment more tangible, thereby providing »incentives« for the workers to accept lower wages.

Even if Calmfors *et al.* use concepts like »union power«, this does not mean that their analysis has moved beyond the limits of neo-classical theory. On the contrary, by recommending the destruction of union power, the authors indicate that they wish social reality to come closer to neo-classical theory.

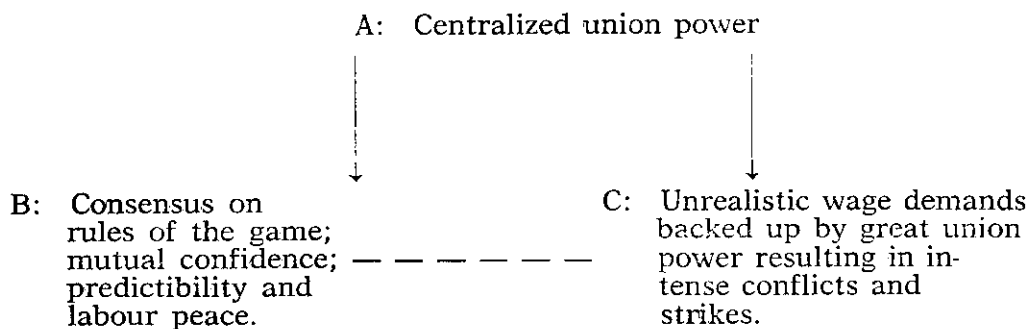
In the ongoing public debate of this neo-liberal approach to public services, unions etc., the counter-arguments advanced happen to come rather close to the approach of economic sociology, as understood in this paper. These arguments therefore deserve to be quickly summarized — especially since they illustrate the need to look at the economy in the broader contexts of society and history.

Historically it is quite significant that the centralization of collective bargaining within the Swedish trade union movement was in a large measure a result of pressures brought by the Swedish Confederation of Employers (SAF). Only through a strong and centralized trade union movement was it possible to attain the kind of predictability that the business community wanted (Nils Elvander 1974). The traditional »Swedish model« of centralized wage negotiations thus implied and reinforced a state of consensus about the rules of the game as well as mutual confidence between the representatives of labour and capital, which was quite exceptional internationally and which also constituted a comparative advantage for Swedish industry in international competition.

The break-down of the »Swedish model« as a result of the so-called economic crisis and »the fiscal crisis of the state« will not occupy us here in spite of the significance of this topic. Rather we will ponder how to come to grips with the contradiction between the approach of Calmfors *et al.* and the historical account just rendered. In

figure 2 this contradiction has been depicted in the form of an unbalanced graph.

Figure 2: *Emerging Contradictions in the «Swedish Model»*



As seen in this figure the centralization of trade unions and wage negotiations is supposed to produce two contradictory results — on the one hand consensus and on the other intense conflict. If a theoretical interpretation were advanced implying the simultaneity of these two types of effects, this would constitute a contradiction difficult to accommodate within one and the same theoretical framework. However, as we have already indicated, there is a historical sequence involved, consensus-effects emerging first, followed by a period of increasing intensity of conflict. But this does not necessarily mean that theories taking account of the relationship A—B were valid only at an earlier time, while the A—C theory formulated by Calmfors *et al.* is more adequate right now. We need a more embracing theory taking both of these two types of processes into account not only in order to understand the historical process and transition involved, but also to guide our analysis of the dialectics of events possibly triggered by future attempts to implement policy recommendations such as those advanced by the Calmfors group of economists.

It is not unreasonable to assume that attempts to weaken union organizations as strong as those in Sweden would first increase the militance of existing union organizations, and then, if these attempts were successful, create a more anarchic situation with an increasing number of smaller and more unpredictable strikes. In other words: conflicts would not necessarily diminish with decreasing union centralization, as Calmfors *et al.* would seem to believe, but may simply take on another character. Recent events in England and in Denmark offer food for thought. To stake everything on the attainment of efficiency in the sense of microeconomic theory may bring about far-reaching negative consequences both in a wider social and political context and within single enterprises — this undermining industrial efficiency and economic rationality in the long run.

In Sweden, with its cultural heritage of co-operation between unions and management, attempts to destroy central union power could backfire and produce disturbances even more serious for the functioning of the economy than the disturbances which have prompted Cal-

mfors *et al.* to look for »new« market-conforming solutions.⁶ These are fears. But there is another side to the picture. Not only the external labour market which attracts so much of the attention of mainstream economists, but also the internal conditions of enterprises must be taken into account to understand what constitutes entrepreneurial rationality with respect to labour power.

What economists like Calmors *et al.* fail to discover is that the *internal* non-market dynamics and adjustments of enterprises, even with strong trade unions, can not only safeguard efficiency, and openness to innovation based on trust in reasonable levels of justice, stability and predictability, but in fact do this as well or better than flexible adjustments to external labour market conditions. Korpi and Aberg (1985:ch. 2) have provided convincing arguments, with empirical evidence adduced, to prove that this is the case. Neo-classical economists, on the other hand, much too frequently draw political conclusions from their abstract models without proper attention to the empirical parameters involved.

In the alternative solutions proposed by orthodox neo-classical economists on the one hand, and by proponents of economic democracy on the other, we can distinguish two different ways of handling the concept of structural or systemic rationality. The neo-classical economist points his finger at the irrational incompatibility between the self-equilibrating market, and state interventions or trade union policies which supposedly fail to exhibit »market conformity«. This is certainly a cogent and justifiable analysis — as far as it goes. But by neglecting the broader societal context in which the economy is embedded, as well as the internal dynamics of enterprises, the neo-classical economist fails to observe that attempts to recreate systemic rationality by removing »incompatible« social structures with a surgeon's knife, may trigger counteracting and perhaps destructive forces in the body politic as well as within single firms. A scientifically fruitful definition of systemic rationality cannot exclude a concern for existing and vital social structures inherited from the struggles of the past. Here we also see the contrast between the a-historical approach of neo-classical theory and the socio-historical time concept which we find to be most adequate in economic sociology.

⁶ The argument in this section needs to be much more fully discussed than is possible in this paper. One would essentially need to compare the various advantages and disadvantages that centralization and decentralization of unions entail for the economic system. If one drew up such a balance sheet one would, for instance, find that wages which conform closely to the market help enterprises to adjust more quickly to changes in the economy. On the other hand, more decentralization would in all likelihood lead to an increase in costs for negotiating wages with the unions, and quite possibly increase the costs of conflicts. Since the Swedish trade union movement exhibits a quite unique *mixture* of decentralization and centralization (see Kjellberg 1983 : 238), it may represent the best of two worlds. It is more predictable and stable than a decentralized trade union movement, yet also proves to have considerable flexibility, and a keen sense for innovation both in technology and organization.

To us as economic sociologists it is obvious that a theoretical analysis adequate to the present impasse in the relationships between capital, labour and state must take into account not only the two types of processes indicated in figure 2 but also the historically specific background of the country in which these processes are studied, and where policy recommendations are made. On this point we can refer to an empirical study of a sample of 83 Swedish companies (Himmelstrand et al., 1981 : 235f) which clearly demonstrates the willingness of Swedish trade unions to take greater responsibility for various aspects of production including investment, the use of profit and the appointment of managing directors. There is no doubt that Swedish unions, in a comparative perspective, view themselves not only as actors in a traditional trade unionist wage struggle but also to some extent as partners in industrial production. That company management sometimes fails to reciprocate is another matter. But the fact is that a majority of Swedish managers, if they feel that trade unions have a significant influence at all, see this influence as improving the quality of decisions from a business point of view as well as from the point of view of employees (Berggren 1984). This has been shown in a major study of strategical decision-making in Swedish industry carried out by Tom Burns and his associates at the University of Uppsala.

Another study using comparative data collected by Erik Olin Wright and Göran Ahrne would seem to indicate that a strong and responsible union movement like the Swedish one, makes it possible to cut down costs on supervision and control. In Sweden half of the so-called new middle class is made up of semi-autonomous employees while the corresponding figure for the U.S. is one-fourth. In the U.S. the new middle class is fully dominated by class positions which imply control of the work of other employees, for instance businessmen, decision-makers and supervisors. The largest difference between Sweden and the U.S. concerns the supervisors. There are almost twice as many supervisors in the class structure of the U.S. as in Sweden (Ahrne, Ekerwald and Leifsrud 1985:47-8). In further analysing these results, Ahrne finds support for the hypothesis that these differences between Sweden and the U.S. are a result of the high degree of trade union organization in Sweden. This creates a certain degree of self-discipline among workers, and places part of the responsibility for the organization of production at lower levels through negotiations and collective agreements, while not sacrificing the strenght of a highly centralized trade union organization. The working class in Sweden thus exercises a certain degree of collective self-control which in the U.S. is replaced with external control by supervisors.

While wage-earners' funds are a far cry from workers' self-management in a strict sense, these funds could still very well serve to further improve workers' participation, motivation and self-control in the long run. However, this requires that wage-earners' funds are treated not in such a way that they become dispensible bureaucratic apparatuses (the strategy of capital) but rather so as to encourage them to become true channels for the articulation of workers' interests, and the involvement of workers in the various aspects of industrial production.

CONCLUDING REMARKS

At present in Europe and the U.S., the reactionary forces are very strong and have seized the initiative in many public and allegedly scientific debates. This requires progressive forces to present forceful arguments and to show that many of the »scientific« arguments that the conservatives use are little but reactionary ideology. As we see it, the idea that the notions of productivity, motivation, and structure belong together could be used as a way to turn the debate around so that the work to create a more humane and democratic society can proceed. *On a political level, the idea that structure, motivation, and productivity belong together can be used to initiate an offensive by labour since it means that production can be raised through structural labour reforms as opposed to single-minded cutbacks in the public sector and attacks on the unions, supplemented with manipulative new management styles.* And on a scientific level, the insights of economic sociology can be used to renew economic science which is increasingly losing touch with economic and social realities.

This might sound very ambitious, but we feel from our Swedish experience that many of the reforms that labour has pushed through are today being threatened by short-sighted interests and that new ideal must be proposed that help to stimulate a forceful and scientifically sound ideological counter-offensive by labour. The notion that economic productivity, motivation, and structure belong together seems particularly promising to use since it unites two of the great themes of the 20th century that has inspired the self-management movement since its beginnings (see Burns, Karlsson and Räs 1979): *the liberation of work and the democratic control of economic power.*

The »new managerial philosophies« favoured by conservative forces do not imply any profound system change. However, in the Swedish setting, orthodox proposals for privatization of the public sector and the smashing of union power and wage-earners' funds would involve a real system change. It has been maintained that the *introduction* of wage-earners' funds implied such a system change as well. If that is so, then questions on the legitimacy of system change emerge in both cases.

The legitimacy of a political and economic order derives not only from its efficiency in a more restricted sense but also from its equity and fairness, an equity which must measure up to the standards set by historical precedence. Any theoretical formulation of significant and profound changes in capital-labour relationships which does not include a discussion of the processes and problems of both legitimacy, efficiency and equity is inadequate for the analytical tasks involved. Here economic sociology is facing great challenges which necessitate an exploration of areas far beyond the domains of neo-classical economic theory, even if occasionally stimulated by its logic.

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**KONTROLA. MOTIVACIJA I STRUKTURA:
»NOVE FILOZAFIJE UPRAVLJANJA« NASUPROT INDUSTRIJSKE
DEMOKRATIJE U ŠVEDSKOJ**

Ulf HIMMELSTRAND, Göran BRULIN & Richard SWEDBERG

Re z i m e

Tokom šezdesetih i ranih sedamdesetih godina, sve više pažnje posvećivalo se potrebi da se demokratizuje radna sredina. U poslednje vreme pomerilo se težište interesovanja, tako da se sada veća pažnja poklanja tzv. »novim filozofijama upravljanja« koje ističu »korporirane kulture«, »težnju za prvoklasnošću« i druge slične pristupe koji bi trebalo izuzetno da stimulišu zaposlene. U ovom tekstu pokušamo da ustanovimo u kojoj nam meri mogu pomoći, s jedne strane, neoklasična mikroekonomska teorija, a s druge, sociologija ekonomije, da razumemo ulogu »novih filozofija upravljanja« nasuprot »ekonomske demokratije« u smislu zajedničkih fondova ili radničkog samoupravljanja. Coaseova teorija firme i Williamsonov pristup trošku transakcija razmatraju se u odnosu na pokušaj Samuela Bowlesa da ustanovi marksističku mikroteoriju, kao i u odnosu na širi sociološki pristup motivisanosti zaposlenih, protivrečnosti kapitala i rada i ekonomske demokratije. Na kraju, u ovom tekstu pokušavamo da iznesemo procenu nekih neoliberalnih pogleda na ulogu sindikata kao podstrekaca i nosilaca ekonomskih kriza. Naša teza je da bi pokušaj ostvarenja ovih neoliberalnih ideja u švedskom društvu zahtevao sistemске promene koje su na istom nivou ili čak i veće od skorašnjeg zakonskog uvođenja fondova zaposlenih, a ove sistemске implikacije nas navode na probleme legitimnosti, koji se takođe ne mogu razrešiti unutar okvira neoklasične mikroekonomske teorije, već zahtevaju širi pristup ekonomske sociologije.