"HIGH WAGE ECONOMY", SLOANISM AND FORDISM: THE AMERICAN EXPERIENCE DURING THE "GOLDEN AGE"

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1 Introduction

Classical political economy identified the relationship between wages, consumption and capital accumulation as an important subject for the analysis of the dynamics of capitalism. The double nature of the wages, which simultaneously constitute an element of cost for the firms and the purchasing power for the workers, reflects, as shown by Marx, the distinction between production and realization as logically separate aspects of capitalist production.

The modern analysis of these connections applied to the accumulations patterns of the industrialized countries in the postwar period has been the main research topic of the french "regulation school" and of the American radical "social structure of accumulation"approach among others.

The crisis of the 70's and the slow growth (particularly in European countries) since then has been explained in these approaches as a complex result of the exhaustion of the institutional framework that was brought about by the fordist accumulation regime. This framework ceased to be functional when the high rates of wage-led growth decreased the power of the capitalist class, squeezed profits and increased conflicts over distribution (Marglin and Schor, 1990).

There are two main propositions of the regulation approach. The first says that the social structures created in the postwar period in Europe and in the 30's in the U.S. were shaped by the fordist rationale of mass production. The second sees the wage nexus as the central piece of the mass consumption[1] .

Our objective in this paper is to criticize both propositions and suggest a different interpretation. Based on the American historical experience, we will argue that mass consumption was a successful strategy of the big U.S. business corporations developed before the development of "New Deal" institutions of the thirties. This strategy was due to Sloan and not Ford and was a market instead of a production strategy, based on consumer credit sales promotion techniques and marketing innovations.

The increase in the purchasing power of wages over this period owed more to the high productivity of American agriculture and transportation system than to the fordist industrial regime. Moreover, the increase in wages could not on its own provide a sufficient basis for a mass consumption regime, which was only possible through the diffusion of consumer credit and the consumption of earners of non wage incomes. The social institutions created by the New Deal were the result of a political imperative of reducing inequality and labor market segmentation as well as for improving income distribution and were not devised to improve or regulate the effective demand. This later proposition can easily be generalized to the European experience in the postwar period.

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[1] The social structural of accumulation aproach does not support the industrial determinism that characterizes the regulation school and stress an autonomous role played by the class struggles. However, the analytical framework and the applied analysys are very similar. For the similarity and differences of the two schools see (KOTZ, 1994)

Thus, the main message of this paper is that income distribution results from a complex interaction between technology, institutions and power coalitions which have a wide degree of autonomy from the determinants of effective demand.

2 *The "High Wage" Economy*

In his book "The Evolution of Modern Capitalism", Hobson (1894) established that a "high-wage economy" was a feature of modern capitalism in contrast with a "low-wage economy" a characteristic associated to the social relations along the period examined by the classical economists. For the English economist, a high wage economy was determined by a feed-back relation between wages and productivity associated to the forms of competition and social relation of modern capitalism. Although Hobson (1894) had an underconsumptionist view of capitalism, he did not associate this tendency to a low level of wages but to the tendency of productivity to grow even faster then the real wages. For him a underconsumtion tendency and a high wage economy were products of mass production, technical progress and the competition led by huge industrial enterprises. In a different perpective for the regulation school (Aglietta, 1979, Boyer, 84) and the neomarxist analysis of modern capitalism (Marglin and Schor, 1990) the wage level and the wage regulation were policies necessaries to avoid a tendency towards underconsumption . According to this approach, high wages and consumption are need to set in motion a fordist mass production regime.

It is worth noting that Hobson extracted from the american economy along the past century the main examples and references of a a high-wage economy. Similarly for the regulation school the USA economy was the main historical case for the new mode of consumption[2]. But in a opposite perspective, for the regulation school the American economy along the past century was not a high-wage economy. According to this school, the crisis of 1929 - undestood as an underconsumption crisis resulting from an outdate mode of regulation - was a watershed in American regime of accumulation and in the corresponding mode of regulation. To fully develop a intensive regime accumulation (that was already in motion since the last decade of the XIX century) with mass consumption (the broad conception of fordism) it was necessary to create new institutions based on a new wage relation. Their main thesis is the dependence of mass consumption on the real wage. High wages are supposed to be a crucial factor for the development of an accumulation pattern centred on mass production of durable consumption goods, specially automobiles. In this sense, they argue, the institutions created by the New Deal, were functional to the macro economic regulation of a intensive regime of accumulation.

It is interesting to note that for Hobson the American capitalism in the last part of XIX century was already a mass production economy led by big enterprises with a high wage regime. Let us explore this theoretical and historical question.

3 *Fordism or Sloanism?*

The American crisis in 1929 is perceived by regulation school as a regulation crisis. It was overcome by a set of policies centred on a new and nationwide system

[2] "Les États- Unis sont, pou la théorie de la régulation, ce que l'Angleterre représentait pour Marx. C'est à partir d'une étude de l'économie américaine depuis la guerre de Secession que M. Aglietta (1976) a exposé les concepts de base de la théorie de la regulation. Ainsi, les notions de fordisme et les analyses de la crise contemporaine sont fortement influencées par les références aux États-Unis" (BOYER, 1995, p. 378)

of wages established by Roosevelt during the New Deal[3]. The consequence of this new system was to include the wage-earners in a mass consumption pattern. The new wage relation is thought to have been a central piece for the sustained growth of the modern American accumulation regime. The Henry Ford strategy of mass production, low unit price and high wages, was considered by regulation school as the modern pattern of the American growth that spread urbi et orbe after the war. This micro strategy was built at nationwide level in USA and in Europe by the wage macro regulation in order to make compatible the patterns of production and consumption.

According to Piore and Sabel (1984) the immediate business answer to the crisis of 1929 was centred on wage cuts and investment reduction showing an inadequate market regulation in a mass production economy. The full development of this production required new wages institutions as the ones created in the following years.

Before 1930, as it is well known, the labor relations and the wages setting in USA were very different from the pattern that dominates afterwards. For the majority of workers the wages and employment were flexible and subordinate to the business cycle. In dynamic sectors of industry were the wages were high, the influence of unions was very limited. However, the big companies were not disputing the workers in a competitive labor market. The internal labour markets was a institutional development of big industrial companies in their effort to create an internal supply of labor, independent from the vagaries of an unregulated labor market. In this market, as shown by the old institutionalist labor economists, the presence of a long queue of unemployed workers does not affect directly the wages setting (Dunlop, 1979). One characteristic of what Hobson (1894) called the high -wage economy was the secondary importance of a competition based in lowering wages. The American firms argued Hobson (1894), were more competitive and paid higher wages than the Europeans firms. Scale economies, high productivity and high wage are components of a whole industrial dynamics. In that economy, open wage competition can undermine the job structure worsen industrial relations and lower productivity. Note that all these characteristics were already present in U.S. economy in the beginning of the century. In fact, along the second half of past century, the rate of increase of money wages in industry did not fail to follow the rate of productivity (REICH, 1994).

In spite of labor market segmentation, the American economy during the 1920's experienced a mass consumption boom. For instance, in 1920, there was one passager car for 13 persons. In the U.S. 1930 this ratio increased to one car for 5,5 persons. For an international comparison it is important to note that this last ratio was only attained in England and the Netherlands in 1966 and in 1970, respectively. (Rothschild, 1974).

According to Alfred Chandler (1990),

"In addition to its size, from the 1870 until the Great Depression of the 1930s the American domestic market grew faster than that any other nation. Until the depression the United States outdistanced other leading industrial economies in the growth of both population and per-capita income - the two basic ingredients that determined overall consumer demand." (Chandler, 1990 p. 52)

In 1920s a power mass consumption market was developed in United States despite its "unregulated" nature if we keep the French expression. In fact what is missed in regulation school was the basic thesis of Hobson, the fact that since the second half of last century the American economy had been transformed from coast to coast by big corporations. The mass consumption market was a consequence of

[3] Lipietz (1987) argues that a crisis indicates that "the mode of regulation is not adequate to the regime of accumulation"...in 1930... an outdated competitive mode of regulation preventing the emergence of an intensive regime of accumulation with mass consumption (pg 90)

this movement. In this market, the price reduction strategy of a standard and identical product - the fordist strategy - was only possible by the mechanization and the industrial scale economies concentrated in big firms. The high wages paid by Ford were a consequence and not a condition of mass consumption.

During the thirties the fordist strategy was overtaken by another strategy, which was more aggressive and efficient: for Alfred Sloan, president of General Motors, ...

"the primary objective of the corporation was to make money, not just to make motor cars" (Rotschild, 1974, p. 38).

The GM strategy - the company took the sales leadership since the 1930s - was centred in a wide set of models graded upward in quality and price.

The Sloanist strategy was based on upgrading consumption :

"Sloan's idea for upgrading consumer preferences was that automobiles should change each year, and should each year become more expensive (at least to the cost of production). The rate at which people traded in their old cars would grow. Each year, the new-model cars would have more improvements added on, different engines, different styling, different comfort features." (Rotchild, 1974, p. 38)

By offering product diversity, the GM sales strategy sought to expand the market through a deepening the automobile consumption patterns . Thanks to the economies of scope, this diversification in models and prices with constant or decreasing costs was an important mechanism to protect their profit rate. For this reason the mass production acquired relative autonomy from the extensive growth of the market. If the Ford strategy was associated to industrial mass production, the Sloan strategy was concerned to the creation of a mass consumption market led by the sales effort of the big corporations. The approach of Sloan emphasized a marketing and financial view of the firm in contrast with a industrial view associated to Ford[4].

The principal new instrument for Sloan's strategy was consumer credit. In this area the big companies such as General Motors took the lead along the twenties and thirties. As Sloan pointed out, at this time, the banks did not accept the true nature of consumer credit. For him, the financial innovation offered by the industrial corporation was to supply purchasing credit to the consumers and dealers. According to Sloan, the revolutionary inovation was trading of used cars as payments down on new cars.

Oligopolistic competition and market control required a process of planned changes in models. This scheme occurred only after the 1930s with the regularization of changes in the annual models. The broad objective of those strategies like product

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[4] The term fordism used by the regulation school authors comes from Gramsci in his analysis of Americanism and passive revolution developed in Quaderni. For him the fordism-americanism was a determined nexus of hegemony based on production and developed in American industrial system. Fordism, understood by Gramsci as the taylorist labor rationalization process could only be fully developed with americanism, undestood as a system of social relations. The diffusion of fordism (division of labor) without americanism (social relations) was viewed by Gramsci as a important limit of Italian capitalism. The central issue for Gramsci was hegemony. According to him in modern US society a new hegemony was constructed whitin the industrial system - americanism- and in Italy by the alliances with the traditional classes. What the RA authors called fordism corresponds to the gramscian fordism-americanism but the emphasis is on an specific accumulation regime (not developed by Gramsci) and the embedded social and state forms. The replacement of a hegemony structure (fordism-americanism) by an accumulation regime (fordism in regulation school meaning) introduces an economic (industrial) determinism and a questionable economic holism: the social dynamics is attributed to a endogenous economic force that sustain a particular regime of accumulation (hegemony in Gramsci). Here relies the central place of the "rapport salarial". Our emphasis on Sloan view is related to a pattern of growth in monopolist capitalist centred on market control and is not entangled with any social or distributive coalition. (For a detailed analysis of Gramsci concept of fordism see Felice (1978)

upgrading, consumer credit, planned obsolescence was to create and nourish automobile demand.

In fact, a large and growing consumer market is needed to explore the scale economies in production. These economies can be built and developed in different ways. The American way that was established in automobile and others consumer durable goods was based on product diversification, differentiation in prices, models and status. The sales effort included a demand enforcement through financial and commercial inovations. The basic strategy was not only to defend the market share and sales volume during the cyclical recession but to create new markets and plan their growth.

The regulation school emphasis on fordist "consumption mode" based on wage regulation depict a consumption dynamics very different from the one described above. As we see the realm of mass production was based on a corporate strategy of consumption deepening financed by credit. This process has great autonomy from the wage share in national or industrial income. In the United States, after the thirties, the extension of internal market for consumer durables could not be made simply by widening the existing markets. This horizontal growing is indeed very dependent on wage and household income, but in USA for a wide range of goods this phase was already achieved in the beginning of this century. As the victorious Sloan's strategy showed, after the thirties, the creation of new markets by diversification and planned changes relied on financial and commercial inovations. Both inovations created a new articulation between a specialization and differentiation process and a massification of goods.

4 The External Conditions of Industrial Mass Production

Before we consider the institutional arrangements set in motion in the thirties it is important to examine some aspects of American capitalism and Hobson's conception about high wages. For this author, the American level of development and industrialization at the end of XIX century was superior of that found in England or Germany. For him the decisive factor was the degree of industrial concentration. This was the outcome of a market structure shaped by the big industrial corporation. A national and integrated market - probably the most important feature of American economy- was achieved by a business articulation among industry, agriculture, wholesale and retail trade, railways and banks. The horizontal and vertical integration that occurred in the end of last century in United States gave birth to a new kind of capitalist competition and industrial organization.

Along the same line, Alfred Chandler (1990) associated the American leadership to the geographical extension of its internal market and the opportunities to exploit the economies of scale and scope.

Several aspects are significant to our point but it is worth to explore briefly one of them: the external conditions for a industrial mass production and mass consumption regime.

Many approaches about modern American capitalism like the one developed by the regulation school are strictly concerned with the industrial and technological organizations and their institutions. Generally few words are dedicated to the external and non industrial aspects of mass production. In American case, a continental economy, this is not a minor point. In fact, one distinctive feature of the American economy was the development of a modern agriculture articulated with industry and spread around the country. In no other industrial economy - in Europeans countries the terms of trade between industry and agriculture followed a Ricardian trajectory - the cost of subsistence decreased as the industrial accumulation accelerated its path. In USA the agriculture sector was connected with the food industry and the wholesale and retail trade, and that was very important to set the conditions for a increase in real wages.

When Henri Ford decided to cut the automobile prices and to increase nominal wages there was already in American economy a diversified, elastic and cheap supply of food dispersed around the country[5]. With a rising supply of cheap food the increase of nominal wages had positive effect in real wage increases.

An efficient national transportation system was another important external factor for American industrial mass production. In a continental economy, the cost of living is very dependent on merchandise distribution system and transportation cost. The scale economies in transportation and distribution was crucial in American case for the industrial aspects emphasized by industrial economists. Alfred Chandler (1990) pointed out that the full development of economies of scale - the more important factor for American industrial capacity - depends on the speed of deliverance of raw material and finished goods. The superiority of American economy at the end of century was due to the fact that all the external conditions for an industrialization led by big enterprises were present. A integrated and huge domestic market was the material basis for what the regulation school called fordism.

Economies of scale are an important factor in the distribution of goods. This aspect, normally missed in industrialist-type analyses like the regulation school was decisive in American experience. According to Chandler (1990):

"The greater the stock-turn, the more intensive the use of existing personnel, facilities, and capital invested in inventory; therefore, the lower the cost per unit. The buying departments, each coordinating the flow of a single line of products, were the units that permitted the new volume distributors to take advantage of economies of scale. The traffic departments, the selling facilities, and the geographically distant purchasing offices and facilities used by all the buying departments permitted the enterprise to achieve economies of scope - that is, to use the same facilities to market and distribute different products." (Chandler, 1990, pg 29)

This scale and scope economies in distribution are dependent on transportation and communication networks. The upsurge of investment in these networks between 1850 and 1880 in American economy was the main material condition to a full exploitation of the scale economies in distribution. From this time on the department store as a mass retailer affirmed itself as the principal instrument of a mass consumption society.

For these structural reasons, the American capitalism was pioneer in mass production and mass consumption. In fact, the American pattern of accumulation, distribution and consumption - the accumulation regime in the regulation school - had indeed some specific elements that had relative autonomy from the industrial structure. In the American experience, the importance of the so to speak non-fordist sector should not be undervalued. This proposition can be easily grasped when international comparisons in postwar patterns of development are made. If the American industrial pattern spread urbi et orbe, the non-industrial elements that affects the working class consumption, like the agricultural high productivity, were unique. To it the new institutions born in 1930s were important to enlarge these positive and cumulative factors but by no means the American institutions of mass production can be considered a result created by of these political and distributive institutions.

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[5] As a consequence of crisis and deflation a sophisticated price and stock control was developed during the New Deal. After the second War the agriculture prices became stable and ithe terms of trade were favourable to the industry.

5 Democratic Goods, Oligarquic Goods and Workers Consumption

According to Hirsch (1981) a "democratic" wealthy is forged by a collection of goods whose consumption could grow endlessly without compromising its quality for the consumers. For the "oligarquic" wealth the opposite prevails , the generalization of consumption irrevocably diminishes their use value for the owners. As Ruffolo (1985) pointed out, a similar distinction was used by Marshall, Keynes and more recently by Hirsch (1981). The "position" goods differs from "common" goods because their possession assures a differentiate status to the consumer. It is the search for status and individualization that lures the consumer. The modern capitalism enlarged enormously the frontier between common and position goods.

The modern mass societies characterizes themselves by the mass expectation to achieve an individual position trough consumption. Mass production and mass consumption generates a "congestione"(Ruffolo, 1985) that frustrates the individual desire of status and differentiation. This set in motion an inextinguishable machine of production where new position goods are continuous released. Probably no one understood this machine better than Veblen (1975)...

"....as fast as a person makes new acquisitions... the new standard forthwith ceases to afford appreciably greater satisfaction than the earlier standard did... So long as the comparison is distinctly unfavorable to himself, the normal, average individual will live in chronic dissatisfaction with his present lot; and when he has reached what may be called the normal pecuniary standard of the community... this chronic dissatisfaction will give place to a restless straining to place a wider and ever-widening interval between himself and this average standard" (Veblen, 1975, p. 31)

The automobile and the household electrical appliances, the durable goods, are the modern goods that follow this dynamics. The regulation school and other economic analyses explore the diffusion and enlargement of consumption of durables to wage-earners. But this movement is part of a process that begins with product innovation, consumption individualization followed by its negation. This strategy, as we saw, was developed by Sloan and built by the big industrial companies and the modern midia. As stressed by Sloan, planning the production innovation is the essential nature of a demand creating technical progress. For this process the sales effort, the financial innovation and publicity are the key factors to the rate of growth of the market . This market creation through product differentiation is relatively autonomous from the evolution of labor market and wages.

When the wage-earners purchase position goods these goods loose their identity, the frontier moves ahead and new position goods are introduced. Position goods are bought by earners of property income or professionals whose income is less dependent on productive process (like the wages) and more dependent on hierarchical position in the division of labor. The old and new middle and upper classes (white collars, managers, professionals, non-wage-earners, etc.) reach the desired status by the possession of position goods, but this position is in permanent process of destruction trough the massification of consumption. In order to keep his status the consumer has to acquire a new position good increasing their propensity to consume in a perpetum mobile.

This dynamics has nothing to do with the conventional analysis of Engels curve were a rigid hierarchy of wants is associated to different levels of income or to a traditional distinction of goods in to "necessities" and "luxuries".

When Kalecki (1965) said that the realized profits were macroeconomically determined by investment and capitalist consumption he was saying that the wage consumption was subordinate to capitalist spending. In this sense a wage led growth (as analyzed in REGULATION SCHOOL) is a logical impossibility. Unless investment and capitalist consumption grows the profits can not be realized. Here we emphasize the wage consumption as following a process of consumption deepening centred in a continuous flux of new position goods. Once the new good were incoporated in higher consumption patterns of the working class, ...

"... they prove resistant to temporary reductions in income." (Wilkinson, 1988, p. 185)

Perhaps in no other country this aspect is more meaningful than in U.S.

"Even in the Depression years, workers economized on everything - food, clothing, housing - but managed to keep their cars and use them in going to work, looking for jobs, and so on. In its 1935-36 Survey of Consumer Expenditures, the Bureau of Labor Statistics said that "automobile ownership has been one of the most depression proof elements in the level of living of families in all parts of the United States." (Woytinsky, 1967, p. 184)

6 The Consumer's Credit, Wages and the Mass Consumption

The role of consumer's credit in fostering the path of capital accumulation was explored by Steindl (1964). The spending on durable consumer's goods does not have the same way of non durables goods.

"When the income changes from a lower level to a higher one, however, the stock of durables will change only after a certain time, because the consumer has to save up until he can buy all the durables appropriate to his new higher standard of life." (Steindl, p. 425)

And so, follows Steindl, consumer's credit reduces the lag between income and consumption of durables.

The consequences of a reduction in the spending lag were twofold. First of all,

"If , in consequence of the prevalent use of consumer's credit, the lag in spending on durables is reduced to small interval, so that any increase in income has its full consequence on the demand for durables almost immediately, then the effect on the cycle is un-damping." (Steindl, 1964, p. 427)

The second consequence is the positive feed back of the cycle un-damping for the long term rate of growth. Because the short run effect on capacity utilization, the rate of growth in the long run is enlarged. The existence of scale economies enhances this virtuous cycle of demand- led expansion.

The more general idea developed by Steindl about the role played by consumer's credit was that the nexus income-consumption-income becomes faster and in consequence this modality of credit directly creates and expands the market for durable goods.

The dynamics of mass consumption is based on marketing innovations and on business planning of product innovations. The continuous flux of households's purchases grounded on consumer's credit is dependent on the regularity of income creation. Wilkinson (1988) exploring the relations between the changes in consumption patterns and the provision of consumer credit stated that the causal relations run both ways but,...

"... from the demand side consumer credit has become increasingly acceptable to both society and the financial world because of the growth in the level and security of working class incomes." (Wilkinson, 1988, p. 186)

The consumer credit is a demand-creating innovation that has large autonomy from real incomes. But this is not to say that the demand for credit is stimulated by a fall in real income. The acceptability of this instrument is related to the household collateral and the stability of real income. In this sense we can link credit and the stability of wages.

Among other income contracts, the wage contract has a greater stability. In this sense, a series of "wage period" controlled by collective bargain with autonomy from the business cycle and the stabilization of real wages along a long period, is a powerful basis for the expenditure financed by credit. In this perspective the crucial aspect is not the wage share in national income or the wages structure but the stability of wage setting.

A wage period is the length of time covered by a collective contract where the nominal wage rates are fixed. When the labor relations are institutionally regulated and the collective contract unifies the wages increases of different categories as occurred in US and Europe after the second war, the length of wages rounds becomes macroeconomically important. This is due to the fact that the renewal of a collective contract, that is the evolution of a wage period, is always a socially complex momento. The macroeconomic situation, the unemployment rate, the investment perspectives affect the following collective contract. Thus, in conditions of low inflation the lengthier is the wage period more stable the wages will be. This question can be appraised in the American experience during the Golden Age where the collective contracts had a period of 2 and 4 years. So, in a situation characterized by low inflation and structured labor market, the rise of nominal wages set in long lasting collective contracts, is an important element for the macroeconomic stability. The stability of income-consumption-income nexus financed by consumer's credit finds a solid ground in this kind of institution.

7 Institutions, Markets and the Functionalist Approach

The regulation school's historical interpretations of post War institutions in USA and Europe converge to the same point: the Keynesianism, understood as a State policy to make consumption be compatible with production, was a core institution of fordism. The wage regime practiced in big industrial enterprises and institutionalized by government (New Deal in USA and in socialdemocratic policies in Europe after the II War) were regarded as decisive to reach this objective. Thus, according to Piore and Sabel (1982), the low growth of the seventies ....

"... results from the limits of the model of industrial development that is founded in mass production: the use of special-purpose (product-specific) machines and of semiskilled workers to produce standardized goods. We argue that the technologies and operating procedures of most modern corporations; the forms of labor market control defended by many labor movements; the instruments of macroeconomic control developed by bureaucrats and economists in the welfare states; and the rules of the international monetary and trading systems established immediately after World War II - all must be modified, perhaps even discarded, if the chronic economic diseases of our time are to be cured." (Piore, Sabel, 1982, p. 4)

More exactly, this "chronic economic diseases" was interpreted as the result of a regulation crisis in a sense that the standing institutions no longer achieve a stable match between the production and the consumption of goods. This regulation crisis is not new...

"The two major regulation crises in the epoch of mechanized production are associated with the rise of the large corporations, in the late nineteenth century, and of the keynesian welfare state, in the 1930s" (Piore, Sabel, 1982, p. 5)

According to Boyer (1995) and many authors of regulation school and social structure of accumulation the postwar golden age was the product of a regime of accumulation centred on mass consumption. This was achieved by a "raport salarial" where the gains of productivity grow were shared with the workers in exchange to their acquiescence to fordist methods of production[6]. So, in the seventies, with the low growth of rate of productivity...

"Ce choc ponctuel sur la reantabilité se résout par la remise en cause des formules salariales fordiennes, comme en témoigne la cassure durable de l'évolution du salaire réel. Ainsi se trove bloqué l'un des moteurs de la croissance de l'aprés-guerre." (Boyer, R. and Juillard, M. 1995, p. 381)

"...le fordisme qui est considéré comme le moteur des Trente Glorieuses marquées par une croissance stable et soutenue, est caractérisé par le parallélisme entre le développement d'une production et d'une consommation de masse garanti par l'instauration de négociations collectives et d'une politique des revenus assurant le dévelopment significatif du salaire indirect." (Leroy, 1995, p. 116)

Besides the centrality of the "raport salarial" as engine of growth (and, as we saw, the anatomy of a accumulation regime) the theoretical and historic message of this approach holds that institutions are created and kept because they perform a macroeconomic rationality to a industrial model of development[7].

Due to the central place of the "rapport salarial"the functionality of institutional change to the needs of mass production as defended by Aglietta (1982) or to the objectives of macroeconomic stabilization as argued by Piore and Sabel (1984) " is based on a particular role atributted to wages in mass consumption. In this analysis the factors that foster effective demand and growth are entangle with the factors that influence the income distribution. The following analysis of Leroy (1995) is very clear:

"...l'analyse régulationniste de la croissance de la productivité du travail et celle des salaires réels pou obtenir une croissance régulière et durable. La crise des années trente est interprétée comme le résultat d'une insuffisance de la croissance salariale au regard du dynamisme de la productivité du travail soutenue par un progrès technique important. De même, dans les annés soixante-dix, la désyncronization entre un relèvement du rythme de croissance des salaires et un affaibissement des gains de productivité a pesé sur les profits et marqué l'entrée dans une crise structurelle." (Leroy, 1995, p. 116)

According to Piore and Sabel (1984) the national system of wages in postwar American experience was decisive for macroeconomic stabilization. This system was made of the following aspects: the collective contract model established by GM and the metalworker union and its generalization to others sectors; the national labor code; the minimum wages policy and the wages policy for the public sector. The proposition is that...

"Viewed together, these different institutional mechanisms tied wages throughout the economy into a single structure. Though there were always a few deviations from the pattern, these were generally short-lived. Through the UAW- GM

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[6] Naturally the regulationalist approach does not confine itself on the "raport salarial" The emphasis on competition, international monetary regime, and national diversities can be found in any regulationalist paper on capitalist development. Although the "rapport salarial" - the institutions that regulates the labor process and labor consumption- is the key concept for a particular regime of accumulation. See Boyer (1995, a). The reason is based on the idea atributed to Gramsci's concept of americanism-fordism as a generalization of labor process to social and institutional spheres of a particular kind. See note 4 above.

[7] In his analysis of regulation school Michelle Salvatti (1988) distinguished two dimensions: a statical model of systemic integration and a dynamic analysis of accumulation patterns. For Salvatti, the dynamic part failed in its explanation of seventies crisis. Assuming a growing demand for labor flexibility the regulation school has failed to distinguish a structural (and in this case associated to another regime of accumulation) from a conjuntural demand. In this sense the regulation school has failed as a theory of historical development and for this reason the dynamic part of this interpretation is very reductionist.

agreement, wages were keyed to productivity plus inflation, and consumer purchasing power to the expansion of productive capacity. This was Keynesian income policy without a Keynesian state." (Piore, Sabel, 1984, p. 82)

The theoretical analysis of American experience made by Piore and Sabel (1984) or Aglietta (1982) holds that Keynesianism was a institutional solution to the mass production problems. The wage setting fixed in collective contracts and the government wages policies were essential to this needs. That is how the functionality of high wages is constructed.

As we argue, in American society mass consumption and a high wage economy was a reality before to the national wages policies and union organization in big factories that were build in the New Deal.

In the case of the New Deal one can not circumvent or diminish the fact that the new institution framework was essentially subordinated to a power conflict in American society that brought about a discontinuous change in the dominant distributive coalition. Discontinuous change such as the 1930 crisis, the second world war, or the Berlin fall of the wall in 1989, are independent factors that help to shape a new distributive coalition. The institutions are not a product of the needs of accumulation.

The rejection of a funcionalist approach to economic institutions opens the historical and theoretical question of the relationship between institutions and capital accumulation. Naturally this is not a new question and was entirely present in classical economists in their analysis of capitalism. In its correspondence with Sraffa about classical political economy, Gramsci pointed out that the concept of market used by Ricardo was embedded politically by social forces. For him,

"Concetto e fatto di "mercato determinato", cioè rilevazione scientifica che determinate forze decisive e permanenti sonno apparse storicamente, forze il cui operare si presenta con un certo "automatismo"che consente una certa misura di "prevedibilità"e di certezza per il futuro delle iniziative individuali che a tali forze consentono dopo averle intuite o rilevate scientificamente. "Mercato determinato" equivale pertanto a dire "determinato rapporto di forze sociali in una determinata struttura dell'apparato di produzione" rapporto garantito da una determinata superestruttura politica, morale, giuridica." (Gramsci, p. 1477-78)

For Gramsci every market is a determined market in a sense that includes a historically formed power rapport; this power relation that sustain the market institution, creates more predictability for individual initiatives. A determined market is a market embedded in an institution framework. In this perspective, there is not two autonomous spheres exerting pressures to each other. A trajectory of economic growth takes place after the historical rise of "determinate forze decisive e permanenti". Along this trajectory, new institutions, endogenous institutions, in a meaning developed by Veblen (1919) are created in order to foster accumulation and to regulate the conflicts over income distribution.

7 The "New Deal"Distributive Coalition and the Golden Age of American Capitalism

In the American experience, the institutions created in the thirties as the National Labor Relations Act (unions rights) , Social Security Act (pensions and unemployment compensation), Fair Labor Standard Act (minimum wages) and the Employment Act established in 1946, were the answer to a economic and political crisis that brought into being a new relation between labor and capital. The new labor institutions created in the thirties extended the limits of the internal market, guaranteed a major role for the unions and protected the more fragile groups in the labor market.

It is not our purpose to investigate the new distributive coalition that emerged in those years but to stress some aspects of the institutional building of this period compared by Piore and Sabel (1982) to the Italian or French achievements in the sixties.

When Roosevelt signed the National Labor Relations Act in 1936 the United States reached the climax of a political turmoil generated by the economic consequences of mass unemployment and by the explosion of popular protest. The industrial opinion was radically against the new Act. For Alfred Sloan,

"...if it has any appreciation of its obligations to future generations, will fight this proposal to the very last." (Piven, Cloward, 1971, p. 90)

According to Lasky (1934), Roosevelt made a decise rupture with the old political economy coalition, the deflationary policy, the doctrine of Coolidge and Hoover, that produces...

"... es desatre del que Mr. Roosevelt surgió como Presidente. Si su elección tuvo algún significado fue el de una repudiación, por parte del pueblo americano, de ese evangelio. Si Roosevelt lo hubiera adoptado, con las terribles pérdidas sociales que implica su aplicación, es difícil imaginar cómo los Estados Unidos hubieran soportado los últimos nueve meses sin navegar, ya en firme, hacia una situación revolucionaria. Roosevelt ha conservado la confianza del pueblo en la orden existente, porque le creyeron realmente cuando dijo que el pueblo tendría un New Deal" (Lasky, 1934, p. 20)

The National Labor Relations Act was a state initiative to meet the popular and democratic pressures in a situation characterized by the existence of 15 millions of unemployed people (1/3 of labor force in 1933). To face the political demands, the government complemented the National Labor Relations Act with a Federal Emergency Relief Administration, a huge program of public works, a distributive tax reform and to foster the economic activity, a National Industrial Recovery Act and a Federal Agriculture Policy were launched.

In this sense the new labor institutions and the public spending were the response to a change in the distributive coalition in American society. In the thirties after a strike wave that reached the whole heavy industry, the unions organized in factories emerged as a new political actor. According to Piore and Berger (1982),

"L'impatto sulla classe imprenditoriale è stato molto profondo, e ha condotto ad una revisione della sua tradizionale ostilità verso il movimento operaio organizzato." (Piore, Berger, 1982, p. 71)

One important distributive consequence of this new structure of power was the enlargement of what Dunlop (1957) termed the "coercitive comparisons of wage contours". The existence of wage contours and jobs clusters is a general characteristic of the wage formation in industry and was developed in American industry previous to the union organization in thirties. One can not forget the reality described by Hobson: the internal markets in USA were set in motion by the vertical and horizontal integration created by the modern industry. The influence of unions over the wage rates requires a precise definition of tasks attributed to a particular job. The standardization of jobs and the control of unions over the wages contours in collective contracts were important for the decline of wage disparity in industries sectors and regions. Nevertheless this achievement in American economy had a decisive protagonist: the war economy and the full employment policy that followed those years until the crisis in seventies.

The influence of war economy in the American economy was remarkable not only for the industrial growth but also for the new labor institutions. In fact, policies to reduce wage inequality associated to the role of unions in structured labor markets were identified and supported by the National War Labor Board, an important institution for industrial relations in USA (Kerr, 1954). According to Kerr, in 1943, in order to create better labor relations at shop floor level and to diminish the absenteeism in the war economy, this Board ordered to all aircraft industry metallic components firms in California to institute the Souther California Aircraft Industry (SCAI) plan. This plan created a detailed system of jobs and wages that were very influential in the institutionalization of job clusters in heavy industry.

The low inflation of the fifties was attributed to the new institutional setting of long-term wage bargaining. As we saw, a long "wage period" was an important aspect for the industrial relation and for the stabilization of labor contract. Although the new institutions were important for the price stability, one should not undervalue the influence of price control during the Korean war. The stabilization of agricultural prices was an essential

aspect of the whole period, during the Korean War and in the period of "guns plus butter" policy of the Great Society program and Vietnam war.

The war economy and the full employment policies that characterized the American economy in the decades ahead played a decisive role in transforming the distributive coalition that took place in the thirties in material results to workers in the bottom of labor hierarchy. This distributive coalition was important to consolidate the standards of life in the years ahead and to incorporate new groups of workers in mass consumption.

In American capitalism the wage dynamics for the structured labor sectors was determined by the big corporations and the unions and the evolution of wages for the non skilled workers can be explained by the minimum wages policy and the war economic boom. Since them and until the 1970s, the expansionary policies after the Full Employment Act (1946) sustained by unique international conditions derived from the American hegemony will explain the wages evolution. The social homogeneity and income redistribution that occurred in US along these years was challenged by the huge migratory flow from the countryside. But this is another question - the problem of urban marginality and poverty - and can not be mixed with that of wage formation.

The high growth in income and employment that occurred in US economy from the war until the 70's was not essentially the outcome of a new mode of regulation required to set in motion a fordist production. Felstein (1980) made a good account of the American golden age:

"Real output did decline as the war ended, and the unemployment rate did begin to rise. Real GNP fell by nearly 20 percent between 1944 and 1947. .. After 1947 the economy began a period of remarkable growth and stability. In the next decade, real GNP rose 45 percent, and in the decade that followed another 48 percent. In only one of those twenty years did real GNP fall by as much as 1 percent, and that was in 1954, when military spending had been sharply reduced. This sustained and rapid expansion had occurred with a relatively stable price level; the annual rise in consumer price index averaged only 2 percent. The first two decades of the postwar period were a time of unsurpassed economic prosperity, stability and optimism." (Feldstein, 1980, page 1)

The high economic growth during the American Golden Age was, *prima facie*, the consequence of high level of demand due to exogenous and political events like the second world war, the Korea and Vietnam war combined with a huge growth in the number of urban household and the correspondent public spending in transfer payments to local governments and social security benefits.

The data is eloquent:

"Combining goods and services with transfer payments, we find that the total share of government spending has increased from 8.8 percent during the 1920s to over 30 percent in the 1970s" (Gordon, 1980, p. 108)

According to the Federal Reserve System data, during the fifties the public spending in purchases of goods and services - led by military spending - had a great surge increasing from 7.0% of GNP in 1946-50 to 13.3% in 1951-55. This percentage stabilized until the seventies. From 1961-65, the transfer payments - associated to the provision of local public service and welfare benefits- reached 8.3% of GNP, almost the double percentage of the 1951-1955. After that, the transfer payments have risen faster than GNP.

The growing transfer payment was in fact an important factor for economic growth and the macroeconomic stability that characterized the postwar period. First of all, the welfare system entitle a household expansion much faster than it would be. During the fifties and sixties the American society experienced a growing number in households, a reduction in the average size of household, a growing percentage of persons aged over 65 and a huge growth in birth rates specially of nonwhite people. The transfer payments to local governments was necessary to meet the increasing urban needs that arose in these years. The great upsurge in the American population after the war, their concentration in urban areas and their high mobility, exerted a strong demand for urban and social investments. This demand resulted in a great expansion of government employment. The amount of federal, state and local employees was less than 30% of industrial employees in 1939, in 1965 the percentage exceed 60% (Woytinsky, 1967)

An important consequence of the social transfer payments is the introduction of an inertia in business cycle and in this sense it contributed for a higher rate of long-term growth. In fact, according to Freedman (1980) based on U.S. Department of Commerce data, after-war the business cycle downturns were shorter and the decline in real GNP were lower than the pre-war experience.

The American Golden Age was achieved by high levels of investment led by product innovations in durables consumer's goods and growth in residential construction. The enlargement of the urban population and in the number of households has occurred with an employment structural change. In fact, after the war the number of blue-collars workers became stagnant whereas the number of white collar workers and service workers boomed. Even in manufacturing the nonproduction workers grew - part of them belong to a group of salaried managers - while the number of production workers fell. (Woytinsky, 1967). Thus besides the new labor relations consolidated in collective bargains, these tendencies were important factors for a new mass diffusion of durables consumer's goods in American economy.

Automobile diffusion was a fact along the Golden Age. As we mentioned before, during the twenties automobiles were massively purchased by American households. The 1930'crisis and the second war interrupted this revolution, the next decades saw a second wave in this revolution:

"Three out of 4 families owned a car in 1964. Among farm families, for whom some means of automotive travel is frequently the only means of transportation, the percentage is even higher: 82 per cent of rural non farm families and 91 per cent of rural farm families own a motor vehicle." (Woytinsky, 1967, p. 185)

This quote is interesting because introduces the agricultural sector, a normally forgotten actor of American growth. Besides the demand aspect two circumstances should not be neglected. The steady growth of agriculture productivity and the price support policy created by the Commodity Credit Corporation in 1933. After the war this government policy (prices, loans, purchases, storage facilities) became central for the agriculture and industry terms of trade and, consequently, for farm incomes. It sustained growing surpluses in agriculture and was important for price stabilization in urban centers, In addition, the public purchases were significant for social transfer as school-lunch programs and others.

It is in this structural situation that American economy faced a second wave of automobile expansion. For this massive consumption the introduction of new models and the credit facilities were the engine of growth.

One decisive factor for the post-war American financial development was the deposit insurance established in 1934 by the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation. For the mortgage borrowers the deposit interest rate ceilings introduced in National Banking Act of 1933 was a real incentive for the residence purchases.

Despite the early creation of consumer's credit in American economy as part of sloanist strategy, the mass diffusion of consumer's credit was a postwar achievement. In fact, after the war with the new financial instruments, low inflation, an increasing rate of growth and product innovations, the conditions were set to "individual's greater willingness to borrow" (Friedman, 1980).

The fact that the consumption durable goods played a central rule in American Golden Age, a central stylized fact of regulation school, should not minimize the fact that the nondurable consumption goods suffered a revolutionary change along those years with a huge increase in amount and varieties of foods and clothing. Moreover, the urbanization, the growing consumption of services (personal and those related to house keeping) brought about growing demand for nondurable goods. In consequence the use of funds of households has not experienced significant changes among the different kinds of goods. Thus, as a percentage of the GNP the household durable expenditure remain close to 10% along the postwar period (Friedman, 1980). The same happen to the percentage of installment and consumer credit to GNP. Probably because of that statistic observation a "real permanent income approach" seem to predominate in the economist's analysis about the connections between consumer's credit and demand for durables. For instance, in 1955 sales in American automobile industry boomed and surprised the economists...

"Paul Samuelson once announced to an M.I.T. graduate class that he would "flunk anyone who could explain why auto sales in 1955 were so high."

The reason, nevertheless, was not new....

"A complete quantitative explanation is never likely to be produced, because several of the sources of the 1955 auto boom cannot be quantified rigorously. In addition to the basic accelerator mechanism that makes auto sales depend on the growth of real income, and the effect on expectations of the mildness of the recession, the boom was amplified by a substantial easing in installment credit terms that introduced thirty-six-month installment contracts for the first time, and also by the timing coincidence that all of the "big three makes introduced radically new models simultaneously in 1955 model year for the first time since 1949." (Gordon, 1980, p. 117)

9 The Dependent Keynesianism

The diffusion urbi et orbe of the American industrial pattern[8] occurred simultaneously with the trade and monetary hegemony of American dollar. The high wage economy derived from the American patterns of accumulation and institutions characteristics were part of a national capitalism that had a incomparable autonomy in price setting and income growth.

The military spending and Keynesian management in US along the Golden Age had a unique degree of freedom. This was the result of the absence of balance of payment constraints. In effect, the current account surplus (until 1969) and the role played by the dollar in the Bretton Woods system gave to U.S. a singular position of being an unbound economy in a sense that monetary policy was set to keep a low and stable long-term interest rate. The singular American condition allowed one

[8] The American industrial pattern should not be confused with fordism in the regulation school notion. The former is related to the group of key industries that, organized in olipolistic markets, led the economic growth in postwar period.

important institution of the Golden Age: a new commitment of Federal Reserve. According to Friedman (1980),

"During World War II the Federal Reserve facilitated the financing of the huge increase in public debt ...by supporting the prices of Treasury securities. After the war the reluctance to impose losses on investors who had financed the war effort led to a continuation of the bond price supports..." During the next decades the interests rates "... remained relatively low.... and the Federal Reserve on balance followed the half-restrictive, half-accommodative policy subsequently known as "leaning against the wind" (Friedman, 1980, p. 67)

In other countries a kind of dependent Keynesianism characterized the Golden Age: in a fixed exchange rate system - from Bretton Woods through 1973 - economic growth was constrained by the amount of reserves in dollars. A trade deficit could only be reversed through domestic price cut due to strict monetary policy. Despite of the intrinsic limits of the gold standard , a set of circumstances softened the balance of payment constraint. The fast growth of loans associated to the Marshall Plan, the Korea War (and the consequent Japanese demand pull) the undervalued level of the exchange rate of European currencies during the fifties, the American upsurge in imports from Asia and western Europe, the growing outflow of American direct investment and the American trade deficit in the sixties will create extraordinary opportunities for the growth of the European economies. These circumstances were created by the American international strategy in its struggle with the former Soviet Union.

A dependent keynesianism - dependency grounded on the American balance of payments situation and in the American control of oil and raw material prices- but with local technological and social aspiration distinguish the postwar European economic policy. The welfare state was important to the diffusion of mass production and mass consumption, but contrary to the American experience, the machine of growth was different in a sense that the rate of growth was high dependent not on internal markets but on the rate of exports (Kaldor, 1996)

The fordist wage relation - the French expression for the minimum wage policy, the low sensibility of wages to economic cycle, and the expansion of unemployment subsidy- only settled in countries like Italy or France after the strike waves and political unrest of revolutionaries 1968-69 years. Keynesianism always applied with restrictions in Germany where the central policy target was related to inflation control and external markets. The social-democratic commitment in Scandinavian countries was more the result of political consensus of organized groups in homogenous society than the consequence of a produtivist agreement. In those countries the wage moderation and the labor acquiescence were present since the beginning of the fifties.

In postwar European countries the pact between the State, industrial associations and unions was made with favored international circumstances created by the economic policies of American hegemony. High rate of growth, low inflation, favorable terms of trade between industrial and agriculture goods, constitute the key elements that associate with the growing union bargain power in socialdemocratic political coalition resulted in high wages for a vast segments of labor force.

In this context it is interesting to address the question of the influence of unions on income distribution. For reductionist type of analysis the growing union's militancy in the seventies decreased the capitalist power (economically represented by the mark-up) leading to a profit squeeze crisis. The Thatcherism and the political offensive against the socialdemocratic coalition restored the lost profitability. For the regulation school, the fordist regulation and the demand led growth centred on the distribution of productivity gains was over. In our approach , the changes of international monetary regime and international terms of trade -both external to capitalist-labor relations- were the key economic factors for the political collapse of the social relations born in Europe in the postwar. In a regime of fixed exchange rate there is no room for a monetary and a fiscal management towards the full employment. Nor the wages can be settled according to the national costs (Keynes, 1926). The monetary policy had no national autonomy but to defend the exchange rate. In this sense, a fordist "rapport salarial" depends on special circumstances- as those above mentioned- that relax the external constraint. Only the countries whose rate of growth is dynamically led by exports and has lower national costs (the German case) - and higher real exchange rate- can, if so they wish, be Keynesian. In presence of these circumstances, the role of unions is to control the structure of wages influencing the nominal wage. The terms of trade between tradable goods (industry) and non tradable (agriculture, industry and services) exerts a strong influence over real wages. The countries with higher internal costs and higher labor supply can not achieve the needed rate of growth unless a special external financing conditions are available. For this reason, the rupture of a fixed nominal rate of exchange as happened in the 1930s and in 1970s sets in motion new distribution coalition. In the seventies this new coalition was undermined by the erosion the international system, the decline of the American rate of growth and the competitive devaluations. If the normal role of unions in a system governed by fix rate of exchange is to regulate the wages structure, in a period of flexible rate of exchange and rising food prices as occurred in Europe in the seventies, the predominant role is to protect the real wage against the inflation rate.

The growing instability that characterizes this period was not the result of a mass production crisis rooted on the "rapport salarial" but the outcome of new international monetary system without the exceptional conditions that prevailed in the Golden Age under American hegemony.

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