worlds of production

the action frameworks of the economy

michael storper and robert salais

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Michael Storper and Robert Salais

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PREFACE

This book aims to explain economic processes in a way that deliberately mixes economic reasoning with other types of thought. Much has been written recently about the role of "non-economic" forces, such as institutions, cultures, and social practices, in economic life. We intend to take those forces as central to the economic process and no longer consider them as "non-economic." They take the form of conventions—largely implicit rules of action and coordination, generated by humans and routinized—which come together into what we call frameworks of economic action. We explore in detail four basic frameworks of action, which we call "possible worlds of production" in this book. Such frameworks underpin the mobilization of economic resources, the organization of production systems and factor markets, patterns of economic decision-making, and forms of profitability. The economic problem for actors is to couple such frameworks to products and production technologies in coherent ways. Our case studies examine how these possible worlds act to support innovative production complexes in a variety of sectors in several countries.

Much of economic analysis, even in contemporary institutionalist versions, expresses puzzlement at the "difficulty" of economic adjustments, the "paradoxical," "perverse," "unexpected" outcomes of economic policies or changes in the economic environment. When attempts to design policies go wrong, it is because the "subjects" of those policies do not "react" appropriately to the "stimulus" applied. In many situations, it has become increasingly difficult to get large numbers of people to agree on what constitutes appropriate economic ends and means. The premise of this book is that economic actors coordinate with each other and interpret what others are doing in ways that are constructed by convention. Actors are capable of generating systematic practices in the economy because these practices are rooted in convention. Unless we understand their conventional frameworks of action, we cannot figure out why these individuals and collectivities act as they do. In this book we try to show that different pathways to economic development, whether competitively successful or not, can be internally coherent for the people participating in them in ways often not understood by normal economic theory, nor even by much existing institutional analysis. These pathways are deeply tied into the economic identities of nations and regions; that is, the action frameworks deployed by economic actors identify actors to each other and to the outside world through the products that emerge from their activities.

We deliberately maintain a tension between analysis from without and close attention to the interpretations of actors within the situations of economic action. Thus in some respects we are like ethnographers, but we also step outside the actors' immediate context. Economies must make products, and markets have a disciplining force; by modeling the coherence among conventions, products, and production technologies, in light of their performance in markets, we can show that even when the conventions (and institutions) of a production system have a strong coherence for the actors themselves, they do not necessarily have the highest degree of coherence in the more traditional sense of competitiveness. One central mystery of these economic identities, and the development that accompanies them, is that feedback from external tests of performance to internal tests is much less straightforward, much more complex, than is admitted in most economic thought. In social theory terms, our approach essentially abandons the cleavage between structure and agency. An economy of conventions is an economy of constructed structures, the result of an ongoing encounter between social forces and habits of mind which shapes particular economic practices.

The principal challenge to economic policy today is to reconcile internal tests, as they are understood by those who make up economic systems—especially in jurisdictions where governments can act upon economic activity—and the external tests of product and financial markets, which tend increasingly to escape jurisdictional borders. There is no single model of growth and efficiency that brings these two sides together around the world today, even in narrowly defined product markets. An economy composed of conventions is one of a multiplicity of worlds of production; the world economy today is one of diversity, heterogeneity, and unevenness, even among the success stories. The paradox, which we think is underappreciated by social science today, is that if politics and policies are to cope with an increasingly unified global system of flows of commodities, money, and people, they must be situated in, and respectful of, the diverse, economically viable action frameworks found in different industries, regions, and nations.

We would like to thank the many agencies whose support made it possible to carry out the research leading to the production of this book. In the United States, our thanks go to the German Marshall Fund of the United States for a fellowship provided to Michael Storper in 1988–89; to the Council for International Exchange of Scholars (Fulbright Commission) and the Commission Franco-Américaine d'Echanges Culturels et Universitaires; at UCLA, to the International Studies and Overseas Programs, the Institute of Industrial Relations, the Center for International Business and Education Research (CIBER) at the Anderson Graduate School of Management, and the Lewis Center for Regional Policy Studies; and to the Center for German and European Studies, University of California at Berkeley.

In France, our warmest thanks go to the Institut National de la Statistique et des Etudes Economique (INSEE); the Conseil National de la Recherche Scientifique (CNRS), and within it the Programme Interdisciplinaire Travail-Technologie-Modes de Vie (PIRTTEM); the Ministère de la Recherche et de l'Espace; and the Commissariat Général du Plan, which supported the CNRS research group "Institutions, Emploi et Politique Économique" (IEPE), under whose auspices Robert Salais conducted his research for this book. The contribution of these institutions has taken many forms, including logistical and financial. Financial support for analyzing the Fonds National de l'Emploi data was also provided by the Ministère du Travail, de l'Emploi, et de la Formation professionnelle.

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Too many individuals have assisted us in planning research, conducting interviews, preparing data, and in other tasks to be acknowledged individually here. Some, however, must be mentioned, and they include the following.

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Robert Salais has worked, over the last few years, as part of a network of researchers in France interested in questions of conventions, rules, and frameworks of action in economic coordination. Their work has been published in a number of collections and scholarly journals, including the *Révue Economique,* the *Cahiers du Centre d'Études de l'Emploi,* and in publications of the Centre de Recherche en Épistémologie Appliquée (CREA). Much of this work has its origins in work on the history and social construction of statistics conducted at INSEE at the end of the 1970s. Those in this milieu include, among others, Alain Desrosieres, François Eymard-Duvernay, Olivier Favereau, and Laurent Thévenot. The principal themes of this book could not have been developed without this

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I

THEORIZING ECONOMIC DIVERSITY AND ECONOMIC ACTION

1

ACTION AND DIVERSITY VERSUS MODELS OF GROWTH

The Old Model of Economic Growth

Advanced capitalist economies enjoyed a kind of "Golden Age" in the 1950s and 1960s: in the countries of Western Europe and North America, there were twenty or thirty years of high growth, high profits, low inflation, low unemployment, and rapid rises in productivity, real wages, and incomes. As a consequence, standards of living rose steadily, as did expectations that such a trend would continue.

Somewhere around the end of the 1960s or the beginning of the 1970s, however, growth and profits started to fall, inflation and unemployment rose, increases in productivity and incomes slowed, and real wages actually declined in some sectors. Since then, the performance of the major capitalist economies in recovery periods—from the stagflation years of 1973–1982 to the recoveries of the mid-1980s; from the severe recession of the late 1980s and early 1990s to the halting comeback of the mid-1990s—has failed to equal performance during the recoveries of the Golden Age. Growth has become a mixed bag, accompanied in some countries by high unemployment, meager increases in real wages and incomes, and uneven profit performance. Long-term unemployment has become more prevalent in Europe, as has working poverty in the United States. High levels of public and private indebtedness are widespread, and social spending can no longer keep up with demand. In short, the indicators have—for almost two decades—refused to move together in the coherent fashion defined by the growth pattern of the Golden Age. Policymakers in these countries—on the left and the right—are generally lacking any substantive programs for solving simultaneously the problem of wages/incomes and that of unemployment: all their programs involve a tradeoff between the two.

These circumstances can be approached in two ways. The first, which is not our approach, is to ask what is missing today with respect to the past. Those who think along these lines have made a number of ambitious attempts to construct comprehensive, coherent explanations of the Golden Age, describing the ensemble of structures that made the variables behave as they did.[1] The 1960s, for example, are frequently characterized as a decade in which national macroeconomic policies were based on Keynesian demand management; the United States dominated the international order with its strong currency and a stable set of monetary rules in the form of the Bretton Woods Treaty; the paradigm of mass production, characterized by standardized products and long production runs, served as a motor of growth because of its steadily rising productivity levels, while oligopolistic industrial firms in stable markets enjoyed persistently high profit rates; and, finally, the rules of the game at the micro level included oligopolistic mark-up of prices, institutionalized wage determination via union contracts, internal labor markets, and widespread wage-pattern effects.[2]

In the 1980s, case studies of industrial change concentrated on the dimensions of production systems which were thought to represent an across-the-board break with the postwar industrial system: production without buffer stocks, using communication and information networks; decentralization, vertical disintegration, and externalization of activities; the growth of indirect labor ("roundaboutness"); increasing dependence on financing from outside the firm; integration of services with material production; the tendency to use continuous processes, more accurate market forecasting, and more frequent product changeovers; the internationalization of production and marketing; and the decline of the stable, in-house workforce.[3]

Yet these claims of a clean break with postwar mass production and its associated economic institutions are poorly posed insofar as they imply the existence of a single new alternative growth paradigm. In contrast, the notion explored in this book is that of a durable and concrete diversity of forms of economic coordination at intra- and inter-sectoral levels, not that of a unified model of economic growth. We explain the unevenness, diversity, and heterogeneity of economic life through the theoretical concept of multiple *possible worlds of production*. These are frameworks of economic action, centered on conventions among economic actors, which enable them to coordinate, in coherent fashion, ensembles of economic practices leading to successful products.

International Specialization and the Economic Identities of Nations and Regions

When we speak of diversity and complexity in the emerging world economy, we mean, at the most basic level, that different regions and nations make different things using different methods. This may seem to be an extraordinary claim at a time when internationalization of economic relations has proceeded so rapidly. Between 1955 and 1989, the world GDP index grew from 100 to 350, while the world export index increased to almost 1100. The share of trade in output thus increased from 6% to 22%. This rise in trade can be seen in an extraordinary variety of sectors. Trade in goods (excluding energy) increased from about 8% to 12% of total world output, and trade in services from about 1.5% to 2.5%.[4] Further, within the goods-producing sectors, the increase is surprisingly widespread; *filières* (commodity chains) with a stable or increasing share of world trade include metalworking, machinery, motor vehicles, electronics, chemicals, textiles, woodworking, and paper. The dramatic rise in trade is also associated with widespread increases in specialization of the world's advanced industrial economies. A high level of commodity disaggregation is necessary to appreciate this specialization: when statistics are highly aggregated, one sees instead a trend toward convergence in broad sectoral patterns of specialization of different countries, in part because consumption patterns among advanced economies tend to converge, and in part because intra-industry exchanges account for an increasing share of trade (up to 70% in the case of some European countries). Running counter to this, however, is an increase in intra-industry product specialization, that is, differentiation of production within the same broad sectors.[5] Thus, when one examines trade at the level of 5-digit SITC (Standard International Trade Classification) products, one sees that export vectors of the main industrial countries have become steadily less similar since 1978.[6] This should not be surprising: industrial production is organized around the making of particular *products;* it is in specific product markets that competition takes place. Moreover, this specialization is not a function of differential access to major production process technologies:[7] as Pavitt and Patel show, major firms in advanced countries have access to a wide and similar range of *production technologies* but stick to a much narrower range of *products.*[8]