CHAPTER 3

EDUCATION, GLOBALIZATION AND ECONOMIC DEVELOPMENT

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[...]  

Introduction

Since the first oil shock in the early 1970s western societies have experienced a social, political and economic transformation that is yet to reach its conclusion. At its epicentre is the creation of a global economy that has led to an intensification of economic competition between firms, regions and nation-states (Dicken 1992, Michie and Smith 1995). This globalization of economic activity has called into question the future role of the nation-state and how it can secure economic growth and shared prosperity. At first sight this may appear to have little to do with educational policy; however, the quality of a nation’s education and training system is seen to hold the key to future economic prosperity. This chapter will outline some of the consequences of globalization and why education is crucial to future economic development. It will also show that despite the international consensus concerning the importance of education, strategies for education and economic development can be linked to alternative ‘ideal typical’ neo-Fordist and post-Fordist routes to economic development which have profoundly different educational implications.

These neo-Fordist and post-Fordist routes can also be connected to alternative political projects. Since the late 1970s the USA and UK have followed a neo-Fordist route in response to economic globalization, which has been shaped by the New Right’s enthusiasm for market competition, privatization and competitive individualism. However, with the election of the Democrats in the 1992 American presidential elections and the resurgence of the British Labour Party there is increasing support for a post-Fordist strategy. Although much has already been written about the flaws in the New Right’s approach to education and national renewal, far less has yet been written on what we will call the ‘left modernizers’. It will be argued that whilst the left modernizers present a promising programme for reform vis-a-vis the New Right, their account of education, skill formation and the global economy remains unconvincing. Therefore, an important task of this paper is to highlight the weaknesses in the left modernizers’ account to show that if post-Fordist possibilities are to be realized, it will be essential for those on the left to engage in a more thoroughgoing and politically difficult debate about education, equity and efficiency in late global capitalism.¹
Globalization and the new rules of economic competition

The significance of globalization to questions of national educational and economic development can be summarized in terms of a change in the rules of eligibility, engagement and wealth creation (Brown et al. 2001). First, there has been a change in the rules of eligibility. In the same way that sports clubs run ‘closed’ events where club membership is a condition of entry, they may also run tournaments ‘open’ to everyone. Likewise there has been a shift away from the closed or walled economics of the postwar period towards an open or global economy. As a result of this change in the rules of eligibility domestic economies have been exposed to greater foreign competition (Reich 1991, ILO 1995). Changes in the rules of eligibility have also enhanced the power of the multinational corporations (MNCs). The MNCs not only account for a growing proportion of cross-border trade, but are a major source of new investment in technology, jobs and skills. Since the mid-1970s the MNCs have grown more rapidly than the world economy. In 1975, the 50 largest industrial corporations worldwide had sales of US$540 billion and $25 billion in profits. In 1990, sales figures for the top 50 had climbed to $2.1 trillion and their profits had reached $70 billion. In real terms, whereas the US economy was growing at an annual rate of 2.8% (the OECD average was 2.9%), the MNCs’ annual sales growth was in the region of 3.5% during the period between 1975 and 1990 (Carnoy et al. 1993: 49).

Moreover, the old national ‘champions’ such as Ford, IBM, ICI and Mercedes Benz have tried to break free of their national roots, creating a global auction for investment, technology and jobs. As capital has become footloose, the mass production of standardized goods and services has been located in countries, regions or communities which offer low wage costs, light labour market legislation, weak trade unions and ‘sweeteners’ including ‘tax holidays’ and cheap rents. Such investment has significantly increased in the new industrial countries (NICs) such as in Singapore, Taiwan, China and Brazil (Cowling and Sugden 1994). It is estimated that in the 1980s some 700 US companies employed more than 350,000 workers in Singapore, Mexico and Taiwan alone and that 40% of the jobs created by British MNCs were overseas (Marglinson 1994: 64).

In reality, the global auction operates like a Dutch auction. In a Dutch auction corporate investors are able to play off nations, communities and workers as a way of increasing their profit margins, bidding spirals downwards impoverishing local communities and workers by forcing concessions on wage levels, rents and taxes in exchange for investment in local jobs. In order to persuade Mercedes to set up a plant in Alabama, the company received an initial $253 million, with tax breaks over 25 years which have been estimated to be worth an extra $230m. The Swiss Bank Corporation will receive some $120m of incentives over the next 10 years from Connecticut, for moving its US headquarters from Manhattan to the city of Stamford.2

In the USA and UK the creation of a global auction has also been linked to the breakdown of the Fordist rules of engagement between government, employers and workers. Although some writers have restricted their definition of Fordism to refer exclusively to the system of mass production, Fordism is a label that can equally be applied to Keynesian demand management in the postwar period referring to the expansion of mass consumption as well as mass production (Lipietz 1987, Harvey 1989). The rapid improvement in economic efficiency which accompanied the introduction of mass production techniques necessitated the creation of mass markets for consumer durables, including radios, refrigerators, television sets and motor cars. In order for economic growth to be maintained, national governments had to regulate
profits and wage levels to sustain the conditions upon which economic growth depended. Hence, the development of the welfare state in western industrial societies was seen to reflect efforts on the part of national governments to maintain the Fordist compromise between employers and organized labour. The combination of increased welfare state protection for workers, coupled with full employment and a degree of social mobility, temporarily ‘solved’ the problem of distribution (Hirsch 1977) under Fordism. The problem of distribution is that of determining how opportunities and income are to be apportioned. Under capitalism this is an ever present problem because it is a system which is inherently unequal in its distribution of rewards and opportunities. However, during the Fordist era the combination of the rewards of economic growth being evenly spread across income levels, increasing social security, occupational and social mobility according to ostensibly meritocratic criteria generated a high degree of social solidarity. However, over the last 20 years the USA and UK have introduced ‘market’ rules of engagement. Here the nation-state is charged with the role of creating the conditions in which the market can operate ‘freely’. Therefore, rather than trying to engineer a compromise between employers and the trade unions the state must prevent the unions from using their ‘monopoly’ powers to bid-up wages which are not necessarily reflected in productivity gains. Hence, according to the market rules of engagement the prosperity of workers will depend on an ability to trade their skills, knowledge and entrepreneurial acumen in an unfettered global market-place.

Finally, the transformation in western capitalism has entailed new rules of wealth creation. These have undermined the viability of building national prosperity on the Fordist mass production of standardized goods and services. Fordist mass production was based on the standardization of products and their component parts. Many of the tasks previously undertaken by skilled craftsmen, such as making door panels or parts of the car’s engine ‘by hand’, were mechanized by designing jigs, presses and machines able to perform the same operations hundreds, if not thousands of times a day, with the use of a semi-skilled operative. The Fordist production line was characterized by a moving assembly line, where the product passes the workers along a conveyor, rather than the worker having to move to the product as in nodal production. A further feature of Fordism was a detailed division of labour, within which the job tasks of shopfloor workers were reduced to their most elementary form in order to maximize both efficiency and managerial control over the labour process. Hence, Fordism was based on many of the principles of ‘scientific management’ outlined by Frederick Taylor who offered a ‘scientific’ justification for the separation of conception from execution, where managers monopolized knowledge of the labour process, and controlled every step of production.

However, in the new rules of wealth creation economic prosperity will depend on nations and companies being able to exploit the skills, knowledge and insights of workers in ways which can no longer be delivered according to Fordist principles. Enterprises which can deliver a living wage to workers now depend on the quality as much as the price of goods and services, and on finding new sources of productivity and investment. Such ‘value added’ enterprise is most likely to be found in companies offering ‘customized’ goods and services in microelectronics, telecommunications, biotechnology, financial services, consultancy, advertising, marketing and the media.

In response to these new rules all western nations, in their domestic economies and foreign affairs, have had to look to their own social institutions and human resources to meet the global challenges they confront (OECD 1989). Lessons learnt from Japan and the Asian Tigers suggest that the ‘human side of enterprise’ is now
Knowledge itself, therefore, turns out to be not only the source of the highest-quality power, but also the most important ingredient of force and wealth. Put differently, knowledge has gone from being an adjunct of money power and muscle power, to being the very essence. It is, in fact, the ultimate amplifier. This is the key to the power shift that lies ahead, and it explains why the battle for control of knowledge and the means of communication is heating up all over the world.

(Toffler 1990: 18)

Although such statements greatly exaggerate the importance of knowledge in advanced capitalist economies, without exception, national governments of all political persuasions have declared that it is the quality of their education and training systems which will decisively shape the international division of labour and national prosperity. Therefore the diminished power of nation-states to control economic competition has forced them to compete in what we call the global knowledge wars. In Britain, for instance, the National Commission of Education suggests that:

For us, knowledge and skills will be central. In an area of world-wide competition and low-cost global communications, no country like ours will be able to maintain its standard of living, let alone improve it, on the basis of cheap labour and low-tech products and services. There will be too many millions of workers and too many employers in too many countries who will be able and willing to do that kind of work fully as well as we or people in any other developed country could do it – and at a fraction of the cost.

(1993: 33)

But how the problem of education and training policies is understood and how the demand for skilled workers is increased is subject to contestation and political struggle. There is no doubt, for instance, that the introduction of new technologies has expanded the range of strategic choice available to employers and managers. However, this has exposed increasing differences, rather than similarities, in organizational cultures, job design and training regimes (Lane 1989, Green and Steedman 1993). There are few guarantees that employers will successfully exploit the potential for ‘efficiency’, precisely because they may fail to break free of conventional assumptions about the role of management and workers, and cling to the established hierarchy of authority, status and power. As Harvey (1989) has recognized, new technologies and coordinating forms of organization have permitted the revival of domestic, familial and paternalistic labour systems given that, ‘The same shirt designs can be reproduced by large-scale factories in India, cooperative production in the ‘Third Italy’, sweatshops in New York and London, or family labour systems in Hong Kong’ (p. 187). This should alert us to the fact that the demise of Fordism in the West does not necessarily mean that the majority of workers will find jobs which exercise the range of their human capabilities. The interests of employers seeking to maximize profits and workers seeking to enhance the quality of working life and wages remain an important source of cleavage given that it is still possible for companies to ‘profit’ from low-tech, low-wage operations. There is no hidden-hand or post-industrial logic
which will lead nations to respond to the global economy in the same way, despite the fact that their fates are inextricably connected. Indeed, we would suggest that the universal consensus highlighting education and training systems as holding the key to future prosperity has obscured fundamental differences in the way nations are responding to the global economy.

Therefore, while recognizing that some of the key elements of Fordism in western nations are being transformed in the global economy, it is important not to pre-judge the direction of these changes which must remain a question of detailed empirical investigation (see Block 1990). For analytical purposes it is useful to distinguish two ‘ideal typical’ models of national economic development in terms of neo-Fordism and post-Fordism (see Table 2). Neo-Fordism can be characterized in terms of creating greater market flexibility through a reduction in social overheads and the power of trade unions, the privatization of public utilities and the welfare state, as well as a celebration of competitive individualism. Alternative, post-Fordism can be defined in terms of the development of the state as a ‘strategic trader’ shaping the direction of the national economy through investment in key economic sectors and in the development of human capital. Therefore, post-Fordism is based on a shift to ‘high value’ customized production and services using multi-skilled workers (see also Allen 1992).

In the ‘real’ world the relationship between education and economic development reveals examples of contradiction as much as correspondence. Moreover, although it is true to say that countries such as Germany, Japan and Singapore come closer to the model of post-Fordism, and the USA and UK approximate neo-Fordist solutions, we should not ignore clear examples of ‘uneven’ and contradictory developments within the same region or country. It also highlights the fact that there are important differences in the way nation-states may move towards a post-Fordist economy with far-reaching implications for democracy and social justice.

Nevertheless, these models represent clear differences in policy orientations in terms of the dominant economic ideas which inform them and underlying cultural assumptions about the role of skill formation in economic and social development (Thurow 1993). First we will assess the New Right’s interpretation of education as part of a neo-Fordist strategy, before undertaking a detailed account of the left modernizers’ vision of a post-Fordist high-skill, high-wage economy.

The New Right: education in a neo-Fordist ‘market’ economy

The New Right interpretation of the Fordist ‘crisis’ is based on what we call the welfare shackle thesis. In the 19th century it was the aristocracy and the ancient régime in Europe who were blamed for ‘shackling’ the market and free enterprise. In the late 20th century it is the welfare state. The New Right argue that the problem confronting western nations today can only be understood in light of profound changes in the role of government during the third quarter of the 20th century. They assert it is no coincidence that at the same time western governments were significantly increasing expenditure on social welfare programmes, there was high inflation, rising unemployment and economic stagnation (Murray 1984). Western societies have run into trouble because of the extensive and unwarranted interference by the state. Inflation, high unemployment, economic recession and urban unrest all stem from the legacy of Keynesian economics and an egalitarian ideology which promoted economic redistribution, equality of opportunity and welfare rights for all. Hence, the overriding problem confronting western capitalist nations is to reimpose the disciplines of the market.
Table 2 Post-Fordist possibilities: alternative models of national development

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<th>Fordism</th>
<th>Neo-Fordism</th>
<th>Post-Fordism</th>
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<td>Protected national</td>
<td>Global competition through:</td>
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<td>markets</td>
<td>productivity gains, cost-cutting</td>
<td>innovation, quality, value-added</td>
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<td>‘market flexibility’ (reduce the</td>
<td>highly skilled labour force</td>
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<td>social cost of labour, trade</td>
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<td>union power)</td>
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<td>Adversarial market orientation:</td>
<td>Consensus-based objectives:</td>
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<td>remove impediments to market</td>
<td>corporatist ‘industrial policy’.</td>
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<td></td>
<td>competition. Create ‘enterprise</td>
<td>Cooperation between</td>
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<td>culture’. Privatization of the</td>
<td>government, employers and</td>
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<td>welfare state</td>
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<td>Mass production</td>
<td>Mass production of standardized</td>
<td>Flexible production systems/</td>
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<td>of standardized</td>
<td>products/low-skill, low-wage</td>
<td>small batch/niche markets;</td>
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<td>products/low skill,</td>
<td>‘flexible’ production and</td>
<td>shift to high-wage, high-skilled</td>
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<td>high wage</td>
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<td>Bureaucratic</td>
<td>Leaner organizations with</td>
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<td>organizations</td>
<td>flexibility</td>
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<td>Fragmented and</td>
<td>Reduce trade union job</td>
<td>Flexible specialization/</td>
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<td>standardized work</td>
<td>demarcation</td>
<td>multi-skilled workers</td>
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<td>Mass standardized</td>
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<td>‘core’ and ‘flexible’ workforce</td>
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<td>(i.e. part-time, temps, contract, portfolio careers)</td>
<td>fringe benefits, comparable</td>
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<td>wages, proper representation</td>
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<td>Divisions between</td>
<td>Emphasis on ‘managers’ right</td>
<td>Industrial relations based on</td>
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<td>managers and</td>
<td>to manage’. Industrial relations</td>
<td>high-trust, high-discretion,</td>
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<td>workers/low-trust</td>
<td>based on low-trust relations</td>
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<td>bargaining</td>
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<td>Little ‘on the job’</td>
<td>Training ‘demand’ led/little use of industrial training policies</td>
<td>Training as a national</td>
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<td>investment/state acts as</td>
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<td>workers</td>
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According to the New Right the route to national salvation in the context of global knowledge wars is through the survival of the fittest, based on an extension of parental choice in a market of competing schools, colleges and universities (Ball 1993). In the case of education, where funding, at least during the compulsory school years, will come from the public purse, the idea is to create a quasi-market within which schools will compete (Lauder 1991). This approximation to the operation of a market is achieved by seeking to create a variety of schools in a mixed economy of public and private institutions. In some cases they will aim at different client groups such as the ethnic minorities, religious sects, or ‘high flyers’. This ‘variety’, it is argued, will provide parents with a genuine choice of different products (Boyd and Cibulka 1989, Halstead 1994). Choice of product (type of school) is seen to be sufficient to raise the standards for all, because if schools cannot sell enough desk space to be economically viable, they risk going out of business. Moreover, the economic needs of the nation will be met through the market, because when people have to pay for education they are more likely to make investment decisions which will realize an economic return. This will lead consumers to pick subjects and courses where there is a demand for labour, subsequently overcoming the problem of skill shortages. Equally, there will be a tendency for employment training to be ‘demand led’ in response to changing market conditions (Deakin and Wilkinson 1991).

Critics of the marketization of education therefore argue that the introduction of choice and competition provides a mechanism by which the middle classes can more securely gain an advantage in the competition for credentials (Brown 1995). This is because not all social groups come to an educational market as equals (Collins 1979). Cultural and material capital are distributed unequally between classes and ethnic groups. In particular, it is the middle classes which are more likely to have the cultural capital to make educational choices which best advantage their children (Brown 1990, Brown and Lauder 1992). In consequence, the introduction of parental choice and competition between schools will amount to a covert system of educational selection according to social class as middle-class children exit schools with significant numbers of working-class children. The consequence will be that the school system will become polarized in terms of social class and ethnic segregation and in terms of resources. As middle-class students exit from schools with working-class children they will also take much needed resources from those schools and effectively add to already well-off middle-class schools.

What evidence there is about the workings of educational markets suggests that they are far more complex than their critics suggest (Lauder et al. 1994). Nevertheless, the evidence so far confirms the prediction that choice and competition tend to lead to social class and ethnic polarization in schools (Willms and Echols 1992, Lauder et al. 1994). In nations such as the USA and UK, the overall effect will be to segregate students in different types of school on the basis of social class, ethnicity and religion. The net result will again be a massive wastage of talent as able working-class students once more find themselves trapped in schools which do not give them the opportunity of going to university (Halsey et al. 1980). If this is the overall effect then it can be argued that the marketization of education, while appearing to offer efficiency and flexibility of the kind demanded in the post-Fordist era, will in fact school the majority of children for a neo-Fordist economy which requires a low level of talent and skill.

The marketization of education will inevitably have an inverse effect on the ability of nation-states to compete in the global auction for quality inward investment, technology and jobs. Although multinational organizations are always on the look-out to reduce their overheads, including labour costs, investment in ‘high-value’ products
and services crucially depends upon the quality, commitment and insights of the workforce, for which they are prepared to pay high salaries. The problem that nation-states now confront is one of how to balance commercial pressures to reduce labour costs and other overheads whilst mobilizing an educated labour force, and maintaining a sophisticated social, financial and communications infrastructure. This problem has been exacerbated by the fact that the low-skill, high-wage jobs associated with Fordism in North America and Europe are being transplanted to the NICs where labour costs are much lower, leading to a significant deterioration in working conditions in the low-skill jobs remaining in the west (Wood 1994).

In the context of the global auction, the market reforms in education are likely to leave a large majority of the future working population without the human resources to flourish in the global economy. Here the link between market reforms and neo-Fordism is barely disguised in countries which were dominated by New Right governments in the 1980s. The principle objective of economic policy is to improve the competitiveness of workers by increasing labour market flexibility by restricting the power of trade unions, especially in order to bring wages into line with their ‘market’ value. This philosophy led Britain to reject the Social Chapter of the Maastricht Treaty which provided legislative support for workers, because it was argued that it would undermine Britain’s competitiveness in attracting inward investment, despite the poor work conditions this would inflict on employees. In contradistinction, market reforms in education and the economy have ensured the conditions in which highly paid middle-class professionals and elite groups are able to give their children an ‘excellent’ (sic) education in preparation for their bid to join the ranks of Reich’s (1991) ‘symbolic analysts’.

A different critique, albeit coming to the same conclusions, can be mounted against the introduction of market mechanisms in post-compulsory education and training. A key area of the post-compulsory sector for a post-Fordist economy is that concerned with the education of skilled tradespeople and technicians (Streeck 1989). The New Right has argued that the introduction of market mechanisms into this area will ensure a closer matching of supply and demand for trained labour and hence greater efficiency in the allocation of skilled labour. The argument rests on the assumptions that individuals and employers should bear the cost and responsibility for training. It is assumed that individuals gain most of the benefits from such a training and that they should therefore bear much of the cost (Lauder 1987). Moreover, since they are paying substantially for their training they will choose to train in an area in which there is market demand. In so far as employers should help bear the cost of training and the responsibility for the type of training offered, it is argued that employers are in the best position to assess the numbers of skilled workers required and the kind of skills they should possess. Underlying this observation is an appreciation of employers’ short-term interests. Given the assumption that they ‘know best’ what the levels and nature of skilled labour should be, it follows that they will be reluctant to pay taxes or levies for training undertaken by a third party, such as the state.

While this view, as with other New Right views, is plausible, it has come in for sustained criticism. One of the most cogent is that of Streeck (1989, 1992). He argues that under a free labour contract of the kind found in liberal capitalist societies which gives workers the right to move from one firm to another, skills become a collective good in the eyes of employers. This is because the rewards of training individuals can easily be ‘socialized’ by the expedient of trained workers moving to another job while the costs of training remain with the original employer. Since employers face a clear risk in losing their investment they are unlikely to invest heavily in training.
Streeck argues that, as a result, western economies are likely to face a chronic skill shortage unless the state intervenes to ensure that adequate training occurs.

Moreover, unless there is state intervention employers will reduce the training programmes they do have when placed under intense competitive pressure and/or during a recession. Streeck (1989) notes that in the prolonged economic crisis of the 1970s, western economies, with the exception of Germany, reduced their apprenticeship programmes. In Germany government and trade union pressure ensured that the apprenticeship programme was extended. Two consequences followed: the apprenticeship system helped to alleviate youth unemployment and it contributed to the technical and economic advantage enjoyed by German industry in the early 1980s.

There are further criticisms that can be made of a market-determined training system. From the standpoint of the individual, it is unlikely that those who would potentially enter a skilled trade or technical training, working- and lower middle-class school leavers, could either afford the costs of such a training or take the risks involved. The risks are twofold: first, given the time lag between entering a training programme and completing it, market demand for a particular type of training may have changed with a resulting lack of jobs. In the competitive global market, such an outcome is all too likely. If the training received were of a sufficiently general nature to produce a flexible worker that might be less of a problem. However, in an employer-led training system the pressure will always exist for training to meet employers’ specific and immediate needs. The consequence is that such a training system is likely to be too narrowly focused to meet rapidly changing demand conditions. Second, a further point follows from this, namely that the industries of today are likely to be tomorrow’s dinosaurs. As a result, employer-led training schemes may not contain the vision and practice required in order to maintain the high skill base necessary for a post-Fordist economy. Clearly the structure of Germany’s training system offers an example of an alternative which can begin to meet the requirements of a post-Fordism economy. This, as Streeck (1992) notes, involves a partnership between the state, employers and trade unions. It is a system which ensures that employers’ immediate interests are subsumed within a system concerned with medium and longer term outcomes. Therefore the outcome of the reassertion of market discipline in social and economic institutions has been the development of a neo-Fordist economy characterized by insecurity and the creation of large numbers of temporary, low-skilled and low-waged jobs. We have also argued that the appeal to ‘self-interest’ and ‘free enterprise’ serves to mask the political interests of the most privileged sections of society. Indeed, the very notion of a national system of education is called into question as professional and élite groups secede from their commitment to public education and the ideology of meritocracy upon which public education in the 20th century has been founded.

Left modernizers: education in a post-Fordist ‘magnet’ economy

Over the last decade a new centre-left project has emerged in response to the ascendency of the New Right. These ‘left modernizers’ reject much that was previously taken for granted amongst their socialist predecessors, contending that the transformation of capitalism at the end of the 20th century had significantly changed the strategies that the left needs to adopt in its pursuit of social justice and economic efficiency. This involves a recognition that the left must develop a credible response to the global economy, which will include economic policy and management as well as dealing with issues of distribution, equity and social policy (Rogers and Streeck
1994: 138). At the top of their agenda is a commitment to investment in human capital and strategic investment in the economy as a way of moving towards a high-skilled, high-waged ‘magnet’ economy. Underlying these economic forms of investment is a vision of a society permeated by a culture of learning for it is the knowledge, skills and insights of the population that provide the key to future prosperity. The ideas of the ‘left modernizers’ are to be found in books such as Reich (1991) and Thurow (1993) in the USA, the Commission on Social Justice (1994) and Brown (1994) in the UK. The ideas represented in these works are also consistent with Democratic politics in the USA and have informed the direction of Labour Party policy in Britain.6

The modernizers’ account of how to create a post-Fordist economy can be summarized in the following way. It begins with a recognition that it is impossible to deliver widespread prosperity by trying to compete on price rather than the quality of goods and services. They therefore advocate a change in policy relating to investment in both physical and human capital. They advocate what has become known as producer capitalism (Dore 1987, Thurow 1993, Hutton 1995) in which low-cost long-term investment is linked to the development of human capital. Producer capitalism stands in stark contrast with market capitalism in which price and short-term profit are the key criteria for enterprises. Not surprisingly, they reject the assertion made by the acolytes of market capitalism that the only route to prosperity is through the creation of greater market ‘flexibility’ by lowering labour costs or by repealing labour protection laws. The modernizers see that in the new economic competition making those at the bottom end of the labour market more insecure and powerless against exploitative employers is not the way for workers and nations to confront the challenge of the global auction. They recognize that the provision of a floor of protective rights, entitlements and conditions for workers in the context of the global auction is both socially desirable and economically essential. In practice what this means is reinforcing labour laws against the worst excesses of unscrupulous employers and the vagaries of the global auction. This will include a minimum wage and various forms of government intervention to get the long-term unemployed back to work. For modernizers, this is part of building a new high-trust partnership between government, employers and workers. For they argue that it is only through such a partnership that a high-skill, high-wage economy can be created. The role of the state in such a partnership is that of a ‘strategic trader’ (Krugman 1993) selecting ‘winners’ or guiding industrial development where appropriate and, most importantly, providing the infrastructure for economic development. Here the development of a highly educated workforce is seen as a priority.

The importance the modernizers attach to education stems from a belief that the increasing wage inequalities in the USA and UK over the last decade are a reflection of the returns to skill in a global auction for jobs and wages. The essence of this idea was captured by Bill Clinton in a major address on education:

The key to our economic strength in America today is productivity growth . . . In the 1990s and beyond, the universal spread of education, computers and high speed communications means that what we earn will depend on what we can learn and how well we can apply what we learn to the workplaces of America. That’s why, as we know, a college graduate this year will earn 70 per cent more than a high school graduate in the first year of work. That’s why the earnings of younger workers who dropped out of high school, or who finished but received no further education or training, dropped by more than 20 per cent over the last 10 years alone.7
Hence, for all western societies the route to prosperity is through the creation of a ‘magnet’ economy capable of attracting high-skilled, high-waged employment within an increasingly global labour market. This is to be achieved through sustained investment in the national economic infrastructure including transportation, telecommunications, R&D, etc. alongside investment in education and training systems. In the modernizers’ account it is nevertheless acknowledged that there are unlikely to be enough skilled and well-paid jobs for everyone. However, flexible work patterns are assumed to lead to greater occupational mobility permitting people to move from low-skilled jobs when in full-time study, to high-skilled jobs in mid-career back to low-skilled jobs as retirement age approaches. Of course, such a view depends on substantial mobility in both an upwards and downwards direction (Esping-Andersen 1994). Therefore, in the same way that unemployment is tolerable if it only lasts for a few months, being in a low-skilled, poorly paid job is also tolerable as long as it offers progression into something better.

Education and training opportunities are thus pivotal to this vision of a competitive and just society. For not only can education deliver a high value-added ‘magnet’ economy but it can also solve the problem of unemployment. However, it is a mistake for nation-states to ‘guarantee’ employment because this harbours the same kind of vestigial thinking that led to previous attempts to protect uncompetitive firms from international competition: they simply become even less competitive. The only way forward is to invest in education and training to enable workers to become fully employable. In this account, social justice inheres in providing all individuals with the opportunity to gain access to an education that qualifies them for a job. Clearly there is a tension here between the idea of flexibility and the need to guarantee a minimum wage, so protecting labour from exploitation. All the indications are that the modernizers will err on the side of caution and provide what could only be described as minimal protection. In the end, the difference between the modernizers and the New Right on this issue may be marginal although, as we shall see, there are good economic reasons why adequate social protection is desirable.

There are several features of the modernizers’ account with which we concur, including the need to introduce a version of ‘producer’ capitalism, but as a strategic policy for education and economic development it is flawed. Our purpose in exposing these flaws is to set the scene for a more radical and thoroughgoing debate about education, economy and society in the early decades of the 21st century. Our criticisms cluster around four related problems: first, the idea of a high-skilled, high-wage magnet economy; second, whether reskilling the nation can solve the problem of unemployment; third, whether it is correct to assume that income polarization is a true reflection of the ‘value’ of skills in the global labour market; and finally, the problem of how the modernizers propose upgrading the quality of human resources so all are granted an equal opportunity to fulfil their human potential.

**How can a high-skilled, high-wage ‘magnet’ economy be created?**

Their view that the future wealth of nations will depend on the exploitation of leading-edge technologies, corporate innovation and the upgrading of the quality of human resources can hardly be quarrelled with. Nations will clearly need to have a competitive advantage in at least some of the major industrial sectors, such as telecommunications, electronics, pharmaceuticals, chemicals and automobiles (Porter 1990, Thurow 1993). There is also little doubt that this will create a significant minority of jobs requiring highly skilled workers. However, the problem with the modernizers’ account is that they assume that highly skilled and well-paid jobs will become
available to all for at least a period of their working lives. Indeed, this is an essential tenet of their argument given that they suggest that widening inequalities can be overcome through upskilling the nation and that full employment remains a realistic goal. In other words, the modernizers continue to believe that the labour market can act as a legitimate mechanism (through the occupational division of labour) for resolving the distributional question in advanced capitalist societies.

The plausibility of this account hangs on the idea that the global auction for jobs and enterprise offers the potential for western nations to create ‘magnet’ economies of highly skilled and well-paid jobs. This is an idea which has obvious appeal to a broad political constituency. It serves to replenish the spirits of those who see the USA following the UK in a spiral of economic decline after a period of global dominance. We are presented with the comforting picture of a global economy which, although no longer likely to be dominated by American and European companies, is characterized by prosperous western workers making good incomes through the use of their skills, knowledge and insights. In reality, however, this characterization represents an imperialist throw-back to the idea that innovative ideas remain the preserve of the advanced western nations, with the possible exception of Japan. Reich, for example, assumes that as low-skilled work moves into the NICs and Third World economies, the USA, the European EU countries and Japan will be left to fight amongst themselves for the high value-added jobs. The problem with this view is that it completely misunderstands the nature of the economic strategies now being implemented by the Asian Tigers, who have already developed economic and human capital infrastructures which are superior to those of many western countries (Ashton and Sung 1994). This is partly reflected in the international convergence in education systems, at least in terms of expanding their tertiary sectors. Therefore, whilst we should not rule out the possibility that MNCs, when making inward and outward investment decisions, will judge the quality of human resources to be superior in particular countries, it is extremely unlikely that a small number of nations will become ‘magnets’ for high-skilled, high-waged work.

They have also overestimated the extent to which even the most successful modern economies depend on the mass employment of highly skilled workers. Indeed, an unintended consequence of the massive expansion of tertiary education may be to create a substantial wastage of talent amongst college and university graduates unable to find a demand for their skills, knowledge and insights. This new ‘wastage of talent’ is likely to be especially acute in countries which have pursued the neo-Fordist trajectory of labour market deregulation, corporate down-sizing and growth of temporary, casual and insecure work – conditions which are hardly conducive to the production of high-quality jobs distinguished by worker autonomy and cognitive complexity.

The difficulty for the modernizers is that by concentrating on the question of skill formation rather than on the way skills are linked to the trajectory of economic development, they obscure some of the fundamental problems, relating to educated labour, that need to be confronted. Piore (1990) has, for example, argued that where labour market regulation is weak, there is no incentive for employers to invest and use the new technology in a way which raises the value added and the quality of work. Rather, weak labour market regulations lead to a vicious circle whereby profit is extracted through sweatshop labour, low wages and low productivity. In effect, what regulated labour markets do is to create an incentive for entrepreneurs to invest in capital-intensive forms of production in order to generate the high value added to pay for the wage levels set by regulated labour markets (Sengenberger and Wilkinson 1995). If Piore is correct then we would expect the patterns of future work to develop along different trajectories depending on the degree to which their labour markets
are regulated. While projections of labour supply and occupational change need to be viewed with some scepticism the recent OECD (1994) report on this subject certainly supports Piore’s position when the USA is compared with Holland. On all indices of social protection and labour-market regulation Holland provides an example of far greater social protection for workers, yet the vast majority of new jobs being created could be classified as ‘skilled’ (OECD 1994). In the USA approximately half the jobs being created were in service occupations requiring little formal training. The lesson here is obvious: the route to a high value-added economy must involve an analysis of factors affecting the demand for educated labour. The implicit assumption, harboured by the modernizers, that through investing in the employability of workers, employers will automatically recognize this potential and invest in upgrading the quality of their human resources is clearly naive. The historical record in both the USA and UK shows that while there are firms that recognize investment in people to be vital to the medium-term success of their companies, there are many others who equally recognize that fat profits can still be made off the backs of semi-skilled and unskilled, low-waged workers. Equally, the idea that western nations can compensate for the failings of local employers by attracting inward investment from blue-chip MNCs is clearly not going to be sufficient to move from a neo-Fordist to a post-Fordist economy. Therefore, there seems little doubt that although in some important respects the modernizers will succeed in producing some improvement in the quality of employment opportunities, they will not achieve the goals of post-Fordist development because investment in education and training as the focal point of their policy will not lead to the creation of a high-skill, high-wage economy.

Can reskilling the nation solve the problem of unemployment?

The focus on employability rather than employment also leaves the modernizers accused of failing to offer a realistic return to full employment. Indeed, the high-skill, high-wage route may be pursued at the price of high unemployment. This is because neo-classical economists argue that labour market deregulation is the only way to solve unemployment. The theory is that the regulation of the labour market favoured by the modernizers bids up the price of those in work and discards employers from taking on more workers. With deregulation the price of labour would fall and employers would ‘buy’ more workers. The debate over labour-market deregulation has given rise to the view that all advanced societies are now on the horns of a dilemma in terms of unemployment. Either labour markets are deregulated as in the USA, where official unemployment is below 5%, but where there is extensive poverty because wages at the bottom end of the labour market are insufficient to live off, or they are more regulated as in the producer capitalist route pursued by Germany, but unemployment is higher – as is the compensation paid to the unemployed (Commission of the European Communities 1993, Freeman 1995). The problem this poses to the modernizers is that on the one hand a majority of workers can expect good quality jobs and a reasonable standard of living but the polarization of market incomes avoided by the producer capitalist route is reproduced between those in work and those unemployed. The divisions in society remain but the source is different.

Unemployment, at the low levels achieved during the postwar period, was historically unique, depending on a contingent set of circumstances (Ormerod 1994). Attempting to create similar circumstances for the early part of the 21st century is likely to prove elusive and in political terms something of a hoax perpetrated by political parties who promise it or something close to it. It is, perhaps, for this reason...
that the modernizers translate full employment into full employability, thereby 
throwing the onus on the individual to find a job.

If we examine the profiles of several OECD countries, there are two striking ob-
servations that can be made. First, GDP has been divorced from employment in the 
past 20 years, just as growth has not led to a shared prosperity during the same 
period. In Spain the economy grew by 93% between 1970 and 1992 and lost 2% 
of its jobs (Financial Times 2 October 1993). This is in stark contrast with the 
postwar period when both incomes and jobs were linked to economic growth. Growth 
delivered an even rise in income for all occupational groups. Second, the trajectories 
taken by OECD countries in terms of their main indicators – inflation, growth and 
balance of payments – vary dramatically, yet unemployment remains around or above 
7%, in terms of the official statistics, for every country with the exception of the 
USA and Japan. This includes countries with high levels of growth such as Canada, 
New Zealand and Australia.9

What appears to have happened in the past 25 years is that a set of economic 
and social forces have pushed the lower limit of unemployment up substantially from 
an OECD average well below 5% in the postwar period to an average well above 
7%. Clearly the oil price hikes of the early 1970s had much to do with the initial 
jump in unemployment but since then a series of contingent factors have conspired 
to lock unemployment in at this high level. The introduction of new technology, 
which has enabled machines to replace workers, could have had a significant impact 
on unemployment for both blue- and white-collar workers as the jobless growth in 
Spain suggests. Similarly the number of blue-collar jobs lost to the developing nations 
has added to the problem (Wood 1994). However, these factors have to be placed 
within the wider context of economic regulation in relation to the global economy. 
It is worth noting that current economic orthodoxy ensures that interest rates rise 
with economic growth, thereby potentially choking off further investment in produc-
tive capacity and hence employment. It may also reduce demand, especially in countries 
such as the USA and UK with a high proportion of families with mortgages.

There are two mutually consistent explanations for the link between rising interest 
rates and growth. The first is that in a deregulated global finance market there is a 
shortage of investment funds, especially at times of growth. After all, with the potential 
to invest in developing nations, as well as the developed nations, the competition 
for investment has increased dramatically. Moreover, in a global economy the business 
cycles of the developed and developing nations are likely to be more synchronized 
so that an upturn in the global economy is likely to be met by a global demand for 
increased investment (Rowthorn 1995). The second is that, within nations, the key 
instrument for the control of inflation is interest rates. As economies overheat, interest 
rates are raised by central banks to choke off demand. The use of interest rates to 
control inflation is claimed to be successful in a way in which other measures tried 
in the 1970s and 1980s, incomes policies and control of money supply, were not. 
Again, however, we should note the role of the new global economy in defining the 
control of inflation as a key element in any successful national competitive strategy. 
If inflation in any one country rises to appreciably higher levels than in competitor 
countries, its goods are likely to be priced out of the market. Hence the significance 
accorded to the control of inflation in a global economy. But the cost of using interest 
rates to this end is that economies are permanently run under capacity (ILO 1995: 
163). The rise in interest rates simply chokes off demand before it can appreciably 
affect unemployment levels.

More recently, studies have argued that it is declining economic growth and hence 
demand, among the OECD countries, since 1973 which is the fundamental cause of
unemployment (Eatwell 1995, ILO 1995). While the trend in economic growth in all OECD countries has declined (ILO 1995: 133) it is unclear whether raising levels to those in the period between 1960 to 1973 would have the same impact on unemployment now as it did then, as the examples of Australia and Canada show. The problem is that in a global economy, growth may be achieved through exports and the benefits of growth spent on imports rather than home-produced goods. Whereas in the postwar Fordist economies a rise in demand would percolate through the economy, thereby creating jobs, a rise in demand now may simply create jobs in some other part of the world. This may be especially so in countries where increases in incomes are accruing to the wealthy who spend their money on luxury goods from overseas.

The alternative to this macro-analysis of the causes of unemployment is the micro-analysis of some neo-classical economists, who argue that it is labour market rigidities, of the kind discussed above, especially the power of trade unions and highly regulated labour markets, which cause unemployment and sustain inflation. There are two elements to their explanation. The first is that these rigidities bid up the price of labour and maintain it at a level higher than desirable to clear the labour market of unemployed. The second is that these rigidities allow the ‘insiders’ who are employed to bid up their wages even when others are unemployed (Lindbeck and Snower 1986). There are two problems with this theory. First, there appears to be no strong relationship between the degree of social protection, labour market regulation and unemployment, with the exception of the USA (although see Freeman 1995). Historically the lowest levels of unemployment, from 1950–73, have been associated with the highest levels of social protection and labour market regulation, while the present period represents one of the lowest levels of protection and regulation and the highest levels of unemployment. Moreover, even within the current period differences between nations relating to regulation, protection and economic performance hardly bear out this thesis. For example, the UK has one of the lowest levels of labour protection in the OECD and an unemployment rate of 8.4% (OECD 1994: 155). In contrast, Holland, which has an above-average level of protection and regulation, has an unemployment rate of 7.3%. Moreover, their inflation rates are not substantially different. Britain has had an annual rate of 2.4% in the past year and Holland 3%. Second, where labour markets have been deregulated they have not brought about a substantial reduction in unemployment. This is certainly the case in the UK and in New Zealand where unemployment is still about 7%.

Overall, it seems extremely unlikely that the problem of unemployment can be solved by any of the conventional remedies and to pretend otherwise merely holds out false promises to a generation of unemployed. The New Right solution was to price people back into jobs. The modernizers’ solution is to create a high-skill, high-wage ‘magnet’ economy. Neither solution is adequate. The New Right solution manifestly has not worked and it threatens a new cycle of low-wage job creation. The modernizers, whilst having a more sustainable approach to global economic competition, have no answer to unemployment. Therefore, the most important conclusion to be drawn from this discussion is that the modernizers lack an adequate account of how all will share in the future prosperity accrued from the investment in education and national economic growth. Unemployment will remain a structural feature of western societies and the ‘distributional’ question (Hirsch 1977), temporarily solved under Fordism through full employment and the even spread of the fruits of growth across the occupational structure, must now be addressed by the modernizers. Consequently, we argue elsewhere (Brown et al. 2001) that the distributional problem can only be remedied by the introduction of a ‘social wage’ and that occupational opportunities
will have to be shared. Moreover, the question of unemployment is not only one about social justice, but one of economic efficiency. If the economic fate of nations increasingly depends upon the quality of their human resources, it will not be possible to write off a large minority of the population to an ‘underclass’ existence. Indeed, the issue of long-term unemployment is part of a wider problem of social and economic polarization. Therefore, we need to examine the modernizers’ account of skill and income polarization before asking how those people living in poverty are going to acquire the appropriate skills to get high-skilled, high-waged jobs, when research has demonstrated that social deprivation has a profoundly negative impact on academic performance.

**Does income polarization reflect the ‘value’ of skills, knowledge and insights in the global labour market?**

Considerable doubt must be cast on the way the modernizers have understood the ‘high skill = high wage’ equation. This is important to our discussion because growing income inequalities are seen to reflect individual differences in the quality of their ‘human capital’. Here their argument is based on trend data which show a widening of income inequalities. There has been a dramatic increase in income inequalities in both the USA and the UK since the late 1970s. Such evidence is taken to reflect the relative abilities of workers to trade their knowledge, skills and insights on the global labour market. According to the modernizers, as low-skilled jobs have been lost to developing economies with cheaper labour, the wages of less skilled workers in the West have declined. By the same token, in the new competitive conditions described above, those workers who have the skills, knowledge and insights that can contribute to ‘value-added’ research, production, consultancy or service delivery in the global labour market have witnessed an increase in their remuneration. Hence analysis and remedy are closely related in the modernizers’ account: if the reason so many workers are in low-paying jobs, or worse, unemployed is that they lack skills, the solution is to give them the skills. It is an appealing analysis but at best it is based on a partial truth.

If increasing income polarization was a consequence of the neutral operation of the global economy we should find the same trend in all the advanced economies. However, the evidence suggests that the increasing polarization in income is far more pronounced in the USA and UK than in any other OECD country (Gardiner 1993: 14, Hills 1995). In Germany there has actually been a decline in income differentials (OECD 1993)! It could also be expected that if the increased dispersion of income was a result of the changing cognitive and skill demands of work, then nations with the highest levels of technology and investment in research and development would lead the table of income inequalities. Yet, the evidence that does exist suggests quite the opposite. Wood (1994) notes that, ‘Japan and Sweden are leaders in applying new technology, while the USA and UK are laggards’ (p. 281). He also notes that the work of Patel and Pavitt (1991) suggests that civilian research and development, as a proportion of GDP in the 1980s, was higher in Sweden and Japan than in the USA and UK. Equally, in terms of patenting in the USA, Germany, which experienced declining inequalities of income during this period, greatly outperformed the UK.

One conclusion to be drawn from these considerations is that rather than the returns to skill becoming more responsive to the operation of the global auction, the relationship between skill and income is less direct than the modernizers assume, the reason being that the relationship between income and skills is always mediated
by cultural, political and societal factors. This is of course obvious when unpaid child care, undertaken primarily by women, is taken into consideration. Moreover, despite the way skill is used in the current debate about income inequalities and economic performance it has proved extremely difficult to arrive at an agreed definition of skill, which explains why studies comparing labour markets in neighbouring countries such as Germany and France show that the process of training, career progression and reward for skills is intricate, subtle and substantially different in the two countries (Maurice et al. 1986). Another study (Dore 1987) has highlighted differences in the way rewards are distributed for work in the USA as opposed to Japan. In the USA it is assumed by neo-classical economists that there is a direct relationship between skill and income. However, Japanese industry, the exemplar of producer capitalism, has not organized the relationship between skill and income in this way. Rather, it has based income on loyalty to the company and length of service, rather than ‘skill’ in any pristine sense. As Dore has noted, in Japan there is a remarkable ‘lack of consciousness of the market price of a skill’ (p. 30). This being the case it could be expected that even if the polarization of income in the USA was a response to the changing demand for skill, this would not be the case in Japan. A further glance at the OECD (1993) data also tells us that while there has been some widening of income differentials in Japan, it does not reflect the polarization characteristic of the USA and UK.

What this evidence suggests is that the modernizers’ assumption that by raising skill levels there will be a commensurate increase in income regulated through the global labour market is clearly incorrect. The answer is to be found not in the neutral operation of the global labour market as Reich and others have suggested, but in the way the USA and UK have responded to global economic conditions. This response, like the global economy itself, has been shaped by the New Right political projects of Reagan and Thatcher (Marchak 1991). Although the debate about what is distinctive about the USA and UK takes us beyond the confines of this chapter, the polarization in income can be explained more convincingly in terms of differences in labour market power rather than returns to skills (although they are not mutually exclusive). A major consequence of market deregulation has been to enhance the power of ‘core’ workers in down-sized organizations. This is supported by the fact that the most dramatic changes in income distribution are to be found at either end of the income parade. What income polarization in the US and UK also reveals is the way in which the ‘casino’ economies of these countries in the 1980s enabled company executives and senior managers, along with those who worked in the financial markets, to engage in ‘wealth extraction’ rather than the development of sustainable forms of ‘wealth creation’ (Lazonick 1993). This largely explains why a study reported by Bound and Johnson (1995) found that in the USA a large part of the increase in the returns to a university degree was due to an increased premium put to use in the business and law fields. The wages of computer specialists and engineers actually fell relative to those of high school graduates.

But if the rising incomes of the work rich are explicable in terms of ‘paper entrepreneurialism’ (Reich 1984) and corporate restructuring, can the decline in the wages of the unskilled be explained in terms of the neutral operation of the global economy? In addressing this question there is the problem of measuring the extent to which semi- and unskilled work has been transplanted to the developing nations. One estimate is that up to 1990 changes in trade with the South has reduced the demand for unskilled relative to skilled labour in the North by approximately 20% (Wood 1994: 11). However, it is not only that industrial blue-collar jobs were lost, but the perennial threat of relocation to developing world countries which ensured
that wages were depressed for remaining unskilled workers. It is, of course, hard to measure the degree to which this threat has been material in keeping down wages. Nevertheless, it is worth noting that there is little correlation between manufacturing competitiveness and low wages. In the most successful industrial economies Germany and Japan, manufacturing wages are higher than anywhere else. However, New Right governments in the USA and UK took the ‘lesson’ to heart and helped to drive down wages by labour market deregulation. Estimates for the UK (Gosling and Machin 1993) and the USA (Blackburn et al. 1990), for instance, calculate that the decline in unionization in the 1980s accounts for 20% of the increase in wage inequality. In addition, making it easier to hire and fire workers enabled companies to achieve numerical flexibility in terms of their wages bills (Atkinson 1985). At times of economic boom workers could be hired while in times of downturn they could be fired. In Britain, for example, in the last three months of 1994, 74,120 full-time jobs disappeared and 173,941 part-time jobs were created. This is a clear example of how to organize a labour market for short-term expedience, but it also suggests that companies have not only externalized the risks associated with unstable market conditions but also their labour costs, especially among low-skilled workers. In such circumstances it is difficult to see how the modernizers can resolve the problem of widening income inequalities when they are judged to reflect the neutral operation of the global economy.

Indeed, high levels of income inequalities are interpreted by the modernizers as a reflection of educational and corporate inefficiency in a global labour market which can only be narrowed through investment in education and training. If inequalities persist it is because the latter are failing to upgrade the quality of human resources. With respect to national systems of education, inequalities become a useful measure of their effectiveness. However, this raises a set of questions and problems for the modernizers with respect to the social conditions under which education can achieve greater equality of opportunity and higher levels of educational achievement for all. It is to this, fourth, problem that we now turn.

**How can the quality of human resources be upgraded where all are granted an equal opportunity to fulfil their human potential?**

In answering this question the modernizers recognize that the wealth of nations depends upon upgrading the quality of human resources. They recognize that ways must be found to develop the full potential of a much larger proportion of the population than prevailed in the Fordist era. They point to the need to widen access to tertiary education and to create the institutional framework necessary to offer lifelong learning to all. They also recognize a need to improve overall educational standards as US and UK students appear to be falling behind in international comparative tests. A national commitment to investment in the ‘employability’ of present and future workers is understood by the modernizers to represent a new social contract between the individual and the state, given that such investment is viewed as a condition for economic efficiency and social justice. However, their interpretation of how equity and efficiency are to be achieved in the global economy is politically impoverished. In part, this is because the question of equity has been subsumed within a debate about how to upgrade the overall quality of education and training systems based on an assumption that domestic inequalities of opportunity are largely irrelevant if a nation can win a competitive advantage in the global knowledge wars, permitting all to compete for high-skilled, high-waged jobs. Therefore, the old national competition for a livelihood, based on the principles of meritocratic competition, is of far less importance than that
of how to upgrade the quality of the education system as a whole. Again we find the idea of a high-skill, high-wage magnet economy used to extract the political sting from questions of social and educational inequalities.

The reality is that questions of social justice cannot be resolved through the operation of the global labour market. Indeed, if the creation of a post-Fordist economy depends on a general upgrading of the skills of the labour force, tackling the problem of domestic inequalities in income and opportunities has become more rather than less important with economic globalization. There are at least two related reasons for this. First, the use of education and training institutions to raise technical standards for all does not resolve the question of ‘positional’ advantage (Hirsch 1977). In other words, access to elite schools, colleges and universities, along with the credentials they bestow, remains a key factor in determining labour market power. In addition, if our analysis of income inequalities is correct, labour market power has, if anything, become more important as a result of corporate restructuring and the decline of graduate careers (Brown and Scase 1994). Therefore, the question of social justice will continue to depend on how individual nation-states frame the competition for a livelihood.

The question of positional competition has also become more important because there has been a change in the nature of educational selection. Today the institutional expression of a commitment to meritocratic competition in education has been suffocated under the grip of the New Right. A commitment to a unified system of schooling within which students will be educated according to ability and effort has been abandoned in favour of consumer sovereignty based on parental ‘choice’ and a system of education based on market principles. A consequence of this change in the organization of educational selection from that based on ‘merit’ to the ‘market’ (Brown 1995) is, as argued above, that it serves to encourage the creation of under-funded sink schools for the poor and havens of ‘excellence’ for the rich. Therefore, the school system in both the USA and UK no longer reflects a commitment to open competition but gross inequalities in educational provision, opportunities and life chances. In Washington, DC the wealthy are queuing up to pay as much as $12,000 a year to send their five-year-old children to private schools, while the city is virtually bankrupt and severe cuts to the educational budget are inevitable.10

Therefore, although equality of opportunity is recognized as a condition of economic efficiency the modernizers have effectively avoided perhaps the most important question to confront the left at the end of the 20th century, that is, how to organize the competition for a livelihood in such a way that a genuinely equal opportunity is available to all. Avoiding the positional problem by appeals to the need to raise educational standards for all in the global market not only fails to address this question but also offers little insight into how the foundations for social solidarity upon which the institutional expression of meritocratic competition rests, are to be rebuilt. Indeed, their focus on increasing the ‘employability’ of workers reinforces a sense of the insecure nature of work at the end of the 20th century (Newman 1993, Peterson 1994). It encourages people to watch their backs constantly and to put their child first in the educational and labour market jungle. Without an adequate foundation for material and social security the emphasis on enhanced employability within a culture of competitive individualism becomes translated into the Hobbesian condition of ‘all against all’. When education becomes a positional good and where the stakes are forever increasing in terms of income, life-chances and social status, powerful individuals and groups will seek to maximize their resources to ensure that they have a stake in the game by whatever means.11 Therefore, how the state intervenes to regulate this competition in a way which reduces the
inequalities of those trapped in lower socioeconomic groups must be addressed, not only as a matter of economic efficiency but also for reasons of social justice in a post-Fordist economy.

The relationship between equity and efficiency at the end of the 20th century does not only rest on the reassertion of meritocratic competition in education, but on a recognition that the wealth of the nation’s human resources is inversely related to social inequalities, especially in income and opportunity. Therefore, narrowing such inequalities is likely to be a cost-effective way of investing in human capital, which in turn should lead to improvements in economic efficiency. Hence, we would predict that the polarization of income in nations such as the USA and UK during the 1980s will have led to a wider dispersal of educational achievement than in nations with little or not widening of incomes. We are currently analysing the comparative evidence in order to examine the hypothesis that relative deprivation has an absolute effect on the quality of a nation’s human resources (Wilkinson 1994). If our hypothesis proves to be supported by the empirical evidence, it will come as little surprise to sociologists who have consistently found a close relationship between inequality and academic performance. The fact that at least a fifth of children in both the USA and UK now live in poverty is inevitably going to have a detrimental impact on the ability of these children to respond to educational opportunities and to recognize the relevance of formal study when living in neighbourhoods with high unemployment, crime and deprivation. Indeed, the importance of equity to the question of social learning is graphically illustrated in Julius Wilson’s (1987) study of the urban underclass in America. He suggests that ‘a perceptive ghetto youngster in a neighbourhood that includes a good number of working and professional families may observe increasing joblessness and idleness but he [sic] may also witness many individuals going to and from work; he may sense an increase in school dropouts but he can also see a connection between education and meaningful employment’ (1987: 56). He goes on to argue that the exodus of ‘respectable’ middle- and working-class families from the inner-city neighbourhoods in the 1970s and 1980s removed an important ‘social buffer’ that could deflect the full impact of prolonged and increasing joblessness, given that the basic institutions in the area (churches, schools, stores, recreational facilities, etc.) were viable so long as more economically stable and secure families remained. Hence, the more social groups become isolated from one another the fewer opportunities exist for the kind of social learning which even in the deprived neighbourhoods of USA and UK cities could offer role models to children other than those which now exist due to the ‘political economy of crack’ (Davis 1990).

Moreover, the impact of widening social inequalities is not restricted to children from ghetto or poor backgrounds; it also infects the social learning of the wealthier sections of the population. In a characteristically perceptive discussion John Dewey noted that every expansive period of social history is marked by social trends which serve to ‘eliminate distance between peoples and classes previously hemmed off from one another’ (1966: 100). At times where the opposite happens it narrows the range of contacts, ideas, interests and role models. The culture of the privileged tends to become ‘sterile’ to be turned back to feed on itself; their art becomes a showy display and artificial; their wealth luxurious; their knowledge over-specialised; their manners fastidious rather than human’ (Dewey 1966: 98).

Hence the view which the modernizers take in assuming that inequalities will narrow once there is proper investment in education and training fails to recognize that the future wealth of nations depends upon a fundamental challenge to inequalities in both income and opportunities. Therefore, the role of the nation-state must increasingly become one of balancing the internal competition for a livelihood with
a strategy geared towards upgrading the quality of education for all through a reduction in relative inequalities. Moreover, a commitment to equality of opportunity is not only vital to the life-blood of a high-skill economic strategy, but it provides a clear message to all sections of society that they are of equal worth and deserve genuine opportunities to fulfil their human potential.

Conclusion

The increasing importance attached to education in the global economy is not misplaced in the sense that nations will increasingly have to define the wealth of nations in terms of the quality of human resources among the population. The creation of a post-Fordist economy will depend upon an active state involved in investment, regulation and strategic planning in the economic infrastructure alongside a commitment to skill formation through education and training. We have argued that such an economic strategy is necessary because it is the best way of creating a social dividend which can be used to fund a ‘social wage’ for all givers that the ‘distributional’ problem can no longer be solved through employment within the division of labour. A social wage which delivers families from poverty thereby becomes an important foundation of a learning society, designed to follow the post-Fordist trajectory to a globally competitive economy and to a socially just society (see Brown et al. 2001). Hence, if the potential and limitations of educational reform in the creation of post-Fordist economy are to be adequately addressed by the modernizers there is an urgent need for those on the left to grapple with the issues explored in this chapter.

Notes

1 This chapter develops a number of themes outlined in earlier papers (Brown and Lauder 1992, 1993). It also serves to clarify our interpretation of the relationship between education and post-Fordism which has been criticized by Avis (1993) and Jones and Hatcher (1994).
3 Antonio Gramsci (1971) used the term Fordism to describe a new system of mass production introduced by the American car manufacturer Henry Ford. Gramsci recognized that the introduction of mass production also required a new mode of social regulation ‘suited to the new type of work and productive process’ (p. 286). Ford’s rise to prominence at the time stemmed from the market success of the Model T motor car which was launched in 1916. The system of mass production enabled him to capture 55% of the US market in the early 1920s by selling the Model T at a tenth of the price of a craft-built car (Braverman 1974, Murray 1989).
4 As it is more difficult for competitors to mass produce the same goods or to offer customers tailored services (see Schumpeter 1961, Collins 1986, Blackwell and Eilon 1991). In such companies improvements in productivity depends upon the ‘organic’ integration of applied science, technological innovation, free-flow information networks, and high-trust relations between management and multi-skilled workers. The increasing costs of errors, demand for quality control, and for multi-skilled workers with a conceptual grasp of a large section of the production process or office activities has made the specialized division of labour in Fordism a source of organizational inefficiency.
5 The idea of a ‘Feudal’ shackle is discussed by Hirschman (1986).
6 Given such a diverse range of publications there will inevitably be differences in focus and policy emphasis. The extent to which the Clinton administration in America has attempted to introduce a viable industrial policy has been clearly limited; see Shoch, J. (1994) ‘The politics of the US industrial policy debate, 1981–1984 (with a note
on Bill Clinton’s “industrial policy”), in D. Kotz, T. McDonough and M. Reich (eds) *Social Structures of Accumulation* (Cambridge: Cambridge University Press).

7 ‘They are all our children’, speech delivered at East Los Angeles College, Los Angeles, 14 May 1992. The modernizers’ view contrasts with the rhetoric, if not the practice, of the New Right. There is clearly a tension between New Right views regarding the expansion of tertiary education and the practice of the Conservative Party in the UK, where there has been a rapid expansion of tertiary provision despite the views of influential theorists and journalists such as Friedman, Hayek and Rees-Mogg, suggesting that it is only an élite that needs a university education. It is also worth noting that, in terms of imagery, the New Right do not present the future in terms of a ‘learning society’ but an enterprise culture, in which a few outstanding captains of industry and commerce, the Bill Gates and Richard Bransons of this world, are feted as the leaders of an economic renaissance.

8 The floor of protective rights for workers as envisaged by the modernizers is, for example, likely to be too weak to act as an incentive to employers to upgrade the quality of work opportunities. Moreover, see Kuttner’s response to Rogers and Streeck (1994).

9 Data compiled from the *Independent on Sunday*’s economic indicators 1994–95.

10 The question of equality of opportunity needs to be addressed head on as it is not only essential to economic efficiency, but to the legitimization of a system of educational and occupational selection which is inherently stratified in terms of income, status, work styles and lifestyles. In postwar western societies the reason why a menial labourer is paid $17,000 and a private sector manager $85,000 was legitimized in terms of the outcome of a meritocratic competition based on individual ability and effort. The commitment to open competition found expression in the idea of the socially-mixed-ability high or comprehensive school. Yes, there remained deprived inner-city districts where children, especially from African-American and Hispanic backgrounds, were clearly not getting equality of opportunity but even here ‘head start’ programmes were launched to try to create a level playing field.

11 Moreover, for those in lower socioeconomic circumstances their exclusion from decent academic provision is compounded by deindustrialization which has created a rust belt across the heartlands of both the USA and UK, sometimes destroying vibrant communities (Bluestone and Harrison 1982). Therefore, although the modernizers assume greater flexibility in the occupational structure as a response to the employment needs of men and women at different stages of their lives, the reality seems more likely to lead to intensive competition and highly restricted opportunities to enter the professional core and a constant flux restricted to jobs which are low skilled, low waged and inherently insecure. This outcome may well be reinforced by the fact that as employers place a premium on employees with the appropriate social and interpersonal skills alongside their technical know-how, the cultural capital of job-seekers assumes greater importance. Without the financial and social resources required to invest in cultural capital those from poorer backgrounds who are more likely to attend less prestigious halls of learning will be at a distinct disadvantage (Brown and Scase 1994).


References


