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*Notes on Dynamic Flexibility,
Cooperation and Economic Efficiency*

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I - Introduction: cooperation as a source of efficiency

Its not unusual at all to see theory being made to mold people's perception of everyday life. There are facts, however, that become so evident that they force theory (as well as the efforts to create it) to change, to adapt, to adjust. It is a matter of dealing with historical reality.

Something of the sort is happening in the realms of economic theory. Evidence coming from Japan and a few other countries (like Sweden, Germany, and Italy) reveal that there is a new paradigm of industrial productivity and economic efficiency being established, be it at the micro or macro level of analysis. New competitiveness standards are being set by what has been called as organized capitalism, collective capitalism, alliance capitalism, etc. In an analogy to physics, economic agents are increasingly placing their forces towards the same quarter and obtaining, as a consequence, a resulting vector greater than those obtained in previous regimes of capitalist accumulation, where conflictive standards of economic relations could be figured as vector forces opesedly placed in different hemispheres.

True, contemporary capitalism has been characterized by the diffusion of a flexible microelectronics technical base as the consequence of a new technological revolution. Nevertheless, even within the newly emerging technological paradigm, firms and economies using basically the same equipment or the same productive apparatus do not sustain equally the same level of economic performance. Well known examples can be found specially when comparing the performances of the automobile and the machine tool industries between Japan and the United States (see Jaikumar, 1986; Kaplinsky, 1986; and Hoffman, 1988). Explanation must be sought in understanding the notion of a technological paradigm in a wider perspective, other than merely the "hardware" sense (a slight attempt in this direction can be found in Dosi, 1988). Evidence is that the amalgam-

ating element that responds for this plus in economic efficiency can be traced to contemporary forms of cooperation between economic agents at various levels of the social organization of production.

More efficient performances of flexible automation technologies seem to presuppose intra-firm and inter-firm cooperative environments, radically departing from previous conflictive relation standards of modern capitalism. So much so that one of the pillars of orthodox economics, namely the theory of the firm, have been undergoing profound modifications to cope with these new facts of contemporary economic life.

“Looking at the theory of the firm from the point of view of economic history it is, lastly, manifest that theories of the firm are born, flower and give way to new theories not only because existing theories are destroyed by new and superior ones but because historical reality, in this case the institutional settings, structure and behavior of firms, is changing, making old theories outmoded and creating a demand for new ones. If these changes are sufficiently sweeping, the old theories may not just be reformulated by some new assumptions or by the incorporation of some new arguments, but must be replaced by new constructs.” (Gustafsson, 1990, p. viii)

The firm, by definition the basic unit of analysis of the theory of the firm, has been moving away from being associated with the production function, and has been considered more and more “nothing but a nexus of contracts or treaties” (see, Jensen and Meckling, 1976 and Aoki et alii, 1990). Economics of institutions and transaction costs economics which, by the way, may be treated as “a single approach” (R.C.O. Mathews, 1986, cited in Williamson 1990), not to mention game theory, have re-emerged strongly to occupy considerably more space and importance in microeconomics theory. “Many practitioners of mainstream economics have become dissatisfied with the poor treatment of economic institutions, but (still) believe that the primary mechanisms of neoclassical economics (essentially rational, utility maximizing behaviour) could explain the development of particular institutional frameworks. ...in contrast to the earlier Institutionalist school, the new institutional economics, although critical of neo-classical economics, attempts to complement rather than replace it” (Rodgers, 1991, pp. 5/6, first parenthesis added).

One could trace the origin of this theoretical approach much further back in time. “John R. Commons ...proposed that transactions be made the basic unit of analysis (1925, 1934). It was Ronald Coase (1937), however, who... posed two classical (and related) puzzles with which the theory of the firm must come to grips: ‘What factors are responsible for the boundaries of the firm?’ And ‘Why is not production carried on in one big firm?’” (Williamson, 1990, p. 10). In other words, the dilemma “make or buy?” is not new but the conditions in which this question is to be posed now, in contemporary capitalism, are new, as well as the best possible answers.

In a more cooperative prone environment, such sort of question (make or buy) highlights major changes in at least two major subjects: a) the relation among firms, as a result of subcontracting policies which review the role and importance of internal vertical integration, and puts more emphasis on external supply networks; the b) the relation between workers and management, or between labour and capital in search for common goals and objectives that can foster welfare and productivity. To bring in game theory, in both cases, collectively attained efficiency, made possible by the new cooperative conditions of bargaining, tend to generate informational rents and therefore to result in non-zero sum games. “The collective action strand of the new institutional economics literature is less close to neo-classical economics, and indeed quite varied in its methodology, although in one variant the usual maximization objectives are used in conjunction with game theory to derive optimal levels of organization, and the real world is then interpreted in these terms” (Rodgers, 1991, p. 12)

As a consequence of this new awakening reality, some very fundamental issues of orthodox economics have been revisited and consequently revised. “Because the firm is assuming aspects of an information processing institution, and as employees become indispensable resources therein, the traditional theory and practice of the firm as envisioned in the neoclassical profit maximizing paradigm seems to need more serious scrutiny” (Aoki, 1990, p. 47). Even the dogmatic indifferentiation of being an entrepreneur and a profit maximizer has been taken up (see on this point Klein, 1988, and Aoki, 1990).

All very natural in an age where an enormous amount of economic and social information is available to the concerned public, enlightening

therefore the nature, scope, and importance of the collective participation in the decision making process at various levels. "...the participatory mode is not just an Oriental cultural phenomenon, but ... it also reflects a rational response of universal relevance by competing firms to their changing environment: increasing educational and intellectual achievements of employees and their democratic aspirations, the unprecedented development and accessibility of communications and information processing technology at the grassroots level, ever intensifying global competition in which quick adaptation to market signals and continual introduction of innovation are becoming crucial conditions for their survival, and so on." (Aoki, 1990, p.27).

These quite accurate observations might lead to important discussions of many sorts. It is interesting to notice that although such observations are addressed also to orthodox theory, they might as well be placed in a discussion about the political economy of information (see Tauile, 1979) or in a debate with the "regulation" school on institutional standards (see *Economie et Société*, n. 11, 1989, a special issue devoted to the regulation theory).

The regulation school, that for some French economists have provoked in the eighties a debate which pushed orthodox microeconomics to move away from its traditional theoretical framework, represents "a quite different vision of development, ... which also considers the interplay of multiple institutions in regulating the economic system. Here institutions are not only concerned with efficiency but also with control. Growth paths are necessarily based on particular forms of social control, notably in terms of incorporation of labour in production, and particular patterns of accumulation, which again requires a framework for social action and coordination... At the heart of the set of labour institutions lies the question of obtaining co-operation and productive work from workers. This is a central element of the work of the regulation theorists, whose analysis of the Fordist wage relationship shows how it provided, for much of the post war period, the conditions of steady capitalist economic growth in industrialized countries" (Rodgers, 1991, pp. 6/21).

Taking up from the above mentioned Aoki's observations strictly what concerns here, the quick responsiveness to market signals through adaptation and change (generally stressing innovation) is specially valu-

able in times of crisis. That is to say, it has been particularly valuable for the last twenty years of world capitalism.

The international economic system has become sharply more unstable along the seventies and well into the eighties. No matter if one dates this *ouvert* instability to the 1974 oil crisis, to August of 1971 when the dollar ceased officially to be the international monetary standard, or else, the fact is that international competition became much fiercer, forcing firms and entire economies to adjust and change. It was to become ever more clear that the best practice was not only a matter of paving a new technological paradigm (in the "hardware" sense) through the adoption of more flexible microelectronics equipments. To stay on the edge of competitiveness it was necessary to take out most of the potentialities offered by the new technical base through updated organizational means (in the "software", or "human ware" sense). Static comparative advantages were to give way to dynamic comparative advantage, the advantage of being more able to change in face of adverse conditions of the market and/or of being capable to create these adverse conditions for the other competitors. Evidently, much cooperation may, therefore, simply be in order to compete better, so that cooperation and competition do coexist in contemporary capitalism but at different and higher levels of articulation than previously in modern capitalism.

II - The inter-firm dimension

This capacity to face market failures and react quickly, or even anticipate its needs is of decisive importance in contemporary capitalism. As before mentioned, it can be built basically upon two dimensions and in both of them the redefinition of the role that cooperation plays in setting contemporary standards of economic efficiency is very important. One of them, at the inter-firm level, focuses on the capability of the industrial network as a whole, or sections of it (*filiales*, industrial complexes, industrial districts, conglomerates), to absorb, sustain and anticipate negative pressures from the market.

Apparently, even in the most successful forms of contemporary industrial organization, like presently found in Japan, a considerable part of adjustment costs are transferred to subcontractors. It is "perfectly clear

that in Japan -as anywhere else in the world- the relation between large and small subcontracting firms are marked by a certain a-symmetry which more or less strongly reflects the real inequality of the economic power relations between contracting entities...it is not unusual that (large firms) attempt to utilize their subcontractors as 'shock absorbers', trying to transfer to them the effects of conjunctural fluctuations" (Coriat, 1991, p.109, free translation).

These smaller but more flexible firms (both in terms of labour and of fixed capital) tend to act "as buffers for business fluctuations" while, when necessary, "...parent companies could expand production capacity whilst minimizing capital investment" (Kuriyama, 1990). On the other hand, mutual long term commitments imply that the bigger firms are involved with assisting the smaller ones in many ways (financially, technologically, organizationally, in building efficient means of communications, etc.) so as to keep their sustaining support in the long run. Credible commitments of the parts provide endurance of the whole. "A recent survey undertaken by the MITI (in Japan) in 1987 shows that approximately 70% of subcontracting firms have never changed their parent companies and customers... (therefore) lowering transaction costs" (ibid). The cohesion, and the integrity of the productive structure are thus kept, as well as its reliability and efficiency. Informational rents and relation-specific skills arise, increasing the quality of products, decreasing delivery times, and minimizing fixed capital investments. The competitive edge of the productive chain is therefore enhanced.

To survive and succeed in an unstable environment, as well as to sustain long run strategies, the firm (*latu sensu*) is to become not only flexible but also quick. A specific movement of "integrated des-verticalization" can increase flexibility of productive structures by creating better conditions for faster reprogramming of production lines of a firm or of a set of interrelated firms. Provided due credible commitments are made, a higher level of subcontracting seems to be associated with smarter and stronger production apparatus considered as an aggregate, as well as with more dynamic individual firms.

Naturally conditioned by the inevitable power relations between the concerned network firms, this enhanced dynamism depends on a certain capacity of "optimization" of production units utilization in terms of

scale and scope. The nature of this "optimization", which has a financial side (the relation between fixed and circulating capital) as well as a real side (the concrete integration among different and complementary sets of fixed-capital equipment actually employed in the production process), does depend on the specificity of each case. The state of the arts just-in-time system, for example, requires a stable and engaged subcontracting network as well as stable business relation between good performance firms in order that such optimization is effectively and "consensually" achieved.

Dynamic flexibility arises out of the "capability of firms (or sets of firms) to make rapid adjustments to new circumstances, in both R&D and production activities" (Klein, 1988, p.96, parenthesis added). It naturally supersedes static flexibility, defined as "the ability to produce several products in a single pre-programmed production line" (ibid). This differentiation between static and dynamic flexibility permits challenging Piore and Sable's proposition that flexible specialization may become paradigmatically generalized, for "the implicit and central hypothesis (in flexible specialization) is that there will be no more products with sufficiently high (and stable) and/or growing demand so that a strategy of scale economies can assert the supremacy of large series" (Coriat, op.cit., p.163).

Agreed. Mass production remains important but what is at stake are the new sources of its dynamism and efficacy in a world of rapidly changing characteristics and possibilities. Without therefore abandoning the logical search of scale economies at the proper level, dynamic flexibility can be said to be based upon the double principle of interaction between product and process of production, which is itself conditioned by renewed economies of organization. Consequently, in an ever changing environment, elements like the time devoted to learning and mastering the flexible technology seem to be susceptibles of considerably increasing efficiency. "...the principle of dynamic flexibility which operates with a long time horizon, combines research of scale economies and engineering policies, thus modifying certain supply characteristics" (Coriat, 1990, ch IV, p.169).

A new conception of a social division of labour along the network firms therefore arises. "Design supplied parts" firms (as named by

Asanuma) try to develop into “design approved parts” firms “if they wish to succeed in a given subcontracting system (in Japan) and maintain long-standing relations” (Kuriyama, op.cit., p.6, parenthesis added). Such pattern of relations between parent firm and their subcontractors foster and “internalizes” the process of innovation within these network firms. Taken as a whole, more agile and stronger productive structures give adequate support to more efficient and conceptually redefined economic units.

Think of a *filière* or of an industrial complex (or a self contained section of a productive chain) in which firms share long run objectives and where interests are harmonized as much as possible by consensus, mutually reinforcing previous credible commitments. Externalize, out of the firm, some instances of decision making concerning strategic long range planning. Adjust the complementarity of productive units. Provide the adequate communication network and data processing capacity. Add the financial means, i.e. a bank. What one gets may be very close to a Japanese *keiretsu*, one of the most contemporary and efficient sort of capitalist unit, *latu sensu*, of accumulation in the world today.

So much for the renewed interest in the importance of cooperative relations between firms as a source of increased productivity and economic efficiency.

III - The intra-firm dimension

Let us focus now on the importance of forms of cooperation that are internal to the firms, between capital and labour. Here too new forms of division of labour and positive-sum games, rise out of informational rents and relation-specific skills fostering economic and technological progress. Consensus decision making emphasizing “two way flow of ideas and information up and down the corporate hierarchy” (Lazonick, 1989) is at stake. Again Japan, with its *ringi* system, displays the most astonishing examples of the new productivity achievements and standards of economic efficiency dynamically generated within the firm. The most fundamental element in this transformation is that labour, more than merely a cost, is now being considered *de facto* as a resource of production. This is a real revolution from the previous tendencies of planning production, and

its understanding requires thinking “upside-down” capitalist accumulation (like Coriat would put it in “Penser à l’envers”, 1991). As can be easily perceived, this cooperative environment that pervades the economy not only on the macro level but also on the micro level turns into a knife edge dynamic comparative advantage sourcing for competitiveness.

Contemporary Japanese firms have achieved a very high level of dynamism and internal change by cultivating much greater workers engagement in the process of production as a whole and their commitment to the firms’ objectives, in exchange for many explicit and implicit forms of participation in the firms’ long run success. In his latest book, B. Coriat (1991) gives a very interesting account of the sources of dynamism that can be found in the “industrial relation” system in Japan.

The employment system in Japan is said to rest on three main traits:

- life time employment
- retirement pension
- cooperative unions organized on a firm basis and integrated to its structure

(-consensus decision making too, might be adequately added)

Without entering the discussion neither about the historical origins of contemporary unionism in Japan (specially concerning the explosive first half of the 50’s, when traditional forms of labour unionism were literally destroyed) nor about the adequacy of different forms of union structures posed in an abstract way, it is undeniable that particular forms of Japanese cooperative unionism have been able to extract previously unexplored sources of labour productivity. Such sources of system productivity are specially valuable to the good performance of the latest forms of flexible automation. It can even be said that such a cooperative environment within a firm is a pre-condition for achieving the most efficient utilization of flexible automation but these higher productivity effects can also be felt in firms that do not have a high level of automation by the very nature of their production processes.

One could argue that such an apparently more cooperative environment brings a higher rate of exploitation of both the individual and the collective worker. Nevertheless, “if this form of ‘cooperative unionism’

was successful in establishing, maintaining and developing itself over a long period, it is because the system of industrial relations, built over its particular basis (and very specific if compared with the tradition of most of other industrialized Countries), has shown itself historically capable of assuring continuing and substantives amelioration's of living conditions of wage workers. This is specially true concerning the levels of employment and the evolution of the real wage" (Coriat, 1991, p.78, free translation).

Life time employment and retirement pensions could be treated here under the same heading of employment stabilization, a by product of which, again, can be placed workers commitments to the firm's goal. This stabilization is a pre-condition for the firm's long term investment in the training and professional formation of its work-force aiming to upgrade its general level of skills. "In contrast to the American practice of applying the terms unskilled, semi-skilled, and skilled to different types of jobs to be filled by different type of workers, the Japanese have used these terms to apply to the stages through which a particular worker passes during the first ten years of employment" (Lazonick, 1989, p.35). In addition, the existence of internal labour markets is in general considered as a factor of employment stabilization within firms and of the quality of work, specially due to "favorable conditions for the deeper wage workers involvement (in the trajectory of firms), like the existence of clearly established prospectives of promotion, and the structure of employment and career lines open and well known to everyone" (Coriat, 1991, p.90, parenthesis added).

A central role in this system is thus played by the implementation of internal labour markets in big firms, where workers participation in decision making at various levels of the production process as a whole (*latu sensu*) have produced a very healthy and dynamic upheaval in the trends of the division of labour internal to the firm. So, in this case, stabilization does not mean immobilism, quite on the contrary it becomes the precondition of a faster and more solid movement.

In large Western corporations (multinationals or not) it is also quite common to happen the formation of internal labour markets that somehow foster workers' careers upwards within the hierarquichal structures of the firms, consequently stimulating allegiance to it. What would then be the

difference in relation to the contemporary Japanese case? In my view, one can trace the origin of this difference to the very conflictive nature of the relation between capital and labour specially present in modern -but now old, and outmoded iron hand managerial -industrial capitalism.

The organization of the labour process in modern capitalism has from its origin been based on an increasing division of labour, as was quite keenly noticed by Adam Smith. Such tendency did receive strong boosts from the diffusion of Taylor's "scientific management" principles and, subsequently of Ford's assembly line standards of mass production. Both of them implied achieving cost reduction through increasing control of the labour process. Particularly the fordist regime of accumulation with its virtuous circle -higher productivity/ higher wages/ higher demand- depended upon large scale of standardized products. Consumption had to be standardized in order that scale economies could be reaped for, due to the material limits of the electromechanical technical base, higher productivity was to be achieved generally through increasing degrees of rigid automation.

The standard labour union response, as for example had been prevailing in the U.S.A. from the mid-thirties up to very recently, almost into the eighties, was to accept higher capitalist control of the structure of production in exchange for the control of the rules of climbing the hierarquichal ladder within the firm. "Unionized workers...did gain seniority protection as well as the right to bargain over wage levels and differentials for job structure...but managers...would not grant them membership to the corporate collectivity" (Lazonick, op. cit., p.18/19). Workers participation in the labour process was therefore kept to a very strict and specialized minimum and their involvement with the firm was restricted to collecting their "share" of the higher productivity benefits, in the form of a larger monthly (or weekly) paycheck. All in all, a highly specialized and alienated worker resulted, interested in restricting the most of one's own activity in the process of production and having no interest at all in the firms business which by obligation had to provide their monthly pay (which, by the way, in the case of large unions were usually above the average labour market value). As the outcome of collective negotiation, a sort of "conflictive agreement" was to be established in a generalized form. Its dynamism was manifested "externally" to the

production process through a higher standard of consumption of the society at large, where, generically speaking, workers receiving higher pay had more access to the commodities they produced for they were standardized and cheaper.

So far so good for unchallenged western growing economies of the post-World War II. The problem is that with the increasing challenges posed by fiercer international competition from the mid-seventies on, the structure of production based on rigid automation of large scale production proved itself inadequate to deal with wide and deep variations of demand brought about by economic fluctuation. The quest for optimal equilibrium which normally is already difficult to achieve in standard production lines, worsened even more because of difficulties in reprogramming electromechanical automated equipment. A more than proportional idle capacity tended to arise as a consequence of lagging demand and cut-throat competition. A vicious circle was being formed.

The new technological trajectory paved by the diffusion of the microelectronics technical base appeared possibly as a way out of the structural crisis of capitalism at the end of this XXth century for at least three main reasons. First of all, from the demand side, it offered an enormous horizon of new space for capitalist accumulation out of new possible products (both consumer and capital goods) impregnated with microelectronics devices to be thrown into the market. From the supply side, the new technology permitted both to flexibilize previously rigid large scale automated production, and (thirdly) to automate a wide range of small scale production, which previously depended on crafts work and universal all-purpose machines. "...it is clear that electronics-based production techniques are generally unequivocally superior to electromechanical ones irrespective of relative prices. That is, the new wage/profit frontiers associated with the new techniques do not generally intersect the 'old' ones for any positive value" (Dosi, 1988, p. 1144).

Still, so far so good. Theoretically, for some, heaven was promised for those who followed the leaders. But, who are the leaders, or who developed into new leaders? Neither the American nor most of the other Western developed capitalist economies. A missing last link of the new virtuous circle chain was still to impair the performance of western modern capitalism in dealing with contemporary features of the new technical

base: the (un)capability of using the increased flexibility of the production process to its fullest potential.

The previously prevailing trend towards workers specialization, manifested in very specific patterns of negotiation in collective bargaining of modern capitalism was, by its very nature, opposed to the emergence of the multi-skilled workers. Because they are more unspecialized, polyvalent workers are more efficiently employed in contemporary flexible production systems than specialized workers. Such systems tend to become more efficient due to interchangeability of workers, not of parts and pieces. This new stage of interchangeability is possible not only because tasks and jobs become concretely more homogeneous (and they definitely are) but also due to the vested interests of workers, who are having to become participants in the good performance of the production process as a whole. Now, the efficient operation of more flexible equipment does require a greater internal (to the firm) labour flexibility. A controversial point in case has to do with the tendency of Japanese firms searching non-unionized locations in the U.S.A. for the establishment of their local subsidiaries. They do so probably not because Japanese entrepreneurs are good or bad but mostly because union structure in the U.S.A. has developed itself inadequately for the introduction of contemporary forms of industrial relations.

Positive-sum games again tend to emerge as the cooperative environment between capital and labour opens up wider margins of concessions and interests in both parts of the negotiation. Capital's willingness in sharing with workers a larger part of their control over the production process (design included) is met by worker's increased commitment with its efficiency, solidly backing the success of the enterprise. Labour rotation through many activities, in its own way, has positive effects on the "equilibration" of rapidly changing production systems themselves reaping up, therefore, scope economies, and may be even more importantly, provide workers with a sort of knowledge that enables them to participate effectively in the new forms of division of labour within the firm. The resulting collective search for productivity and quality enhances the dynamism of the firm and therefore its economic efficiency.

III.1 - The source of labour as a resource

Workers' real involvement is stimulated in contemporary Japanese firms. Coriat (1991) utilizes the expression *implication incité* ("stimulated involvement") because it "suggests that as much as productivity in the strict sense, it is quality and product differentiation that are searched and obtained through practices that build an internal flexibility of labour (de-specialization, multi-functionality, etc)... since the Taylorist regime of simple prescription of labour (in parcelized and repetitive tasks) is abolished to give way to a regime of re-aggregation and relative "indivisibility" of tasks, the good development of production requires and demands this "involvement" of wage labour. In this regime of "indivisibility" of tasks, wage labour's engagement in the action of production is the only possible guarantee of the delivered product's quality" (Coriat, 1991, p.104).

Another source of relational (and/or informational) rent may be identified here. By the way, Coriat also perceives "many analogies between the very intimate economy of the industrial relations and those of subcontracting relations. In both cases the innovations are built by a subtle game of counterparts and utilize *incitative* formulas that aim to obtain the full engagement of different contractors" (ibid, p.135).

At the firm level in Japan, a very sophisticated form of social control has been developed through what Coriat calls *ostracization*, which he defined "through the importance and efficacy that comes with the collectively exerted pressure by a group upon any element of this group that might tend to move apart from the objectives that were assigned to him, or that were commonly assumed by him" (ibid, p. 167).

It seems that in the beginning of another era, the age of information, new appropriate mechanisms are being engendered to internalize the coercive power of economic relations, changing their nature and extending therefore once again the limits of the possibilities of social surplus extraction. It may represent in fact a quantum leap leading to a superior form of social organization of production in a manner comparable to the emergence of wage labour which represented the beginning of a transition from handicraft based production in the middle ages feudal society to the generalization of free market economies in subsequently modern indus-

trial economies. Then too the internalization of previously explicit coercion for the production of economic surplus, into "free" wage labour relations, boosted tremendously technical development, social productivity and economic wealth. To borrow from Marxist terminology, it is as if the real subsumption of labour to capital at the present level of technological possibilities and constraints could be sharply open bounded again by the very redefinition of what such a concept means.

In an era where the dramatic increase in data processing and transmission capabilities created by the present technological revolution, provides an overflow of all sorts of information about material production and society's characteristics at large, it is only natural that tensions develop out of people's expectation about their changing reality. The wisdom of identifying new, and utilizing redefined economic capabilities out of existing productive assets, social needs and useful cultural traits is of the utmost importance in the contemporary process of creation and accumulation of wealth.

Yet, even if one recognizes in the Japanese case a paternalistic corporate authoritarianism rooted in traditional traits that are very specific to that society, one has to concede that the "Japanese model" of organizing capitalist development consensually on a cooperative basis, consequently redefining the scope and nature of competition, is superior to other existing "western" developed capitalist regimes of accumulation that are still based on antagonistic industrial relations and short sighted conflictive competition among individual agents.

Two complementary remarks arise here namely the question of feasibility and efficiency of more democratic consensus to be achieved at various levels of contemporary social organization in Japan, and whether such forms of collective capitalism are transferable to other (developed or not) economies.

On the first one, there is an endless discussion about the Japanese cultural heritage being decisive in the success of the model, making it therefore not transferable. One brief word on this. Present Japanese standards of systems productivity and of economic efficiency have come a long way and much of the achieved has nothing to do with culture but with necessity, social intelligence and, may be luck. Two traditional examples will show the weakness of the culture deterministic view.

The first is about absenteeism being so high in Japanese firms in the first half of this century (not so long ago for traditional culture standards) that one of them, in an effort to curb absenteeism but accepting lies as inevitables -especially concerning family problems- established a rule that a worker could not be absent from work more than twice a year due to the death of his mother (See on this point Littler, 1982, cited by Proença, 1990). Mind you that the Japanese are not a polygamous African society.

The second example comes from the ever powerful Bank of Japan. In 1951 its president declared that in light of the international division of labour, it was useless to develop the automobile industry locally due to the strength of the American automobile industry (See Noguchi, 1988, cited in Coriat, 1991). No comments, but it brings to mind Schumpeter's assertion about the difficulties of previously successful systems structures to change their course towards a qualitatively different and/or more efficient one. "A system -economic or other- that at every given point in time fully utilizes its possibilities to the best advantage may yet in the longer run be inferior to a system that does so at no given point of time, because the latter's failure to do so may be a condition for the level or speed of long run performance" (Schumpeter, 1942, p.83, cited by Klein, 1988).

This leads us to the second final question, that of transferability to other developed or non developed capitalist countries. For western developed capitalist countries the question can be addressed through a similar Schumpeterian approach that stresses not only the need, but also the difficulties of large economic entities to change. These difficulties are specially enhanced when it concerns solidly ingrained habits cultivated by mistrust and conflictive relations not only between capital and labour but also between firms themselves, such as was the norm in modern industrial capitalism.

In this sense the formidable rigidity built by American unionism since the thirties represents indeed an enormous barrier to achieve contemporary standards of dynamic flexibility and economic efficiency. But, on the other hand countries like Germany, Sweden and Italy also provide with successful example of co-determination experiences at both the intra and the inter firm levels. Especially at the firm level the question seems to be "not of reproducing the impossible intrication of the ostracism and of Japanese style democracy - but to pass from stimulated involvement

(*implication incitée*) to negotiated involvement (*implication négociée*). To assure transition (*basculement*)... (in a joint effort to change the organization of work and of social commitments" (ibid, p. 173).

IV- And the excluded?

The inherent question involving the democratic content of these eventual negotiations becomes more evident in the cases of non-developed capitalist countries. For there, authoritarian and exploitative internal and external economic relations are a severe impairment for the emergence of truly cooperative environments. Plagued by enormous and intricate internal problems, as well as a life long colonial role, most third world countries appear as indebted beggars at the doors of the developed economies, with no place in the new trends of the international division of labour, nor hope for a better placement in it in the foreseeable future. Moreover, the need to dismantle existing networks of privileges, most of which have nothing to do with productive accumulation eventually held in the benefit of the local economy, aggravates tremendously the expected difficulties in establishing a proper cooperative environment characteristic of contemporary capitalism.

Some East-Asian countries have been successful in becoming a band-wagon to other more developed economies, specifically centering around Japan's success. Mexico is recurring to a neo-liberal policy facilitated by its proximity to the United States and the chosen allegiance to its economy.

Countries like Brazil and India, who have chosen a more "independent" road towards development impregnated by nationalist objectives based in terms of economic and technological self-sufficiency, are deeply immersed in very serious and complicated social, economic and political problems, which will have to be dealt with conjointly. It seems to me that the only hope for these countries is to intertwine the search for democracy with the quest to economic success. This hope can only materialize if the political and business elites understand the new possibilities opened up by contemporary collective capitalism and decide to reconquer their credibility by turning social needs into effective demand. Such initiative has to come primarily from these enlightened elites, for very large portions of the

population already live under minimum acceptable living standards and have no further concession whatsoever to offer.

In Brazil, where industrialization followed an internal internationalization logic, the matter is further complicated by the fact that the decision making center of many of local enterprises are ultimately outside the country, non committed neither with its day to day life, nor with its destiny. Conversely it is quite evident that the country has an enormous potential for expanding the spaces of capitalist accumulation. Which means that provided solid expectations are built and economic calculus conditions are reestablished, investment will flow in again.

The question remains about the model that social organization of production will follow in the case of long run local economy recuperation (upswing). To accept solutions inspired or attached to superseded western principles of the Fordist regime of accumulation, which at best may represent a peripheral insertion in a decadent empire, seems to be too shortsighted to merit discussion here. It might be very stimulating for all parts involved to foster these foreign companies to accept making experiments in terms of relation specific skills on the micro and the macro level. This supposition, however, is very unrealistic, for on one hand most of these foreign companies have not been keen even to transfer to their subsidiaries the industrial relations that they have in their parent firm, and on the other hand the primary example should come from the public administration itself.

If there is a way out for these countries in the long run, in addition to and as a consequence of the recognition that social exclusion should be minimized, some opportunistic risk will have to be taken in the direction of the more successful cooperative economic environment. Or, to put in other words, a more "dynamic" competition is to be sought in positive-sum economic development models where "genuine social gains are involved...the wealth of any nation will depend on the weighted average of that country's industries that are involved in positive-sum games" (Klein, op. cit., p. 111).

To a certain extent a curious, but no less complicated position is held by most Eastern European Countries who have recently acknowledged major transformations of their economic and political systems. One of the major (and general) roots of such complication is their inexperience with

the day to day logic and functioning of capitalism. The curiosity of their situation is that they have, at least in principle, a lot of experience of collective functioning of the economic system, even though it might be argued a case for the authoritarian character of those forms of cooperation. It will be interesting to observe if and how those economies will be capable to preserve, transform and /or adapt some of their previous characteristics that might, in name of democracy and of efficiency, be particularly suitable to contemporary (and superior) forms of capitalist social organization of production.

All in all, the decisive element to a sharp and long run amelioration of economic conditions of these less developed capitalist countries probably encompasses the development of the social intelligence of the respective countries, that is the recognition and the democratic transformation of their own energetic (*latu sensu*) potential towards a chosen future. It is this asset of a highly skilled labour force and, consequently, highly value added production that, duly articulated by and with the animal spirits of enlightened entrepreneurs, and supported by a "visionary" political elite, forestalls the conditions for the better insertion of a country into the new international division of labour, probably by-passing modernity into contemporariness*.

* Some readers may be disappointed for a somewhat superficial treatment given to this last section IV. I must apologize but it was meant to be so here. Sections I, II and III, are indeed the core of this paper. I hope that questions articulated and raised here, even in an incomplete form, do give rise to discussions and possibly to further research, as they surely merit. I, myself, intend to proceed in this direction theoretically and empirically in the near future, as long as adequate supporting means are provided.

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