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Chapter 1

Question, Puzzle and the Argument

Question and purpose

The elimination of conflict from the realm of industrial relations, in the sense of conflict between workers and employers manifested through industrial actions such as strikes, slow-downs and sabotages appeared real enough during the 1950s and 1960s in many capitalist countries (Ross and Hartman 1960, Kerr *et al* 1960, Poole 1986:104). The institutionalization of industrial conflict through collective bargaining or its variants was thought to be the cause of the industrial peace in this period and the resulting sense of "the end of ideology" (Hibbs 1978:153). Moreover, comprehensive social policy provisions in the advanced capitalist countries and the policy of maintaining domestic purchasing power in many developing countries in accordance with the strategy of import-substitution were also considered to have contributed to industrial peace (Hibbs 1978, Cook 1998:314, Kong 2004, see also Keyder 1994). In fact, the interest representation through associations such as trade unions, which constituted the core of collective bargaining and corporatism, and sometimes played a crucial role in social policy arrangements, has been even elevated to the status of one of the four main pillars of social order, together with the community, market and the state (Streeck and Schmitter 1985:1-27). Retrospectively, it is also argued that it was not just the collective bargaining or social policy but the coincidence of institutionalization with benevolent economic conditions and production methods such as untapped markets and Fordism, which made the elimination of conflict from the realm of industrial relations possible (Hyman 2001:204).

However, during the 1970s, when the concertation between labour, capital and the state seemed no longer capable of providing either industrial peace or better economic performance, comprehensive social policies were considered to be increasingly burdensome and import substitution led to debt crisis in many developing countries (Piore and Sabel 1984:7-8, Wolfson 2003:255-256) neo-liberalism appeared as a political project (see Buğra & Ağartan 2007) which was presented as "a

response against" these problems (Ludham *et al* 2003: 609, Kong 2004:19-20).

Neo-liberal project does not adhere to a single coherent ideology. Its exact content is determined by the contexts (Peck 2008:4, see also Hayek 2007 [1944]:17). However, despite this "context-dependency" (Margheritis and Pereira 2007:27) there are some common neo-liberal measures such as promotion of none-intervention with the free market, withdrawal of the state from production and redistribution activities, commodification of labour, encouragement of the free circulation of capital and goods, and discouragement of concertation between government or business and the representatives of labour[2] (Bean 1994:126, Wolfson 2003:255-256, Burawoy 2003:241, Udayagiri and Walton 2003:312, Buğra & Ağartan 2007, Plant 2004:29, Boxhall and Haynes 1997:568, Crouch 1997:352).

One can see that neo-liberalism opposes what was thought to be the main reasons for the industrial peace and social coherence of the post-war period in many developed and developing countries: collective bargaining, corporatism, welfare state and Keynesianism are all rejected by neo-liberalism. Yet surprisingly, in the last two decades of the 20th century, which witnessed the rise of neo-liberalist ideology in virtually every corner of the globe, industrial conflict seems to be declining almost everywhere (Franzosi 1995, Shalev 1992, Locke *et al* 1995:xiv). As a crude indicator[3] of this trend, one could consider the average number of lost days in strikes. In Europe[4], for example, while during the 1970s the average number of lost working days per annum per 1000 workers was around 400 days, this number has declined to around 200 during the 1980s and further decreased to around 50 in the 1990s and 2000s (Scheuer 2006:143). The same phenomenon is also observable on industry basis; for example, the average annual proportion of striking

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[2]Another general feature, which I explore in the following section, is that regardless of the context, these neo-liberal measures never emerge by themselves as outcomes of spontaneous processes. They require deliberate government action (see Buğra 2007a:174)

[3]These indicators are crude because, at best, they capture the conflict dynamics of organized industrial relations where workers enjoy collective representation. However, as I demonstrate in this study, there is sufficient evidence to assume that unorganized industrial relations, too, witness peaceful existence, understood as, the absence of excessive wildcat actions.

[4]Europe in this case refers to: Austria, Belgium, Denmark, Finland, France, Germany (until 1993 only West Germany), Ireland, Italy, the Netherlands, Norway, Portugal and Spain.

workers to total employment in the manufacturing industry[5] in four important countries (Germany, Italy, Britain and USA)[6], which experienced different degrees of neo-liberalization and de-industrialization, has been declining steadily during the last two decades: the joint index taken as 100 for the 1970s declined to 63 in the 1980s and to 47 in the 1990s (ILO 2008). The same index, when estimated for individual countries[7], depicts a similar trend: for example, in Turkey, whereas it was 100 in the 1970s, it declined in the following two decades[8] to 85 and it decreased further to 13 in the 2000s (DPT 2008, TÜİK 2008, ÇSGB 2008).

To be sure, strikes and other manifestations of industrial conflict have not "withered away" (Scheuer 2006: 144) but it is obvious that in multitude of sectors, in many countries and in the industrialized world in general, during the period of the neo-liberal ascendancy, industrial action appears to be a rare event compared to the 1970s. Thus, once again the elimination of conflict from the realm of industrial relations seems possible but this time the outcome appears to have been generated under

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[5]ISIC revisions 2 and 3 all manufacturing industries (class D and class 2-3) combined.

[6]This is the average of indexed averages in Germany, Italy, Britain and the USA. Note that Germany is deliberately included (due to its rather stationary and low conflict propensity) in order to avoid a selection bias. *Decline in individual cases is more radical*, for example, in the manufacturing industry in Italy, the index declined from 100 to 67 from 1970s to 1980s and further declined to 20 during the 1990s. The case of Britain is well known, from 100 in the 1970s to 48 in the 1980s and to just 7 in the 1990s. In the USA the index declined from 100 in the 1970s to around 27 in the 1980s and it has remained stable afterwards. Unfortunately, ILO and OECD databases do not contain sufficiently long series, which would allow estimation of a similar index for some important non-Western countries such as Brazil. However, there is sufficient evidence that the global trend of a declining propensity for conflict is robust.

[7]See the previous footnote for the changes in the index in individual countries.

[8]In the case of Turkey 'the industry' refers to all ISIC revisions 2 and 3 sectors, except construction. It is important to note that when estimated on the basis of decade averages, the index in Turkey is over influenced by two exceptional strike peaks in the 1990s and thus, the following outcome emerges, 100 in the 1970s, 29 in the 1980s, 141 in the 1990s and 13 in 2000s. However, when these two strikes peaks are taken out the index reveals a much steeper decline for the 1990s: 100 in the 1970s, 29 in the 1980s, 32 in the 1990s and 13 in the 2000s. Therefore, the index as depicted in the text is the best indicator of the overall conflict trend in Turkey. Note that these two conflict peaks in Turkey are very useful from a methodological perspective and thoroughly scrutinized in this study. That is because they provide variations in the dependent variable: industrial peace.

the spell of neo-liberalism, which rejects all factors that were thought to have brought about the previous period of industrial peace. Of course, once again industrial peace has also been linked to changing structural and economic conditions such as fierce competition in the world and a shift from Fordism to post-Fordism (Adaman *et al* 2008, Kong 2004). However, regardless of whether the industrial peace is solely generated by neo-liberal measures or it is the combined outcome of the underlying structural changes and the neo-liberal project which is presented as the best response (see Harvey 2005:13, Plant 2004: 24), the fact remains that since the 1980s industrial relations appear to be functioning in a relatively peaceful fashion in neo-liberal environments, regardless of whether these environments are specified as sectors, countries or continents.

Why is this? What is the explanation for the relatively peaceful industrial relations that characterize neo-liberal environments?

In this study, I examine this question and develop a theoretical proposition as to the source of relative industrial peace in neo-liberal environments by using the case of Turkey as a heuristic device[9]. Thus, this study should be read as an empirically grounded theory building exercise, which seeks to establish a preliminary theoretical proposition.

Before outlining the argument and revealing the research design, however, it is essential to show why the relative industrial peace in neo-liberal environments should be treated as *a puzzle* that calls for serious contemplation rather than *a trivial fact* that can easily be explained. For this purpose, it is necessary to elaborate on the concept of 'neo-liberal environment'.

Neo-Liberal Environment

Neo-liberalism may be described as a political project which motivates governments to initiate, implement and justify "context dependent" measures (Peck 2008:4, see Hayek 2007 [1944]:17) which would subordinate the society to "the logic of the market" (Buğra 2007b: 1). This means that although the purpose of neo-liberal measures is identical, their exact content is to be determined by the context so that at

[9] For a similar study, see Franzosi (1995) where the case of Italy has been used to examine the puzzle of strikes.

different levels of abstraction a continent like Latin America (see Cook 1998), a country like Britain (see Crouch 1997) or a sector like textile (see Underhill 1998) may seem like a neo-liberal environment. In each particular context, neo-liberal measures initiate a dynamical process: they have some intended and unintended effects and these effects trigger reactions, which have their own effects that, in turn, influence the way in which the neo-liberal project is undertaken. Consequently, if one seeks to have a general description of neo-liberal environments, this should be made not in terms of arbitrary spatial/institutional boundaries (such as continent, sector, country) or context specific measures but rather in terms of common empirical characteristics of this dynamical process, which may be observed at any spatially/institutionally specified unit experiencing neo-liberalism.

Therefore, in this study the term *neo-liberal environment* refers to the empirical reality generated by or associated with neo-liberalism *in generic terms* regardless of the particular specification of the context. Of course, this generic expression includes but is not confined to the initiation, implementation and justification of neo-liberal measures by governments in particular contexts[10]. It implies more than that since it must also include the intended and unintended consequences of neo-liberal measures and reactions triggered by them in generic terms. Only after neo-liberal environment is understood as a term referring to such a generic empirical picture of the dynamical process triggered by the enactment and consequences of neo-liberal measures, one may depict why relative industrial peace is a puzzle and may focus on particular realizations of this generic empirical picture as case studies in order build a theoretical argument to solve the puzzle.

I argue that one may capture the generic empirical picture of the reality generated by or associated with neo-liberalism by pointing out the empirical characteristics of the three views of neo-liberalism: That is, firstly, paradoxes of neo-liberalism as *a political project* of deliberate initiation, implementation and justification of neo-liberal measures by governments, secondly, the *impact of neo-liberal measures* on the institutional inheritance of industrial relations, and finally, possible

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[10] As mentioned above these measures usually include the promotion of none-intervention with the free market, withdrawal of the state from production and redistribution activities, discouragement of concertation between government or business and the representatives of labour, and the commodification of labour

reactions triggered by neo-liberal measures. Indeed, empirics of each of these views at first glance seem to provide some tentative answers as to the source of industrial peace. However, as I argue below, the puzzle of industrial peace emerges due to the fact that the empirics of these three views simultaneously exist in any context experiencing neo-liberalism regardless of whether these contexts are specified as sectors, countries or continents.

Now, by focusing on these three views of neo-liberalism, I will systematically identify the common empirical characteristics of the reality generated by or associated with neo-liberalism and then sum these characteristics in order to draw the generic empirical picture, which I call the neo-liberal environment. The description of the puzzle of industrial peace and the summary of the theoretical proposition that is developed in this study to solve the puzzle follows this generic picture.

First View: paradoxes of neo-liberalism - political project under the conditions of democracy

The first view of the neo-liberal environment may be obtained by linking the two paradoxes of neo-liberalism:

The first "paradox" stems from the impossibility of establishing and sustaining the free market without direct government intervention (Ludham *et al* 2003: 610 see also Block 1994:696-699) as exemplified by the Reagen & Thatcher "revolutions" in Britain and the US (Harvey 2006:145, Wolfson 2003:256, Hanson 1991) or the recent legal changes and the historical trajectory in Latin America (Topik 1999:3,18). The developments in ex-communist states also show that 'free market' is not something, which would emerge by itself through reckless deregulations as neo-liberalism-in-theory predicts[11] (Locke *et al* 1995: xiii-xiv, Sbragia 2000: 245). Thus, despite all the rhetoric of non-intervention (Peck 2008:7) neo-liberalism-in-practice, requires the active and persistent intervention of governments at the service of the market (Block 2007:6, Chang 1994:132). Hence there appears an empirical fact: regardless of the context neo-liberalism requires "a good dose of government intervention to legislate the self regulating economy into existence"

[11]Indeed the apparent need for government intervention in 'free' markets also motivates international organizations to encourage governments to retain or enhance their free market measures (see Bienfeld 2007:16)

(Buğra 2007a: 174). This means that in practice neo-liberalism never emerges spontaneously, it must be created as a political project which is to be "realized through institutional changes introduced by legislative action and legitimated through an ideological offensive" (Buğra 2007b:4). Obviously, due to the very fact of being a political project, neo-liberalism negates its own theoretical assumption, namely, the ability of the free market to overcome all problems by its own devices: for neo-liberalism paradoxically promotes the merits of non intervention with the free market while requiring the permanent intervention of governments to establish and sustain the free market.

The *generic empirical implication* of this is obvious: in any context experiencing neo-liberalism regardless of its spatial/institutional specifications, there will always be active interventions of governments at the service of the market. In other words, the state would always be active and present as the guardian of the free market[12].

The other "paradox" of neo-liberalism results from the co-existence or in some cases co-emergence of democracy and the neo-liberal project (Udayagiri and Walton 2003:336). Before proceeding to explore this paradox, however, a note of caution is appropriate: in its general usage, the term democracy has almost theological connotations, which imply an ideal relationship between governments and citizens, and quite often this ambiguous ideal type, in a rather ethno-centric fashion, is associated with the forms of governance in Western Europe[13] and North America (see Schumpeter 1943: 232-290, Storm 2008). However, in order to comprehend how the second paradox of neo-liberalism emerges, it is necessary to replace this ambiguous and ethno-centric usage of the term democracy with the technical & relative definition proposed by Storm. She first identifies some components of politics: i) civilian governments with executive powers, ii) regular competitive elections,

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[12] Government is here defined as the body that runs the state and makes decisions on its behalf, whereas the state is, following Weber, "the set of organizations invested with the authority to make binding decisions for people and organizations juridically located in a particular territory and to implement these decisions using, if necessary, force" (Rueschemeyer & Evans 1985: 46-47). Having this in mind, sometimes I use the words the state and government interchangeably.

[13] Of course, where exactly is the Western Europe is another ambiguous debate closely linked to yet another elusive question: where and when does 'the' Europe start and end? For a good overview of these debates see Davies (1997), pp 1- 46, and Mazower (1998) pp 402-410.

and iii) the freedom of speech and association[14]. Then she proposes to consider the emergence of or improvements in any of these components in a political realm as a process of democratization relative to the previous state of the same political realm (Storm 2008). This definition allows us to perceive democratization as "increasing access of the governed to the governing process" in relative terms (Udayagiri and Walton 2003:318) *without having any ambiguous ideal type reference* and in this study the terms democracy and democratization are used in this technical & relative sense.

When democratization is perceived in this way, one can see that the rise of neo-liberalism coincided with "the most recent wave" of democratization (Markoff 1996:80). The military dictatorships of Latin America which emerged in the 1970s in order to contain public resentment triggered by the crisis of import-substitution were replaced by democratic regimes during the 1980s and 1990s (Cook 1998). In Asia, too, during the same period democracies were established sometimes rather unexpectedly in place of authoritarian systems, which were once considered formidable and stable[15](Robison 2002:92). Finally, a new wave of democracies committed to neo-liberal reforms emerged after the communist regimes of Eastern Europe collapsed in the 1990s (Locke *et al* 1995). To be sure, in countries like Chile, Mexico, Singapore, Turkey and South Korea the initial neo-liberalization was undertaken by authoritarian governments, but during the course of 1980s and 1990s all of these countries witnessed transition to more democratic forms of governance (Laothamatas 1997:7, Aydin 2005:100-104). Therefore democratization (understood in the technical & relative sense mentioned above) appears to be the common trend, which either precedes or follows the neo-liberalization with some possible awkward consequences for the latter as depicted, for example, in Venezuela and Uruguay (Margheritis and Pereira 2007:25-26). Obviously, in some other environments like

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[14] Storm further differentiates the freedom of speech and association so as to point out the distinctive character of economic rights that can only be protected by organizations like trade unions. In this study I acknowledge this differentiation and when necessary evaluate the degree of democratization in particular contexts by examining to what extent the freedom of association implies, for example, freedom of unionization.

[15] For example, in South Korea, Indonesia and Taiwan.

New Zealand or Britain, the neo-liberal project was born into already established democratic systems[16] (Brey and Walsh 1998:368-372).

According to Laothamatas, the close proximity between neo-liberal reforms and democratization cannot be mere coincidence (1997:7). In an attempt to explain this link between neo-liberalism and democracy, it is argued that the need of the international capital for stability requires "democratic harmony", and the general demand of citizens in contexts experiencing neo-liberalism especially in the developing countries appears to be "more popular sovereignty" (Udayagiri and Walton 2003:318, Munck 2002:18, Cook 1998:315, see Giddens and Held 1982:269). It is worthwhile reiterating that democracies and democratization processes in different countries are different from each other and from the earlier European or North American experiences but they still accommodate (more than before) at least some of the key elements of democracy identified by Storm. Thus, democracy or the democratization processes accompanying the neo-liberal project have the potential to allow "increasing access of the governed to the governing process" (Udayagiri and Walton 2003:318) and thus, offer to those who are poor and oppressed some opportunities "to seek redress from the state" or at the very least to articulate and politicize their grievances more than it was possible before (Przeworski 1992:52).

The paradoxical nature of the accompaniment of neo-liberalism with the process of democratization stems from the fact that although neo-liberal governments which try to "legislate the self regulating economy into existence" (Buğra 2007a: 174) may use repression or deception, they would, due to democracy or democratization, eventually face demands for redress from their citizens that are not necessarily in compliance with neo-liberal measures.

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[16] Obviously, this link between neo-liberalism and democracy is not straight forward: for it is clear that internationalization encouraged by neo-liberal project may enforce nation-states to delegate power to international organizations and thereby pose a threat to one of the core components of democracy due to resulting " decline in significance of electoral politics" (see Buğra 2007: 185). However, when this international dimension is invoked another dynamic phenomenon should be kept in mind: internationalization and democratization may simultaneously undermine and enhance each other. More explicitly, the international projects that are considered to undermine democracy and which are associated with neo-liberalism quite often encourage democratic conditions, which, in turn, hinder the development of these very projects as depicted, for example, by the impact of national referenda on EU reforms.

The *generic empirical implication* of all of this is clear: any context experiencing neo-liberalism regardless of its spatial/institutional specifications would be sooner or later surrounded by or influenced by the conditions of democracy or democratization understood in the technical & relative sense outlined above.

Can we explain relative industrial peace by appealing to the simultaneous existence of these two paradoxes? Indeed, by combining the two paradoxes of neo-liberalism-in-practice, that is, government interventions at the service of the market and the simultaneous existence of the conditions of democracy or democratization, one may ask whether the relative industrial peace of the last two decades is the outcome of these government interventions or, as neo-liberalism-in-theory would claim, it results automatically from the free markets that emerge as a result of these interventions, or perhaps it is somehow generated by the dynamics of democracy or democratization.

Second View: the impact of neo-liberalism on institutional inheritance

The second view of the neo-liberal environment may be established by focusing on the institutional inheritance of the societies, which witnessed the rise of neo-liberalism. Everywhere the institutional destruction envisaged by neo-liberalism-in-theory (Harvey 2006:145-146) that aims to annihilate the institutional framework of industrial relations of the preceding era seems to be incomplete in practice. Although concertation institutions and interest representation mechanisms (such as collective bargaining and trade unions) have suffered setbacks of different kinds and magnitudes in many sectors and countries (Lansbury and Verevis 1994:6, Kelly 1998: 2, Doellgast and Greer 2007:57-58, Dell'Aringa and Pagani 2007:30, Visser 1994), they continue to exist, though sometimes in quite a marginalized fashion, even in the most radically neo-liberalized environments such as Britain, the US and Turkey. Moreover, in some countries like Brazil and South Korea, trade unions and collective bargaining seem to have gained some ground during the period of neo-liberal ascendancy after some setbacks (Cook 1998:327, Kong 2004:24-28, Hale and Wills 2007:457, see Adaman *et al* 2008:1-2).

The *generic empirical implication* of this is obvious: any context experiencing neo-liberalism regardless of its spatial/institutional

specifications would inherit organized industrial relations characterized by trade unions and collective bargaining.

Given the fact that these institutions used to be considered as one of the sources of industrial peace in the preceding era, it is legitimate to ask whether they are still successfully performing a similar function in neo-liberal environments and thereby giving the impression that it is the neo-liberalism-in-practice, which creates the industrial peace.

Obviously, the persistence of bargaining mechanisms should not obscure the fact that in any neo-liberal environment, regardless of the spatial/institutional specification, a large part of industrial relations takes place outside the coverage of formal bargaining institutions (Adaman *et al* 2008:3, Johnson and Jarley 2004:453, Kelly 1998:2) mainly due to the competitive pressures resulting from increasing transnationalization of production and consumption which are considered to be encouraged by, if not the consequences of, the neo-liberal project (Halperin 2004:287, Munck 2004:257).

The *generic empirical implication* of this is clear: in any context experiencing neo-liberalism regardless of its spatial/institutional specifications, a large and perhaps expanding component of industrial relations would be unorganized, that is, it would be characterized by the absence of trade unions and collective bargaining and the presence of informal employment.

Given that these two fields of industrial relations, that is, (probably shrinking) organized and (usually expanding) unorganized fields, would simultaneously exist in any context experiencing neo-liberalism, it is reasonable to ask whether the industrial peace should be explained by appealing to their co-existence or perhaps by the complementarity between them.

Third View: reactions triggered by neo-liberalism

The third view of neo-liberalism emerges due to a simple truism: the neo-liberal project, as depicted above, is initiated, implemented and justified by deliberate government actions. Thus, as a set of actions, it is bound to trigger some reactions and consequently, these reactions become part of any context in which neo-liberal measures are enacted. The question is, whether there is any common denominator of these reactions.

Neo-liberalism, which in the final analysis aims at "the subordination of human society to the logic of the market" (Buğra 2007b: 1) resembles the dominant ideology of 19th century Europe, which, too, witnessed the organization of the society in accordance with the principles of free market. Drawing on this analogy and by examining the 19th century experience, some argue that any project of establishing the free market as the basic principle of social order would sooner or later trigger some reactions resulting from the damage that free market causes in the society (Streeck and Thelen 2005, Iversen *et al* 2000:152, Munck 2004: 252, Munck 2002:18). Consequently, as a result of these reactions, a degree of "socialization" of the market is expected to follow its liberalization (Munck 2004:254). However, this expected sequence which provides a perspective for comprehending the reactions triggered by the neo-liberal project is considered "a complex process involving diverse agents, and can take innumerable forms" (Sayer 2007: x). Consequently, the interpretation of contemporary developments, which are triggered by or somewhat related to the ascendancy of neo-liberalism, is not straightforward.

For example, Udayagiri and Walton consider contemporary popular initiatives as well as transnational movements, ranging from anti-sweatshop campaigns to "soup kitchens to feed the hungry" as examples of reactions which are triggered by and which try to contain the damage created by neo-liberalism (Udayagiri and Walton 2003: 317-318, 336). More specifically in the field of industrial relations the emergence and activities of the new actors such as consumer associations, transnational networks and NGO's are interpreted as reactions against the purely market oriented production strategies promoted by neo-liberalism (see Bellemare 2000:397, Burawoy 2003:240, Munck 2004:287, Hale and Wills 2007). However, the same developments may also be seen as the process of "transfer of social responsibilities to non-state actors involved in diverse partnerships with public authorities". This process may blur the difference between public and private by appealing to "non-market forms of socio-economic interaction" which encourages "social participation in market reforms" and may thus, ensure "governability in a market-dominated economic order" so as to facilitate the neo-liberal project (Buğra 2007a: 176-177).

This brief overview shows that the interpretation or the exact meaning of "contemporary developments" which are triggered by or at least related to the ascendancy of neo-liberalism is not easy (see Sayer

2007). However, without underestimating controversies and ambiguities[17], one may still deduce a simple *generic empirical fact* from the literature: in any context experiencing neo-liberalism, there will be some reactions, which successfully or unsuccessfully try to resist neo-liberal measures. These reactions may be of a societal, class-based or international nature.

With this generic empirical observation as to the reactions triggered by the neo-liberal project and the controversies in the literature in mind, one might ask whether any particular outcome, such as industrial peace, which seems to have appeared in contexts experiencing neo-liberalism, is generated by the reactions against neo-liberalism rather than by the neo-liberal measures.

The generic empirical picture of neo-liberal environment

The arguments, which are presented so far, point out that regardless of the particular spatial/institutional specifications there are three generic empirical features, which would be present at or influencing any context experiencing neo-liberalism:

i) Interventions of governments, which, under the conditions of democracy or democratization[18], enact some neo-liberal measures that are designed to create and sustain free markets,

ii) Co-existence of and possible interactions between organized industrial relations inherited from the preceding era and unorganized industrial relations emerging due to competitive

[17] Besides the controversies about whether a contemporary development is resistance against neo-liberalism or it actually serves the neo-liberal project, there are also some cautious voices as to the very nature of the double movement (i.e., the sequence of movement towards free market and countermovement triggered by it) : For example, Block, despite his acknowledgment of the societal reaction against the domination of markets promoted by neo-liberalism, argues that coercion can be used to isolate these reactions when they threaten the free-market and adds that "there is no automatic mechanism" which would balance movement towards the market with appropriate countermovement (Block 2007:7). Similarly Burawoy considers the double movement only as a possibility rather than a law (Burawoy 2003: 244). Halperin on the other hand, completely rejects the idea of societal reaction against neo-liberal measures, instead she claims that each class seeks to protect itself against these measures at the expense of other classes (Halperin 2004:274).

[18] In the technical & relative sense of the term as it is outlined by Storm (2008).

pressures created by the internationalization of production and consumption,

iii) Reactions of the society, international actors or various classes which successfully or unsuccessfully try to resist neo-liberal measures.

Thus, these three features constitute the generic empirical picture of the neo-liberal environment.

The historical evidence presented in the previous section suggests that this generic picture (not neo-liberalism!) during the last two decades proved to be conductive to industrial peace in all its particular realizations in various sectors, countries or continents. Is this a puzzle or just a trivial phenomenon? I will now show that industrial peace prevailing in neo-liberal environments should be perceived as a puzzle, which calls for serious contemplation.

Puzzle

As it was illustrated above, one can make some explanations for the source of industrial peace by focusing on just one of the three empirical features of the neo-liberal environment. However, any one of these explanations would not necessarily exclude the others, due to the simultaneous existence of all three empirical features in any neo-liberal environment. Therefore it is possible to use each of these single-feature based explanations in order to enhance or undermine the others.

For example, it is possible to interpret the democratization in neo-liberal environments as a reaction of the society against the neo-liberal measures imposed by governments and thus, as the source of the industrial peace. Similarly, without discarding this particular perspective, the resilience of formal bargaining institutions can be simultaneously attributed to the ability of some privileged class of workers (see Adaman *et al* 2008) to defend themselves against neo-liberal measures and to the limits imposed by democracy on the implementation of the neo-liberal project. Of course, unless the dynamics of unorganized industrial relations and its link to the democratization process and formal bargaining mechanisms are scrutinized, one should not dismiss the idea that there may be unidentified reactions against neo-liberal measures which establish a defense mechanism against the market domination

within the confines of unorganized industrial relations independent of the other segments, structures and processes of the society. Obviously, none of these interpretations rule out the possibility that new actors and movements, such as consumer associations, transnational networks and NGOs, may be the main architects of industrial peace, despite or perhaps because of their controversial status that blurs the distinction between private and public domains (see Buğra 2007a:176-177). They may buffer the most excessive consequences of the commodification of labour resulting from neo-liberal measures and in this way they may generate industrial peace. However, there is no logic, which ensures that various reactions against neo-liberalism would be mutually accommodating. It is in fact possible that reactions against neo-liberalism contradict each other and nullify each other's impact without creating any concrete outcome, such as industrial peace. One may also doubt the very existence or sustainability of societal or class-based defense against neo-liberal measures when governments are in favor of neo-liberalism and claim that industrial peace is ensured by direct government intervention as a prerequisite for the establishment of the free market perhaps through sheer coercion. Obviously, it is also a possibility that governments under conditions of democracy might be maintaining industrial peace through some positive incentives.

Finally, one should also not discard two simple hypotheses, each of which would render all the preceding sophisticated explanations redundant, that is, industrial peace may indeed be the outcome of free-markets, which are created in neo-liberal environments. More fundamentally, one may claim that peace is the normal mode of industrial relations and it is the conflict that is to be explained, hence industrial peace does not require any inquiry.

One can see that it is not possible to explain industrial peace by solely scrutinizing just one of the three empirical features present at any neo-liberal environment due to their simultaneous existence. Consequently, the source of industrial peace in neo-liberal environments remains obscure unless the two simple hypotheses, that is, *free markets generate industrial peace*, and, *peace is the normal mode of industrial relations* are considered satisfactory.

Unfortunately, the literature of industrial conflict and labour acquiescence fails to provide any immediate alternative hypotheses for the containment of industrial conflict in neo-liberal environments. The

academic interest in the subject seems to have mimicked the patterns of industrial action; declining together with the labour militancy after 1980. Indeed, there has been a considerable number of detailed studies on industrial action and labour acquiescence until the late 1970s (for example, Ross and Hartman 1960, Ashenfelter and Johnson 1969, Ingham 1973, Shorter and Tilly 1974, Clegg 1976, Hibbs 1978, Cronin 1979, Korpi and Shalev 1979). In contrast, the 1980s were "a long decade of silence" for conflict / acquiescence theories, not because all the answers were found but the answers seemed unnecessary due to a steep decline in industrial action (Franzosi 1995:2). Yet the containment of industrial conflict is apparently puzzling. For example, according to Locke *et al*, in the mid-1990s "nobody really understood" the reasons for the decline of "spontaneous worker protest" and "organized labour agitation" and there was a "lingering sense" that labour militancy might suddenly re-appear (Locke *et al* 1995: xiv). In 2006 there was still no "novel calculus" to account for the industrial action patterns of the last two decades which were marked by overall decline in militancy (Sheuer 2006). Indeed, the lack of new theorization on the subject forced Shalev to sound the note of warning that the academia was threatened by the risk of being caught with "its collective pants down" in the next eruption of industrial action (Shalev 1992:127). This warning is the reflection of the widely held opinion that in industrial relations, conflict between employers and workers is inevitable and it has to be contained in some way (Blyton and Turnbull 1998:3-4-311, Bean 1994:131, Jackson 1991:244, Edwards and Scullion 1982:1-12, Kelly 1998: 64, Maurice *et al*, 1986:121).

Thus, unless peace is depicted as the normal mode of industrial relations or free markets proved to be (feasible and) capable of generating industrial peace, the relative absence of overt industrial conflict in neo-liberal environments remains as *a puzzle* requiring new theorization.

The argument

The basic argument of this dissertation, which is derived by taking all three empirical features of neo-liberal environments into consideration, can be briefly stated as follows: under the conditions of democracy or democratization (understood in the technical & relative sense outlined by Storm) capitalist states cannot implement neo-liberal policies in the realm of industrial relations without creating the

conditions, which would sooner or later lead to regular deviations from neo-liberalism[19]. The relative industrial peace prevailing in neo-liberal environments is the outcome of this paradox, which leads to the exportation of industrial conflict into the realm of politics. The inevitability of this paradox and thus, the emergence of relative industrial peace, however, can only be understood by studying the fundamental problem of the capitalist state, that is, accumulation/legitimation dilemma, and its interaction with neo-liberalism.

Fundamental problem of capitalist states

Any capitalist state is permanently confronted with the obligation of balancing two potentially contradicting tasks: ensuring the accumulation of capital while legitimizing this process for those who are not in a position to accumulate capital (O'Connor 1973). Accumulation can be understood as increasing capital's share in the surplus value generated by the economy but legitimation cannot simply be reduced to its polar opposite. The state may use hegemonic ideology to legitimize a particular accumulation pattern by portraying it as inevitable or it may simply resort to sheer coercion in order to crush legitimation demands. However, given the fact that in any capitalist society those who would prefer legitimation are likely to be the majority (that is, wage earners), under the conditions of democracy or democratization sooner or later legitimation must be ensured in terms of real material gains for them, despite the immediate consequences of such a policy for accumulation. On the other hand, the fact remains that neither the capitalist state nor capitalist society can be sustained without accumulation. Thus, it is only possible to sacrifice accumulation for the sake of legitimation or legitimation for the sake of accumulation temporarily, most of the time these tasks must be balanced. Consequently, any capitalist state, regardless of the ideologies of ruling governments, faces the problem of maintaining the balance between accumulation and legitimation.

The state may cope with this task by delegating it to a system, which may to some extent separate politics from economy and in this way allow the state to simultaneously avoid the responsibility of

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[19] This, of course, does not mean that neo-liberal measures cannot be implemented by governments due to democracy or democratization. What I claim is that under the conditions of democracy or democratization neo-liberal measures cannot be implemented consistently and permanently and that deviations are inevitable. I leave the deeper discussion of this issue to the conclusion chapter.

legitimation while indirectly ensuring it. This system is the organized industrial relations in which trade unions and employers collectively undertake the legitimation task by engaging in collective bargaining with minimum state intervention or even without it, while the state retains its capacity to influence the outcome without being implicated by using some strategic instruments such as laws, macroeconomic measures, and public sector. The way in which accumulation/legitimation dilemma is tackled within organized industrial relations without triggering industrial conflict is closely related to the level and coordination of collective bargaining (Clegg 1976, Traxler *et al* 2001). However, regardless of the specificities of bargaining mode, the ability of organized industrial relations to keep economic sphere separate from the politics depends on the economic conditions, which are essentially beyond the immediate and absolute control of any actor. Therefore during economic crisis, actors in organized industrial relations may use their collective action capacity to politicize their demands and thereby undermine the very logic of organized industrial relations by bringing back the legitimation/accumulation dilemma to the state.

On the other hand, the state is always held accountable for the way in which it solves the accumulation/legitimation dilemma by those who are excluded from the channels of collective representation, that is, workers in unorganized industrial relations. For the core factor that triggers resentment in unorganized industrial relations is the feeling of injustice among workers (Kelly 1998) and as long as the dynamics of unorganized industrial relations are entirely determined by employers, then this feeling of injustice is likely to generate a high propensity for conflict with detrimental long-term results for accumulation and political stability. Therefore, if the relative size of unorganized industrial relations is large, then capitalist states would be obliged to manipulate this field by using some instruments such as minimum wage that would, to some degree, check employers' domination and prevent excessive competition on wages. Consequently, instead of or at least besides employers, it would (also) be the state to whom the blame for injustice generated within unorganized industrial relations would be attributed.

Neo-liberalism and legitimation crisis

Within the confines of this conceptual framework, neo-liberalism appears as a political project, which promotes the idea of favoring accumulation at the expense of legitimation (see figure 1.1). Moreover, it

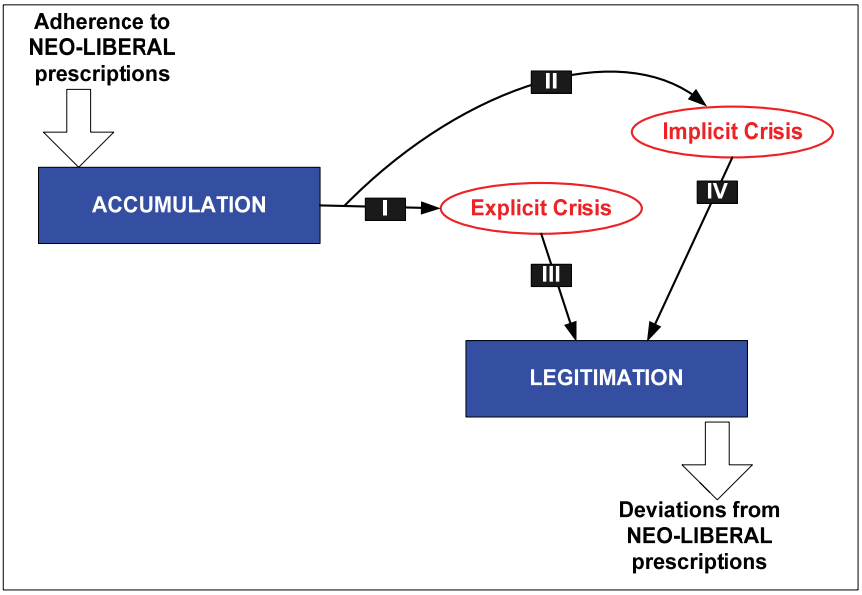
also opposes the delegation of the accumulation/legitimation dilemma to organized industrial relations which is not capable of handling it without implicating the state during economic crises and which, due to the mobilization capacity it endows to workers, also severely limits the ability of the state to alter existing accumulation/legitimation regime. Thus, neo-liberalism motivates governments to shrink the relative size of organized industrial relations while taking the necessary measures in order to sacrifice legitimation for the sake of accumulation in the entire economy. The only instrument reserved for legitimation is hegemonic ideology. Of course, the economic growth that is expected to be triggered by free market, too, would in the long run contribute to the legitimation of the neo-liberal project. However, under the conditions of democracy or democratization (in the technical & relative sense outlined above), which are proved to be present or emerging in any neo-liberal environment, the consistent pursuit of neo-liberalism is not possible because implementation of neo-liberalism is likely to generate two different types of legitimation crises which are organically connected.

Firstly, the marginalization of organized industrial relations in accordance with neo-liberal prescriptions compels trade unions to establish partnerships with employers so as to make themselves useful to the firms instead of solely representing workers' interest. Consequently, employer-dominated collective bargaining systems emerge and they increasingly favor accumulation. However, it is likely that if the marginalization of organized industrial relations does not happen quickly, then workers while still acquiring sufficient collective action capacity may mobilize against this neo-liberalized form of collective bargaining and paralyze the economy and politics. This may be called the *explicit crisis* of neo-liberalism (see I in figure 1.1). Unless sheer coercion is used and so long as the conditions of democracy are retained the explicit crisis can only be overcome by the intervention of the state, which would, at least temporarily, create conditions for the generation of legitimation in organized industrial relations (see III in figure 1.1). This would mean deviating from the neo-liberal course in organized industrial relations, at least until the collective action capacity of workers is sufficiently reduced.

Secondly, if or after organized industrial relations are marginalized, incumbent governments would be increasingly forced to take the reactions of workers in unorganized industrial relations rather than the neo-liberal prescriptions into account when they make decisions

regarding the accumulation/legitimation dilemma. For as organized industrial relations are marginalized, increasingly large numbers of workers placed in unorganized industrial relations would attribute the blame for the injustice they feel to governments due to the latter's inevitable attempt to manipulate this field, and express their resentment with their votes in elections rather than reacting to their immediate employers by taking industrial action at their workplaces. In other words, as a result of the expansion of unorganized industrial relations, industrial conflict would be exported to the realm of politics. This may be called the *implicit crisis* of neo-liberalism. So long as conditions for democracy are retained, the implicit crisis would regularly force governments to sacrifice accumulation for the sake of legitimation (see II and IV in figure 1.1). Thus, they will not be able to implement neo-liberal prescriptions consistently.

Figure 1.1: Neo-liberalism and two types of legitimation crises



Dilemma Theory

One can see that due to the obligation of capitalist states to cope with the dilemma of accumulation/legitimation, neo-liberalism is trapped in a vicious circle: so long as organized industrial relations are not marginalized, full-fledged implementation of neo-liberal policy of favoring accumulation would not be possible due to the mobilization capacity of workers that may lead to *explicit crisis*. However, if and after organized industrial relations largely marginalized, the state would be directly held responsible for solving the accumulation/legitimation dilemma for increasingly large group of people employed in unorganized industrial relations, that is, it will face the *implicit crisis*.

Thus, under the conditions of democracy the state[20] *would regularly be forced to prefer legitimation at the expense of accumulation. This process would render the politics the relevant realm and voting the effective medium for addressing grievances generated in industrial relations, and thereby create industrial peace while rendering consistent implementation of neo-liberalism impossible.*

One can see that the marginalization of organized industrial relations is one of the conditions for implementation of neo-liberal prescriptions that would preclude mobilization against neo-liberalization; however, the emergence of this condition implies regular deviations from the course of neo-liberalism at least during the election periods. Briefly, one can argue that in neo-liberal environments the attempt to avoid the *explicit crisis* leads to the *implicit crisis* (see II in figure 1.1).

Hence is the basic argument of this dissertation: *under the conditions of democracy or democratization capitalist states cannot implement neo-liberal policies in the realm of industrial relations without creating the conditions which would sooner or later lead to regular deviations from neo-liberalism. The outcome would be relative industrial peace resulting from the exportation of industrial conflict into the realm of*

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[20] It is worthwhile reiterating that in this study government is defined as the body that runs the state and makes decisions on its behalf, whereas the state is defined as "the set of organizations invested with the authority to make binding decisions for people and organizations juridically located in a particular territory and to implement these decisions using, if necessary, force" (Rueschemeyer & Evans 1985: 46-47). Having this in mind, sometimes I use the words the state and government interchangeably. I discuss the implications of this in chapter 8.

politics with detrimental implications for the consistent pursuit of neo-liberal measures.

In this study, I make and prove this central argument, which I call, for the sake of convenience, the *dilemma theory*.