Governance, Industry and Labour Markets in Britain and France

The modernising state in the mid-twentieth century

Edited by

Noel Whiteside and Robert Salais

Routledge Studies in the European Economy

ROUTLEDGE

GOVERNANCE, INDUSTRY AND LABOUR MARKETS IN BRITAIN AND FRANCE

This volume brings together well-known scholars from a wide range of disciplines to provide a meticulous analytical and historical overview of how state policy has affected established economic and labour market systems in Britain and France.

While economic growth and stable employment have been major objectives of government policy in both nations, contrasting political conventions have shaped the nature and extent of state intervention in economic affairs. The contributors to this book explore some of the crucial questions: How 'dirigiste' was the French state in reality? Why was state intervention less acceptable in Britain than in France? How do differences in state intervention help explain the respective economic performance of the two countries since the second world war?

This book illuminates the distinctive frameworks of governance within which issues of industrial relations, technical training, economic policy, social security and social justice have been constructed in Britain and France. These frameworks have evolved from differences in expectations of state action, in the conventions governing co-ordination between economic agents, and in the state's role in fostering effective performance.

The book draws on hitherto unpublished primary research by scholars in economic and social history, industrial relations, economics, law, political science, sociology and social policy. It provides a welcome and timely intervention into debate on the politics of modern labour markets specifically, and the role of the state in economic modernisation generally. The book will appeal to researchers and students in several disciplines, and to public servants in many countries.

Noel Whiteside is Reader in Public Policy at Bristol University, **Robert Salais** is Director of the CNRS Research Centre 'Institutions, Emploie et Politique Economique' (IEPE) in Paris.

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CONTENTS

	List of figures and tables	vii
	List of contributors	viii
	Acknowledgements	xi
1	Introduction: political economy and modernisation NOEL WHITESIDE and ROBERT SALAIS	1
PART I	**Modernisation and the Sphere of Industrial Politics**	22
2	Companies under public control in France, 1900–1950 MICHEL MARGAIRAZ	23
3	The government, full employment and the politics of industrial efficiency in Britain, 1945–1951 NICK TIRATSOO	49
4	The ‘real’ world of the engineering and electrical industries in the Parisian basin: the development of state intervention, 1925–1955 ROBERT SALAIS	68
5	Americanisation and its limits: the reconstruction of Britain’s engineering industries, 1945–1955 JONATHAN ZEITLIN	96
6	Training engineers in Lorraine, 1890–1956 FRANÇOISE BIRCK	117
7	Technical training of youth in Britain KEITH BURGESS	136
PART II	**Regulating Labour Markets**	154
	France	

8 Arbitration in context: socio-economic conditions and the implementation of the law on conciliation and compulsory arbitration 155
CLAUDE DIDRY

9 Collective agreements in France in the 1930s: products, territories, scales: the Saint Etienne example 169
MICHELLE ZANCARINI-FOURNEL

10 France and unemployment insurance from 1920 to 1958: the myth of social security 183
PHILIPPE-JEAN HESSE

Britain

11 The evolution of the contract of employment, 1900–1950: the influence of the welfare state 201
SIMON DEAKIN

12 Industrial relations in iron and steel, shipbuilding and the docks, 1930–1960 219
ROY MANKELOWFRANK WILKINSON

13 State regulation and industrial organisation: the London workshop trades, 1911–1960 237
JAMES GILLESPIE

14 The state and the labour market: reforming employment in the public sector 254
NOEL WHITESIDE

Index 272

FIGURES AND TABLES

Figures

4.1 Product variety and balance-sheet structure of firms, 1925–55 72
4.2 Metallurgy firms and companies in Saint-Denis in 1939 73
4.3 Expectations: textual analysis of reports to boards of directors —the years 76
4.4 Expectations: textual analysis of reports to boards of directors —the firms 77
4.5 Dynamic causal relations among macro-economic indicators (monthly data, 1928–39) 79

Table

12.1 Strike activity in British industry, 1949–59 227

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1
INTRODUCTION
Political economy and modernisation[1]

Noel Whiteside and Robert Salais

The modernisation that took place in Britain and France in the mid-twentieth century was driven by new forms of state intervention and labour market regulation. These developed from the promotion of industrial modernisation and the growth of public sector employment, particularly the expansion of nationalisation and state welfare. After the second world war, new products to meet new needs and new markets appeared, realising the technological potential of the interwar years. This involved change—in specific industrial sectors, in the organisation of work, in the construction of skill, in the nature of industrial bargaining. Changed modes of economic thought fostered novel assumptions about the powers of the state as an agency for social and economic amelioration. The success of state action in promoting new economic and social systems, however, demanded the acceptance by established interests (employers, workers, financial institutions) of the terms within which policy was now being discussed, the internalisation of new macro-economic modes of labour market analysis and co-operation with new official agencies created to co-ordinate and implement policy. For this to happen (and both countries experienced resistance to this extension of state powers), existing diversities in labour management, in economic co-ordination, in working conventions and agreements had to conform to new political and economic orthodoxies. In general terms, established forms of collective co-ordination, which shaped economic activity among entrepreneurs, workers and public authorities at local and national level, had to readjust continuously to accommodate changing conditions. Such adjustments, the different ways actors adapted according to product, branch, region and scope for collective action, created new typologies of state intervention.

These developments depended fundamentally on changing established expectations about the role the state should play in the economy. There is a complex interaction between the nature of products in which an economy specialises internationally—in terms of their diversity, their markets, their responsiveness to changing demand, their production systems, their working conventions—and the types of government intervention that may prove acceptable. When seeking to modernise industry, Britain's postwar leaders confronted a variety of barriers: the duty to protect sterling, the variance of product standards found in international markets for British exports, the diversity of production systems and—partly following from this—the orientation of both sides of industry towards *laissez-faire* government. Over and above this last factor, but partly rooted in it, the view that it was best to let industry manage its own affairs translated into weak state training and manpower policies. State-sponsored rationalisation, standardisation or modernisation was thereby rendered extremely difficult. Sectors of the ruling elite—including some industrialists and trade union leaders—might be convinced of the merits of state direction and planning, but the conversion of employers, workers and financial interests to this new perspective was much more problematic. By contrast, the assumption that it was the state's duty to protect the national general interest endowed the French government with responsibility for the rational organisation of industrial infrastructure, the basic industries and, with trade union consent, standardised work practices—developments which all reflected confidence in the benefits of state action. This helped sustain political consensus for a model of economic growth which gave priority to internal markets and the satisfaction of national requirements, a strategy which, initially at least, was to prove highly successful.

CONVENTIONS, GOVERNANCE AND THE POLITICS OF STATE INTERVENTION

In short, to explore the successful establishment of full employment, state welfare and economic policy, it is necessary to understand the political context within which policy was developed, the ways in which it influenced established ways of thinking—as well as the means used to secure change. This book does not analyse policy from the perspective of the state machine itself. Rather, it reveals the limits of official intervention by examining its outcomes in specific locations and industrial contexts. Different social and economic interests expected state intervention to secure different objectives. As the heterogeneity of expectations did not diminish in this period (there was no reason why it should), and as established systems of co-ordination were so diverse, sources of conflict between ostensibly legitimate demands for state action were numerous—and differed between Britain and France. State intervention had to be responsive if it was to be effective; if extensively contested, official intervention could prove counterproductive. So government had to create compromise, both pragmatic and political. State intervention, in short, was shaped collectively by all agents, including the bureaucracy, within specified contexts. In this respect, our analysis modifies the arguments of public choice theory by exposing the socio-political factors defining the spheres of effective state action.

The problem was further complicated by diverse conceptions of what the legitimate—and thus acceptable—principles governing state intervention ought to be. Four broad conventions for the proper role of government in regulating economic affairs can be determined from the contributions to this book. These are present in both countries in varying degrees and help explain the different types of governance established in France and Britain during the twentieth century.

The first assumes that all official intervention is not only pointless, but also counterproductive. In Britain, the experience of slump and war converted many on the political left to the merits of direct state planning. Yet no political framework existed within which state corporatist structures with executive powers might legitimately be introduced, unless this involved direct nationalisation. Even after the war, most employers and many trade unionists anticipated the adaptation of voluntary association and collective bargaining to the promotion of industrial policies and employment reform in the private sector. Conventions of industrial self-governance helped stimulate the adoption of consensual tripartism as the main mechanism for industrial modernisation. The postwar creation of representative advisory committees and development councils, devoid of all executive authority, typified this approach. State intervention to promote collective association and agreement through the creation of joint industrial councils and wages councils was welcomed; permanent official interference in the operation of these bodies was not. Established expectations concerning proper decision-making processes based on voluntary association proved hard to shift; efforts to superimpose state authority tended to stimulate criticism, particularly from employers, that such extensions of official powers represented an improper invasion of the rights of private property.

Such suspicion of government finds its roots in the ideas of economic liberalism. Yet the political conventions manifest here do not align well with arguments supporting a free market based on individual self-interest. To secure such conditions (our second framework for state action), government must intervene to outlaw the creation of associations, monopolies or barriers to entry formed by specified competences—not to promote them. As market co-ordination is founded on individual freedom, paradoxically this ‘free market’ state comes to violate it own principles. The state does intervene, often in an authoritarian fashion. Any reader of the minutes of the postwar Anglo-American Council on Productivity (created in 1948 following the introduction of the US Marshall Plan) will note the very different expectations of state obligations towards trade associations displayed by American and British employers. The latter assumed that such organisations were ideal vehicles through which government should promote industrial policy: the former that the state should outlaw their very existence. In both cases, government’s duty was associated with the promotion of free markets. In both cases, government was expected to ‘regulate in’ the conditions for this to happen, an expectation which extended from national to international policy (and the restoration of free trade), as Barry Eichengreen has recently demonstrated.[2] However, Britain’s postwar attempts to regulate against monopoly (introduced in response to American pressure) remained weak and confused. In the late 1940s, competition on the domestic market was absent, thanks to the persistence of foreign exchange and trade controls. Government proved reluctant to eliminate business cartels, which had been positively encouraged in the 1930s as a means to protect British trade interests during the slump years. The voluntarist conventions underpinning British governance cannot be readily equated with forms of economic liberalism found in the United States.

Within both these systems, however, there is no ‘common good’ other than that which is engendered through the promotion of private goods. The other two conventions look to the state to define and achieve a common good which, if not transcending private interests, requires their conformity. The third framework for state activity involves official participation determining the forms and nature of collective action, which the French call *l’Etat subsidiaire*.[3] The actors themselves define autonomously a common good suited to their situation, their problems and their perceptions of both, with official encouragement. The state initiates this defining process, guarantees that fundamental criteria are respected, makes resources available to help achieve the common goal. The nationalisations of the French Third Republic typify this approach. In the transport industries and general public utilities, operational decisions concerning appropriate technologies and financial systems were left to the most qualified and capable; industrialists defined the most appropriate techniques, local authorities determined definitions of need. Official financial assistance was conditional on conformity to agreed principles governing public services (open access and common charges in line with the republican virtues of equality and liberty).

The fourth principle for state intervention, as clearly visible then as now, is that of the external dirigiste state. As interventionist as the free market state, although from the opposite direction, this enforces global policies— macro-economic or macro-social—to secure a common good which it has a duty to define and impose. The French state of the postwar years was master of the general interest. As our contributors show, the state engineer corps *(corps d’ingénieurs)* and senior civil servants *(hauts fonctionnaires)* were professionally charged with defining the general interest in their own specific areas of expertise. While British governments remained largely orientated towards varying conceptions of the free market, the postwar French state promoted the organised market as the surest way to achieve the supreme common good: full employment. When efforts were made to adapt French methods to solve Britain’s industrial problems following the London Conference of 1961 (which produced the National Economic Development Council, among other bodies), the strategy failed—not because the concept was flawed, but because the necessary socio-political substructure (a technologically informed bureaucracy, collective faith in the merits of state action) was not strong enough to sustain its effective operation.

These various conventions of governance are less real, sociologically observable principles than possible frameworks legitimating state action, allowing agents (firms, workers) to act on the basis of *expectations* of plausible policy interventions which would offer them the means to secure their own future. The efficacy of collective action is directly dependent on whether these collective expectations can form a coherent whole. In the conception of governance we promote, it is the convergence of actors' objectives and anticipations in one form or another which creates the corresponding form of government, not the official institutions by themselves. There is every chance that there is not one state, but many possible 'states' in both France and Britain, whose principles of action vary by area and over different periods of time. Even as we note the dominance of one form of governance in a specific period, the plurality of possible forms of governance[4] shapes conflict between groups and contributes to the dynamic history of economies analysed in this book; because the actual state, which economic agents face and which shapes their choices, continues to evolve, in response to pressures towards alternative possibilities.

The consequences of these differences in spheres of state intervention and frameworks of policy form the comparative theme of this book; the 'modernisation' of employment and labour markets is the focus for our attention. This perspective allows economic and social policy initiatives to be explored from an angle different from that usually used in historical discussions to explain the state's 'presence' in this area. This, we argue, allows a better and more comprehensive appreciation of the comparative development of 'institutional effects' resulting from official intervention in our economies than explanations which focus simply on comparative expenditure, on structural historical determinants or on empirical features of public institutions.

MODERNISATION AND THE SPHERE OF INDUSTRIAL POLITICS

The slump years set the agenda for labour market reform, although this agenda was focused on the issue of full employment in Britain and on economic recovery in France. In the mid-1940s, such issues became inextricably entangled with reconstruction, industrial modernisation and productivity, all central to the establishment of postwar economic growth. This is the area covered by the first six contributions.

In much Anglo-Saxon historiography, the United States—implicitly or explicitly—appears as a model of economic modernity which other nations have sought to emulate. The largest and most powerful economy in the world offered a paradigm to other western democracies in terms of industrial standardisation and systems of mass production, technological innovation, high productivity, professional costing systems and labour management. Under the Marshall Plan and the subsequent technical assistance programmes, the adaptation of American methods and know-how to aid European recovery became one of the main objectives of American foreign policy. It is true that French and British managers and trade unionists visited America to explore American best practice. It is also true that postwar governments on both sides of the Channel issued reports on the advantages of American production systems and provided a variety of incentives to industry to adopt them.

Nevertheless, as the chapters of Jonathan Zeitlin and Robert Salais on the engineering industries in Britain and France both suggest, American influence was heavily filtered and re-interpreted within the context of national working conventions and entrepreneurial traditions. Those study trips to the United States repeated well-established prewar practice among industrialists from both countries. Of the two principles of mass production (standardisation and the creation of large-scale markets), André Citroën and Louis Renault aimed chiefly at the first, which both adopted and adapted. The application was only partial; both preserved their large pool of craftsmen to serve varied, specialised markets—notably the profitable armaments market. Prewar French engineering and electrical industries drew their strength from the concentration around Paris of a skilled labour force and a variety of highly specialised products. These advantages continued after the war and the reorientation of the industry towards mass production was compromised with production methods reliant on worker know-how. This was achieved because the industry benefited from a favourable macro-economic environment (lower input prices, rising public procurement) generated for it by public modernisation programmes involving both infrastructure and the basic industries.

Similarly, American methods and their applicability to domestic conditions had long been studied in Britain. While appreciating advantages of cost reduction and economies of scale, critics noted the inflexibility of equipment dedicated to mass production, the additional cost of organisation and the risks to future innovation of standardisation. British engineering required flexible production methods to maintain competitive advantage in diversified, international markets. Economies of scale—competing on price rather than product variety or quality—made sense in the context of a large, homogeneous domestic market, but exporters needed to adapt manufacturing plant to short-run orders, while chronic steel shortages constrained extensive re-equipment. This did not prevent some firms selectively appropriating innovations likely to improve products without impairing flexibility. However, employers remained dependent on worker and trade union control over labour organisation, which might obstruct modernisation, unless changes in work practices could be agreed. Further, higher productivity through standardisation and rationalisation was more easily introduced alongside new investment; the product, the way of producing it and the product market all had to change together, requiring the renegotiation of working conditions and wages. Such conditions, available in France thanks to public investment, were not present in Britain. Labour shortages, the urgency of the export drive (and the defence of sterling) meant that higher productivity had to be achieved in the absence of additional resources. Under such circumstances, new systems might appear to be a direct attack on mutually acceptable working arrangements already taken for granted or whose postwar restoration was eagerly anticipated.

State-directed industrial modernisation thus remained highly controversial and problematic in Britain during the immediate postwar reconstruction period, when conflicts within the government between the promoters of central planning and the defenders of economic voluntarism were most marked. In contrast, macro-economic policies to secure the stability of sterling were commonly anticipated. These translated into the promotion of the common good by securing the pound as a world trading currency and by promoting the security of Empire. In the long run, policy failed to secure both objectives, since they were at odds with each other. By the late 1950s, British industry was losing world market share in its traditional specialisms. The French experience was different; the German occupation had forced French heavy industry to supply the Nazi war machine. While the taint of collaboration discredited industrial opposition to any extension of government regulation following the Liberation, industry was widely exposed to centralised coordination (and nationalisation) between 1936 and 1950. During the war, the Vichy government created corporative organisations (Comités d'organisation) in each industrial sector, a marked extension of state direction and control. The wartime Conseil National de la Resistance, which embraced all political forces including the Communist Party, had achieved a political compromise in favour of a planned economy and the nationalisation of basic industries. But the objective was not a centrally planned, controlled economy On the contrary, economic rationalisation was encouraged in order to regenerate a regulated, efficient market for the private sector while also stimulating conditions for growth. This outcome provoked open conflict after the war among political forces previously united under the Resistance, some of whom had anticipated—through central direct planning—the creation of a socialist state.

The application of Marshall Plan finance reflects differences between the two countries. Chronic dollar shortages in postwar Europe delayed industrial re-equipment and threatened economic reconstruction, a deadlock resolved by American aid. While all dedicated a proportion of aid to food imports, France, Germany and Austria used the greater part of these funds to promote industrial modernisation. In France, American aid formed 93 per cent of public investment in 1948, the funds being isolated in an account for modernisation and equipment (FME) which was concentrated on four major, largely nationalised sectors: electricity and gas, coal, railways, iron and steel. The focus on large enterprises was marked; iron and steel, for example, absorbed between one-third and one-fifth of public investment in 1949–50, nearly all of which went into the construction of two large strip steel mills using capital equipment imported from the USA. Public sector investment was to provide enterprise with efficient power and communication systems. By the mid-1950s, central direction shifted from indicative planning to financial inducements. The application of public loans through state-owned banks and investment agencies helped stimulate the modernisation of smaller businesses from the late 1950s; this became the principle avenue through which industrial policy was subsequently implemented. In the immediate postwar years, French strategies stimulated inflation and generated opposition within the United States administration, the source of the required finance. In Britain, by contrast, American pressure, the sterling balances and the determination to protect confidence in the pound discouraged any automatic conversion of Marshall Aid into imported American technologies and equipment. In conditions of strong export demand and constrained supply, the government used dollars to import essential raw materials (notably steel), and counterpart funds to retire debt. Scarce supplies of steel were dedicated principally to the manufacture of capital goods for export, not to domestic reconstruction.[5]

These differences, however, cannot be interpreted solely in terms of Britain's postwar financial position and its effect on industrial investment. If the French experience illustrates the fragility of collective faith in the merits of free market economics, that of Britain demonstrates the exact opposite. In Britain, the convention of keeping government out of industrial affairs survived the slump; the acceptance of wartime controls remained conditional on their removal once bostilities ceased. Unlike France, where industrial opinion was discredited, British industrialists emerged triumphant from a war which—to them and others—had demonstrated the superiority of the British form of economic voluntarism over the state-directed economies of the fascist dictators. This faith in the freedom of both sides of industry to order their affairs as they saw fit was also reflected within sectors of the industrial labour movement. Some British trade union leaders were willing to trade official controls over wages and employment policy in exchange for full-blown state planning, involving central direction over prices, profits and investment. As Labour abandoned dirigisme, so trade unionists reverted to traditional strategies to protect their members—a tendency strengthened during the Cold War.

It would be a mistake to contrast the two countries, as happens too frequently, by labelling one 'interventionist' and the other 'economically liberal'. The contribution of Michel Margairaz explores the nature of the French state's involvement in the economy. He shows how the 'republican compromise' underpinning the foundations of the Third Republic following the Commune (1870–1) sustained government-controlled firms up to the second world war. This compromise was the opposite of state dirigisme. Although direct public management in the tradition of the *Ancien Régime* was not excluded, the state commonly entrusted private actors, professional associations or local and regional authorities with the organisation of economic activities serving the general interest (manufacturing monopolies, national defence, energy, transport and communication networks, public facilities, public utilities). Nationalisation was the political province of neither the left nor the right. The state was neither manager nor financier, but played a moral-political role, using financial and statutary leverage to guarantee the founding principles of the Republic (liberty and equal access to individual rights). This alchemy of political economy and moral philosophy, combining collective autonomy and central co-ordination, explains (even today), French 'exceptionalism' in the technical and economic efficiency of the public sector. However, 1945 marked a turning-point. The three possible readings of the post-1945 nationalisation programme (as government economic planning, state provision of social security, rationalisation of the national market for basic products) all confer technical legitimacy on state intervention. From 1945, this technical legitimacy fostered the convention that the state was omniscient, or even omnipotent, encouraging the development of the interventionist state in France today.

In Britain, while the war witnessed the extension of state controls on an emergency basis, the new Labour government remained committed to four basic tenets of policy (the 'iron quadrilateral', according to Jim Tomlinson[6]): the sovereignty of Parliament, economic management through consensual tripartite negotiation, the promotion of industrial efficiency through the reform of corporate structures (more technocratic management in larger industrial units), and the continuation of voluntarism in industrial relations. Dollar shortages, the dirth of raw materials, the opposition of industry and Whitehall all combined to defeat the 'planners' in the Labour party; the postwar government eventually resorted to a series of pragmatic policy responses, reliant on indirect incentives rather than state direction. Nick Tiratsoo's contribution shows how political opposition ultimately undermined the postwar Labour government's efforts to promote higher productivity and to modernise industry. Most employers opposed such official initiatives, regarding them as an initial step on the road to nationalisation. Their hostility undermined Labour's attempts to introduce modern methods by voluntary tripartite consensus and helped discredit policies which, as the Cold War deepened, became associated with communist-inspired collectivism and the demise of democratic freedoms. Paradoxically, Labour's initiatives were much more ambitious than those of the French government. The public sector apart, the latter avoided intervening directly in the private affairs of firms, considering them strictly their owners' responsibility. In contrast, the Labour government tried to change prevailing manufacturing methods by educating company directors. No route existed through which the British state might influence working conventions or industrial co-ordination. Lacking any technical legitimacy (and for good reason), Labour's policies could easily appear interventionist and partisan.

The issue of technical legitimacy exemplifies possibly the most significant policy difference between the two countries. Adapting state-of-the-art technologies to industrial purposes requires an extensive comprehension of their application and possibilities. Such comprehension is rooted in education and training. As the contributions of Keith Burgess and Françoise Birck show, the successful promotion of industrial modernisation in France owed much to the promotion of technical training and know-how—and to a general willingness to invest in an approach which allowed new technologies to be judged on their own merits. In Britain, industrial training remained largely outside the purview of state education. Although the interwar Board of Education sought to extend state-sponsored systems of national certification, Burgess's paper shows how administrative structures and employer indifference combined to undermine the purpose of state policy, which was regarded as an intrusive and unnecessary encroachment on the rights of business management. The consequences of such attitudes were reflected in the proliferation of dubious investment decisions and poor co-ordination, notably in the public sector, and in a general mistrust of imported technologies. Public and private bureaucratic structures kept technological expertise 'on tap, but not on top'.

In France, by contrast, the Grandes Ecoles in Paris provided a technologically trained bureaucracy which headed industry and worked (as *grands ingenieurs de l'état*) on a range of public projects. Technological and intellectual expertise was rewarded with the highest positions—thus forming an arguably over-centralised meritocratic elite, ultimately a source of political tension. In the course of the twentieth century, industry and local and central government co-operated to fund training programmes pertinent to specific sectors. Françoise Birck's contribution traces how such programmes were applied in the industrial area around Nancy, where training was strongly influenced by the proximity of Germany. Here we witness growing state involvement in vocational training, which extended to skilled manual workers in the 1940s and 1950s, certificated to uniform national standards. These differences in training provision had repercussions for investment and for the credibility of the public sector. In France, university-trained engineers adapted the latest American technology to install electrical power-generating plant with both higher output and lower labour costs than their British equivalents. British design was developed independently by engineers trained through traditional apprenticeship plus a certificate from a technical training college. By the mid-1950s, having started from a much lower base, electricity generated in France provided more reliable supply at lower cost than its British equivalent.[7]

LABOUR MARKETS AND THE POLITICS OF FULL EMPLOYMENT

Both French and British postwar governments were formally committed to full employment, but there similarity ends. In France, unemployment never attained the political significance it acquired in Britain; the object of policy was to raise the attractions of formal employment and to align working practices with new industrial requirements while sustaining social justice and industrial peace. This last was to be secured through official ratification of newly established collective industrial agreements *(conventions collectives),* involving a legal minimum wage and, after the second world war, collective systems of social security. The state was expected to guarantee workers' representation, both in formulating agreed systems and in their administration. In Britain, full employment policy found its reality in budgetary policies regulating levels of demand. Direct state intervention to determine working practices was unacceptable; official efforts to raise productivity were confined to voluntary exhortation. The introduction of universal social insurance was intended to reduce fears of redundancy to allow greater rationalisation of work. Hence we find that official attempts in France and Britain to secure social objectives used contrasting policy pathways to attain these ends: these form the focus of the remaining contributions. The nature of employment in British and French economies presented quite different structural features, hence any programme of modernisation of employment and regularisation of work practices had to be inscribed on very widely varying conditions. For this reason alone, we might expect similar programmes to have stimulated diverse outcomes. We present an overview of the main features of employment in Britain and France, before going on to examine how variance in industrial relations, state policies to rationalise labour markets and the preference of workers and employers for autonomous collective bargaining interacted in each country.

The nature of employment in France and Britain

Craft modes of production—of textiles, leather goods, clothing, foodstuffs and various consumer goods—formed an important part of the French economy. The Paris Basin and the north-east of the country were extensively industrialised; outside heavy industry, much manufacture was still small-scale and concentrated on luxury products, which, like agriculture, were subject to marked seasonal variation. More generally, skilled workers provided the labour resources required for the development of engineering industries, characterised by widespread networks of small and medium-sized firms. Heavy industry was dominated by paternalistic employers and tight labour management. Laws governing employment (rooted in the *droit du travail*) which stipulated the rights and duties of employers and employed,[8] were effective only in unionised sectors and in firms that held state contracts. Government employment was widespread, although these jobs varied in nature and status. The rural economy—which dominated employment to the south and west of the country—remained highly significant. In 1938, 87 per cent of French farms were under 20 hectares and 86 per cent of the active agricultural population were unwaged peasant owners. Traditional rural industries were mostly small family concerns, sometimes workshop-based, sometimes utilising *travail a domicile*—and largely reliant on female workers. Less than 50 per cent of the working population was salaried in the 1930s and 30 per cent of the salaried sector worked in enterprises employing fewer than ten people.[9] In general, employment practices and traditions varied widely, according to region, product, market and branch of industry, and were regulated according to local tradition. Household income depended less on a single male breadwinner than in Britain; married women's work was more common. Even workers ostensibly employed full time in heavy industry might retain a financial interest in family-owned land. The extent of seasonal employment allowed family members to follow different occupations at different times of the year: sometimes as self-employed subcontractors, some-times as salaried workers.

This wide variance in the nature of employment makes the impact of the 1930s slump hard to assess, especially since, unlike Britain, France had never before known widespread unemployment.

In Britain, the mid-twentieth century witnessed greater continuity of employment—with less mobility of workers between different firms and its concentration in larger units.[10] Even so, compared with those in Germany and the USA, British manufacturing units were small, under-capitalised and reliant on a skilled workforce to produce high-quality goods for export. Interwar growth in firm size signified the acquisition of financial control over small concerns, with relatively little rationalisation or modernisation of long-established systems of production. The nature of employment varied according to the nature of the product, regional tradition, forms of labour management. Short-time working was used extensively in the production of footwear, pottery, hosiery, and in coal-mining, textile manufacture and textile engineering during periods of slack demand. In the manufacture of bicycles, automobiles, furniture, clothing, extensive systems of subcontracting allowed firms to externalise risk during the slack season, forcing outsiders to absorb part of the cost of recession. Such structures continued to foster irregular employment, particularly as unemployment levels remained high throughout the interwar years.[11] Falling labour mobility between firms did not translate into greater regularity of work—or greater job security—as employers reverted to traditional strategies designed to shed surplus unskilled labour at the earliest opportunity (on the grounds that it would always be available if needed). The services of experienced or skilled employees, vital for business revival, were retained by sharing any available work as widely as possible. Here, the unemployment insurance scheme—extended to all manual workers in 1920—could permit skilled trade unionists to supplement reduced earnings with state benefits if they could negotiate an appropriate distribution of work. In the 1930s, as the slump bit, benefit-supplemented short-time working virtually disappeared, but the principle of work-sharing remained. Trade associations in coal, textiles, iron and steel and other export sectors extended mutual protection by apportioning output, sharing markets and fixing prices among member firms: strategies which, in the case of the first two sectors at least, were reinforced by the introduction of tariff protection, part of an unsuccessful government initiative to promote rationalisation in the industries concerned. State policy during the interwar recession reinforced traditional diversities in labour management and perpetuated employment variation between different sectors and in different regions.

France: wages, welfare and collective agreements

In France, the employment contract—defining mutual obligations between employer and employed in major establishments—had long been subject to legal regulation. The extension of this rule of law to the general adjudication of disputes had been rendered compulsory during the first world war in armaments and defence industries. In 1919, new legislation extended this arrangement to cover peacetime conditions, although without the legal sanctions to make implementation effective. This system of wage determination was revived in the 1930s when, in response to a mass strike by two million workers in the Paris region in June 1936, the Popular Front government made collective industrial agreements *(conventions collectives)* legally enforceable in large firms, offered official recognition to workers' elected delegates, and reinforced industrial arbitration, while introducing statutory paid holidays and a forty-hour week. Collectively negotiated and legally ratified agreements could be extended by statutory fiat to other firms in the same industrial sector or within the same region. During subsequent years, local and regional systems for determining wages and working conditions began to cohere, eventually to produce a grid of remunerative scales based on certificated skills, productivity, seniority. These developments stimulated conflict: first, between different conceptions of the state's role in mediating industrial bargaining; second, over how this might contribute to a politics of full employment; finally, over the connection between the two. As the contributions of Claude Didry, Michelle Zancarini-Fournel and Philippe Hesse show, the way this conflict was resolved and the compromises that were achieved varied widely by place and time.

Claude Didry's analysis of specific examples of state intervention in social conflict, as the new system became established (1936–9), reveals the nature of the problem. Two different conceptions of state intervention underlay the drafting of collective agreements and the arbitration of disputes, conceptions which combined in varied practical compromises. On the one hand, the state official might focus on established industrial structures and working practices, reinforcing existing conventions by authenticating agreements between employers and workers and thereby preserving the specific human capital requirements of the industry. Endogenous local economic development was thus encouraged (traces of which are still visible today in the light metalwork industries of the Arve Valley in the alpine Haute Savoie). Alternatively, the arbitrator might give priority to the macro-economic imperative of fighting inflation in settling the conflict, and press to have salaries adjusted according to rising prices. The arbitrator imposed a strictly 'industrial' conception of productivity, pushing the industry towards rationalisation of the labour process and product standardisation. In such cases, compulsory arbitration supported a minimum wage, squeezing differentials to compensate employers and fostering the use of other benefits—long-service bonuses and family allowances *(allocations familiales)*—to supplement the incomes of specific groups meriting extra protection. In this way, official surveillance of collective agreements sought to reconcile economic necessity with social justice. Generally, state intervention was popular among industrial workers because it strengthened trade union organisation and enforced recognition of workers' rights to representation in negotiations. Two different principles of state action emerge: either state officials underwrote an agreed 'common good' defined by local representatives, or they acted as agents for an externally defined common good by imposing centrally defined, macro-economic objectives.

Until 1939, as the contribution of Michelle Zancarini-Fournel suggests, this system of dispensing justice seemed to have reinforced variation in working practices, systems of production and regional economies—generating highly contextualised legal precedent which permitted political tactics to influence the adjudication of disputes. The process of grading and classifying particular types of employment within associated enterprises helped standardise remuneration and relativities in pay. But, in so doing, it tended to reinforce the peculiarities of the trades involved in each firm. Thus, the Manufacture des Armes et Cycles in Saint-Etienne involved three worlds of production, each with its own collective agreement: steelworkers, workers in wood and book manufacture (both craft based) and shop employees. Such complexity was not necessarily conducive to greater efficiency. Negotiations between male trade unionists, employers and official representatives promoted the gendering of work, grading male work on a higher scale than female and reserving specific (commonly lower-graded) jobs for women workers. Arguably, therefore, attempts to rationalise the labour process and to promote more systematic wages and conditions also consolidated the structure of women's work and differentiated it from male employment, even in small establishments.

The long march towards compulsory unemployment insurance, only established in France in 1958 by national collective agreement, also illustrates the continuing conflict between two modes of state intervention in employment. This national collective agreement was independent of French laws on social security, whereas in Great Britain unemployment insurance had existed since 1911 under the aegis of the state. The French system, when finally introduced, recognised the links between industrial bargaining, working practices and unemployment. The British system did not. Philippe Hesse indicates that, until the 1960s, both workers and employers expected the state to ratify collective bargaining in industrial relations, to sustain the diversity of its results and not to impose any *a priori* objectives upon it. A gradual shift in the other direction was taking shape, from the Vichy government's *Charte du Travail* to the laws on collective labour agreements (1946, 1951)—all reflecting a centralising, homogenising type of state intervention that failed to take root at that time. The incipient conflict between these two major paradigms of state intervention underpins our explanation for the strikes that recurred from the mid-1950s.

The notion of unemployment thus remained highly idiosyncratic in France, at least until the later 1950s. Even at the height of the 1930s' slump, sources of relief remained geographically dispersed, with local practice identifying the 'unemployed' and the extent to which they might be helped. Recession was not automatically converted into redundancy among workers in every enterprise, particularly in those small concerns where mutuality of interest between employer *(patron)* and worker fostered systems of labour management very different from those found in large firms, or in industrial networks of mobile skilled workers:

> in France during the 1930s, fluctuations in the amount of work presented a different meaning and reality in different places (particularly industrial cities and the countryside) because of the dominant conventions…. There is no more unemployment in the modern sense, for example, if companies do not make the dismissal of redundant workers a principle of efficient economic management.[12]

Hence, while 864,000 were registered as 'unemployed' in 1936 (the height of the crisis), the proportion of the working population recorded as economically active had fallen by 1,423 million over the previous five years. In many sectors, distinctions between employer and employed—essential for the collection of contributions and the establishment of benefit rights— remained incapable of effective application, thanks to the prevalence of family enterprise, the impact of seasonality and the problems of distinguishing the self-employed, sub-contractors and wage-labourers in different parts of the economy and at different times of the year.[13]

Such diversity makes it easier to understand why the introduction of unemployment insurance posed as many problems as it solved. Most evident is continuing political confidence in the ability of the actors themselves to handle these problems; the state's role was to encourage this process, restricting itself for most of this period to subsidising voluntary local unemployment funds (the Ghent system). Quantitative strategies derived from employment macro-economics (sharing the volume of work, hindering entrance to the job market and speeding up departures) enjoyed little success, aside from the determination to protect national employment. In 1945, the will to set up a social security system that would preserve 'the earning capacity'[14] of workers against risk did not extend to unemployment insurance. And social security was administered through a complex of mutual societies, firm-based or trade-based funds, managed democratically until 1967, with workers electing 75 per cent of the administrators of the funds and employers the remaining 25 per cent.

Britain: modernisation and the voluntarist tradition

While in France official regulation of collective bargaining was actively promoted (if only to enforce and extend its results), in Britain any permanent official intervention was effectively outlawed. As Simon Deakin's contribution suggests, employment existed in two separate legal spheres: the first encompassed skilled or quasi-professional labour and the second stipulated employment relations between blue-collar workers and their employers —which derived directly from the law on masters and servants. The latter excluded independent contractors and wage-earners with higher social status. 'Modern' concepts of the employment relationship were the product of social legislation, particularly the social insurance acts of 1911 and 1946, both inspired to some extent by Beveridge. The 1911 Act set up a limited scheme of national insurance confined to workers earning below a stipulated annual income, which required legally defined responsibilities from an employer, who controlled the way in which work was performed. The second Act, following the Beveridge Report of 1942, assumed full employment as the foundation for universal insurance against all social risks, and extended protection to all wage-earners regardless of status. In this way, social legislation redefined employment relations through the extension of social duties (occupational health and safety, employment protection and social insurance), establishing legal obligations between employer and employed. This attempt at institution-building was similar to the legal handling of the relationship between labour contracts and social security in France.[15] But it did not achieve the same economic success. In Britain, industrial agreements remained outside the purview of state influence. As the state was excluded from collective bargaining, laws governing employment relations could not be linked to efficient labour deployment, to the reform of working conventions, to the issue of productivity.

In France, a centralised project of modernisation was gradually captured by collective bargaining because the ruling elite was 'able' (or rather, was forced) to allow such bargaining to develop. By underwriting resulting agreements, this elite could bring a project into the bargaining process. Due to the particular political circumstances of the Liberation, structured employment developed rapidly in the postwar period, creating the conditions for economic growth while making room for other forms of modernisation. It earned a technical legitimacy which it was unable to achieve in Britain. Beveridge's conception of a full employment strategy involved the same two elements, making use of the first (stabilising employment and job security through social protection) to succeed in the second (improving productivity).[16] But, as government had no place in the negotiation of industrial agreements, Beveridge's project remained an instrumental, political project. Isolated, it failed.

The tradition of voluntarism in British industrial relations proved unbreachable. Frank Wilkinson and Roy Mankelow show that, in older industrial sectors such as steel and shipbuilding, both structures of collective bargaining and systems of arbitration dated back to the nineteenth century, reflecting traditional, strongly defended forms of work organisation which determined pay, seniority and job security. Here and on the docks, established labour hierarchies and working practices proved hard to shift. Unprofessional management exacerbated divisions between owners and shop floor, manifest in poor industrial relations. Postwar full employment witnessed the reconstruction of traditional defences against the re-emergence of unemployment, and the introduction of new technologies and new processes tended to stimulate demarcation disputes which impeded job rationalisation. Official efforts to restructure industry, raise productivity or regulate employment met with little success. Although the Trades

Union Congress (TUC) and its member unions strongly supported the productivity drive and the extension of collective bargaining (fifty-six more joint industrial councils were created or re-established during the 1940s), traditional working practices were still used to underwrite job security. Hence a ‘second-best’ equilibrium was perpetuated. Employers were incapable of securing new conventions to create compromise between the need to rationalise the labour process while accommodating worker independence. The work ethic and the spirit of responsibility characteristic of old skilled unionism was replaced by opportunistic behaviour, using union power for short-term objectives with little regard for the consequences.

The newly revitalised wages councils failed to rationalise the workshop trades—as promoted by official policy. Jim Gillespie shows in his contribution how institutions created to impose a minimum wage (which aimed to foster rationalisation) were adapted by the industries concerned to protect existing structures, not transform them. Here, product markets (such as fashions in clothing) were seasonal and unpredictable. Sub-contracting and the maintainance of small, innovative firms were in this case economically rational. Trade boards and wages councils were adapted to prevent unfair competition from entrepreneurs using sweated labour. Higher wages did not, however, provide the incentive to rationalise established industrial structures. In this way, state institutions preserved the principles of manufacturing and innovation required for market success while at the same time ensuring a minimum of social protection. Here we have a paradoxical example of potentially successful failure: employees in firms serving markets resistant to product standardisation required protection, which in this case could not be secured through industrial concentration or mass production. As Gillespie notes—and this approach underpins our book—the analysis of public policy does not lie in a comparison between objectives and results, but in the ways new forms of state intervention become appropriated by existing employment and production systems within specific circumstances.

Noel Whiteside emphasises that, even in the newly extended public sector, the drive to rationalise employment proved uneven. On the one hand, in an expanded civil service, reforms in the mid-1940s generated uniform grading, formalised incremental scales and extended job protection across central government departments. The structure of local government was overhauled; uniform administrative systems aimed to raise efficiency in central-local relations. Both war emergency and postwar export drive fed common concerns to promote economies of scale, particularly in non-productive employment (such as public administration) where rationalisation could release manpower for vital jobs in manufacturing. Outside the immediate purview of government, however, state initiatives met limited success. In the newly created National Health Service, financial crises, varied managerial structures and labour shortages combined to generate a new diversity of employment systems. While governmental authority was welcome in establishing mechanisms of collective bargaining in public sector employment, it proved impossible to use these new structures to co-ordinate wage rates and differentials, which proved as vulnerable to wage drift as their private counterparts. In coal-mining as on the docks, many workers continued to put in irregular hours. For face-workers, this was an active way of denying that full employment necessarily meant transformations in established work systems—thereby introducing higher productivity norms by covert means. The emergence of a new language of 'restrictive practices' and 'absenteeism' signified changed expectations about the world of work—at least among the 'modernisers', who used these terms to describe working conventions which, to the external eye, appeared to impede production unnecessarily.

CONCLUSION

All the essays point to a final, provocative question: At root, what exactly was the 'modernisation' that was pursued during this period? Marked by efforts to standardise products and rationalise the labour process, seeking to increase price competitiveness and capture shares of supposedly mass markets, modernisation appears to have aimed at implementing a specific world of production, the industrial world. It would appear in retrospect that this industrial paradigm does not have, and never did have, any claim to universality. It was suited only to certain configurations of products, markets and demand, not others (such as luxury products and capital goods intended for diversified, rapidly changing markets). This explains resistance by both workers and industrialists to policies aimed at disseminating this prototype at the expense of other production systems offering speciality, flexibility and variety. Moreover, has there ever been a genuine model of modernisation, a coherent national project? This appears to be an illusion. Of course, projects did arise, but they were incompletely formulated, contradicted each other and, above all, were based on hypotheses and expectations of state action that varied between social groups in each country and within those social groups. They contained within themselves several possible constructions of 'the state'. Hence, the desire to restore prewar working conventions and forms of bargaining can under no circumstances be assumed to be a proof of backwardness and inefficiency, nor can rationalisation be viewed as systematic progress. We can ascribe no substantial rationality to these attempts that would enable us to evaluate their efficiency *a posteriori* by simply comparing their objectives to their results.

The forms of governance that have come into being in both countries reflect a series of compromises that varied according to the area of state activity. Dominant characteristics are most evident, but changes in orientation can also be detected. For the essential point is that agents incorporated a political, economic or social measure—or a state institution—into established conventions of co-ordination in specific markets, production relations, systems of employment. How do agents accommodate new policy initiatives? The state is not aloof and out of the fray, but is immersed in it. The sphere of governance is defined by its viability in specific contexts, which is shaped by a complex outcome of