
**STATES' GAINS,
LABOR'S LOSSES**

STATES' GAINS, LABOR'S LOSSES

China, France, and Mexico Choose
Global Liaisons, 1980–2000

Dorothy J. Solinger

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I dedicate this book to the tens of millions of laid-off workers of China, sacrificed (certainly in part) on the altar of China's modernization and opening up. The exact causal links that led to their job losses are elusive; I celebrate their labor and their contributions nonetheless.

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Three weighty entities have engaged each other on the global stage in the nearly three decades since 1980: workers, states, and economically oriented supranational organizations (my name for international bodies comprised of several or a larger number of members, such as the North American Free Trade Association, the World Trade Organization, and the European Union). Many observers have concluded, for any number of reasons, that the supranationals should be the winners, hands down, with their larger presence, their economic clout, and their hegemonic hold on the rules of the game.

Although this book shies away from pronouncing any final judgment, it delves into the nature of the interrelationships among the three contenders, as they clashed over their respective roles in three unlikely cases. In each of the countries assessed here—China, France, and Mexico—the years under review saw foundational shifts in the place granted, the deference accorded, and the power wielded by each of the members of this set of players. My job was to unravel the threads of these changes.

The three states are an unlikely assemblage for an analyst to tackle in tandem: they sit in different world regions, have dissimilar economies, and had arrived, as of 1980, at quite unlike levels of development. Politically, each at that time represented a disparate form of regime, with varying numbers of political parties and conflicting approaches to the treatment of citizen groups outside the government. But I was intrigued by the broad similarities in the styles of linkage between workers and top state leaderships, and between states and the world economy in the prior thirty years. I also uncovered a relative sameness in the weakness of unions, paradoxically paired in each country with official concern for labor, in rather more

than rhetoric, in accord with what were in all of them proud revolutionary traditions. Without spoiling the story, I can only say that the outcome is surprising as of late 2008, first of all in terms of the states' stances toward the supranationals and second in relation to the divergent fortunes of disgruntled workers in the three states.

I have four institutions to thank for the genesis and the realization of this book. First is the Smith Richardson Foundation, whose very generous grant enabled me to spend a year and a half reading widely in the early period of my work. Next comes the Center for the Study of Democracy at the University of California, Irvine, which, under the innovative leadership of Russell Dalton, provided a number of grants that allowed me to spend summers interviewing laid-off once-laborers in China. These conversations with the discarded gave me a serious appreciation of the wages of worklessness. Grants from the center also funded work by various graduate students (whom I name below) who collected data for me in France and Mexico, helped me organize and present my statistical data, and found some of the statistical information I needed to undergird my points.

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D. J. S.

Singapore

Abbreviations

AJCA	<i>Australian Journal of Chinese Affairs</i>
AS	<i>Asian Survey</i>
CF	<i>China Focus</i>
CH	<i>Current History</i>
CJ	<i>China Journal</i>
CLB	<i>China Labour Bulletin</i>
CND	<i>China News Digest</i>
CP	<i>Comparative Politics</i>
CQ	<i>China Quarterly</i>
CRF	<i>China Rights Forum</i>
FBIS	Foreign Broadcast Information Service
FEER	<i>Far Eastern Economic Review</i>
IO	<i>International Organization</i>
LAT	<i>Los Angeles Times</i>
LBT	<i>Laodong baozhang tongxun</i> [Labor Security Bulletin]
LDCY	<i>Lingdao canyue</i> [Leadership Consultations]
MC	<i>Modern China</i>
MP	<i>Ming Pao</i> [Bright Paper]
NBCY	<i>Neibu canyue</i> [Internal Consultations]
NYT	<i>New York Times</i>
RMRB	<i>Renmin ribao</i> [People's Daily]
SCMP	<i>South China Morning Post</i>
SWB	Summary of World Broadcasts
WP	<i>World Politics</i>
WSJ	<i>Wall Street Journal</i>
XH	Xinhua [New China News Agency]
ZGJY	<i>Zhongguo jiuye</i> [Chinese Employment]
ZGLD	<i>Zhongguo laodong</i> [Chinese Labor]

**STATES' GAINS,
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INTRODUCTION

States' Struggle between Workers and the World Economy

In the spring of 1979 the maiden elections to the European Parliament were soon to be held. During the campaign in France, Premier Jacques Chirac—along with his fellow Gaullist, Michel Debré—both of them ever allegiant to Charles de Gaulle's tenacious devotion to French national sovereignty, orchestrated an assault from the right on President Valéry Giscard d'Estaing's pro-European position.¹ The charges broke out just as the president was sealing a deal on the European Monetary System (the EMS), one of the key institutions that was to pave the way for the European Union.

On the left, François Mitterrand himself favored the European Community. But he was forced to bow to the oppositional, anti-supranationality stance of the several worker-prone parties—the Communists, the left-wing Socialists, and the Parti Socialiste Unifié—in order to forge a winning coalition on the left. Public opinion overall went with the critics. Indeed, as Giscard's domestic political adviser later claimed, “the EMS was a huge political error that cost Giscard his reelection in 1981.”²

In the same year, Mexican president López Portillo of the Partido Revolucionario Institucional (the Party of the Institutionalized Revolution, or PRI) was urged by multinationals to join the General Agreement on Tariffs and Trade (the GATT), and went so far as to complete the requisite negotiations. But Mexico had lately located huge oil deposits and was enjoying high rates of growth, so many people

1. Debré was then head of the Gaullist party, Rally for the Republic.

2. Quoted in Craig Parsons, *A Certain Idea of Europe* (Ithaca: Cornell University Press, 2003), 158–60, 147.

wondered, what was the point of scrounging for ways to attract foreign funds? Widespread negative political reaction emerged at home against the proposition, and in the end Portillo declined to go on with the bid. Membership would have entailed demolishing trade barriers, and many party politicians, intellectuals, and, significantly for our purposes here, labor officials joined domestic industrialists in lining up against it. As Nora Lustig has explained the choice, "At the time GATT membership was viewed as a sign of weakness; Mexico did not need or wish to subjugate its trade policy to a multilateral body dominated by the Western industrialized countries."³

Meanwhile, the year 1979 also witnessed some Chinese scruples about participation in the world economy. At the beginning of the year, cautious Communist Party elites used the forum of a Party work conference to inveigh vociferously against what they viewed as an overhasty, overambitious venture into the global marketplace. Suddenly and without warning, China froze a large number of contracts it had already initialed for plant imports and suspended all ongoing trade negotiations with Japan, in favor of a new policy of "readjusting, restructuring, consolidating, and improving" the national economy. A 1981 justification for these decisions included the curious phrase that "we should not indiscriminately import everything or regard everything 'foreign' as valuable and good. Our consistent policy is to give priority to self-reliance and regard foreign aid as supplementary."⁴

Each of these episodes evinces fidelity toward long-ensconced and profound nationalistic sentiments that had surrounded varying degrees of distance from the markets abroad for decades, feelings that were running particularly strongly at that juncture. Even though France had by that point been participating for several decades in the expanding effort to forge a unified Europe, the moves of some of its leaders in that direction had at every step of the way been matched by ambivalence or indifference—sometimes even negativity—among the populace at large, as well as among other political figures.⁵

True, China was just then surfacing from a longish stage of spurning the outside world. A major shift in trade which began with the initiation of *détente* with the United States in 1971 took off in full force after 1978, signaling such a transformation from what had gone before that one observer contrasted it with what he called "China's almost continuous isolation from the mainstream of the world economy

3. Daniel C. Levy and Kathleen Bruhn, with Emilio Zebadua, *Mexico: The Struggle for Democratic Development* (Berkeley: University of California Press, 2001), 162, 164; and Nora Lustig, *Mexico: The Remaking of an Economy*, 2d ed. (Washington, D.C.: Brookings Institution Press, 1998), 130–31.

4. Chae-Jin Lee, *China and Japan: New Economic Diplomacy* (Stanford, Calif.: Hoover Institution Press, 1984), 49–50; Ryosei Kokubun, "The Politics of Foreign Economic Policy-Making in China: The Case of Plant Cancellations with Japan," *CQ* 105 (1986), 30.

5. This theme runs throughout Parsons, *Certain Idea*.

and S & T [science and technology] system during the last three decades" (i.e., the thirty years before 1979).⁶

But the economic imbalances introduced by China's late-1970s purchasing spree so startled many of the top men in command that the more economically conservative among them were able to carry the day in the name of the "peoples' livelihood," and to do so for several years thereafter. Ryosei Kokubun has mused that the mood of the elite was very likely to have been affected by the contemporaneous appearance of Solidarity in Poland, especially given China's then current mounting social disorder, which included demonstrations by unemployed young people and strikes by workers. As master politician, soon to be China's paramount leader, Deng Xiaoping later explained, "We dared to cancel because of inflation and because a lot of complicated social problems might occur."⁷

As of 1979, prior to finding the petroleum, Mexico had only recently thrown off a spate of economic troubles: ongoing deficits in the current account, inflation, capital flight, deficit spending, and climbing debt had all blighted the second half of the 1970s there. For the argument of this book, it is notable that the state had gotten itself into this predicament in part by excessive spending and borrowing motivated by fear of disorder from the disadvantaged. Given that the late 1960s and early 1970s had already seen much unrest, including from labor, politicians believed that instability could have ensued had the government pressed for financial discipline. But the fiscal problems became severe enough that Portillo's predecessor, Luis Echeverria, had had to submit to an austerity program imposed by the International Monetary Fund in 1976. Just four years later, however, what turned out to be just a temporary relief provided by the oil find prodded Portillo suddenly to pronounce, sanguinely, that it was appropriate to "prepare ourselves to administer abundance" and to renounce external assistance.⁸

Nothing in these three nearly simultaneous events in a set of seemingly disparate nations would have disposed an onlooker to predict the denouement that followed these disavowals of the market-beyond-the-borders. Nonetheless, within a brief few years—from 1980 to 1983—every one of these long-time state-centric, import-substituting, fiercely independent, nationalistic, and, in their own perceptions, pro-labor revolutionary states was in the midst of gearing up for membership in a supranational organization, an accession that, for each, would spell the loss of

6. Dorothy J. Solinger, *From Lathes to Looms: China's Industrial Policy in Comparative Perspective* (Stanford, Calif.: Stanford University Press, 1991), 47; the quotation is from Denis Fred Simon, "The Evolving Role of Foreign Investment and Technology Transfer in China's Modernization Program," in *China Briefing 1987*, ed. John S. Major (Boulder, Colo.: Westview Press, 1987), 43.

7. Kokubun, "Politics," 29–30, 38.

8. Levy and Bruhn, *Mexico*, 161–64.

jobs for millions. Had the leaders forgotten about the laborers that their nations had once protected? And how did labor in each case respond to this switch?

Most significantly for our purposes, what did the common revolutionary backgrounds in all of their pasts mean at that moment for the struggle these states were about to join between their workers, on the one hand, and the world forces that were suddenly and synchronistically reshaping their political economies, on the other? This book is about how an enduring legacy of revolution in these apparently dissimilar places structured state-labor relations in a time of crisis. In all of them, revolutionary-era outcomes left their mark on the roles and functions of unions, vis-à-vis their own states and vis-à-vis their worker charges. In turn, these disparate relationships made for differing types and levels of response at the working-class grass roots to the states' moves after 1980; repercussions from workers then set the style for subsequent state welfare replies. This, then, is a book centered on distinct models of affiliation—what I call “terms of attachment”—between unions, states, and workers, and the forms of behavior to which these terms disposed actors as all three parties faced foreign markets in three postrevolutionary states after 1980. Its message, in short, is one of a causal chain: historical legacies of labor-state bonds produced variant forms of militancy when crisis struck; that militancy then led to variable levels of welfare response from the state involved.

To go on with the larger story: in China's case, the move to integrate externally was chiefly domestically generated, gingerly begun in 1979, and finally, after 1982, gathering force with time. A central impetus was to normalize the country and modernize its economy, in the interest of countering the recently deceased chairman of the Communist Party Mao Zedong's mobilizational upheavals. This was a play to the outside world, but it was also a step taken with an eye to the Chinese people: the new leaders intended thereby to win public legitimacy. In accord with these purposes, the political elite as early as 1980 began to associate with, and in 1986 chose to apply for entry into, the GATT.

True, China's negotiating partners did not grant it accession to the GATT's successor, the World Trade Organization (WTO), until 2001. Yet starting in the early 1980s, the country's leadership steadily undertook preparatory steps to hasten its acceptability to the organization's membership. And these steps amounted, implicitly, to what one might tag a “preemptive acquiescence” to the rules of the GATT. In the wake of the growing leniency to foreign investors, the increasing autonomy for enterprise managers, the tariff reductions, and the regime-sponsored redundancies and firm failures that unfolded one after the other between the early 1980s and late 1990s, tens of millions of workers lost their jobs.⁹ Many of them reacted to this

9. The exact number of jobs destroyed will never be known. Dorothy J. Solinger, “Why We Cannot Count the Unemployed,” *CQ*, 167 (2001), 671–88.

assault by openly and frequently protesting on the streets, egging the regime on to design national-scale welfare programs where none had obtained before. Though the old communist, state-labor alliance at first appeared to be wholly abandoned, public militancy reawakened the bond, if in starkly altered form.

In France an ominous currency crisis broke out in 1982 and threw into disarray then-Socialist Party president François Mitterrand's original plan to pump up the economy and, especially, to enhance benefits for the working class. The problem was that this course collided with contractionary measures then being carried out in the economies of France's European Community trading partners. Within a year and a half, Mitterrand had acted to remain within the confines of the EMS, a regimen that eight of the nine then-members of the Community had forged in 1979, with the aim of aligning the monetary regimes of these countries. The effort installed an Exchange Rate Mechanism that fixed the exchange rates of the participants within a relatively narrow band; to achieve this, the signatories made tight money and minimal inflation mandatory. As an outcome of Mitterrand's decision, France was forced to jettison its accustomed discretionary devaluations and disinflations which had previously recharged the economy, and which had thereby served as a boon to labor, ensuring steady high employment.

The French decision to sign the 1992 Maastricht Treaty, which created the European Union (the EU) a decade later, with its rules about keeping debts and deficits low, served to exacerbate the austerity program (termed "rigueur" in France) that President Mitterrand had installed in 1983 when he first coordinated French monetary policy with that of the EMS. Together these steps resulted in numerous firm bankruptcies and job losses: by 1997, the total losses over the years since 1970 had amounted to a stunning 41.6 percent of the original labor force.¹⁰ Throughout the period, workers' rebuttal was relatively lame; in turn, the state did little.

And in Mexico an abrupt debt crisis erupted when oil prices plummeted at the same time as lending nations elevated their interest rates after 1980, leading the country to appeal again for outside assistance that once more came bound up in strings. Nevertheless, it was the officials in charge of the country, not outsiders, who set Mexico on a free-trade course as they deregulated, privatized, slashed trade barriers, and pledged themselves to follow the rules of the GATT in and after 1985. As in China, subsequent preparatory measures enabled the country later to seem suitable for entry into the North American Free Trade Association (NAFTA) by 1990, the year that talks toward the establishment of that body got under way.

10. Fritz W. Scharpf, "Economic Changes, Vulnerabilities, and Institutional Capabilities," in *Welfare and Work in the Open Economy: From Vulnerability to Competitiveness*, vol. 1, ed. Fritz W. Scharpf and Vivien A. Schmidt (Oxford: Oxford University Press, 2000), 108.

In the course of the structural adjustments Mexican politicians implemented, some millions of workers were severed from their posts, though the exact figures are difficult to gather. It is known, however, that by the end of 1994 the combined total of the unemployed plus those at work in the underground economy meant that at least 28 percent of the workforce was without steady employment;¹¹ additionally, the numbers of jobs in manufacturing declined continuously for 70 months between 1990 and 1996.¹² Another one to two million positions disappeared in the period between 1990 and 2000, over half of them in agriculture,¹³ in a labor force of some 35 million. But workers were much more quiet than they had been in the past, and gained almost nothing in compensation.

This book examines this set of phenomena, which was prevalent across the planet in recent decades: once state-strong, inward-oriented, labor-respecting nations reversed course around 1980 in the face of forces their leaders felt were overpowering and inescapable, given the leaders' own instincts for the survival, the global inclusion, and the glory of their countries. Clearly, a contest was on, with such states caught between two powerful pressures vying for supremacy, what scholars would see as two "independent variables," each pulling as an opposing vector: the economic imperatives of the new world order, born of foreign exchange and petroleum crises, on the one side, and—especially in these postrevolutionary nations—timeworn state-labor partnerships, on the other, whose terms of attachment were nationally variable but in each case formerly crucial.

The book reviews this battle through an analysis of the actions of what could be viewed as these two competing independent variables. After presenting some roughly analogous background (along with some telling contrasts) to set the scene for the rest of the story, I go on to trace the effects of these variables. Following a chapter that sets out broad-brush political-sociological historical similarities among state-labor dyads in the three, I focus in the first section on the first of these variables, the forces of the global economy and their specific impact on

11. Lorenzo Meyer, "Mexico: Economic Liberalism in an Authoritarian Polity," in *Market Economics and Political Change: Comparing China and Mexico*, ed. Juan D. Lindau and Timothy Cheek (Lanham, Md.: Rowman & Littlefield, 1998), 144.

12. Jonathan Heath, "Original Goals and Current Outcomes of Economic Reform in Mexico," in *Mexico's Private Sector: Recent History, Future Challenges*, ed. Riordan Roett (Boulder, Colo.: Lynne Rienner, 1998), 54.

13. Orlandina de Oliveira and Brigida Garcia, "Socioeconomic Transformation and Labor Markets in Urban Mexico," in *Global Restructuring, Employment, and Social Inequality in Urban Latin America*, ed. Richard Tardanico and Rafael Menjivar Larin (Coral Gables, Fla.: North-South Center Press, 1997), 212. Roderic Ai Camp, *Politics in Mexico*, 2d ed. (New York: Oxford University Press, 1996), 219, estimates that one million jobs might have been lost at that time. John Audley, Sandra Polaski, Demetrios G. Papademetriou, and Scott Vaughan, *NAFTA's Promise and Reality: Lessons from Mexico for the Hemisphere* (Washington, D.C.: Carnegie Endowment for International Peace, 2004), 18.

the three particular places. I consider the consequences of these forces, both at the outset of the 1980s and again later, as promoted by what I take as their proxy, supranational economic organizations (SEOs), as these states complied with the rules of the organizations.

I proceed in the second part of the book to gauge the relative intensity of the blowback in each place, as workers in each country weighed the thrust of global forces (and their states' submission to them), as these forces affected themselves, and as states, in turn, reacted. For that second segment of the drama, the other independent variable is labor, and the respective role and effectiveness of its unions, as filtered by the state-assigned mission of unions, in each country. The book is about the nature of the interplay among these two competitors—global forces and workers—in their tug on the state over the tack to be taken by politicians. I seek to uncover differences among the three states in this struggle and to pin down the explanatory factor that accounts for the divergence. The answer, in this telling, is the variable terms dictating the nature of the ties between unions and their states and between unions and their workers.

Why These Three States?

At first glance the saga of these three states, straining under the double challenge of coping with the international debt, exchange, and oil crises of those times (at the *global* level) and of adapting their old promises to what had become a beleaguered labor force *at home* appear to be simply instances of a trajectory that many, if not most, states traversed after 1980. I have three justifications for choosing these three particular countries for this comparative exercise.

In the first place, two of them, China and Mexico, could be counted not just as longtime stubborn holdouts against the lure of the world economy in 1979, but also, soon afterward, as pacesetters. China was the first so-called socialist state in the particular “wave” of liberalization in which many such states began in 1980 to turn outward, leading, little by little, in its own case toward a total decimation of its command economy and onward to capitalism. Others followed, of course, but in most cases not for a decade.¹⁴ As for Mexico, it was also a leader: in the words of Maria Victoria Murillo, “In the 1990s, Mexico triggered the debt crisis that spread

14. Mitchell A. Orenstein and Lisa E. Hale, “Corporatist Renaissance in Post-communist Central Europe,” in *The Politics of Labor in a Global Age: Continuity and Change in Late-industrializing and Post-socialist Economies*, ed. Christopher Candland and Rudra Sil (Oxford: Oxford University Press, 2001), 258–82. For an earlier phase in which similar, but failed, efforts were undertaken, see Susan L. Woodward, *Socialist Unemployment: The Political Economy of Yugoslavia, 1945–1990* (Princeton, N.J.: Princeton University Press, 1995).

throughout Latin America, creating the conditions that provoked the political conversion of populism into neoliberalism.¹⁵

France was by no means a pacesetter in states of its sort, but it had distinction in a different way. Mitterrand's election as president at the head of the Socialist Party in 1981 delayed a process of acquiescence with the country's European confreres that would have matched that of the rest of the Community, had Giscard's 1981 election gone otherwise. So in each of these nations there unfolded a story that was special within that state's own particular category of countries. For this reason alone, they merit a joint and exacting examination.

Second, superficially speaking, each of these states experienced—or, perhaps better put, their leaders eventually chose to experience—the same train of events around the same time. That is, in or soon after 1980 the political elite in each aspired to solve the same generic problem, capital shortage, through joining the world. This was for all of them in one way or another a problem brought on by currents coursing across the globe. But significantly, these were currents whose jolts clashed with these states' particular and shared *modi operandi*. Each had long sustained a style of rule that had catered to at least an elite among labor, often in rhetoric but also in fact. Each decided (as did many other nations) to withstand the new global tides by preparing to enter supranational organizations. In each case, given the rules of the organizations to which they acceded (the European Union, the World Trade Organization, and the North American Free Trade Association, respectively), an offshoot of that move was to push workers from their posts.

And yet the sameness of this selected path, and of its critical effect for labor, went only so far, I contend. Because of the variant missions and vocations of the trade unions in each place (the "terms of attachment" of the unions to the polity and to their workers)—which, I show, fundamentally distinguished the behaviors of workers in one country from those in the others—the activism of the working class, and, as a result, I argue, the response of the state to workers, was markedly diverse in the three of them. I situate the origin of these differences in disparate revolutionary traditions in these three postrevolutionary states.

As for outcomes, where fragmented and competitive unions achieved little in representing French workers, unions allegiant to the state kept workers quiet in corporatist Mexico, and unions charged chiefly with sustaining productivity left angry workers largely to their own devices in China. Concretely, to give just one set of statistics, the number of strikes and lockouts in France over the years 1980 to 2001 peaked in 1982, the year before Mitterrand's U-turn toward the European Community's regimen, thereafter dropping to nearly half of that in many of the

15. Maria Victoria Murillo, *Labor Unions, Partisan Coalitions, and Market Reforms in Latin America* (Cambridge: Cambridge University Press, 2001), 92–93.

following years until 1999. In Mexico the contrasts between pre-1982 and thereafter are sharper yet. Where in the first three years of the 1980s more than 1,000 strikes and lockouts broke out annually, reaching as many as 1,925 in 1982, immediately thereafter—just when the force of the debt crisis was felt the most—the numbers abruptly plummeted to around a mere 100 per year; by 1995 the counts had descended into the single digits. For China there are no overall numbers. But one scholar has noted as many as 9,559 incidents in just one province (the one hardest hit) between January 2000 and September 2002, an average of ten per day over nearly three years.¹⁶ This equaled roughly two and half times the number of outbreaks in the city of Paris at about the same time.

In terms of welfare, chapter 6 points out that between 1990 and 2001 the French government's social expenditures rose from 26.61 percent to 28.45 percent of gross domestic product (GDP), an increase of just 1.84 percent, while Mexico's climbed from 3.84 to only 5.10 percent, an increase of 1.26 percent. In China, however, the central government hiked up its expenditures in this category as a percentage of GDP from under 2 percent in 1980 to about 8.3 percent in 2005, more than quadrupling its outlay, proportional to GDP. Certainly other factors can be called on to help make some sense of these discrepancies, such as the variable baselines in the respective sizes of the workforces or the disparate welfare starting points in each state, and I allude to these in the relevant chapters.¹⁷ But the big sociopolitical explanation I offer for the wide range in these reactions constitutes the chief empirical finding of this book. Studying three places whose leaders' past commitments to workers and whose later choices globally were similar but whose workers behaved rather differently, allows me to draw a conclusion about labor politics that would not have appeared so starkly otherwise. This is my second justification for considering these three places.

And third, these three countries would normally not be analyzed together. We have here a democracy with its multiparty system; a regime that was authoritarian with an overarching, dominant party during the time when the pivotal events unfolded, a regime that later became "semi-authoritarian" and finally democratizing; and a post-totalitarian government yet ruled by a communist party.¹⁸ Economically, a capitalist, a mixed, and a socialist economy obtained in them, respectively. Thus the enterprise of talking about them in tandem is ipso facto

16. Murray Scot Tanner, "China Rethinks Unrest," *Washington Quarterly* 27, 3 (2004), 140.

17. Thanks to one of my anonymous readers for this point.

18. Roderic Ai Camp, in *Politics in Mexico: The Democratic Transformation*, 4th ed. (New York: Oxford University Press, 2003), 10, refers to it as "semiauthoritarian" up to the year 2000. Totalitarian regimes are ones in which the regime attempts to control all activity, repress all antistate or otherwise autonomous behavior, and to indoctrinate the population with the values of the state. The term "post-totalitarian" refers to states that were once totalitarian but are no longer completely domineering and dominant.

novel. I hold that examining them together yields a set of surprising findings that disorient a number of prior understandings.

Putting it differently, I inquire, then: why did countries that elected to act similarly globally turn out to vary so strikingly internally, at the domestic level, when it came to resultant interactions between unions and the state? That the book focuses on three very dissimilar states serves to demonstrate the wide sweep of countries that, rather comparably, were compelled to confront the global economy in new ways at a critical historical moment. By picking pioneers and an outlier, it also deals with unlikely cases.

Thus, the book sets out to explain this concurrent asymmetry at different levels of analysis after 1980 in France, China, and Mexico, drawing on features of the domestic political economies of three countries that, counterintuitively—given all their apparent variation—had much in common at the outset but then diverged so much in the end. The first half of the book sets up the similarities, inspecting these states and exploring their predicaments and their leaders' choices in the late-twentieth-century world economy; the second half tackles the tale of these same states at home, as they encountered their own angry workers. In short, the work takes countries that began, as of 1979, by sharing traits, experiences, and inclinations, and then pits comparison of relative behavioral sameness (an unexpected sameness) at one level, the global one, against contrast at another level, the domestic one.

Previous Approaches

During the closing decades of the twentieth century, as global waves in their multiple guises washed across the map and states reacted to the meanderings of the currents, internal politics and their players in many states were altered, sometimes in abrupt and serious ways. The most obvious difference between this study and others about this phenomenon is that most other observers have addressed this large issue by considering countries that have much in common, rendering the findings relatively narrow and the variables the analyses settle on sometimes possibly spurious. Here it is not the type of regime, the kind of party system, the party in power, the nature of the labor movement, or the “depth of the economic crisis” faced—all factors that previous authors have relied on to drive their dependent variables—that accounts for the situations in the places under review.¹⁹

19. Juan J. Linz, “Totalitarian and Authoritarian Regimes,” in *Handbook of Political Science, Volume 3: Macropolitical Theory*, ed. Fred I. Greenstein and Nelson W. Polsby (Reading, Mass.: Addison-Wesley, 1975), 175–411, and Juan J. Linz and Alfred Stepan, *Problems of Democratic Transition and Consolidation: Southern Europe, South America and Post-Communist Europe* (Baltimore: Johns Hopkins Uni-

These variables cannot explain the widespread commonality of the steps leaders in these countries (and in many others) took in inserting their so dissimilar nations more thoroughly into the world market, for the three states under review here differed in all these regards. Nor can they clarify why leaders in these three countries went on to differ in their replies to the variable militancy among their respective labor forces that followed that insertion—why it was, for instance, that, among the three, both the outcry and the compensatory outlay were the most pronounced in communist China.

In any event, earlier accounts ignore what I find to be key: the assigned mission and role of the labor unions in each state, which I connect with revolutionary histories. In two of the cases (China and Mexico) the functions of unions diverged somewhat from the jobs that unions are generally presumed to carry out, that is, representing and fighting for the workforce. Besides, the types of variables usually used to analyze labor politics—such as union density and union concentration—provide no guidance. Welfare rejoinders in these countries were also counterintuitive, as the nation among them usually thought to be least accountable, China, was also the one most responsive to its losers.

Not only were typically cited structural variables about states and unions not helpful in explaining the events under review; the quality of the economic crises that pushed the leaders in these countries onto new avenues varied substantially, even as their policy choices were essentially the same. Mexico's plight was the most desperate, as its economy was hanging on the brink of collapse in 1982; France's leaders' situation was dire, but by no means disastrous, as of that year. In China, to the contrary, the economy was poised to go on uninterrupted, without change, as of 1980. But its efficiency and productivity were both judged to be unsatisfactorily low, at least in the eyes of the coterie of newly ensconced politicians who wished to validate their rule to their citizenry. And yet, despite this dissimilitude in the extent of catastrophe, the trajectory of their economic departures from the twentieth century was remarkably parallel for France, Mexico, and China. On the other hand, their respective workers' activism was not, and, in turn, neither were their states' reactions to workers.

Accepted theory relating to state policy on labor looks at the strength of labor unions and/or at the political parties to which unions are linked. But such approaches fail to make sense of the particular story here. First of all, consider the nature of what is known as the "labor regime": each of these countries could in

versity Press, 1996), 40–44. "Depth of economic crisis" is one of the variables suggested in Katrina Burgess and Steven Levitsky, "Explaining Populist Party Adaptation in Latin America: Environmental and Organizational Determinants of Party Change in Argentina, Mexico, Peru, and Venezuela," *Comparative Political Studies* 36, 8 (October 2003), 886–87 and 894–95.

some ways be categorized as the site of a “weak labor economy.”²⁰ For labor was indeed “weak” in them all, in that in none of them was there a coherent or cogent labor movement operating expressly and autonomously to serve workers’ interests and needs. Nor, as a result, could labor pose and be treated as an equal interlocutor in relation to the political regime in any of them. But categorization of these regimes as “weak labor economies” falls down in other ways: it was not the case in these countries that “powerful rightist political parties” “confronted much weaker labor movements” in these places as of 1980, which those who coined this label would expect. Nor were they arenas where, consequently, labor was often left to the mercy of unmitigated market forces, as the use of this term also suggests. Moreover, the polity in each one in some sense truly pursued labor’s interests. So a study of these countries must put this oft-used label aside.

A second, similar feature of these polities counters another approach, one that explains variation of state policy toward labor in terms of party-union ties. Each of these states was under the governance of a *left*-leaning party (in China and France, indeed, parties that were named “communist” and “socialist,” respectively; in Mexico, one called “revolutionary”), not a powerful rightist one, which that approach would have assumed, at the point when the anti-labor shift occurred. According to this theory, labor-based, socialist-styled parties are supposed to be partial to the working class, not to call for its displacement. So an argument that leftist parties will be kind to the working class and its unions also must fall by the wayside.

As noted above, when workers were dismissed and became disruptive, the three governments reacted with different forms and amounts of recompense, at least for some portion of the disaffected. The contrasts among them, however, are not explicated by the categories used in previous efforts to differentiate how states treat losers in the global economy. For the usual debate addresses only whether concerns over “compensation,” or, alternatively, a drive for maximal “efficiency,” determines the behavior that outwardly oriented nations adopt toward victims when the state intensifies the level of its foreign commerce. That hypothesis, too, figures that the choice is a function of the color of the party in power.

But I found that unions’ appointed charge (in some ways a product of the revolutions out of which they each grew)—and their workers’ corresponding conduct in each nation during the 1980s and 1990s—explains the greater restiveness displayed by the angered working people of the People’s Republic, and also helps to make sense of the more thoroughgoing financial and social security responses adopted by that authoritarian polity, as compared with the states in France and

20. Geoffrey Garrett and Peter Lange, “Political Responses to Interdependence: What’s ‘Left’ for the Left?” *IO* 45, 4 (1991), 547.

Mexico. The leanings of the parties in power as of 1983 were the same in all three countries—they were all leftist—but the outcomes varied.

From a different angle, researchers have inquired in general terms as to the degree to which international, as opposed to domestic, elements shape states' economic policies. Peter Gourevitch's seminal article in this field posed the question of the influence of international events and forces on domestic policymaking.²¹ Since that article was published, other studies have grappled with the variety of ways in which outside factors might impinge on domestic politics and the channels through which this might occur. But the focus in many of these studies is on politics in—and only in—the advanced capitalist democracies; or, where the study includes a few nondemocratic countries, it makes the assumption that the politics of those other places will be governed by just the same rules as they are in states that are democratic.²² Scholars tend to point, accordingly, to mechanisms that operate only in developed democracies—as, for instance, by normalizing the style of connections between interest groups and ruling elites in democratic regimes and then extrapolating their findings to regimes of quite different types.

One study, for instance, explained international economic policy transformations by hypothesizing that domestic groups affected by changes in relative prices will pressure their own governments to respond to such changes, with consequent policy repercussions.²³ That study credited the “policy preferences of actors with producing changes in domestic coalitions, policies and institutions.” And yet, for instance, there is no evidence that in China (one of the cases in that study) the policy changes of 1980 had anything to do with the preferences of affected groupings, as opposed to being purely the product of leaders' choices.²⁴

Thus, the focus on the advanced democracies inclines scholars to assume universality in the ability of well-placed social forces in democracies to influence their governments on their own behalf. But workers are not necessarily well placed; besides, we have here three cases in which all the states in the face of global change at least initially *ignored* the wishes of the workers, and in which powerful political executives took decisions without much if any social input at all. Indeed, what I am investigating is precisely how once favored social forces in fact *did* lose jobs or

21. Peter Gourevitch, “The Second Image Reversed: The International Sources of Domestic Politics,” *IO* 32, 4 (1978), 881–911.

22. A major exception is Candland and Sil, *Politics of Labor*, though here states of a different sort are clumped together for analysis: late-industrializing and post-socialist ones.

23. Helen V. Milner and Robert O. Keohane, “Internationalization and Domestic Politics: A Conclusion,” in *Internationalization and Domestic Politics*, ed. Keohane and Milner (Cambridge: Cambridge University Press, 1996), 243–258.

24. This claim appears in the introduction to *ibid.*, 6. But in *From Lathes to Looms* I detail the impotence at the time of the country's turn outward of the industrial sectors that had been dominant until then.

benefits or both, not how such societal segments were able to stymie attempts to undercut their positions. For that is not the story in my cases.

Another version of this sort of study credits the electoral power of interest groups that had been the beneficiaries of the relevant programs. That angle may work to some extent to elucidate the situation for France as a democracy, and it goes part of the way toward explaining what happened in late-1980s Mexico. In addition to the problem that only one of my three nations had meaningful elections in the 1980s, looking to past recipients and their previous power cannot place the three countries within one explanatory framework, which is my objective here, as I look for answers that cross regime type. Neither is such a logic useful when only one party holds a hegemonic position, such that elections become largely empty exercises, as in both China and Mexico in the 1980s and still in China today. Nor does it work when the parties capable of capturing elections are largely in agreement about the thrust of policy, as in France after 1983. Neither is the argument valid when losers—at least at the moment of decision—have negligible if any channels of access to the deciders.

Other theories assert that alterations in state strategy are a function of changing power relations among domestic political forces, such as those within a governing party, those between that party and its coalition partners, or those between opposing parties.²⁵ But here, too, is a finding that would apply only to countries where competition between political parties is the stuff of politics. This would not have been the case where one party was perpetually dominant (as in Mexico between 1929 and, effectively, the end of the 1990s) or where the ruling party is the sole party on the scene, as in China right up to the present. One more claim attributes the way international forces are domestically processed to the workings of domestic institutions, as these institutions (allegedly) reflect citizens' preferences and as they structure the access to policymaking open to particular groups.²⁶ Again, such a formulation is suited just to democratic systems, for governmental institutions do not reflect citizens' preferences, nor do they provide formal entrée to the top, in all forms of state.

One more line of inquiry, referenced briefly above, studies specifically the impact of global economic forces on governmental welfare spending. It asks whether these effects are benign or deleterious for affected domestic groups. The chief question is whether governments are forced by competition in world markets to cut social

25. W. Rand Smith, *The Left's Dirty Job: The Politics of Industrial Restructuring in France and Spain* (Pittsburgh: University of Pittsburgh Press, 1998).

26. Peter J. Katzenstein, "Conclusion: Domestic Structures and Strategies of Foreign Economic Policy," in *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States*, ed. Katzenstein (Madison: University of Wisconsin Press, 1978), 295–336, and *Small States in World Markets: Industrial Policy in Europe* (Ithaca: Cornell University Press, 1985); Milner and Keohane, "Internationalization," 4.

spending at home in an effort to enhance efficiency or whether, instead, such competition compels state leaders to compensate domestic parties and groups that suffer from the inequalities and insecurities engendered by international trade, in the hope of forestalling unrest.²⁷ The initial study casting the issues in these terms judges that left-wing parties, especially if supported by strong labor movements, are apt to champion social welfare spending in times of externally induced adversity while parties on the right are not.²⁸ But its authors themselves admit that their research was unable to account for the fact that some governments, including Mitterrand's in France, "initially pursue partisan policies but subsequently turn dramatically away from them."²⁹

The fact that what happened in France in the 1980s—and in Mexico and China after 1980, as well—cannot be addressed by the data in that work suggests that considering just the partisan color of the party in power (which one can do meaningfully only in democracies in any case, and not always even in them), and looking merely at domestic factors (whether they be domestic groups reacting to internationally driven changes, domestic governing coalitions and political parties, or domestic political institutions) is insufficient for seeking more general causal explanations for the heavy imprint of global economic power in recent decades on internal labor and welfare politics. Part of the problem, too, is that much of this form of research is quantitative and sometimes fails to explore the larger socio-economic contexts, the pathways, or the political mechanisms involved when globalization promotes a heightened or a lessened welfare effort. I home in on just these circumstances and pathways for the three countries I investigate.

A major difficulty in all these analytical approaches is that none of them can systematically address situations in which—in the absence of any specific domestic pressures (whether because there are no channels for the transmission of the pressures or because the channels are temporarily discounted)—governments, in reaction to what their leaders see as sudden and threatening global provocations, switch their basic policy stance in ways that injure workers. The bias toward studying only democracies, with their special burden of explicit and overt accountability,

27. Geoffrey Garrett, "Globalization and Government Spending around the World," *Studies in Comparative International Development* 35, 4 (2001), 3–29, and "Global Markets and National Politics: Collision Course or Virtuous Circle?" *IO* 52 (1998): 787–824.

28. The initial study was Garrett and Lange, "Political Responses." Other prominent ones making similar arguments are John D. Stephens, Evelyne Huber, and Leonard Ray, "The Welfare State in Hard Times," in *Continuity and Change in Contemporary Capitalism*, ed. Herbert Kitschelt, Peter Lange, Gary Marks, and John D. Stephens (New York: Cambridge University Press, 1998), 164–93, and Evelyne Huber and John D. Stephens, *Development and Crisis of the Welfare State: Parties and Policies in Global Markets* (Chicago: University of Chicago Press, 2001). An excellent summary of approaches is in Brian Burgoon, "Globalization and Welfare Compensation: Disentangling the Ties that Bind," *IO* 55, 3 (Summer 2001), 509–551.

29. Garrett and Lange, "Political Responses," 563.

also inhibits analysts' ability to explain abrupt reversals and major alterations in states' customary coalitional stances which violate the interests of past domestic alliance partners. That bent may also miss the dynamism that develops when states are simultaneously battered by global shocks, on one side, and by their own workforces (and their former commitments to them), on the other.

That states of varying regime types behave similarly under like economic conditions—not only in respect to economic policy, but also in terms of leaders' choices about political allies and their initial disregard for losers—should direct the researcher to answers that go beyond the nature of domestic political institutions and democratic procedures. A critical point is that a review of the internal political institutions of states by no means always provides for adequate or accurate readings or predictions of state policy or behavior. That is very much the case in this book, where domestic institutions are fundamentally noncomparable, where a democratic multiparty state is to be considered alongside a single-party socialist state and a one-party-dominant authoritarian state, and where the nature of specific domestic groups' connections with, access to, and potency in regard to central power structures needs further exploration.

In short, none of these analyses are of much help in making sense of the variable downturns in the context of globalization of formerly employed people who were once endowed with satisfactory welfare benefits when those beneficiaries lack the backing of strong labor movements, where interest groups and support bases can be, and have been, abandoned at will by centralized, powerful states bent on greater productivity and competitiveness in global markets (such as France, Mexico, and China after 1980), and yet where the state has succored workers in the past and where an elite portion of the working class has long been privileged.³⁰ Under some conditions some of those workers can recapture some clout later on. The book seeks to search for those conditions.

Moreover, in some cases where the state concentrates enough power centrally that it is nearly autonomous from opposing viewpoints, it is the executive and not the parties or the social groups that define and can alter the status of various social elements.³¹ In these cases, one can infer relative power resources only *ex post facto*

30. Robert Kaufman and Alex Segura-Ubiergo, "Globalization, Domestic Politics, and Social Spending in Latin America: A Time-Series Cross-Section Analysis, 1973–97," *World Politics* 53:553–87, suggest something related on 582.

31. Stephan Haggard and Robert R. Kaufman, "Introduction: Institutions and Economic Adjustment," in *The Politics of Economic Adjustment: International Constraints, Distributive Conflicts, and the State*, ed. Haggard and Kaufman (Princeton, N.J.: Princeton University Press, 1992), 8, emphasize the significance of "politicians' independence" in their ability to carry out adjustment. They do not note, however, that abandoned groups can still have some leverage. Jonah D. Levy, "France: Directing Adjustment?" in *Welfare and Work in the Open Economy: Diverse Responses to Common Challenges*, vol. 2, ed. Fritz W. Scharpf and Vivien A. Schmidt (Oxford: Oxford University Press, 2000), 326, points to the

by observing which groups have won or done not so badly in the end. But one cannot predict a future distribution of goods and benefits *ex ante* just by observing past state allocations—or even by simply ascertaining which groups seemed to be somehow in league with leaders in immediately prior periods.

Structure of the Study

The remainder of the book begins, in its first section, by pointing to *similarities* among the countries, first in terms of the political sociology of the recent past, in chapter 2. That second chapter sets out three broad similarities that the three countries to be treated here shared in generic terms in their state-labor relations over the years between the 1940s and 1980. Granted, these traits could describe a range of states. But it is rare to find so seemingly dissimilar states within this large set examined together in one study.

The *state-labor dyad*—which models the stance of labor as forged through enduring relationships—in each of them, my first major (or macro) independent variable, was characterized by three critical features. These were, first, *state protectionism* for both domestic firms and for the state-affiliated workers in them, an insulation tied to these states' import-substitution-oriented trading pattern; and second, *weakly organized labor unions* sheltered by, but also obligated to, the central government. A third feature particularly characterized these three nations, setting them apart from most others: a distant revolution waged at least in part on behalf of an underclass, plus a state constitution that enshrines the ideals of that revolution, resulting in specific state commitments and worker expectations. In line with that *revolutionary heritage*, each saw more recent rebellion that unnerved the leadership, rendering it notably risk-averse and therefore prone to accommodate workers. Significantly, however, the legacies of these revolutions were not the same, and this had implications later for the nature of the differing "state-labor dyads" (dyads that were connected by distinctive "terms of attachment") in the three. Those dyads lie at the core of the variable terms of attachment in the three states.

In chapters 3 and 4, *global forces* emerge as my second large (or macro) independent variable. These chapters use process tracing to uncover specific commonalities that were salient for these states around and just after 1980. Chapter 3 identifies like developmental patterns from the past, patterns connected to the three features in the labor-state dyad described in chapter 2. It then reviews particular commonalities among the political economies of the states that led up to the crises of the

"relative isolation of policymakers in France, given the fragmentation and inability to collaborate of the country's intermediary institutions.

1980s in these places. In brief, their prior Keynesian-style developmental modes culminated around 1980 in producing developmental cul-de-sacs and economic emergencies, *given the nature of the world economy at the time*. The chapter shows precisely how these states' respective domestic economic patterns caused predicaments as those patterns collided with conditions in the world economy in the late 1970s. The chapter also traces how leaders in each state ultimately handled those encounters by adopting comparable stances, especially by opting to join SEOs in the 1980s.

In chapter 4, SEOs enter the scene as a proxy for global forces, as key authorities in each of the three states steer their nation to enter one (or more) of them. Here I explain why the political elites in all three countries pursued membership in SEOs and, on obtaining it, subsequently ousted millions of workers from their jobs. I focus on the *rules of the SEOs* to underline the connections between turning outward and a concomitant loosening of an age-old commitment to labor in all three. Briefly, I argue, the rules of the supranational body each joined, and with which each country's top political elite agreed to comply (as its members assimilated the philosophy about growth and development that the rules embody), were either the immediate or at the very least the implicit spur for the shedding of labor in each of them. These rules had this effect not just because state officials strove to align their behavior with the rules once their states became members of the organizations. For Mexico and China, perhaps even more than after entry had been achieved, the rules possessed the power to coerce conformity during the period when these states were still struggling to qualify for entry.

After setting up these similarities in historical political sociology, in past developmental models that made for later susceptibility to global forces, and in the impact on the states of the SEOs they entered, I ask in the book's second section why the outcomes for both protest and welfare *differed* among the three places. I argue that the answer lay in the disparities among them in regard to the variable terms of attachment by which—or the dissimilar ways in which—unions were related both to the state and to their members in the three countries. This factor, in turn, I contend, can be traced back to diverse revolutionary legacies in the three. In chapters 5 and 6, I draw on the unions' resultant positions as the crucial variable that differentiated the state-labor dyad among these three countries, in order to account first for variant levels of protest and, second, given these states' high sensitivity to unrest, for welfare response in the three countries.

My simple answer is that unions had previously been *most ineffective* (in all ways) in China, as compared with those in France or Mexico. Thus, upon liberalization and economic reform, when unions became even more impotent there than ever, disgruntled workers were freed to engage in wildcat strikes without the involvement of the unions—without, that is, either enjoying the benefit (and sometimes the difficulty) of unions' coordination, as in France, or suffering the frustration

of union bosses' forestallment, as in Mexico. The comparative upshot was that Chinese workers were both poised and released to resist much more vociferously than were those in either France or Mexico. Accordingly, I argue, their relatively more anxious rulers reciprocated with more of a welfare payback in that country. Chapter 7, the concluding chapter, weighs the relative contributions of my two large sets of factors—global forces-cum-SEOs versus workers (and state commitments to workers)—to the choices each of these states' politicians took as the past century began to come to a close.

Thus, within a matter of just a few years the political elites of all three of these countries abruptly left the track their predecessors had followed, seemingly abandoning the masses of their laboring followers, once a key part of their support base, as they did so. As, in so acting, they each turned to embrace a much more distant set of allies—that is, new associates in new global leagues—while the old domestic coalitions that had shored up (or, in the case of France, helped to shore up) their prior political economies at home came apart, and the millions of workers who had kept those economies in motion for decades were left without support.

Those thereby deposited outside the fold economically became for a time politically and socially excluded (though neither always nor everywhere with the same intensity or severity). National inclusion at the global or suprastate level, consequently, was for these countries to substitute for individual inclusion within the polity at the mass level, as the site of the tribunal imagined to judge the state's legitimacy was upgraded: where once the state in France, Mexico, and China had earned its right to rule as *provider*, via broad inclusiveness at home,³² now these same states planned to gain that justification as *player*, by social closure at home and by incorporation abroad within an outside, august ensemble. But what was the upshot for labor politics?

Once France, Mexico, China entered—or prepared to enter—extranational economic organizations, these three countries were all constrained to shed their working-class supporters. Past economic policies and prior properties of states' ties with unions thereafter variably disposed workers to rally for their rights, regime type notwithstanding, my argument maintains. By looking simultaneously at the dynamics of global entry and labor loss, this book provides new insights into structurally comparable economic and political forces that, because of differing terms attaching unions to states and to workers, produced politically different outcomes in labor politics.

32. Vivienne Shue, "Legitimacy Crisis in China," in *State and Society in 21st-Century China: Crisis, Contention, and Legitimation*, ed. Peter Hays Gries and Stanley Rosen (New York: Routledge/Curzon, 2004), 24–49.

Part 1

SIMILARITIES