Ivar Jonsson

West-Nordic Countries in Crisis

Neo-structuralism, Collective Entrepreneurship and Microsocieties Facing Global Systems of Innovation

New Social Science Monographs

New Social Science Monographs
Institute of Organization and Industrial Sociology
Copenhagen Business School
23B Blaagardsgade
2200 Copenhagen N, Denmark
Tel: +45 3815 2815
FAX: +45 3815 2828

Acknowledgements

Many persons have commented on parts of this work and assisted me while I collected material: Michael Dunford at the School of European Studies, University of Sussex; Christopher Freeman at the Science Policy Research Unit, University of Sussex; Fannar Jonsson at the National Institute of Social and Economic Research, Iceland, Per Lyster at the Statistical Bureau of Greenland; Ole Marquardt at the University of Greenland; Jøgvan Mørkøre at the University of Faroe Islands, Svend Give Olesen at the University of Greenland, Bjarni Olsen at the Statistical Bureau of Faroe Islands, Robert Petersen at the University of Greenland and; Mikael Schwedler at the Statistical Bureau of Greenland. My greatest thanks to all these people. Particular thanks to Lilja Mósesdóttir at the University of Manchester Institute of Science and Technology for her constructive comments and support while I was writing this book.

The following funds have made this work possible: the Science Council of Iceland; NorFA; Højesteretssagfører C.L. Davids Legat for Slægt og Venner;
Den Ingwersenske Fond,

List of Tables

List of Figures.

Chapter I

Introduction

One frequently hears the concepts of modernization and development in discussions of the problems of poor countries. These labels are often used when international relations are discussed in the context of the relations between the poor countries of the South compared to the rich countries of the North. It is presumed that by becoming modern and developed the poor countries can be transformed into affluent societies. The concepts of modernization and development may be of some use as ideal types for taxanomical purposes when different societies are compared, say when one compares a poor African country with USA. However, as we will argue, these concepts are not very useful in many other cases of less extreme character. The West-Nordic societies, i.e. Faroe Islands, Greenland and Iceland, are examples of societies that can neither be considered purely modern nor developed, yet they are among the most affluent societies in the world in terms of income per capita. Indeed, they have become affluent without developing according to the prescribed paths of the theories of economics of development and they suffer from industrial stagnation despite their high level of affluence and being unusually open in terms of international trade. Their populations are very small. At the end of 1993 265064 persons lived in Iceland, while the inhabitants of the Faroe Islands and Greenland were 45347 and 55419 respectively. All of them are former colonies of Denmark. Iceland became an independent republic in 1944 while Denmark was occupied by German forces. Homerule government was established in the Faroe Islands in 1948 and in Greenland in 1979.

In this book, we will argue that a different set of variables from those of the theories of economics of development are needed to analyse problems of stagnation and growth in microsocieties such as the West-Nordic countries. Firstly, a theory of size related problems of accumulation is necessary to understand these problems. Secondly, problems of stagnation have to be analysed by means of a theory of balance of power of social and political forces which takes social factors into account. Thirdly, the socio-economic dynamics of technical change and innovation has to be observed as one of the fundamental explanatory factors of successful development. In short a sociological theory of technical change and size-related problems of development is needed. In this book we will attempt to develop such a theory and analyse the particular problems of development of 'microsocieties', i.e. societies with less than one million inhabitants.

The present structural and institutional crisis of the West-Nordic countries, facing the process of globalization is particularly challenging and calls for such theorization of problems

of development. Before we will do that, we should thematize problems of development and modernization and highlight some of the most influential schools of study in this field.

a) Modernization and development.

Facing the increase in number of former colonies becoming independent states in the aftermath of the Second World War, sociologists and development economists were preoccupied with developing theories of modernization. Drawing on M. Weber's attempts to explain the rise of capitalism (the epitome of modern society) in terms of the protestant ethic, theories of modernizaton emphasise the key role of belief systems in the development of societies from *traditional* societies to *modern* societies. Theories of modernization presume that traditional societies are run by inward-looking individuals who are not ready to innovate and are influenced by magic and religion. Unlike this, modern societies are run by outward-looking individuals, keen to try out new things, influenced by rational thought and practical experience (L. Sklair, 29). Theories of modernization have been criticized on the basis that the distinction between *tradition* and *modern* is to crude to be theoretically useful. They have also been criticized for ignoring that material interests may be behind at least some 'traditional' as well as 'modern' values. Furthermore, theories of modernization have been criticized for ignoring the role that class and other interests play in the promotion or inhibitation of development (ibid., 29) Neo-evolutionist theories are characterized by the same train of thought and make a distinction between traditional and modern societies, but descripe the process of modernization as being a process of social differentiation. It is presumed that in traditional societies political, educational and economic functions tend to be fulfilled by the same institution, while in modern societies these functions are realized in different institutions and organizations (ibid., 29-30).

The same train of thought is to be found in the theories of 'developmentalism'. Developmentalism originated as economic doctrine and centered around the issue of how 'underdeveloped' countries might 'develop'. The process of development in this sense was presumed to be patterned and often expressed as a process of stages of development. The most influential expression of such theories was Rostow's **Stages of Economic Growth.** These theories have their roots in what may be refered to as the liberal tradition in theories of development.

i. Liberal theories.

Briefly, we would claim that development theories of the post Second World War era fall into four main categories, i.e. liberal, structuralist, marxist and statist theories. The

liberal theories, having their roots in A. Smith's and D. Ricardo's works presume that under the conditions of free world trade and production specialization on country level, based on comparative advantage, world wide competition will not only equalize differences in national income, but in fact increase the output/income of the whole world (cf. the Heckser-Ohlin-Samuelson model. See E.A. Brett, 35). In the fervor of the upswing phase of the post war boom the dominant theories of development were Euro/USAcentric and optimistic: the underdeveloped countries were simply supposed to join the world market, invest heavily in maximum return branches (the Harrod-Domar-model) and repeat appriximately the 'take off' period or industrial revolution in the capitalist countries. Within 20-30 years underdeveloped countries were expected to have metamorphosed into a developed creature (cf. Rostow). In addition to the investment-world-market-take-off-policy Leibenstein and Nelson presumed in the 'critical growth-rate theory' that it had always to be secured that the growth-rate would be relatively higher than the average income growth rate. The theory presumed that if this income rate is high, the increase in the population will be relatively lower (a much criticized point). To keep the income rate high enough and the growth rate increasing, the liberal theorists advised the underdeveloped countries to be open to new ideas and better production technology and foreign investment in their countries (J.E. Torp, 16-17).

While capital-investment is the turning point for development according to the earlier mentioned theories, W.A. Lewis claimed in 1954 that social, technological and economic dualism characterized the underdeveloped countries. There is a hidden unemployment in the backward agricultural sectors of these countries which appears in that if personpower (as we prefer to call 'manpower') was reduced in this sector, it would not result in reduced output. The policy should therefore be to invest in the manufacturing sectors in the towns that can produce high rate of profits as only a little higher wages offered there would attract the surplus population in agriculture. This view was challenged a decade later by T. W. Schultz who claimed to have shown empirically that reduction in personpower in the agricultural sector of underdeveloped countries actually reduced its output and caused immense social problems (ibid., 20-21).

ii. Structuralist theories

Already in the fifties the so called structuralists in development theories (G. Myrdal, R. Prebisch and H.W. Singer) criticized the neo-classical belief in auto-equilibrating price-mechanisms Instead, they emphasized structural characteristics such as permanent unemployment and called for an alternative model. But, it was only during the 1970s that their contributions were widely accepted as the liberal theories and policies based on them seemed unrealistic as the gap between rich and poor nations increased ever more. According

to the structuralist theories the critical point in industrialization in the developing countries is their foreign trade policy. To overcome underdevelopment these countries must either build up their industries and produce themselves their capital and consumer goods which they have hitherto imported (import substitution) or increase export to get foreign currency for those capital goods they can not produce themselves (J.E. Torp, 22-3).

By the late 1970s and during the 1980s structuralists became more critical of the modernization model and tended to emphasize the interaction between internal and external factors, concentrating on historical specificity of different social structures and particular problem areas such as distribution of national income, rate of unemployment, choice of technology and multinational corporations (MNCs). Prebisch claimed that in the peripheral capitalist countries, accumulation had slowed down. The reasons were, according to him, on the one side, that national income was not sufficiently equally distributed so that a small minority of the population was able to imitate the luxurious consumption in the core capitalist countries and by that doing waste investment opportunities. On the other side the process of democratization, increase in the middle strata and slow economic growth created the bases for new trade unions that with their wage struggle lead to cost-push inflation or 'social inflation' (as higher wages gained by the unregulated middle strata leads to price raises in the capitalist side as they defend their profits) this leads to crises if productivity increases not enough. Choice of technology furthermore deepens the structural crisis. There is a difference in development of technology in the periphery compared to the core, according to Prebisch: In the periphery productivity increasing technology spreads relatively slower than technology that diversifies goods and services. In the core the opposite is the case. Again, the social dualism is the cause of a stalemate situation.

P. Singer, in his late 1970s writings, emphasized the international as well as the national dualism and the fundamental role that science and technology play in reproducing and transforming the dualism. According to him, R&D in the production sphere is concentrated in the rich countries (maximum 2% of world R&D takes place in the poor countries). Furthermore, the research in the poor countries is basically in the same fields as in the rich countries but does not deal with the special poor-countries problems. Finally, Singer claims that the education of researchers in/from these poor countries makes it difficult for them to get jobs in their field in their own countries and as a consequence, inducing them to move abroad (brain drain). The result is that technological packages are imported at high costs for the poor countries and this imported technology turns often out to be inadequate to solve problems specific to these countries. Although the industrial sector has expanded greatly in some of the underdeveloped countries and they produce the same products as the rich countries the problems of underdevelopment have not disappeared. According to Singer, the reason for this is, :

> "...the rich countries are the home of modern technology and the seats of the multinational corporations. It is because of this that the rich industrial countries will tend to be the chief gainers from any type of commercial relationship with the Third World - be it in the form of trade or investment. Over the long run the LDC, irrespective of the commodity it produces, will not share the gains fairly, except in the case of those groups or sectors which become integrated into the economy of the rich country". (Singer/Ansari 1977, quoted in M. Blomström and B. Hettne, 244).

Furthermore, over the long run the technology gap has widened so that today it is impossible to repeat the "Japanese miracle" in the Third World. Finally during the 1960s and 1970s, the power and expansion of MNCs increased severely and that makes all comparison of the "miracles" during the 1950s and the situation in the Third world absurd (ibid., 235-44).

The structuralist theories reflect increased emphasis on international division of labour and the role of MNCs. Another structuralist, D. Seers rejected perspectives that divide the world into three worlds. According to him, dependency is one of the dimensions of international division of labour. He developed an interesting classification of countries in terms of dependency (i.e. particularly interesting in terms of analysis of cases like the Faroe Islands, Greenland and Iceland). The criteria Seers uses is the nature of imports and key inputs such as oil, corn and technology. From these criteria he then derives the main categories of countries, i.e. 'least dependent' (e.g. USA, USSR, China); 'semi-dependent' countries (e.g. Japan, Nigeria, Argentina) and ; 'dependent' countries (e.g. Brasilia, Cuba and Portugal). This classification makes possible analysis of e.g. peripheral European countries in terms of dependency. In the case of the Faroe Islands, Greenland and Iceland all three key inputs are imported which makes them dependent country although rich.

Another interesting contribution from these "late-structuralists" comes from O. Sunkel. He makes basically four points: 1) During the 1970s the capitalist system changed from an international system into an transnational system, i.e. it has eliminated former socio-cultural systems and integrated socio-cultures into a tight whole. This process is carried out and symbolized by the MNCs; 2) This process has led to immense social structural changes that have resulted in disintegration of the economic sector as well as other sectors of the nations; 3) At the same time on the national level counter-forces appear that strive for national identity (cultural and political movements) and; 4) One of the consequence of the transnationalization process is that distinct communities develop on the national level. One of these communities is the transnational community, integrated on global level although its members live in different states. Communities that represent national and local interests do not have the preconditions for such a global integration (ibid., 245-6).

iii. Marxist theories.

Emphasis on international division of labour and MNCs is not peculiar to structuralist

theories as similar problematic has characterized Marxist development theories for a long time. Briefly, Marxist development theories fall into four categories, i.e. dependency theories, theories of unequal exchange, theories of articulation of modes of production and theories of uneven and combined development.

A.G. Frank and S. Amin have developed the 'dependence theory'. In his 'capital-satellite model' Frank (1967) describes the ways in which the surplus of production flows from farmers ('local satellites') in the underdeveloped countries through landlords ('regional satellites') to regional capitals ('national satellites'), and further through national capitals ('satellites') to central capital (i.e. core capitalist country). Frank claims that the polarization between the core and periphery, as well as between capitals and satellites within the developing countries, increases constantly. This polarization is especially strong between the national bourgeoisie in the peripheral countries and the other classes of the nation. As a result the political situation becomes ever more tense in these countries. In addition, Frank argues that underdevelopmental processes have been strongest in periods when relations with colonial powers have been strongest. As a consequence, the dynamic factor in his model is colonial relations rather than the class structure of the peripheral countries (J. E. Torp, 32-5).

While Frank describes the flow of resources from periphery to the core, S. Amin explains why this flow of resources takes place and explains its function in the accumulation process and the socio-economic development in the periphery and the core. According to Amin, the bourgeoisie in the core countries has created the export sector in the periphery to secure cheap goods and low costs of their own production. The cost reductions that the firms of the core secure themselves is based on the low wages in the periphery. The policies of the core countries aim at realizing these cost reductions irrespective of whether a dynamic multiplier relationship is established between the mass-consumer goods production sector capital goods sector or not. The result is growth without development; both national and foreign investment goes almost entirely into the export sector and not into the production of mass-consumer goods. Amin agrees with Frank that only socialism can realize development in underdeveloped countries, but he emphasizes that this transformation can only take place if many peripheral countries in the same region take part in the transformation and establish a large 'internal' market for their products. Transformation is impossible in isolated peripheral countries (ibid., 37-52).

In his theory of unequal exchange, A. Emmanuel attacks neo-classical free trade theories and shows how under the conditions of perfect competition - if technological conditions and productivity is constant, but wages are different - unequal exchange takes place between countries that sell each other the same kind of goods in different prices according to the wage differences. The result of such an exchange is transference of value between the countries in question. S. Amin has developed the theory of unequal exchange in more dynamic terms. Amin presumes that unequal exchange in the capitalist world system

takes place when the difference in wages in the core countries and peripheral countries is greater than the difference that can be presumed to be equal to the difference in productivity. With this definition Amin escapes the problem of analysing terms of value (comparing real wages, social services etc.). To explain the low level of wages Amin refers to social and political analysis and not to structural conditions of capital accumulation within the world market as theories of uneven and combined development do.

E. Laclau, one of the proponents of the 'theory of articulation of modes of production' criticized Frank for adhering an incorrect Marxist method. Unlike Marx who defines capitalism in terms of relations of production, Frank, he claims, defines capitalism in terms of exchange relations. In the spirit of Althusser's reading of Marx's **Capital** and the peculiar concept of structural causality, the articulation theory claims that Marxist analyses must concentrate on 'social formations' within which different modes of production articulate in particular ways (modes) and the way that capitalism penetrates into different modes of production. Although these studies may generate much empirical work, the problem of defining different kinds of modes of production and developing theory of their different modes of articulation in historical social formations seems immense. Marx did never develop a consistent model of different modes of production (cf. Marx's **Pre-capitalist Modes of Production**), as he was only dealing with the capitalist mode of production as it developed in England and capital as subject. Anyway, this approach of modes of articulation has the advantage compared with the dependency theory that it generates fruitful questions such as what are the relations between different modes of production in a concrete social formation (in the sense of conjunctural analysis). What are the concrete relations of production? What are the forms of exploitation within the framework of the class structure in particular social formation? What are the conditions for a particular mode of production to dominate others or even eliminate them? (M. Blomström and B. Hettne, 227-31).

Finally, the 'theories of uneven and combined development' analyse underdevelopment directly in terms of the valorization process, the inertia of centralization and internationalization of capital and unequal exchange as determined by structural necessity of the accumulation process of capital (i.e. as a result of uneven development caused by concentration and centralization of capital on international scale). These theories are characterized by high level of abstraction and they tend to concentrate on structural development so that contingency and country specific characteristics are underestimated in their analyses of the dynamics of development.

iv. Statist theories

In recent years the 'statist view' has gained some influence in development research following the economic success of SA-Asian economies such as Japan, S-Korea and Taiwan (S. Chan and C. Clark, 29-30 and White). In the statist view, the focus is on domestic conditions unlike the emphasis marxist theories put on external conditions. Statist theorists have more positive attitudes than marxists, particularly dependency theorists, towards the role of foreign investment, the multinational corporations (MNCs) and terms of external trade. The state, if it is autonomus enough and with the right kind of state-technocrats and 'state entrepreneurship', is able to play on the effects of these factors and direct investment into growth generating sectors according to the statist theories (Cotton; Davis and Ward; Huang). State policies are explained by 'institutionalist' factors such as the basic political structures of the countries in question and how they react to internal pressures and external factors. There are very different approaches within this general framework of the statist view. at one end the state is viewed valuable if it is able to impose order and stability to facilitate capitalist markets (Huntington, von Mises). At the other end, it is argued that only a socialist state which destroyes capitalist relations and imposes a command economy can overcome the structural contradictions of dependency (Chase-Dunn). Between these opposing views are very different approaches that emphasise the role of the state in generating growth through Keynesian economic management and countercyclical policies, provision of socioeconomic infrastructures, regulation of MNCs, support of private entrepreneurs and promoting social equity (S. Chan and C. Clark, 30).

b) A critique of economic theories of development.

A common characteristic of the liberal, structuralist and marxist development theories is a methodological dualism: They presume polar cases of underdeveloped countries vs. developed countries, periphery vs. core, poor vs. rich and pre-capitalist vs. capitalist. They are as well characterized by high level of abstraction as there object is the general laws or mechanisms that determine the economic relationship between the polar cases of their models. But, these theories are inadequate in explaining the particular problems of small states and particularly economic problems of microsocieties, i.e. problems that are due to: difficulties in exploiting economies of scale; problems related to remoteness from markets; strong unavoidable monopoly tendencies in local markets due to smallness; economic instability due to extreme fluctuations; political instability due to economic instability and; problems of long term policy formation due to economic and political instability and absolute smallness of administration and the state. Furthermore, although one will find the problems of core-periphery and uneven development in countries like the Faroe Islands, Greenland and

Iceland, these cases do not fit well into the dualist problematic of development theories: These microeconomies are very rich although they are at the same time characterized by low-tech exports, great dependency in terms of imports (cf. D. Seer's categorization), as well as underdeveloped and stagnant manufacturing sectors. But, unlike many so called underdeveloped countries, the Faroe Islands, Greenland and Iceland have the formal structures of 'western democratic' political systems which are presumed by modernization theorists and developmentalists to be among the fundamental features of modernized societies (although these 'democratic' structures are shaky) in the West-Nordic countries. In short, microeconomies like the Faroe Islands, Greenland and Iceland do not fit well into the dualist problematic of development theories.

Furthermore, in terms of economic growth the cases of the West-Nordic countries do not fit well into the above mentioned theories of development. Firstly, as for the liberal tradition and modernization theories, we would argue that the precondition for economic growth can neither be reduced to 'modern' democratic structures nor to laws of the market as the fundamental driving forces. As we will argue later in this book, political and administrative structures are different from the ideal types of modernization theories and the state rather than market laws has played the role of setting the guiding lines for economic development and economic growth. Secondly, unlike what dependency theorists presume, economic growth has fundamentally been based on investment in export sectors and the economies of the Faroe Islands, Greenland and Iceland are unusally open economies in terms of international trrade. Thirdly, unlike statist theories, the cases of the Faroe Islands and Iceland indicate that, although economic growth has been secured by the guiding role of the state, the role of the state can not be explained by the qualities of state-technocrats or by its independence or autonomy towards socio-economic interests, as the state in these economies is very weak. Fourthly, unlike what the above mentioned theories presume, the case of the West-Nordic countries indicates that their economic stagnation is to be explained by the economic structural determinants of microsocieties, balance of power of social forces and nepotism, rather than lack of strong state or international trade relations. Indeed, the structural charactristics of microsocieties determine these variables.

As a consequence, it appears that an alternative theoretical framework is needed that fits better both the specificity of microeconomies and concrete conjunctural analysis. As concerns the economic side, we will in the following chapter develop a theory of neo-structuralism which is general enough to deal with technical change and economic specificities of microeconomies as well as the problems of development theories. In order to analyse the role of the state and its social and political determinants we will develop a theory of hegemonic politics and accumulations strategies to be able to analyse the conjunctural dynamics of the interrelations between social, political and economic factors.

c) The structure of the book

In chapters 2, 3 and 4 we will define some of the fundamental concepts of this book, namely, the concept of regime of accumulation, the concept of hegemonic politics, the concept of neo-structuralism, and the concepts of microsociety and microeconomy. Chapter 2 concentrates on phases in the history of capitalism and we will highlight the generation, growth and crisis of the Fordist regime of capital accumulation in the core capitalist countries. The precondition of Fordism was the harmonization of mass production and mass consumption which was both social and political. This took place through the institutional development of the Fordist regime of accumulation as analyzed by regulationist theories. However, Fordism developed differently in different countries. We claim that the material basis of accumulation in microsocieties is different from that of large economies as the development of the techno-economic paradigm of Fordism is hindered by size related problems of accumulation in microsocieties. These size related problems appear as well in great economic fluctuations that generate great political instability and hence affect the development and forms of the mode of regulation.

In chapter 3, a theory of the capitalist state and a model of hegemonic politics based on a relational theory of politics is presented. The chapter starts with a comparison of mainstream theories and Marxist theories of the capitalist state. We develop a theory of hegemonic politics which attempts to supersede the unrealistic abstractions of mainstream political science and the reductionism of Marxist theories. This theory is also supposed to bridge the gap in the neo-Schumpeterian and regulationist theories that lack a consistent theory of the role of politics and the capitalist state in the transitional period from one techno-economic paradigm to another, regimes of accumulation and modes of regulation. Our theory of hegemonic politics covers also the operational core of our model of conjunctural uneven development that describes the main moments of the strategic situation of economic and political actors who work on accumulation strategies.

In chapter 4 the focus is on technical change and neo-structuralism and we distinguish the particular problems of small countries as opposed to large countries and define the concepts of microsociety and microeconomy. Furthermore, we highlight the economic instability of very open microeconomies such as the West-Nordic countries and the weaknesses of the state and administration in microsocieties in terms of developing and realizing long term developmental strategies.

We argue that small economies and microeconomies share some fundamental charactristics such as high level of openness of the economy in terms of export and import, small domestic market and limits to economies of scale. But, microeconomies such as the very small fishing economies of the Faroe-Islands, Greenland and Iceland have some particularities of their own as islands. We define these island characteristics as “handicaps”

and "constraints" for capital accumulation.

Furthermore, some institutional characteristics are more typical for microeconomies and islands compared with larger economies and states. The principle of Western hierarchical organization of administration with specialized, full-time job structure, 'the Westminster model', does not fit into the context of islands with tiny populations. The application of such organizational structures is limited by the absolute number of public employees, the limited and discontinuous demand for specialists by the public administration and lack of neutrality of the public administration due to personal relations between public employees and the individuals in society. These institutional conditions make traditional theories of modernization based on formal rationality as principle of organization invalid in the context of microeconomies.

The main topic of chapter 5 is a summary of the theoretical discussion in chapters 2-4 and it provides an analysis of the West-Nordic regimes of accumulation in terms of economic, social and political structures. These regimes of accumulation are compared to an 'ideal typical' model of Fordism. Finally, a model of the dynamics of the formation of modes of regulation in microeconomies is sketched.

In chapter 6, we analyse the main features of accumulation strategies and hegemonic projects in the West-Nordic countries since the Second World War and observe them with reference to shifts in the different power blocs that pursue different national-popular strategies and accumulation strategies.

In the final chapter 7, we summarize the main conclusions of this book and discuss the present structural and institutional crisis of the West-Nordic countries as they face the process of globalization.

Chapter 2

The concept of regimes of accumulation and phases of capitalist development

The history of capitalism is characterized by long waves of capital accumulation, i.e. by the so called Kondratievs. The Kondratievs create the material base of different phases of the history of capitalism. The concrete institutional forms of these phases that have developed in different countries have depended on structural and conjunctural conditions in each country. As a consequence, concrete societal development in each country has to be analysed in terms of these external and internal material conditions.

a) Regimes of accumulation and modes of regulation

The Kondratievs or long waves refer to long term fluctuations in economic activity and its forms of appearance, i.e. waves with troughs with approximately 50 years intervals. These waves refer to different categories, such as e.g. fluctuations in prices, interest rates, economic growth, investment, rates of profit, unemployment, innovations etc., depending on the different students of long waves and their theoretical background (Duijn 1983; Freeman, Clark and Soete 1982: 24).

Duijn has summarized long waves or Kondratievs in production in terms of internal periodization based on periods of prosperity, recession, depression and recovery as shown in table 2.1. The table is based on figures that refer to the core capitalist countries, i.e. Britain, Germany, France and the USA (the 1st Kondratiev is hypothetical as there is no reliable data existing for that long wave except for Britain but it does not provide any support for the existence of the first long wave. Duijn 1983: 141).

Table 2.1.
A Long Wave Chronology

1st Kondratiev	2nd Kondratiev	3rd Kondratiev	4th Kondratiev
Prosperity 1782-92	Prosperity 1845-56	Prosperity 1892-1903	Prosperity 1948-57
Prosperity 1792-1802 (war 1802-15)	Prosperity 1856-66	Prosperity 1903-13 (war 1913-20)	Prosperity 1957-66
Recession 1815-25	Recession 1866-72	Recession 1920-29	Recession 1966-73
Depression 1825-36	Depression 1872-83	Depression 1929-37	Depression 1973-
Recovery 1836-1845	Recovery 1883-92	Recovery 1937-48	

Source: Duijn 1983: 143.

Many long wave theorists presume that the late 1980s and the 1990s will mark the beginning of the 5th Kondratiev based on the techno-economic paradigm of micro-electronics, just-in-time organization of the labour process and global 'systemofacture' (Hoffman and Kaplinsky 1988). Freeman and Perez (1988) have explained the dynamics of the long wave development in terms of innovation activity leading to technical change in the economy and qualitative difference of types of innovations, i.e. incremental innovations, radical innovations, changes of technology systems and changes in "Techno-Economic Paradigms". The last mentioned type of innovations is the most important in terms of long waves as a change of this kind carries with it many clusters of radical and incremental innovations, and may eventually embody a number of new technology systems. A vital characteristic of this fourth type of technical change is that it has pervasive effects throughout the economy. It not only leads to the emergence of a new range of products, services, systems and industries in its own right, it also effects directly or indirectly almost every branch of the economy. The changes involved go beyond engineering trajectories for specific product or process technologies and effect the input cost structure and conditions of production and distribution throughout the system. Once established as the dominant influence on engineers, designers and managers (it) becomes a 'technological regime' for several decades (Freeman and Perez 1988).

Such changes in techno-economic paradigms lead to new long waves or Kondratievs according to the theory. However, as we would argue, Kondratievs do not only mark different periods of capital accumulation in the narrow technological and economic sense of waves of economic growth, profitability, unemployment etc.: The Kondratievs mark shifting regimes of accumulation, techno-economic paradigms and national and international accumulation strategies. Following regulation theories[1] we would define a regime of accumulation as a systematic and long-term allocation of the product of economic activity in such a way as to ensure a certain adequation between transformations of conditions of production and transformations of conditions of consumption (Lipietz 1987: 32). A regime of accumulation in this sense refers to a schema or a socio-economic paradigm[2] of reproduction which describes how social labour is allocated over a period of time and how products are distributed between different departments of production over the same time, whether it is Department 1 (production of means of production), or Department 2 (production of articles of consumption), or the export department (ibid.: 32).

Many types of regimes of accumulation have existed in the history of capitalism. A

[1] See Dunford (1990) for analysis of the development of regulation theory.

[2] The concept of paradigm was first developed by T.S. Kuhn with reference to 'scientific paradigms' in the history of science. These are schemas based on theoretical and physical knowledge or experience that direct the development of scientific research over long periods of 'normal science'. With reference to the concept of normal science one could talk of 'normal policy' in the development of social formations. In terms of the post 1945 era we could call Fordist policies that fostered mass production and mass consumption the 'normal politics' of that era.

regime may be primarily extensive or primarily intensive, depending on whether accumulation is in the form of expanding scale of production or increasing productivity with intensification of labour or technology. Briefly, the regime of accumulation which prevailed in the most advanced capitalist countries between the first industrial revolution and the First World War was primarily extensive, and centred upon the extended reproduction of means of production. Since the Second World War, in contrast, the dominant regime has been intensive and centred upon the growth of mass consumption (ibid.: 33).

Different regimes of accumulation, whether extensive or intensive, are characterized by different modes of regulation as they are determined by historical specificity of individual countries and social formations. These modes of regulation realize the regimes of accumulation and reproduce them over time. A mode of regulation refers to the institutional forms, procedures and habits which coerce or persuade private agents to confirm to the schemas of the regime in question (ibid.: 33).

The history of capitalism of the most advanced capitalist countries can briefly be said to be characterized by two modes of regulation. The extensive regime of accumulation was characterized by the domination of competitive mode of regulation while the regime of intensive regulation was/is dominated by monopolistic mode of regulation. The former was characterized by *a posteriori* adjustment of the output of the various branches of industry to price movements, and by price movements that were highly responsive to changes in demand. Wages were adjusted to price movements so that direct real wages were either stable or rose slowly. The latter was/is characterized by the *a priori* incorporation of productivity rises and the corresponding rise in popular consumption into the determination of wages and nominal profits (ibid.: 33-34). This regime of intensive accumulation and monopolistic regulation has been termed Fordism which characterized particularly the advanced capitalist countries or the *Center* OECD countries.

b) Fordism and its crisis

Fordism which was the dominant regime of accumulation in the advanced capitalist countries after the Second World War, was characterized by the dominance of mass production on the supply side and mass consumption on the demand side. Fordist mass production was/is based on taylorism as concerns the development of technology and organization of production. Taylorized production processes are characterized by mechanization in which machines dictate working methods in automatic systems linked together by assembly lines. These processes of production are further characterized by deskilling of workers whose work becomes increasingly specialized. They are also distinguished by clear division between on the one side, the work of technical specialists and

management, and on the other side, the workers at the assembly lines. Furthermore, they are characterized by hierarchies of power and income, time-studies and monitoring systems and piece wages (see e.g. Watson 1987 on the concept of Taylorism and 'scientific management'). The diffusion of taylorized production processes and mass production during the first decades of this century, increased labour productivity and per-capita volume of fixed capital in the advanced capitalist countries. This rise in productivity led to the over-production crisis of the 1930s and it took mankind fifteen years and gigantic conflict between nations, classes and political projects to solve this crisis. By discovering a new mode of regulation a solution to the problem was found that allowed Fordism to develop fully, i.e. the continual adjustment of mass consumption to rises in productivity by means of monopolist mode of regulation instead of the competitive mode before (Lipietz 1987: 35-36). This required a new system of wage-formation and manipulation of aggregate demand through Keynesian policies and social transfers via the welfare state of households, in one word new forms of state interventionsim. The essence of Fordism is the attuning of mass production and mass consumption through Keynesian anti-cyclical policies and the class collaboratist (and in North-Europe neo-corporatist) regulation of the formation of wages and incomes of the households through social transfers etc..[3] This requires transformation of the relations between the state and social forces and a particular institutional structure of regulation.

Roughly the history of capitalist industrialization has led to increasing capitalization of the "non-economic" spheres of western societies, as social, cultural, and political life has increasingly become part of the preconditions of the reproduction of capital accumulation. In this process the role and sphere of the state has expanded continuously as mediator of the dialectical development of the different spheres of society and contradictions between national and international capital accumulation, as capital accumulation is increasingly more difficult to regulate through the "pure" market laws and competition between individual capitals. This paradox has increasingly culminated in the 'legitimation crisis' of the capitalist system, i.e. as the deepening contradiction between the private ownership of capital and increasing socialization of the process of capital accumulation (cf. Habermas 1976; Hirsch and Roth 1986).

Fordism has developed as a particular period within this overall historical process and has shaped the social and political forms of the materialization of this process. On the social side the impact of Fordism, through taylorist technology and mass consumption, has, roughly speaking, been intensification of the individualization and atomization effects of the process of capitalization of social relations. This process has led to increased commercial (or exchange-value) forms of social relations, segmentation of working class and 'statization' social relations.

[3] See e.g. J. Eatwell and R. Boyer in H.L. Wattel (1985) and J. Lehmbruch and P.C. Schmitter (1982) and P.C. Schmitter and J. Lehmbruch (1979).

Capitalization has, in terms of the development of social relations, led to the 'reification' (cf. Lukacs 1971: 83) of the world view not only in the sense that it is particularized and a-historical, but also that market or exchange relations are fetishized as the 'subject' of history and have in dominant bourgeois ideology the same role as 'god' had in feudal society. This follows from the breaking up of the pre-capitalist, 'Gemeinschaft', relations as industrialization and 'modernization' leads to concentration of labour in the industrial towns and wage-labour increasingly becomes the basis of the reproduction of labour. The preconditions of the development of the Fordist era in the history of capitalism are - besides the techno-economic base and the diffusion of taylorist technology and the 'new' fast growing industries of this century - to be deduced from the development of the socio-political base of contemporary capitalist countries, i.e. a) the social base of the structure of classes and stratification, b) the development of the political base and interest representation in Fordism.

Indeed, the precondition for the harmonization of Fordist mass production and mass consumption was both social and political. The diffusion of the isolated nuclear family followed the industrialization and urbanization of Western economies during the 19th and early 20th century. It laid the foundations for the individualistic consumerism of mass consumption. Individualistic consumerism of the nuclear family with standardized, functionally organized flats and rooms of self-presentation, undermined the proletarian culture that the proletarian milieu of industrial cities had generated. The proletarian culture gave way to the house-owners' culture as increasingly larger portion of the population owned their own flats alongside the private car that became the center piece of the Fordist model of mass consumption. Finally the diffusion of the Fordist individualist 'subjectivity' was generated by the spread of consumerism (see Hirsch and Roth, 1986, 54-62 and Jonsson 1989a: 255-8).

Moreover, concentration of capital and large plants (see Freeman, Clark and Soete 1982: 137; Armstrong, Glyn and Harrison 1984: 217; Jonsson 1989a: 258) led to the concentration of labour which generated the material base for the centralized organization of the labour movement. The weakening of the communist fraction of the labour movement and communist parties during the period of fascist dictatorship during the 1930s as well as 1940s and the war economy of the allied countries strengthened the power position of the social-democratic movement after the war. Taylorist assembly-line technology was introduced in European industry during the era of fascism and war economy after great resistance from the labour movement in Europe in the previous period (Jonsson 1980). The strong power position of social-democratic parties after the Second World War, the time for the centralized and monopolistic mode of regulation of Fordism had come. This mode of regulation culminated in the neo-corporatist interest mediation of North-Europe (Panitch 1979 and 1981; Boyer 1985; Katzenstein 1986; Lash and Urry 1987; Hirsch and Roth 1986: 70; Jonsson 1984 and

1989a: 259-60).

By the late 1960s and 1970s, the Fordist regime of accumulation entered its phase of crisis. The crisis was economic, social and political (Mazier 1985). On the supply side, increased organic composition of capital realized the tendencial 'law' of profits to fall as maturation of markets increased and profits competed away. It became increasingly less profitable to invest in first product innovations and then process innovations of production (Rothwell and Zegveld 1981: 28-9). Capital responded partly by increasing international division of labour resulting in increased outward foreign direct investment of the industrialized countries (Stopford and Dunning 1983: 11-12), increased intra-industry trade (Rothwell and Zegveld 1981; Teague 1986: 64; OECD 1987a: 272-3) and peripheral-Fordism (Lipietz 1987: 78-9). However, recent sectoral and firm level evidence suggests that investment strategy of MNCs has changed to near market investment in the advanced capitalist countries based on systemofacture (Hoffman and Kaplinsky 1988). On the demand side the process of increasing internationalization of the capitalist economies undermined the Fordist mode of regulation as the influence of macro-economic policy measures in each national economy diminshed culminating in increased balance of payment problems (Armstrong, Glyn and Harrison 1984: 338; Jonsson 1989a: 274-5). These problems increased in trade deficit countries with the diffusion of monetarist deflationary policies that further strengthened the trend of underconsumption (Mazier 1985).

The crisis of Fordism was as well social by nature. The decline of class based culture of the working class, the 'proletarian culture' that gave ground as the level of affluence increased and with it social mobility and the isolated petit-bourgeois nuclear family and the 'house owners culture' became predominant. As a consequence the cultural bases of the reproduction of class based values and ideologies crumbled as did support for socialist and social democratic parties (Jonsson 1989a: 286). The growth of the new middle classes and the individualist consumerism of Fordism undermined the class identity and social-democratic consciousness that had fostered the welfare state (Hirsch and Roth 1986: 59-62; Jonsson, 1989a: 257-8). Furthermore, the growth of the service sector undermined the strong power position of the labour movements and among them the hegemonic position of unions in the manufacturing sector (Lash and Urry 1987: 232-84). Finally, alongside this cultural and sectoral development increasing intensification of labour in taylorist plants of the main Fordist sectors, led to increasing opposition among workers both in collective forms and individual forms as sabotages of the products and increasing absenteeism and hence increasing production costs and endangered markets due to lack of quality of products (Gorz 1978; Jonsson 1980). Hence the social development of production and consumption undermined in the long run the support for the Fordist regime of accumulation.

The political system of Fordism faced its crisis as well. The monopolist mode of regulation was undermined by several factors: 1) The economic crisis of the 1970s led to

increasing conflicts between the leadership and the rank and file members of the labour movement and the social-democratic parties. These conflicts culminated in the wild-cat strikes of the early 1970s (Mendner 1975; Jonsson 1980). The peak level power position of the trade unions was further undermined by increased unemployment and hence diminishing membership of the trade unions (Lash and Urry 1987: 106-7; Jonsson 1989a: 265). 2) Declining left wing voting and increasing volatility of the party system in the advanced capitalist countries during the 1970s and 1980s followed the long term development of the sectoral class basis of the voters and relative decline of manual workers (Lash and Urry 1987: 212). This trend of the development of the voting pattern was strengthened by higher levels of affluence and social mobility which tended to reduce class identity or class consciousness. Finally, the crisis of Keynesian policies and social-democratic practice in the 1970s and increasing 'neo-classication' of government policies, the severe conflicts between the rank-and-file of the labour movements and the social democratic parties led to spreading feeling of hopelessness and decline of socialist and social-democratic values and hence growth of neo-liberal and fascist and racist ideologies (Jonsson 1986). 3) The crisis of Keynesian policies and growing lack of confidence in governments' ability to deal with the economic and social crisis (Jonsson 1986) led to increasing electoral volatility that further undermined the material base and rationality of centralized policy formation in the capitalist countries as government policies became less predictable. 4) The decline of socialist and social-democratic values - resulting from the decline of class based 'proletarian' culture and rise of bourgeois house-owning, isolating, individualist culture of consumerism that the collectively (i.e. both by Keynesian governments and supported by the trade unions) produced aggregate optimum demand and heavy advertising generated - undermined in the long run the Fordist system of political regulation both in the sense that it undermined the class based political identity of left voting and support for the trade unions and in the sense that alternative movements to the politically narrow minded growth policies of the unions and the parties grew out of the social and environmental crisis of Fordism. New alternative values of the new social movements that threatened the ruling system of interest representation with new issue movements, new political parties and new forms of representation demanding political de-centralization, realization of ecological aims and demolishing of patriarchal and authoritarian forms in political and everyday life (Jonsson 1989a: 268-9). 5) Finally, the changing sectoral base of the working force and classes undermined the 'old' hegemony of the export and Fordist sectors within the working class as a whole, with the growth of the service sector and the public sector. This development undermined the initiative role that the hegemonic groups within the working class had and weakened the power position of labour in general, but the growing militancy of public sector workers in recent years points at new hegemonic relations within the working class, changing base of political initiative and hegemonic politics in the future. The strength of these groups depends on the growth and size of the public sectors and

welfare state in each country and the organization strength of labour and as consequence the process of 'post Fordist' restructuring of capital accumulation will be mediated differently according to the specific features of hegemonic politics in each country (see Jonsson 1989a: 289-329 concerning Japan, Sweden and UK in this respect).

c) The shortcomings of economic theories concerning long term capitalist development

The crisis of Fordism and stagflation in the 1960s and 1970s generated the crisis of Keynesianism and neo-corparatist modes of regulation. As Keynesian policies turned out to be largely ineffective during the 1970s it appeared that its theoretical base was inadequate. The reason is that long term capitalist development can only be explained by taking into account the interaction between social, political and economic factors. These are factors that Keynes and his followers have carefully kept out of their theories and policies (Jonsson 1991a).

With his **General Theory** Keynes (1983) criticized neoclassical theory, or 'classical theory' as he preferred to call it (Garegnani 1983: 24-8) for its lack of realism. The neoclassical equilibrium theory of employment, interest and money does only explain a particular case of equilibrium in which optimal output of the economy is realized through perfect market clearing. The theory is based on a notion of 'stationary equilibrium' which presumes that price formation is determined by demand and supply and relative prices are constantly reproduced, given pure market clearing and no external disturbing force (Jonsson 1991a). Such a situation rarely exists and Keynes developed an alternative concept of equilibrium, i.e. the concept of 'shifting equlilibrium' according to which expectations and changing views of the future lead to different levels of equilibrium, not necessarily the optimal one (Keynes 1983: 293). Keynes attempted to incorporate extra-economic factors into his general theory, but unfortunately his pragmatic approach led him to reduce his problematic to short term problems of economic policies (Jonsson 1991a). Fundamentally, his theory is inadequate in terms of lack of analysis of the 'given factors' as he called it that determine the short term expectations of investors and hence 'shifting equilibrium' and the 'schedule of marginal efficiency of capital'. Indeed, the lack of analysis of long term effects of social and technological factors on short term expectations renders Keynes' theories not as general as he claims. They are only valid in periods when the social, political and technological grounds have been laid for the following long term economic upswing (for detailed analysis see Jonsson 1991a).

Futhermore, Keynes' general theory is both partial and inadequate. It is partial as he concentrates only on the neo-classical theory of wages and employment and the orthodox theory of interests. It is inadequate as the theory of interests is not fully developed and deals only with determinants of short term interests. The reason for this is that the problem of

technical change is never problematized. Keynes is content with the marginalist view of technology which presumes the malleability of factors of production. We would argue that a theory of expectations, shifting equilibrium and interests has to take into account the historical and technological determinants of long term interest rates and their effects on the schedule of marginal efficiency of capital. These determinants can only be explained by long term technological and socio-political factors (see the following chapter 4 and Jonsson 1991a for analysis of a model of 'structural competitiveness' that synthesizes the long term and short term factors that determine the strategic situation of investors as well as output of economies in the long run).

The institutionalist theories of neo-Schumpeterians (Freeman 1987; Perez 1983; Freeman and Perez 1986) and regulationists (Aglietta 1979; Boyer 1986; Lipietz 1987) deal with technological and social determination of long waves and regimes of capital accumulation. Although these schools are similar in that they have both developed similar theories of regimes of accumulation and the role of techno-economic paradigms in the long term development of capitalism, it is particularly as concerns their ideas of the dynamics of the lower turning point that distinguish these theories. The former tends to adhere to the technological determinism and political funcionalism as concerns the obscure notion of a 'dynamic complementarity´ between the technological base and social relations (Perez 1983: 360) while the latter emphasizes social relations and class struggle in explaining the dynamics of the lower turning point of long waves.

While the neo-Schumpeterians have been preoccupied with developed advanced theories of diffusion of technology via 'national systems of innovation' and its impact on economic performance of different countries (Freeman 1987; Dosi, Freeman, Nelson, Siverberg and Soete 1988), the regulationists have attempted to analyse the relationship between, on the one hand, economic structures and paradigms (or regimes of accumulation) and, on the other hand, social and political determinants with the concepts of hegemony and modes of regulation (Dunford 1990: 306-8). However, the regulationist theories tend to fall into formalism in their political analyses. Moreover, due to their preoccupation with formalist analyses of structures they are inadequate as means to analyse active, strategic, conjunctural political struggle concerning generation, reproduction and transformation of modes of regulation in terms of accumulation strategies and hegemonic projects of power blocs.

Besides the shortcomings of the neo-Schumpeterian and regulation theories as concerns political determination of long waves and capital accumulation, scholars of these traditions tend to develop formalist theories on to high level of abstraction so that they have little explanatory power in terms of concrete analyses of economies and societies in which the real abstract market rationality does rarely work due to size related problems of such societies, particularly in terms of high levels of 'natural' monopoly and small home markets. This is especially the case concerning analyses of microsocieties. State or collective

interventionism in capital accumulation is therefore much more important in microsocieties than large economies in order to secure high levels of output of the economies and efficient world market adjustment.

The shortcomings of the neo-Schumpeterian and regulationist theories require that their problematic must be developed further in terms of conjunctural political analysis and size related problems of economies. As the regulation school has developed a theoretical framework that supersedes the theories of the neo-Schumpeterians in this field, the point of departure of our discussion in the following section will be the regulation school.

d) Extending the regulationist problematic.

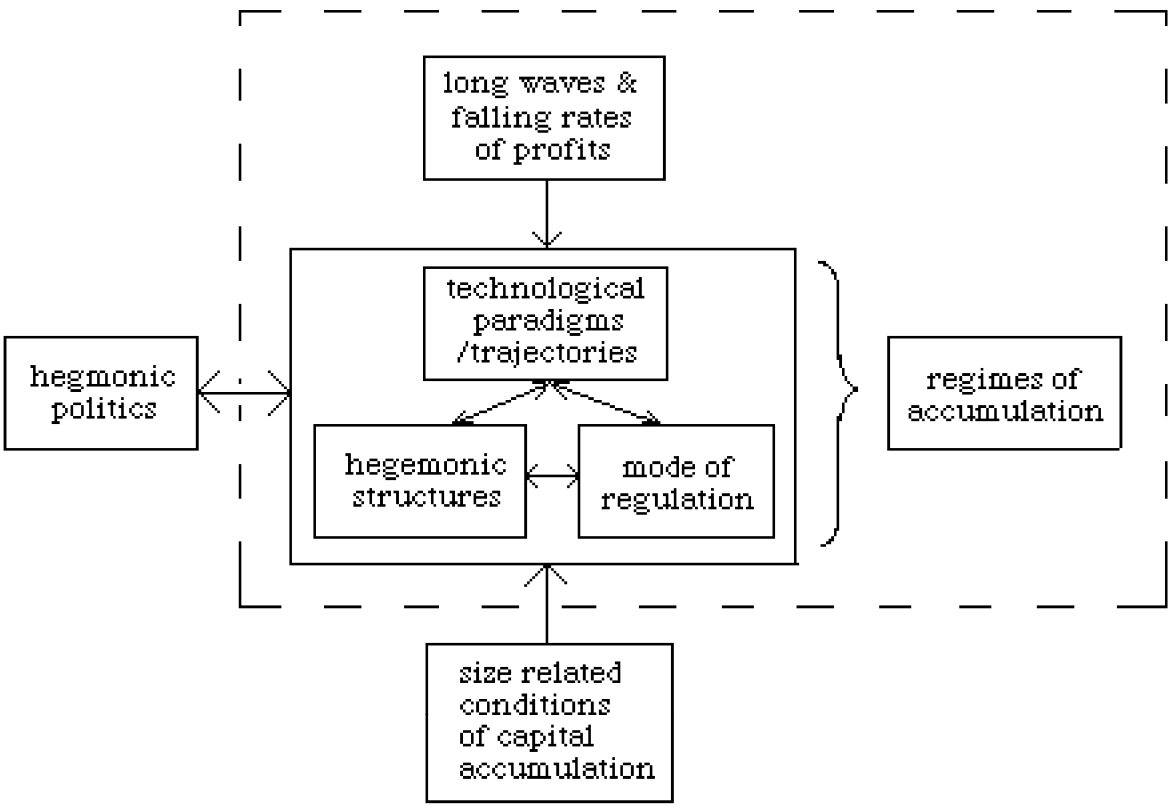
The fundamental theoretical point of departure of the regulation school is that, unlike how neoclassical theory would have it, equilibrium is established in capitalist economies only by means of social and institutional relations (Dunford 1990: 300). The regulation school has developed theories of the institutional determination of capital accumulation in four main fields, i.e. that of industrial trajectories or paradigms, hegemonic structures, modes of regulation and regimes of accumulation (ibid.: 304). Industrial paradigms or trajectories refer to different types of organization of work, skills and capabilities of workers and machines as well as different types of materials, sequences of products and succession of leading sectors. Taylorism and Fordism with its diffusion of mass production is an example of such a technological paradigm as we discussed above. Hegemonic structures refer on the national level to relations of dominance in which social groups, classes and fractions of classes secure their interests over against other groups. On the international level they refer to relations of dominance between countries. The concept of hegemony refers as well to the capacity of one model of societal development over others in terms of being ideal such as for an example the 'American model' in the 1950's and 1960's (Lipietz 1984: 17). The concept of a mode of regulation refers to social institutions and structural forms in/through which antagonist social interests and conflicts are regulated. A mode of regulation constitutes the strategic context in which different social forces realize the underlying social contradictions which are mediated, normalized and transformed in/through the mode of regulation (Benko and Dunford: 8). In the case of capitalism four fundamental social relations are identified as the object of modes of regulation, i.e. 1) mechanisms of regulation of the wage relation 2) the monetary system and monetary mechanisms 3) modes of competition within the capitalist sector, and between it and other noncapitalist spheres and 4) the character and role of the state (Dunford 1990: 307). As we saw above, the mode of regulation of Fordism was monopolist in the sense that the regulation of these spheres was in the hands of the leadership of the centralized organizations of labour and capital, the centralized political parties and the state. The concept of regimes of accumulation is a macro level concept that synthesizes the above concepts and

is fit for descriptive periodization of the societal development of capitalism.

As we argued above, the theories of the regulation school need to be developed further as concerns size related problems of accumulation of microsocieties and conjunctural analyses of political struggles concerning generation, reproduction and transformation of modes of regulation. The following figure sketches the basic objects of study of the regulation school and shows how theories of regulation should be developed in order to overcome their shortcomings. It is the boxes outside the broken lines that need to be filled

Regulation theorists have produced detailed studies of all parts of the figure except hegemonic politics and size related determination of capital accumulation. These two moments are of central importance for our studies of the regime of accumulation and mode of regulation in microsocieties. We will therefore discuss these two moments in detail in the following two chapters. As the essential role of regimes of accumulation is to create mechanisms that adjust economies to internal and external factors of uneven development, we will, in chapter 4, develop a model of 'neo-structuralism' which mediates problems of adjustment due to long waves and technological development and size related problems of different economies.

Figure 2.1.
Extending the regulationist problematic.



e) Conclusion

In this chapter we have discussed briefly theories of long term development of capital accumulation and regimes of accumulation. We have highlighted their shortcomings in terms of lack of coherent political theory which goes beyond formalist, descriptive analysis of hegemonic structures and takes into account active, strategic struggle for different accumulation strategies and hegemonic projects by different power blocs. Furthermore, we have argued that their abstract formalist approach hinders fruitful, conjunctural analysis of the particular size related problems of microsocieties. These shortcomings require that we develop theories of hegemonic politics and accumulation in microsocieties in the following two chapters.

Chapter 3

The capitalist state and hegemonic politics

In order to develop further the problematic of the neo-Schumpeterian and regulation theory, we will analyse approaches to the capitalist state and develop a theory of hegemonic politics in this chapter. We will first highlight the problematic of mainstream political science and criticize it for its unrealistic partition of societal reality into separate spheres, one of which is the political. This discussion is followed by analysis of Marxist theories of the state and presentation of a relational theory of the state. Finally, we will develop a theory of hegemonic politics and extend it to problems of world market adjustment.

a) Mainstream approaches to the capitalist state.

During the post world war era and until the late 1960s, a positivist view of the social sciences dominated in these sciences in the West. The aim was quantitative comparative methods and specialized sciences with clearly distinct fields of study and with emphasis on statistical methods. But these specialized social sciences were also put in a pragmatic context and with increasing state interventionism and 'statization' of social relations, they increasingly produced information and perspectives for governmental policies (Dahlstrom: 9).

In the view of a historical approach, i.e. analysing social forms and relations in 'conjunctural analysis' as a part of ongoing processes of societal development - one will not find the mainstream analyses of political science of much use. In this mainstream discourse, political institutions are abstracted as an autonomous sphere which, when analysed, is more or less reduced to an instrumentalist version of the concept of power, and especially in the case of Anglo-saxon political scientists, their field and conceptualization consists of the two problems of power and the state. As an example, Dahl (1970) defines politics and political aspects in his standard textbook **Modern Political Analysis**, as human relationships that involve to a significant extent, control, influence, power or authority. And political systems are defined as persistent patterns of these relationships (ibid., 6).

For Dahl, political science deals a fortiori with political systems, i.e. patterns of power relations rather than processes. Furthermore, the emphasis is on the political system as a pattern that is a distinct system among many systems which constitute society (ibid., 6-9) (in this respect he echoes system-theory). But, more importantly, this political system is analysed in an external way as features that can be compared and may vary in different societies, but political relations are not seen in an internal way as part of the social totality which is a

developing process[1]. As a consequence this approach is descriptive and empirical, designed for comparative studies.

The concept of power is fundamental to the analysis of political science. But this concept is though defined differently by different scholars. The most usual definition of power in mainstream political science is probably in line with Laswell's definition: power is "the fact of taking part in decision-making" or definitions that refer to the decision-making process (Poulantzas 1975: 104). Implicit in this definition is a similar thought as in the democratic theories of the 1950s and 1960s (Macpherson); individuals or groups enter the abstracted and distinct political system or decision-making process and act rationally and goal orientated. The very existence of the distinction between the political system in its contemporary form is 'normalized'; i.e. not seen as a consequence of particular, historical structures of social relations[2] (private ownership of capital, laws of value and market relations and generalized division of labour between intellectual and manual labour in economy and in/of the state apparatuses[3]). Or as Poulantzas puts it:

> "The fundamental defect of this conception, at least in the framework of a society characterized by class conflict, is that (i) it succumbs to a voluntarist conception of the decision-making process, through disregarding the effectiveness of the structures, and it is not able exactly to locate beneath the appearances the effective centres of decision inside which the distribution of power works; and (ii) it takes as a principle the 'integrationist' conception of society, from which the concept of 'participation' in decision-making is derived." ibid., 104).

According to N. Poulantzas, in the consensus theorist approach of T. Parsons's structural functionalism, power is reduced to "the capacity to carry on certain functions [i.e. taking part in decision making - Í.J.] to the profit of the social system considered in its entirety." (ibid.: 105). The defect of this definition, besides the circularity of functionalist reasoning, is that it reduces the concept of power to reproductional functions or the "profit of the social system" and consequently misses the phenomenon of power as relations of conflicting agents, the result of whose conflicts may be malfunctional for the system in

[1] For an analysis of 'intrinsic' and 'extrinsic' relations and the concept of totality, see Israel, part 2; also Reichelt on Marx's idea of capital as autonomous subject subsuming social relations in its process of self-valorization and also Marx, 1976: 255 and 1974b: 459-60 and 409-10 on capital as autonomous subject of valorization which produces and reproduces its own conditions of existence (i.e. the 'intrinsic' relations of capital).

[2] As Marx puts it, the distinction between the state or political life and civil society is to be explained by the fact that the individuals are atomized in their relations to each other in capitalism and act in an egoistic way. As a consequence, the social nature of their civil life never appears directly but mediated by the market and the state. See Marx, 1975: 143-4 and Reichelt: 49-94.

[3] On the knowledge power or monopolization of specialized knowledge of the state, see Poulantzas, 1978: 54-62.

question. Furthermore, this concept is not promising in terms of analyses of periods of development from one stage of societal development to another.[4]

On the basis of this Laswellian concept, political scientists are stuck in the hollow debate and empirical analysis of whether the decision-making 'elites' are many and different in different fields (the pluralist view, e.g. Dahl) or few or even only one, by some seen as stratified and others not (the elitist view, Mosca, Pareto, C. Wright Mills etc.). The result of this dispute depends on definitions of political resources and their distribution in the political system; i.e. the distribution of political skill, time, wealth, organizational apparatuses, control over communications, capacity to use force etc. (see e.g. Dahl, 1970: 52). Furthermore, power may be 'actual' or 'potential' as actors don´t necessarily have to use their political resources to have influence, it is enough that the opponents know of their resources which they can use (as e.g. trade unions can call for strikes and capital can go on investment strike).

Although we claim that the pluralism-elitism dispute is based on a hollow, reified problematic, we are not presuming that the concepts of political resources are of no use. We are only claiming that the problem of political power can not be reduced to these criteria alone, as their full meaning and function can only be understood in the context of structural constraints of the actions of political actors. In this context, Poulantzas's (1975, 104) definition of power as "...the capacity of a social class to realize its specific objective interests" would do as a first approximation. One has however to qualify the concept of power further and base the analyses of the political sphere and the capitalist state on the concept of hegemony and hegemonic politics. Marxist theories of the state have traditionally dealt with the structural aspects of politics and power.

b) Marxist approaches to the capitalist state.

The formation of the state as an apparently abstract institution, separate from the social and economic interests of civil society, is historically a relatively recent invention. As Marx (1975) analysed in his **Critique of Hegel´s Doctrine of the State**, it is only with the development of the material, capitalist relations of civil society that this separation emerges (Marx ,1975: 143-4).

The same train of thought is to be found in his "materialist approach to history" as he prefers to call the "guiding principles" (Marx 1971, 20) of his general methodological framework for analysing the dynamics and tendential laws that shape the forms of societal institutions and societies in history. We are referring to Marx´s famous "fifteen propositions" in his Preface to **A Contribution to the Critique of Political Economy.** Here Marx

[4] It would be difficult, to say the least, to use a concept of power like that in analysing revolutionary periods such as that of e.g. Russia in the decades leading to the revolution of 1917 and analysing power relations of different socio-political forces and political parties.

emphasizes that the superstructure in society[5] ; i.e. the state and social relations, are overdetermined by the economic base[6] . But as one can see from his 'historical' analyses of class struggle, in **The Eighteenth Brumaire** (Marx 1973) and **The Civil War in France** (Marx 1974a), classes and political practices are not simply reducible to the characteristics of the economic base or functions that satisfy its needs.[7]

Unfortunately Marx never developed a complete theory of classes and class struggle as his class analyses were determined by the level of abstraction depending on the objects of analyses in question and he died before he had approached that level of concretization in his work on his **Capital**. Nor did he develop an adequate theory of the capitalist state and that problem has haunted marxist analyses ever since Marx died. But, after Marx, one can roughly claim that until the 1960s economic determinism dominated marxist theories of the state, i.e. instrumentalist theories that analysed the capitalist state as means for the realization of economic interests of the capitalist class or dominant fractions of that class as e.g. in the leninist theories of state-monopoly-capitalism in which the contemporary capitalist state is presumed to be an instrument of monopoly capital[8] · These theories culminated especially during the Late-capitalist era.

There are fundamentally three main trends in the marxist dispute, i.e. firstly those who tend to reduce the forms and functions of the state to the capitalist mode of production and secondly there are those who emphasize the determination of the state forms and function by class struggle and finally there are those who, in practice, tend to analyse the autonomy or inertia of the state. Jessop (1982) calls the first one 'capital theoretical approach', the second one 'class theoretical approach', we can call the third one 'state theoretical approach'[9]. It is especially the first one and the last one that tend to fall into abstract theoreticism, in the sense that while the 'capital theoretical approach' tends to derive and reduce state forms and functions to the reproduction of the capitalist mode of production - and thereby miss the dynamics of the formation of the state by the struggle of social movements and the moments

[5] Superstructure as defined by Marx is legal, political, religious, artistic and philosophical forms - in short ideological forms. (Marx, 1971: 20-21).

[6] Defined by Marx as "relations of production appropriate to a given stage in the development of their material forces of production" (ibid., 20).

[7] In his **The Civil War in France** Marx, for an example, analyses 7 classes i.e. the financial aristocracy, the industrial bourgeoisie, the petit bourgeoisie, the peasants, the ideologists, the proletariat and the lumpen-proletariat. In his and Engels' s (1968) **Manifesto of the Communist Party**, the level of abstraction was different - as they were analysing the diachronic development of capitalism especially with reference to Germany and not ' real analysis' - and there the classes were only two: the bourgeoisie and the proletariat. Marx intended to analyse classes as a part of his analyses in/of Capital, but the manuscripts broke off as he approached that stage; he died soon after. See Marx, 1981: 1025 and Rosdolsky.

[8] There are many versions of this train of thought in the marxist discourse/dispute on the capitalist state, but it is beside the point to analyse them here. For an extensive analysis, see Jessop 1982 and 1990.

[9] To mention but few representatives of these different trends we should mention Marx in his **Capital**, Läpple, Altvater, Fine and Harris as representatives of the 'capital theoretical approach'; Marx in his historical writings, Gramsci, Jessop and Hirsch(recent works) as representatives of the 'class theoretical approach' and; Poulantzas, Laclau and Mouffe as representatives of the 'state-theoretical approach' emphasizing the inertia of the state and political/ideological institutions. See extensive analysis on different schools of Marxist theory in Jessop 1982.

of inertia of the political institutions - the 'state theoretical approach' tends to abstract different moments of 'social life' or civil society and squeeze into a theoretical framework of the autonomous[10] field of the state so that the concept of the state looses its analytical validity as it is stretched to cover all ideological and political institutions that maintain social cohesion, hence, reproduce the capitalist social formation (Jessop, 1982, 19). As for the 'class theoretical approach' the risk here is to reduce social conflicts to the level of production as actors are presumed to be classes 'in themselves' rather than collective subjects 'for themselves' or complex processes determined by multiplicity of social factors (e.g., social actors such as 'the new social movements' that appear and gain increasing importance as dominant systems of production fall into social and economic crises).

However, one has to keep in mind that the validity of analyses is determined by the level of abstraction and although one may argue for the validity of the 'capital theoretical approach'[11] in the long run, for 'conjunctural analyses' of concrete socio-economic formations abstract derivations are of little value. Furthermore their validity is determined post festum; in actual situations where the forms of the state and political practices are created and/or reproduced in reality, the social and political aspects of the economic level and vice versa are indispensable for any useful and practical analysis.

The problem of 'conjunctural analysis' of the capitalist state is not only to analyse the nature of the reciprocal, 'dialogical' rather than dialectical[12] relations between firstly the inertia of state institutions, secondly the needs of different modes of production in the socio-economic formation in question and finally the dynamics of social conflicts as all three moments are interwoven moments of the **process of development of the socio-economic formation** - but as well to analyse the determination of that process by the structural development of the phases of capital accumulation and the position of the economy in question in the international division of labour in which are included the effects and structural constraints of the size of the economy and its developmental stage.

Already in his early writings, Marx highlighted the inertia or relative autonomy of the state by analysing its particular interest vis-a-vis the numerous particular interests in/of civil society, as embodying the universal interests of those particular interests. But, as it is the development of particular interests in civil society that generate the illusion of the state as the embodiment of universal interest, the interest of the state bureaucracy is to reproduce the

[10] Although the althusserian theories of the state, in theory proclaim the relative autonomy of the state, in practice the althusserians analyses present the state as an autonomous institution. See Holloway and Picciotto, 1979.

[11] This train of thought can be found in Max Weber as he presumed that the class position determines 'status' in the long run, see Weber: 193-4.

[12] With the term dialogical we refer to a concept of causality that is based on the idea of totality that is determined by feedback relationship between subjective and objective factors so that the resulting forms depend on the way actors experience and 'life' or 'actively interiorize' their practical situation and the objective structures in which they find themselves and work on. For extensive discussions of this train of thought see e.g. Craib and Gadamer. By contrast the term 'dialectical' is traditionally based on 'mechanist ' concepts of causality.

existence of particular interests (Marx 1975, 106). Furthermore, Marx comes to a revolutionary conclusion as he claims that the state can only embody universal interest when particular interests of civil society are abolished, i.e. when the particular interests really become the universal interest (ibid., 109).

To reduce the existence of the state and its separation from civil society to the existence of separate, particular interests in civil society, and to analyse the reproduction of the existence of the state in terms of the reproduction of the existence of particular interests in civil society is a quite different level of abstraction compared with analysis of the 'concrete' forms and functions the state takes so as to reproduce the 'concrete' particular interests in civil society.

As we have highlighted above, Marx's and Engels's analyseswere incomplete[13] in this respect. On the one side, they tended to reduce the particular interests of civil society to the antagonist interests of capital and labour in the capitalist mode of production and its tendency to produce deepening polarization in the class system[14]. On the other side they emphasize the 'active' struggle of different classes in conquering the state so as to realize their objective interests. Here we refer to their historical and political writings and **The German Ideology** (Marx and Engels, 1976: 53).

c) A 'relational' approach to the capitalist state.

A non-determinist and non-functionalist way of analysing particular capitalist states - i.e. a non-reductionist approach to 'conjunctural analysis' of capitalist states - analyses the state (as it does other social institutions) as syntheses or 'becoming' of structural conditions and actions and struggle of social forces and individuals, that both define its forms and functions and its fields and degree of autonomy. Such an approach is best defined as 'relational'.

A 'relational' approach in the above sense supersedes other approaches as it synthesizes the dialectic between structures and actions, i.e. structures as conditions of different potential actions and as based on tendential 'laws'. Jessop (1982 and 1983a) has developed a relational theory of hegemony that seems valuable for 'conjunctural analysis' of the capitalist state and compared it with the three other main marxist approaches to the state, i.e. instrumentalism, structuralism and form-determination.

The core of the instrumentalist approach is the idea that the state is employed by capital to promote its interests at the expense of other classes or social forces, be it individual capitalists, particular firms, specific fractions or sectors of capital, or the capitalist class as a whole. The rule of capital is empirically established by exposition of class background and affiliation of the state elite (comprising career politicians and public employees) and those individuals and firms that take part in the formation and implementation of Government

[13] Which does not mean that they were inconsistent.
[14] Here we have in mind their **Manifesto of the Communist Party** and Marx's (1976) **Capital,** Vol. 1: 929.

policies. Furthermore,, it is established empirically by analyses of what immediate economic interests different policies realize as they are implemented. But what is common to these sociological and political studies is the view of the state as being a neutral tool, which is equally accessible in principle to all political forces and can also be used for any feasible governmental purpose and as a consequence the empirical analyses tend to be based on the limited scope of political resources alone.

The 'structuralist' approach is based on the idea that the power of the state elite is limited to the extent that policies that disturb the laws of the market, its competitive logic, will lead to investment withdrawal. Such strikes can occur in the private domestic sector, affecting financing of the public sector and, depending on the stage of 'liberalization', leading to flow of financial capital to foreign markets, all three factors leading to decelerating multiplier effects and undermining the competitiveness of domestic capital.

The 'form-determination' of state policies refers to the very structure of the state itself which is presumed to ensure that the interests of capital are realized in policy-making and implementation. So, what we get is the 'structural selectivity' of state policies. and as a consequence, the state can not be seen as a neutral instrument, equally accessible to all social forces and equally adaptable to all ends. The state has an in-built, form determined bias that makes it easier for capital to influence it and more readily mobilized for capitalist policies. The form-determination of the state refers to phenomena such as the dependence of the state on tax revenues or loans generated within the private sector, dependence due to the exclusion of the state from the productive core of the economy. Furthermore, the *rechtstaatlich* constitutional form and formal equality and freedom reinforces the real inequality and political alienation of wage-labour in civil society. Parliamentary politics and functional representation and other forms of class collaboration, depending on national consensus and legitimacy of the existing economic order, determines the scope of state policies. Furthermore, the way in which the bureaucratic system in capitalist societies is unequally accessible to ordinary people compared with established interests both in terms of the forms of administrative practice and institutionalized interest mediation. affects the formation of state policies. Form-determination refers also to the indirectness of legal and monetary forms of state intervention in the economy which makes state dependent on the compliance of business. And finally it refers to the insulation of economic and repressive organs of the state from effective popular and legislative control so that state activities crucial to the interests of capital generally never face serious confrontation.

As Jessop (1982 and 1983a) has highlighted these three approaches have their shortcomings that need to be superseded. The instrumentalist approach must be criticized for a lack of validity of the variables that are presumed to reflect the correspondence between the functions of the state and the interests of capital. Firstly, the sociological reductionism of this approach is misleading as the social background of politicians, officials and economic

spokesmen is wide and their position on particular political issues of interests of capital is wide as well. Secondly, the interests of particular capital cannot be reduced to the interests of capital in general as the conditions of reproduction of the capitalist mode of production are part of a developing process of the socio-economic formation in question and as its teleology is only established post festum, different interests of different capitals are only established as general interests in and through political struggle. As a consequence, the state elite has problems in choosing what kind of coalitions with which particular capitals will correspond with present and future general interests of capital. It should further be emphasized that the problem becomes more acute during periods when new long term social and technological paradigms are taking root. In such 'transitional paradigm periods' in social and economic development, it is difficult to determine which capital interests will dominate future regime of accumulation in particular socio-economic formations. In other words, the situation of socio-technological transitional paradigm periods on the micro level of individual capital reflects higher level of economic/profit risks so that, and therefore, the political risks of the state are multiplied.[15] Let's call this phenomenon 'the mirror effect of socio-technological transitional paradigm periods', as we experience today with problems of predicting social and political as well as technological development (Jonsson 1991a). Lastly, the instrumentalist approach ignores the effects of the state forms on the process of representation and the ways in which the interests of capital can be affected and redefined through changes in the state system and/or the balance of political forces within which capitalists must manoeuvre.

One of the main shortcomings of the structuralist approach is that it reduces the actions of the state elite to the function of stabilizing the economic order and by that doing, overlooks the importance of ideological domination as the state elite has to agree on developmental strategies for capital accumulation. Or, let us add, the situation of social and techno-economic transitional paradigm period has to be overcome and wide ranging consensus on social and techno-economic paradigm has to be established.

Jessop (1983a, 141) has criticized the structuralist approach as its emphasis on structural constraints not only suggests that accumulation is the overriding priority of the state elite but also implies that the state can always reproduce the complex requirements for accumulation as long as politicians have the will to do so. It overlooks the possibility that the state elite might have its own *sui generis* interests and also ignores the pressures facing them from non-capitalist forces. It overlooks the fact that political stability and ideological domination has to be actively established. Moreover, it overlooks potential contradictions among the needs of capital and fails to perceive the existence of competing accumulation strategies favoured by different business interests (ibid., 141).

15 The risk taking situation for capital and political actors is minimized once a techno-economic paradigm is established and institutionalized so that economic and political predictions are more in line with actual results.

The approach of 'structural selectivity' or ‘form-determination’ emphasizes the manner in which the structure of the state system ensures that the interests of capital are realized in policy-making and implementation. Although, it is a significant advance compared with structuralist and instrumentalist approaches, it has been criticized (ibid., 142) for ignoring to what extent form problematises function, .i.e. how the form of the state limits its possibilities of realizing the interests of capital, indeed bureaucratic procedures can often be counter-productive for capital and are often vehemently criticized by the representatives of capital. This approach also ignores the problems capital has in building and securing political grounds and coalitions among different fractions of capital and the state elite.

d) Hegemonic politics.

Following these critical points, we would argue that a theory of the state in capitalist social formations has to take into account conflicts within the state as well as conflicts outside it; the state has to be analysed as internal and external relations of power and realized policies have to be seen as a result of balance of power of social forces. This balance that is determined by potential and strategic actions of social forces situated in tactical contexts overdetermined by diverse structural and conjunctural forces of which forms of the state are only one of the determinants.[16] By 'balance of power of social forces' we mean the relative power and capacity of the different social forces to exploit political resources to organize support or opposition against state policy, institutions and forms of regulation and for or against each others strategies, i.e. on the basis of the existing distribution of political resources. as well as power resources outside the political sphere, whether they are structural or state-form determined. It is through 'hegemonic politics'[17] that particular classes or fractions of a class realize their long term interests through building coalitions, often ad hoc, on the political level, using their political resources among which the coercive powers of the state may or may not be.

As a consequence, realized policies are to be analysed as forms of social and economic interests mediated through processes of 'hegemonic politics'. We can analyse at least 8 moments of this mediation in capitalist socio-economic formations; i.e. social contradictions and/or 'imputed interests', social forces and interest representation, distribution

[16] In our definition of the relational approach we emphasize more strongly the contingency of potential political forms and actions than Jessop (1982: 143) as he writes: " ... state power as revealed in the conjunctural efficacy of state interventions is a form-determined condensation of the balance of political forces. This approach puts the form of the state at the heart of any analysis of political representation and/or state intervention in so far the complex form of the state as an institutional ensemble shapes and conditions the whole political process. But, it also directs attention to the differential constitution of the various forces engaged in struggle within, as well as outside, the state and to the diverse structural and conjunctural factors that determine their relative weight. In this sense the 'relational' approach stands at the intersection of the other three approaches and involves modifications in each.

[17] Note that we use 'hegemonic politics' as an 'activist' concept instead of 'hegemony' which is a descriptive, analytical concept which only abstracts the structural aspects of hegemonic politics but does not reflect its strategic nature.

of political resources. ideological apparatuses, state and tempo of affluence, state forms and state apparatuses, the state elite and finally state policies and forms of intervention. Let's briefly describe these moments of interest mediation (see also figures 3.1-3 below).

Firstly there are social and economic contradictions that generate interests that are potentially represented, i.e. 'imputed interests'.[18] These contradictions are economic, political, geo-demographic/regional and social-reproductional. As all socio-economic formations are characterized by different, coexisting modes of production, some or one of whom are/is the dominant mode(s), economic contradictions and 'imputed interests' are different in different socio-economic formations. Briefly, we can mention here contradictions between small and big companies (and different quanta of profits leading to different rates of capital accumulation), contradictions between different branches of industry, industrial and financial capital and fractions of capital (and different rates of profit), wealth distribution between labour and capital (and rates of exploitation), forms of ownership, power relations in firms (industrial democracy and internal management strategies) and gender relations in the firms or at work.

Secondly, as a sub-category of social contradictions, we have political contradictions that refer to unequal access of different groups to the collective decision making process in political parties, interests groups or the state. Such political contradictions or 'imputed political interests' may consist of a) alternative forms of collective political organization such as parliamentarism, fascist dictatorship, communist dictatorship, neo-corporatism, social-libertarian system of workers councils etc. Or b) they may consist of gender power relations on the collective level. Furthermore, c) they may consist of alternative interests of different political issue groups or social minority groups.

The third category of 'imputed interests' refers to geo-demographic or regional interests and consist of wealth distribution between regions, power relations, inter-regional ownership relations and consumer interests.

Finally there are interests or contradiction in the field of reproduction of labour or the social field. These refer to consumer interests of families or households on the goods markets, contradictions in community and family planning, relations of social status and individual or collective leisure activities in clubs, particular societies etc.

The second moment of interest mediation that determines the context of 'hegemonic politics' is the structure of social and political forces, i.e. organized groups that represent and attempt to realize social contradictions or 'imputed interests'. Such groups may be political

[18] The concept of 'potentially represented interests' or 'imputed interests' is basically the same as Lukács´s concept of 'imputed class consciousness' as "...the appropriate and rational reactions 'imputed' (zugerechnet) to a particular typical position in the process of production. This consciousness is, therefore, neither the sum nor the average of what is thought or felt by the single individuals who make up the class" (Lukács, 1971: 51) But our 'potentially represented interests' are wider than Lukács's class reductionism allows.

parties, interest groups of capital and/or labour, social minority groups, issue groups, 'new social movements' etc..[19]

The third moment of interest mediation is the distribution of political resources, i.e. the distribution of political skill, time, wealth, organizational apparatuses, control over communications, capacity to use force etc.. Unequal distribution of political resources is one of the factors that determines the chances of different social and political forces to realize their represented interests.

Besides the factors of social forces and distribution of political resources, the success of attempts to realize represented interests is influenced by the fourth factor, i.e. structure of ideological apparatuses and the state of existing ideology.[20] Here we are not only referring to the media, but as well to the structure of ideological discourses through which subjectivity and social identity generates (cf. Laclau and Mouffe), the function of science as ideology as a part of technocracy and bureaucratic specialists and its function of legitimating structures of authority (cf. Habermas 1971) and also the phenomenology and patterns of consumption through which the individualist subjectivity of late-capitalism is produced (cf. Hirsch and Roth, 89-94).

Interests are fifthly mediated via the state and tempo of affluence, i.e. the level of economic growth and social mobility (intra- and/or inter generational), as these factors affect peoples views and consciousness of social relations and the level of consensus.

Sixthly, state forms and selectivity, the power position of administration and the state elite and the kind of state apparatuses that do exist in particular socio-economic formations, is an important factor in interest mediation and 'hegemonic politics'. As the development of state apparatuses tends to lag behind the structural development of socio-economic formations, as they are indeed the result of the balance of power of social forces in the past, hegemonic politics become more complicated in periods of societal restructuring when social innovations and the institutional framework of the socio-economic formation is the target of conflicts between social forces (i.e. in 'social and technological transitional paradigm periods). At the same time, in such periods of restructuring, the efficiency of the dominant organization of the relations between the state and social forces diminishes (cf. today the mismatch between neo-corporatist structures and the 'new social movements'). Moreover, the state elite or those who actively take part in policy formation of the state, is an important

[19] By 'new social movements' we mean movements that are not part of the central system of interest mediation in a particular 'regime of capital accumulation', but emerge as alternatives to this system as its crisis deepens. Following the social, cultural and environmental crisis of the taylorist era of late-capitalism, new social movements emerged besides and often strongly opposing its system of interest mediation, lack of democratic decision making and class collaboration, opposing monopoly capital and the production of needs, military production etc. Such 'new social movements' are e.g. feminist movements, regionalism, ecological movements, student movements, hyppies and punks and anti-military or anti-imperialist movements.

[20] By 'ideology' we mean ideas and beliefs that people have at particular time, and not "a systematic pattern of political thought ... self-contained and self-sufficient" (cf. Christenson et.al.: 11) as it is only academic people and political scientists that think in terms of the grand ideologies - such as 'communism'. 'leninism', 'social-democratism', 'liberalism' etc.- but the general public does not (cf. Campell 1964).

factor to the extent that recruitment, quality and education (orthodox thinking etc.) of its members leads to unequal influence on policy formation by the different social forces.

The seventh moment of the process of interest mediation is the formation and realization of hegemonic project. This requires the formation of power blocs and leads to the resulting policies and forms of intervention.[21] The concept of 'power bloc' refers to the collaboration of dominant social forces with the strongest power positions, usually economic social forces or representatives and/or interest groups of capital. State policies and interventions may work against tendencies towards 'uneven development' and are important factors in the problematic of 'neo-struicturalism' that we will analyse in the following chapter. But, the process of interest intermediation is the 'strategic situation' of different social forces on which they work in their attempt to realize their interests. Depending on their evaluation of the 'strategic situation' the social forces join short term coalitions and collaborate with each other so as to realize their long term interests.

In this context we can analyse 'hegemonic projects' and 'hegemonic politics'. The term 'hegemony' is a descriptive term that refers to the structure of power relations between the social forces, i.e. it describes the existing balance of power between these forces, but does not explain the formation of this balance or the power relations between the social forces in particular social formation at particular moment in history. We will use the concept of 'hegemonic politics' to analyse the process of formation of hegemony in which social forces define and work on their strategic situation, attempting to realize their represented interests.

Obviously, the interests of social forces can theoretically be defined *ad infinitum* and/or *ad absurdum*, but what counts is a definition of a matrix of interests that are of relevance for the object of analysis, i.e. here the structural development of social formations and regimes of capital accumulation.[22] The centre of analyses in this field is the dynamics of accumulation strategies and hegemonic politics. The accumulation strategies of different

[21] Jessop has analysed three main periods in the history of forms of representation and intervention in capitalism or *formal* complementarity between intervention and representation as he calls it. First, is liberal capitalism which is characterized by clear-cut institutional differentiation between the economic and political spheres so that the economy operates within the limits of market rationality and the state ideally adopts *laissez-fair* stance. The second phase is simple monopoly capitalism emerging with the development of private mezo-level concertation and the growth of formal and substantive state support. It is associated with the supplementation of liberal parliamentarism with corporatist forms of representation and implementation of policies which are increasingly *ad hoc* and discriminatory in character. Finally,with the emergence of state monopoly capitalism, forms of intervention are marked by expansion of the role of state credit, taxation, and nationalization; the expansion of the state's directive functions in all areas to match the growing substantive interdependence of formally autonomous enterprises, branches, and national economies; the growing importance of the economic role of the state as compared with its strictly political functions in securing law and order and defending its territorial integrity; and the relative decline of rational-legal administration according to the rule of law in favour of *ad hoc,* selective, and discriminatory action oriented to specific economic objectives (Jessop, 1982: 238-9).

[22] The problem is in the last analysis a meta-critical problem of a definition of relevance. It seems obvious that interest groups such as "Friends of the dogs" or Macintosh owners societies are not as important for our object of analysis as say trade unions. The relevance of such "peripheral" social forces depends on the extension of the object of analysis or level of abstraction and then only on some aspects. See e.g. Althusser and Balibar: **Reading Capital**: 34-69, and Althusser: **For Marx:** 61-218, also Scriven: 'Truisms as the Grounds for Historical Explanation' in Marlies, Kuhn: **The Structure of Scientific Revolutions**, and Feyerabend: **Against Method**.

capitals are different as their interests are different, but generally they will attempt to influence the development of investment both qualitatively in terms of techno-economic paradigms, and structurally in terms of sectoral and regional investment as well as in terms of infrastructure investment. They will also attempt to influence the development of the public sector in terms of the level of taxation and public expenditure, and regulation of accumulation in terms of the level of 'liberalization' of labour, goods and financial markets and in terms of work conditions and formation of wages. They will also attempt to influence the development of the qualitative nature of the labour-force through private or public training and education. In short, it is a question of economic growth models.

There is a great space of contradictions between the interests of the different capitals within this general and abstract framework and it is indeed through the process of hegemonic politics that coalitions are established and compromises are made in which different capitals accept short term concessions for long term interests. But, as these compromises are vulnerable to internal and external economic and political changes, strategies and compromises are constantly being re-assessed (see Jessop 1983a, 149).

It follows that the resulting dominant growth models are under constant pressure of being actively reproduced, but the precondition for such a reproduction is the reproduction of the underlying hegemonic relations. It is on the basis of a 'hegemonic project' that the hegemonic relations are established and reproduced. This involves the mobilization of support behind a concrete, national-popular programme of action which asserts a general interest in the pursuit of objectives that, explicitly or implicitly, advance the long-term interests of the hegemonic class (fraction), and which privileges particular 'economic-corporate' interests compatible with this programme. Hegemonic projects can be principally concerned with various non-economic (even if economically conditioned and economically relevant) objectives such as military expansion, moral regeneration, social reform, or political stability. Moreover, whilst accumulation strategies are oriented primarily to the relations of production and, hence, to the balance of class forces, hegemonic projects are typically oriented to broader issues grounded not only in economic relations but also in civil society and the state, and must therefore take account of the balance among all social forces, howsoever these may be identified and organized. (Jessop, 1983a: 155).

The realization of a 'hegemonic project' requires the establishing of a 'power bloc' that is strong enough to work successfully on the process and moments of interest mediation to establish and reproduce necessary institutional framework and 'policy paradigm' for a permanent growth model. There is a shifting balance of power within the power bloc as different groups play the leadership role within it in different periods, i.e. different groups play the 'hegemonic role' in different periods (Poulantzas, 1975: 141)[23]. It should be

[23] As N. Poulantzas analysis, 'power blocs' emerge historically as a result of the separation of the state and economy in the history of capitalism. He defines 'power blocs' like this: "(i) the power bloc constitutes a contradictory unity of *politically dominant* classes and fractions *under protection of the hegemonic fraction*; (ii)

emphasized here that the 'power bloc' and the hegemonic groups or class fractions within it, is not the same thing as those in charge of state institutions, but it is the groups and social forces that manage to exploit political resources to realize their interests (ibid.: 249).

It is the aim of the hegemonic fraction or social force of the power bloc to gain economic hegemony and realize its long term economic interests (Jessop 1983b, 91-2). This requires the support from other fractions of the politically dominant social forces. Theoretically, economic hegemony which is established by means of hegemonic projects and realized through hegemonic politics, differs from repressive economic hegemony which is realized by means of repressive powers of the state. The former is to be found in formally democratic countries, while the latter characterizes totalitarian states.

In the long term hegemony is determined by the structural development of the circuit of capital accumulation and the uneven development of different capitals and sectors (industrial, financial and commercial capital)[24]. But, it is in the 'conjunctural' short term context that different social forces struggle for their interests and different fractions of capital struggle for different accumulation strategies. It is in this context that hegemonic projects are important as their role is to define and create support for a notion of 'the general will' that will supersede the particular interests of different capitals. Such a task may require the work of other groups and people than that of the particular capital(s) in question. It is in this context that the role of 'organic intellectuals' and technocratic specialists is important. The 'organic intellectuals' of capital are typically financial journalists, engineers, academics, bureaucrats, party politicians, private 'think tank' specialists, or trade union leaders. These people are often incorporated into the ruling class (Scott, 1991). Indeed, a hegemonic project requires the organization of different "class-relevant" (but not necessarily class-conscious) forces under the "political, intellectual, and moral leadership" of a particular class (or class fraction) or, more precisely, its political, intellectual, and moral spokesmen. (Jessop 1983b, 100-1).

There are many possible forms of hegemonic projects, as we will, in some periods, find similar versions of the same fundamental hegemonic projects, such as e.g. versions of the late-capitalist Keynesian welfare state vis-a-vis recent monetarist experiments, or they may reflect more clearly historical specificity of particular social formations such as the Icelandic projects of extending the fishing limits to 12, 50 and 200 miles in recent decades with the consequent 'cod-wars' against the Brits. And these hegemonic projects will be

the class struggle, the rivalry between the interests of these social forces, is *constantly present,* since these interests retain their specific character of antagonism. These are the two reasons why the notion of 'fusion' cannot give a proper account of this unity." (Poulantzas, 1975: 239).

[24] "In general terms, we can say that an accumulation strategy that is not to be merely 'arbitrary, rationalistic, and willed' must take account of the dominant form of the circuit of capital - liberal, monopoly, or state monopoly; of the dominant form of the internationalization of capital - commercial, banking, industrial; of the specific international context confronting particular national capitals; of the balance of economic forces at home and abroad; and of the margin of manoeuvre entailed in the productive potential of the domestic economy. Within these constraints there will typically be several economic strategies that can be pursued with contrasting implications for the different fractions and dominated classes". Jessop, 1983a: 150).

successful depending on historical circumstances (as e.g. monetarism won support from the historical experience of the collapse of social-democratic policies during the 1970s and clashes between rank-and-file workers and the leaders of the labour movement and the social-democratic parties).

But whether hegemonic projects will be successful or not depends on whether subordinate classes and fractions actually gain from it and that will depend on the development of the productivity of the economy. Finally the success of a hegemonic project will depend on the establishment of proper institutional forms (Jessop, 1983b: 102) or modes of regulation to mediate the conflicting interests.

A regime of accumulation and mode of regulation is reproduced and transformed trough a process of hegemonic politics. We have sketched a model of the process of hegemonic politics in figure 3.1. The model highlights the main social and economic structural conditions that generate interests of conflict. The balance of power of different social, political and economic groups - whether based on structural aspects or instrumental power resources - determines the strategic framework of the different actors. These material conditions generate different power blocs and finally different accumulation strategies via the realization of hegemonic projects.

According to figure 3.2, the formation and realization hegemonic projects presume, on the one side, a formation of 'power blocks'. On the other side, it presumes the formation of a 'hegemonic project' which realizes necessary functions for the reproduction and transformation of the conditions of the capital accumulation of the dominant fractions of capital in the social formation in question.

Figure 3.3 highlights some well known accumulation strategies. Acummulation strategies are divided theoretically into two main groups, i.e. 'national' strategies of particular countries and international strategies of governments collaborating internationally and often promoted by international insitutuions. On the national level, the strategies of import substitution, export promotion and export substiturion are examples of strategies from many Third World countries, while the 'Modell Deutschland' strategy is known as a Post War macro-level, neo-corporatist strategy of coordination of industrial productivity increases and wage development. Neo-liberal strategies are the product of the monetarist experiment in particularly western economies during the 1980s. As an example of a neo-liberal strategy of the Thatcher government has been based on 1) privatization, deregulation and the commitment to the introduction of commercial criteria into every residual state activities; 2) deregulation of financial markets; 3) weakly sponsoring a market-generated industrial recovery, focusing on the encouragement of inward investment, the promotion of a small business sector, the expansion of new technology and increased labour market flexibility and; 4) opening grounds for increased inward and outward multinational investment (Jessop et. al., 171)

Figure 3.1.

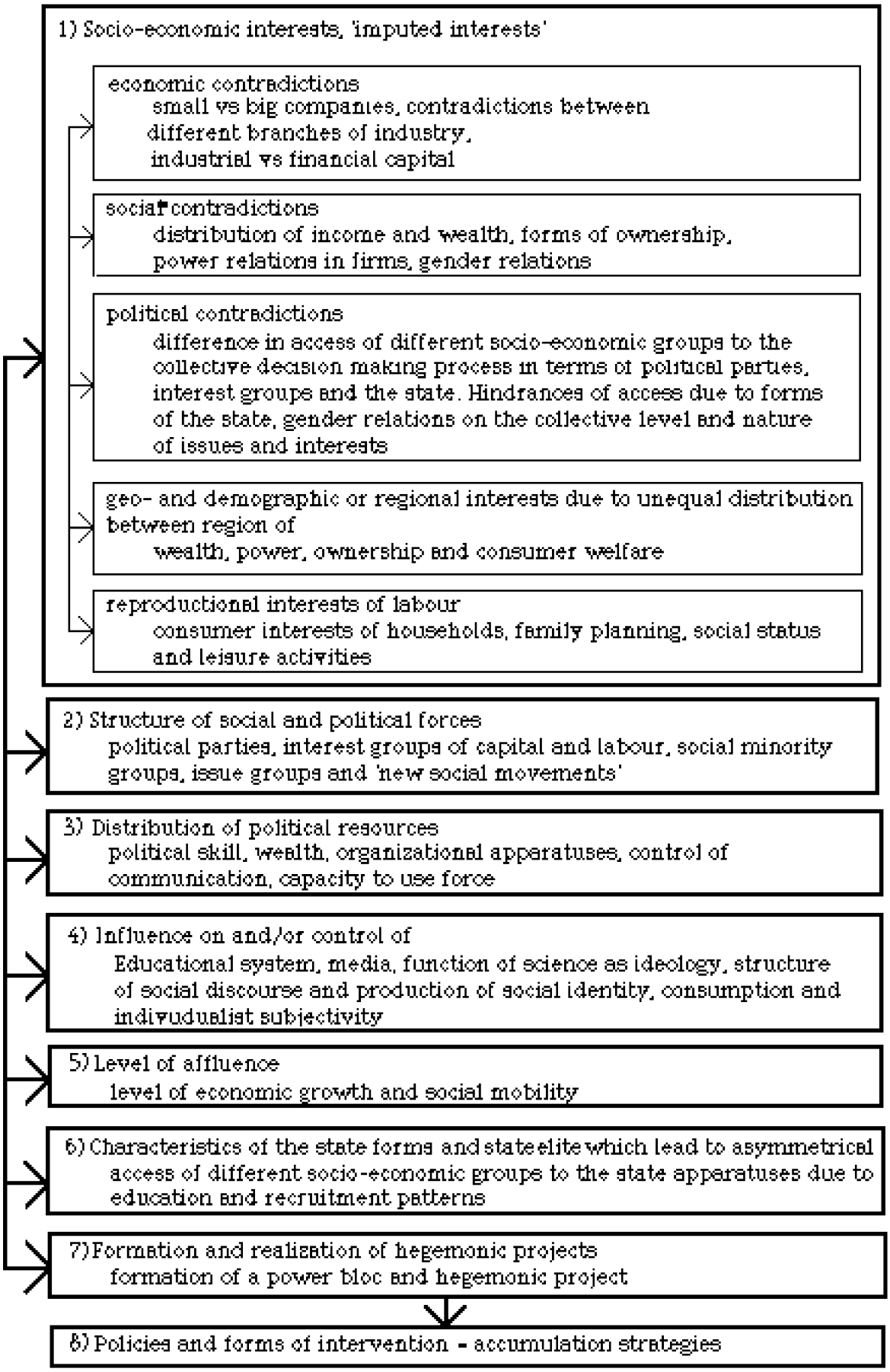

1) Socio-economic interests, 'imputed interests'
economic contradictions
small vs big companies, contradictions between different branches of industry, industrial vs financial capital
social contradictions
distribution of income and wealth, forms of ownership, power relations in firms, gender relations
political contradictions
difference in access of different socio-economic groups to the collective decision making process in terms of political parties, interest groups and the state. Hindrances of access due to forms of the state, gender relations on the collective level and nature of issues and interests
geo- and demographic or regional interests due to unequal distribution between region of
wealth, power, ownership and consumer welfare
reproductional interests of labour
consumer interests of households, family planning, social status and leisure activities
2) Structure of social and political forces
political parties, interest groups of capital and labour, social minority groups, issue groups and 'new social movements'
3) Distribution of political resources
political skill, wealth, organizational apparatuses, control of communication, capacity to use force
4) Influence on and/or control of
Educational system, media, function of science as ideology, structure of social discourse and production of social identity, consumption and individualist subjectivity
5) Level of affluence
level of economic growth and social mobility
6) Characteristics of the state forms and state elite which lead to asymmetrical access of different socio-economic groups to the state apparatuses due to education and recruitment patterns
7) Formation and realisation of hegemonic projects
formation of a power bloc and hegemonic project
8) Policies and forms of intervention - accumulation strategies

Figure 3.2.
Hegemonic Projects

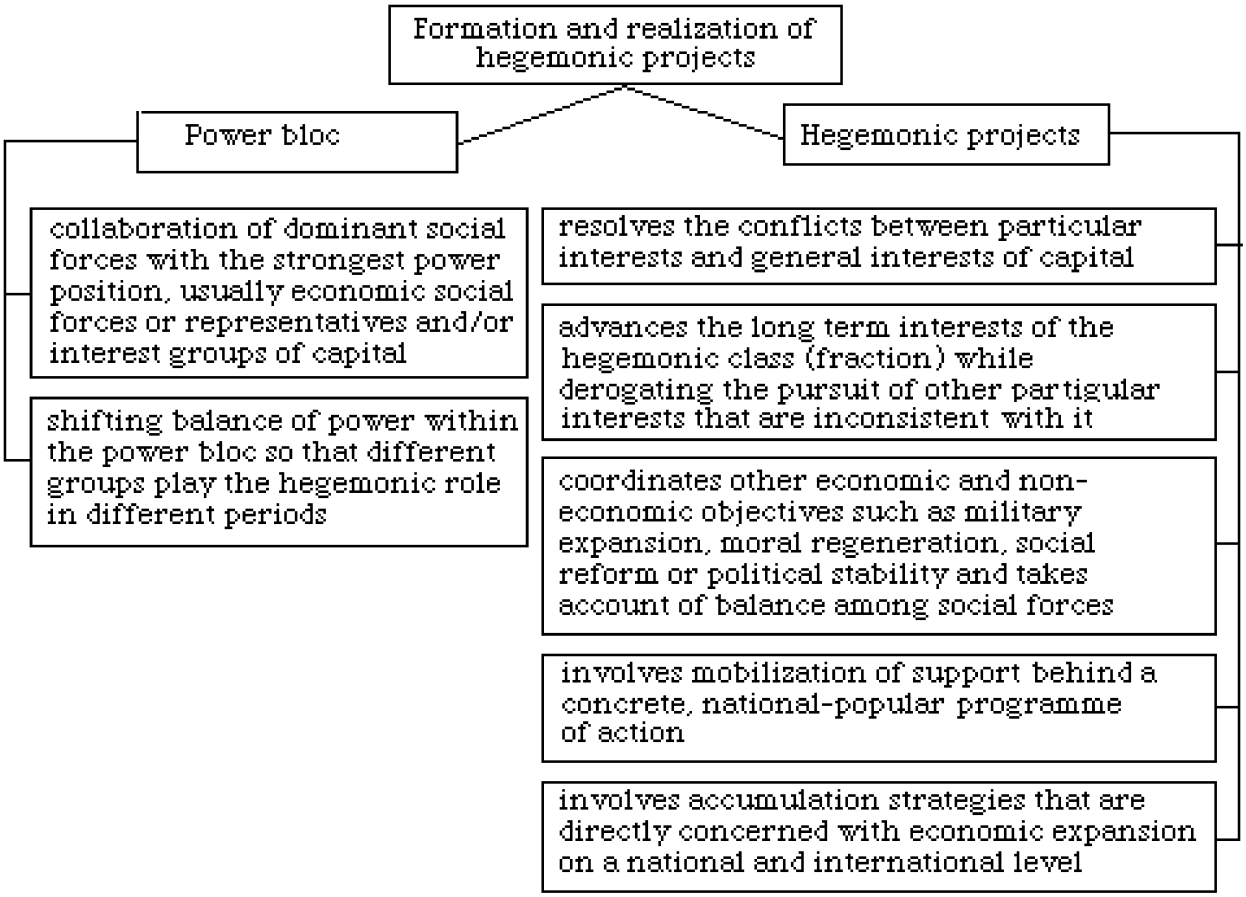
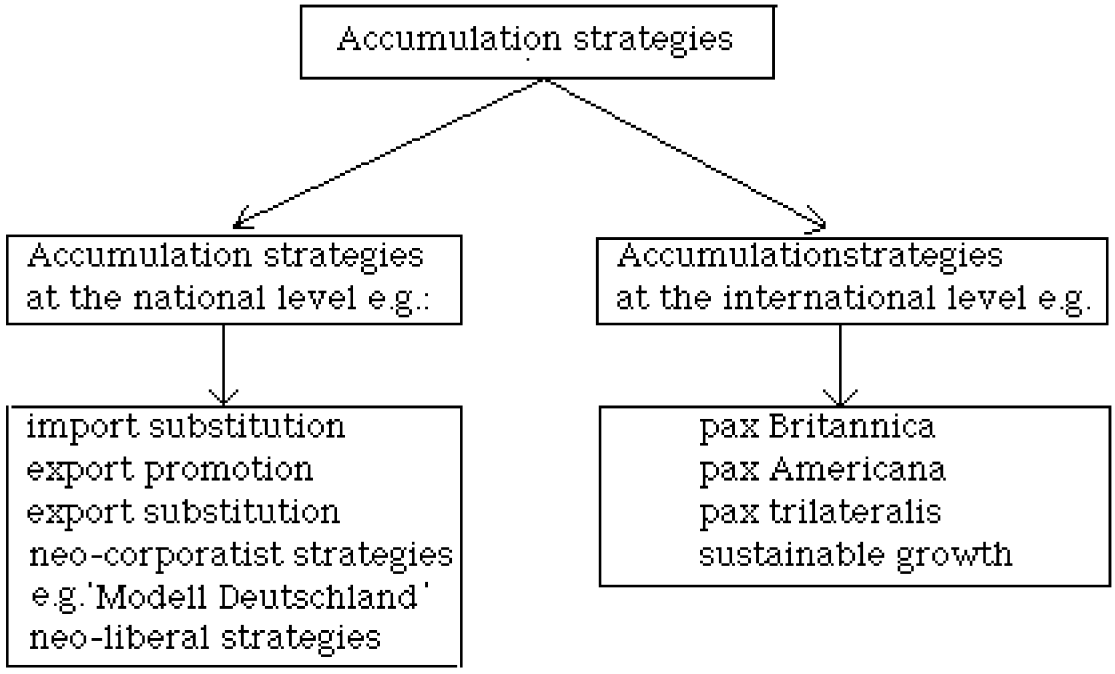


Figure 3.3.
Accumulation Strategies



Accumulation strategies at the international level presume international regimes of capital accumulation which are characterized by relatively stable international hegemonic relations over a long period at the economic, political and military level. The pax Britannica variant centred around the 19th century British empire, while pax America centered around USA's military and economic intervention in West-Europe in the Post War Era. The idea of pax trilateralis is founded on J. Carter's (former USA president) attempts to reassert US leadership in a cooperation of USA, W-Europe and Japan in the context of crumbling US hegemony during the 1970s and 1980s (Palmer: 30 and 66. See also Jessop, 1983: 150). The 'sustainble growth' strategy is an example of alternative strategy aiming at redistribution of wealth on international level and decreasing the gap between 'North' and 'South' countries. But, no countries are in the hegemonic position to realize this strategy.

The process og hegemonic politics mediates between institutional structures and economic interests, that, in terms of national economies, boils down to world market adjustment. Figure 3.4 highlights the fundamental factors of world market adjustment.

Figure 3.4.
Dynamics of World Market Adjustment and Hegemonic Politics

Problems of world market adjustment are generated by long waves and phases of capitalist development (see Freeman 1987). The adjustment of economies and capital accumulation of firms in different countries is mediated through organization of counter-

affects against the 'tendential law of uneven development' (Jonsson 1988). These counter-affects result from accumulation strategies that are realized through the process of hegemonic politics in which many competing accumulation strategies compete. The process of hegemonic politics is overdetermined[2] in a dialectical way in the sense that the structural conditions of the social formation in question determine the relations between the different moments of hegemonic politics[3] although the structural conditions are affected in the long run by hegemonic politics, accumulations strategies and world market adjustment.

We should now develop further the model in figure 3.4. The structural conditions at the bottom of the figure are divided into economic, social and political conditions of capital accumulation in the following figure 3.5. According to the figure, the size of the economy in question, its specific resources and the remoteness will determine its alternatives in the international division of labour. These material conditions determine potential economic, social and political conditions of capital accumulation. The economic structure overdetermines the social and political structures in the sense that roles of the other structures are determmined by the economic structure in the long run (this overdetermination is highlighted with the bold arrows in the box of structural conditions in figure 3.5). If we put it differently, in terms of capital accumulation, the characteristics of the economic structure determines the importance of social and political institutions in the development of capital accumulation over against market laws and decisions of firms. As an example, in the case of Iceland, the spatial division of labour affects social structures in terms of particularities of stratification and political ideology such as localism and sectorism. The spatial division also affects the forms of political structures such as in the terms of the development of neo-corporatist interest mediation which is determined by the level of concentration and centralization of capital (cf. the fish sector in the Faroe Islands and Iceland compared with other sectors, as we will discuss in chapter 5 and 6 below. Furthermore, the level of fluctuations in GDP also affects stratification in terms of income distribution on the social side, and stability/instability of the political system and problems of the formation of long term economic and developmental policy, etc., etc. (see ibid., concerning substantive analysis of the Icelandic case).

The structural conditions of capital accumulation determine potential forms and issues of conflicts of hegemonic politics. But, the structural conditions are also affected by hegemonic politics as hegemonic politics affect the reproduction and transformation of the structural conditions of capital accumulation, both in terms of technological paradigms and hegemonic structrues of sectoral development as well as in terms of institutional forms of modes of regulation, i.e. in terms of the development of the regime of accumulation.

As a mean of world market adjustment, accumulation strategies of individual countries have the long run potential function of counter-affecting uneven development in the world market. Figure 3.6 shows the main counter-affecting variables against uneven

development that we will discuss in detail in chapter 4 in terms of 'neo-structuralism'. This function is the more important in the short run the more open the economies are. Indeed, the trend in the industrialized capitalist countries is towards more openness and the smaller the economies are the more open they tend to be, given certain minimum level of per capita income. Figure 3.6 highlights in brief the main elements of the organizing of counter-affects against uneven development. Fundmentally, the problems of world market adjustment concerns, on the one side, changes in demand and consumption patterns in export and import goods markets and, on the other side, changes in the basis of competitiveness of firms in terms of technological development and external and internal economies of scale.

Figure 3.5.
Material and structural conditions of capital accumulation.

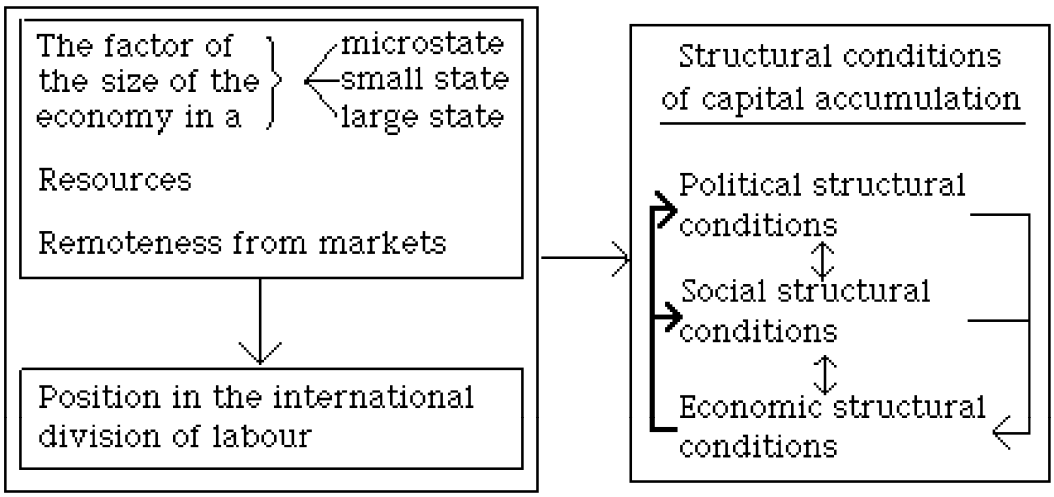


Figure 3.6.
Organizing counter-affects against uneven development
on the basis of

a) 'primary factors':
- i. stages of technical change
- ii. nature of technical change
- iii. size of the domestic market
- iv. country specific resources ('natural' and/or 'intellectual')

b) 'secondary factors':
- v. level of openness of the economy
- vi. development of industrial complexes
- vii. R&D resources
- viii. state power and government policies
- ix. income distribution
- x. industrial relations and forms of organized interests
- xi. strategies of individual capital
- xii. international institutions
- xiii. foreign military intervention

aiming at

confidence in investment, higher level of technical change, specialization and structural competitiveness
===> economic growth, output and employment

The difference between the organizing of counter-affects against uneven development with accumulation strategies and hegemonic projects is that, while the former concentrates primarily on economic aims of world market adjustment, hegemonic projects aim at establishing the cultural, social and political legitimation for these economic aims.

It appears from the discussion above that the process of hegemonic politics is the centerpiece of strategic activities of world market adjustment and that the power bloc is the central bearer of realization of strategic alternatives.

e) Conclusion.

In this chapter we have analysed approaches of mainstream political science and Marxist approaches to the state in capitalist societies. We have rejected the former approaches as they appear to be too abstract for conjunctural analysis of capital accumulation and the formation of accumulation strategies. Marxist theories of the capitalist state do take into account structural aspects but tend to suffer from either political, social or economic reductionism. A relational theory of the capitalist state promises a way out and we have developed a model of hegemonic politics to emphasize the strategic nature of the formation of hegemonic projects and developmental strategies. In the following chapters we will elaborate on this model and put it into the context of our theory of neo-structuralism and the conjunctural development of accumulation strategies and hegemonic projects in the West-Nordic countries since the Second World War.

Chapter 4

Neo-structuralism, collective entrepreneurship and microsocieties

In recent years there has been increasing interest in research on the particular characteristics and problems of the socio-economic formations of small countries in the world economy, especially in the small countries themselves. The reason for this may both be that international trade is increasingly becoming an important part of capital accumulation (Teague 1985) and as a consequence large countries are more and more facing problems related to increased openness of their economies and the small countries thus provide something of a model by which to judge developments in the large ones (Katzenstein 1986: 9). But the reason may also be that in the face of the particular problems of small countries, the crisis of orthodox neo-classical and Keynesian theories is even more strongly felt in the small countries than in the large countries. In this chapter we will analyse the the fundamental characteristics of microsocieties and develop a theory of neo-structuralism which takes into account the challenges openness of economies sets and the dynamics of the socio-spacial construction of entrepreneurship and technical change as well as the importance of exports and foreign investment for development in the present era of globalization of capital accumulation.

a) Economic growth, search strategies and techno-economic paradigms.

Entrepreneurial activity is essential for economic growth. Research into the causes of economic growth have shown that, unlike what orthodox, neo-classical theory presumes, it is competitiveness in research and development (R&D) and capacity to deliver rather than competitiveness in labour costs per unit, that is important for economic growth in the medium and long run (see Fagerberg 1988 for a study of economic growth of 15 OECD countries during the period 1961-83). The dynamics of technical change should therefore be of great interest for students of economic growth. However, this is not the case. Research into the dynamics of technical change requires institutional approach that does not only take into account economic conditions of technical change but highlights as well the role of political structures and actors and sociological aspects dealt with in organizational theory. Studies of economic growth have been predominated by neo-classical theory. This train of thought suffers from serious shortcomings as concerns technical change. Its inability to deal with institutional determination of technical change is its greatest limitation in this field of study.

In neo-classical theory, it is presumed that firms operate according to a set of decision rules that determine what they do as a function of external (market) and internal (such as

available capital stock) conditions. These rules are reduced to the principle of maximizing on the part of the firms, which usually refers to maximizing profit or present value of the firms. To be able to calculate maximum output in this sense, firms are further presumed to have precise knowledge of how to perform. In terms of production in the traditional sense, such a precise knowledge of how to do refers to maximizing activities or techniques and consequent "production sets". In terms of other fields, such a precise knowledge of how to do refers e.g. to advertising policies or financial asset portfolios. Finally, it is presumed that maximizing firms make their decisions or choices on the basis of given sets of known alternatives to choose from, whether these are alternative actions, market constraints, internal constraints such as short term available quantities of factors. In some models, the idea of maximizing behaviour takes into account information imperfections, costs, and constraints (Nelson and Winter 1982, 12).

The neo-classical principle of maximization is inadequate as a micro level explanation of how firms make their decisions and choices as concerns technical change. The real world is much more complicated and much more uncertain than neo-classical theory would have it. In periods of technical change, maximization in the literal sense becomes very difficult to say the least, because knowledge of how to perform is undermined as competitors exploit new technology which is not yet diffused and unknown to the firm in question. As a consequence, the neo-classical postulate of choosing between known alternatives and maximizing becomes unrealistic. Furthermore, industrial R&D, invention and innovation is by nature open ended and results are to a high degree uncertain. A more sophisticated concept is needed to analyse firms decision rules than the concept of maximization.

The concept of 'routine' supersedes the naive formalism of neo-classical theory (Nelson and Winter 1982, 14-18). This is a concept developed by economists and is related to the sociological concept of social norms, but is comparatively underdeveloped. The concept of a 'routine' refers to all regular and predictable behavioural patterns of firms and covers characteristics of firms that range from well-specified technical routines for producing things, through procedures for hiring and firing, ordering new inventory, or stepping up production of items in high demand, to policies regarding investment, R&D, advertising, and business strategies about product diversification and overseas investment (ibid., 14). Nelson and Winter have identified three main types of routines depending on their different levels of abstraction of decisions making. Firstly, there are routines that refer to what a firm does at any time, given its prevailing stock of plant, equipment, and other factors of production. These are routines that govern short-run behaviour and have been called 'operating characteristics'. Secondly, there is a set of routines that determine the period-by-period augmentation or diminution of the firm's capital stock, as an example when it is decided whether to implant a new machine or repair an old one, building new plant or investing in a major R&D program on a recently opened technological frontier. Thirdly, there are routines

that operate to modify over time various aspects of the operating characteristics of firms. These are routines that guide the 'searches' of firms as they change the routines mentioned above. Search policies or strategies of firms are determined by routines that take into account different factors, such as size of the firm, anticipated level of risk and profit, what competitors are doing, assessment of the payoff of R&D in general and of classes of projects in particular, evaluation of the case or difficulty of achieving certain kinds of technological advances, and the particular complex of skills and experience that the firm possesses (ibid., 16-18 and 249).

Studies on the decision making process of R&D in firms reveal how unrealistic the neo-classical theory is with its maximizing principle. The decision making process reflects the uncertain nature of R&D and technical change. It appears from the studies that a widely used procedure is to begin by developing lists of projects that if successful would have high payoff, and then screening this list to find those projects that look not only profitable if they can be done, but doable at reasonable cost. Payoff-side factors are examined first, and those relating to cost or feasibility are looked at second. However, in certain search, R&D and industrial innovation firms proceed by focusing first on exciting technological possibilities and then screening these to identify the ones that might have high payoff if achieved. Neither case is literally optimal. Since all alternatives cannot be considered, there must be some rather mechanical procedures employed for quickly narrowing the focus to a small set of alternatives and then homing in on promising elements within that set (ibid., 255).

Furthermore, search, R&D and industrial innovation is not simply a matter of responding to market demand. The role of the selection environment has to be taken into account and it cannot simply be reduced to market-demand. The market determines search, R&D and industrial innovation in so far as competition forces firms to imitate and exploit new technology that reduces production costs and hence prices. Those firms that do not follow this rule perish from the market. However, the relations between markets and firms are not altogether one-sided. Typical market structures are not perfectly competitive and firms try to modify the demand of their products by employing advertising and research and development as central competitive weapons (Packard 1975 and Galbraith 1967).

There are other non market selection environments as well. Most theorizing of market selection presumes a relatively clear separation of the "firms" on the one hand, and consumers and regulators on the other. Consumer evaluation of products -versus their evaluation of other products and versus price - is presumed to be the criterion that ought to dictate resource allocation. Non market sectors are not characterized by such clear separation between firms interests and consumers interests. Search, R&D and industrial innovation is affected by more complicated set of criteria than maximization of firms 'profits and consumers' utility in market terms. In the case of a public agency such as a school system, and its clientele (students and parents) and sources of finance (mayor, council, and voters)

there is not the arm's-length-distance as between a seller and buyer of a car. The public agency is expected to play a key role in the articulation of values and to internalize these and work in the public interest. Even in nominally private-sector activity such as in the provision of medical services, doctors are not supposed to make decisions regarding the use of a new drug on the basis of the profits he or she makes from it. To mention but few example of non market selection environments, we would highlight public regulation concerning pollution and public health standards, the public postal services and ministries of defence that affect search, R&D and industrial innovation through procurement etc. (Nelson and Winter 1982, 268-72).

So far, we have analysed the conditions of economic growth by observing the micro-level principles of firms activities as concerns technical change. However, the routines of firms and search strategies develop in macro socio-economic contexts that generate and reproduce clusters of basic ideas or paradigms that mould the micro-level routines and search strategies of firms. Such clusters of basic ideas have been called 'techno-economic paradigms. Techno-economic paradigms refer to clusters of ideas in the field of organization of production and technical change that change the basis range of industries and generate technological revolutions and long lasting economic waves, i.e. Kondratieffs (Freeman and Perez 1988). Fordist mass production was the key technological factor that generated the long wave of economic growth between the 1930/40s to 1980s, while information and communication technology is the key technological factor in the present process of shifting techno-economic paradigms.

Diffusion of techno-economic paradigms depends on changes in regimes of accumulation, i.e. social and political structures that foster, reproduce and transform basic ideas of best practice technology and organization of work. Such changes of regimes of accumulation depend on the balance of power of social and political forces and their struggle in the process of hegemonic politics (see Jonsson 1991b and 1993). In this sense changes of techno-economic paradigms differ from other classes of innovations as they are inter-regime changes. From these changes we can distinguish innovations that lead to intra-firm changes, inter-firm changes and inter-branch changes. Intra-firm changes refer to innovations that change the technological base of individual firms and their organization in an incremental way. They often occur, not so much as the result of any deliberate research and development activity, but as the outcome of inventions and improvements suggested by engineers and users of technology ('learning by doing' and 'learning by using'). Inter-firm changes refer to changes in the relations between firms in the sense that new products are produced. They are based on radical innovations that usually are the result of deliberate research and development activity by enterprises and/or university and government laboratories. Unlike incremental innovations, they do not occur from improvement of existing processes or products of production. Rayon as an example could not have resulted from the improvement

of rayon plants or the woollen industry. They are important as the potential springboard for the growth of new markets. Radical innovations are relatively small and localised but may develop over a period of decades into new industries if clusters of radical innovations are linked together as in the case of the synthetic materials industries or the semiconductor industry. Finally, Inter-branch changes refer to changes of technological systems that are far-reaching changes in technology, affecting several branches of the economy, as well as giving rise to entirely new sectors. They are based on combination of incremental and radical innovations, together with organizational and managerial innovations affecting more than one or a few firms. An obvious example is the cluster of synthetic materials innovations and petro-chemical innovations (Freeman and Perez 1988).

All types of innovations and all classes of technical change are generated through the process of entrepreneurial activity. This process is complicated and can not be reduced to the activity of an individual entrepreneur.. Let's look closer at the matter.

b) Entrepreneurship

The concept of the entrepreneur has had a "come back" in economic discourse in recent years after having been trivialized by neo-classical theory. Neo-classical theory trivialized the concept with its emphasis on perfect information and perfect markets according to which the entrepreneur plays a static and passive role which was reduced to the efficient size of the firm and marginal efficiency curves. Such a view has some relevance in periods when economic development is relatively stable and profitability and productivity forecasts etc. can be based on past market trends.

However, neo-classical theory fails both in its emphasis on marginal efficiency as a guiding principle in running business and in its a-historical approach as economic and social uncertainty affects the rationality of investment and such uncertainty is periodic due to long waves, i.e. Kondratieffs, and technical and social change (Jonsson 1991b). When a long wave in the world economy enters the phase of a recession and markets become saturated, profits have been competed away and a shift to a new techno-economic paradigm is necessary (Freeman 1987), the role of the entrepreneur becomes the more important. It goes for all periods that the role of the entrepreneur is to make judgmental decisions, i.e. to take managerial decisions when no decision rule can be applied that is both obviously correct and involves only freely available information (Casson 1982). However, the uncertainty level of judgmental decisions is historically determined as uncertainty is greatest at the lower and upper turning point of long waves. But, there are more critical points to be made concerning this definition of entrepreneurial decisions.

There are two critical points that should be emphasized concerning the definition above of an entrepreneur. Firstly, all management decisions presume judgmental content and

uncertainty. As a consequence, one has to distinguish between basic entrepreneurial decisions and other management decisions. An entrepreneurial decision is different from other decisions insofar as it is related to the realization of the entrepreneurial function. We will discuss that function below. Secondly, the idea of an entrepreneur presumes that it is an individual or a firm that makes entrepreneurial decisions. This view is a myth as, on the one side entrepreneurial activity is as much a product of the accumulated knowledge and technological progress of the society that hosts the entrepreneur as a product of his/her insight. On the other side, it is a myth as firms are not totally unified entities and decisions by firms are a product of conflict ridden processes in which different departments and individuals on different managerial levels take part. The picture becomes even more complicated in cases where firms are organized in disintegrated constellations of reciprocal capital and personal links of interlocking directorships as in the Japanese case of the keiretzu. Furthermore, managerial decisions in large modern firms are taken by teams rather than individuals and as such they are more than sums of the opinions or ideas of the individuals in question.

The idea of the entrepreneur as an isolated genius is misleading and innovations do not fall on the heads of individual entrepreneurs as manna from heaven. In fact, entrepreneurship is a social process in which innovations are regenerated by social and cultural conditions that constitute at the same time the preconditions of their establishment and acceptance (Hodgson 1988, 268). Realist analysis of entrepreneurial activity require a qualitative research into the structural conditions of techno-economic as well as social innovations. Following J. A. Schumpeter, we would claim that entrepreneurial activity centres around realizing the entrepreneurial function. As Schumpeter puts it:

> "...the function of entrepreneurs is to reform or revolutionize the pattern of production by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of materials or a new outlet for production by reorganizing and industry and so on" (Schumpeter, 132).

Schumpeter's concept of the entrepreneurial function is inadequate as it does not take into account social innovations. His concept reduces innovations to pure economic and technological factors, while social innovations are bypassed. By social innovations we refer to factors such as developing new consumer tastes and traditions, transforming the knowledge base of nations, restructuring industrial relations, organizing new systems of interest mediation, generating firm-nets, user-producer relations, new forms of interlocking directorships, etc.

Fundamentally, social innovations affect social and political relations of production and services as well as external economies of scale, while technological or Schumpeterian innovations affect internal economies of scale. Social relations of production and services

refer to societal income distribution in terms of class and gender and levels of consensus and/or conflicts which affect workers motivation to work under different managerial conditions. They refer as well to different welfare state regimes and labour market regimes that affect workers spatial and skill flexibility (Mosesdottir 1994 and 1995). Political relations of production and services refer to labour relations and the role of organized interests in the decision making process or management of firms as well as the role they play in the formation of societal industrial and economic policies (c.f. North-European neo-corporatism as opposed to the Anglo-Saxon antagonist system of interest mediation, see Jonsson 1984 and 1989). Furthermore, political relations of production and services refer to the role of the state and public agents in developing and transforming the societal conditions of capital accumulation. This refers to the role of the state in transforming technological and structural conditions and defining the framework for long term accumulation strategies. Furthermore, political relations of production and services refer to the role political parties and 'organic intellectuals' play in the formation of hegemonic projects that legitimate prevailing accumulation strategies (Jonsson 1993 and Dali/Mørkøre 1983). Briefly, economies of scale can be analysed as internal plant and internal firm economies of scale and furthermore as external plant and external firm economies of scale. Internal economies at the plant level derive from the exploitation of production techniques involving the specialization of labour, machinery and management and the accumulation of knowledge through experience in the production or running the plant. Internal firm economies on the other hand refer to the scale of management, distribution, the acquisition of inputs and the organization of research and development facilities. External economies at the plant level refer to factors such as access to credit and to cheap inputs of wage goods and capital equipment resulting from easy access to other suppliers and from available social infrastructure (communication, education, research, law and order, etc.). External firm economies, finally, refer to the access to large-scale credit facilities, and to the communications and social and educational services required to maintain a high level of manpower/person power division and be able to sustain control of international dimensions such as access to foreign markets and capital (Brett 1983 and Jonsson 1991b). These economies are sectorally, spatially and historically unevenly distributed so that locational specificity measured in terms of the distribution of internal and external economies, determines the different volumes and rates of capital accumulation which generates uneven economic development between countries, monopolization and disequilibrium

It is clearer today than ever before that the entrepreneurial agent that realizes the entrepreneurial function can not be reduced to an individual or firm as we mentioned above. The active economic role of institutional actors such as local authorities, communes, the central state, international organizations and organized co-operation between firms in regulating and promoting conditions of competition and competitiveness leads us to the

conclusion that the entrepreneurial function is realized through a process of collective entrepreneurship. This is a process in which external economies of scale and societal conditions of accumulation are actively created and transformed. Furthermore, as the institutional base of economic activity is different in different countries, so is the organization of collective entrepreneurship different. However, collective entrepreneurship is not limited to national economies alone. Increased foreign direct investment (FDI) and globalization of capital accumulation (Chesnai 1988 and Julius 1990) due to cross border activities of multinational corporations (MNC) has generated forms of collective entrepreneurship that are essential for competitiveness of firms in international markets such as automobiles and electronics (Hoffman and Kaplinsky 1988 and Chesnai 1988) as well as finance, producer services and communications (Lash and Urry 1994).

c) Forms of collective entrepreneurship

Basically, forms of collective entrepreneurship depend, on the one side, on societal factors such as culture and the infrastructure of human capital. They also depend on how the ruling elites and organic intellectuals[2] are constituted as well as on strategic entrepreneurial actors. As a consequence collective entrepreneurship is territorially and socially embedded. On the other side, forms of collective entrepreneurship are determined by structural constraints, i.e. 1) constraints that are local and/or country specific such as the constraints of a microeconomy and 2) constraints set by the structural development of international trade and the world market.

1) As concerns culture and the infrastructure of human capital the educational system is central in terms of socialization of norms and values that determine work ethic and motivation. It is also essential as concerns the socialization of technical and social skills needed directly in production or which are necessary for on-the-job-training. Educating social skills is increasingly important as the contemporary growth of sectors such of services and information processing - both in terms of signs and symbols - in capitalist economies requires discursive knowledge. Discursive knowledge is at the core of the post-Fordist/post-modernist trend towards increasing flexible, reflexive and aesthetic accumulation (following intensification of the role design and advertising in production and services) (Lash and Urry 1994).

Training systems constitute the centre point of the transformation of social skills and their adjustment to the needs of production and services. The organization of training systems

[2] The concept of organic intellectuals refers to those who establish the ideological and organizational grounds for the diffusion of new techno-economic paradigms, new industries and corresponding classes. As Gramsci claims: "The capitalist entrepreneur creates alongside himself the industrial technician, the specialist in political economy, the organisers of a new culture, of a new legal system, etc. ... If not all entrepreneurs, at least an elite amongst them must have the capacity to be an organiser of society in general, including all its complex organism of services, right up to the state organism ... or at least they must possess the capacity to choose the deputies (specialised employees) to whom to entrust this activity of organising the general system of relationships external to the business itself" (Gramsci, 5-6)

is different in different countries, but roughly they can be styled as school centred, theoretical and statist (SC) (as in Japan, France and Italy), on the one hand, and practice centred, empirical and corporatist-statist (PC), on the other hand (as in. the German speaking world) (Lash and Urry 1994, 70). The different training systems reflect the characteristics of different production systems in different countries, i.e. the different organization of intra and inter firm relations and the relations between firms and the state and other institutions. As an example the training system in Japan is a SC system which reflects the dualism of the production system of Japan. The Japanese production system is dualist in the sense that it is divided into, on the one hand, a core of big keiretzu firms and, on the other hand, a sector of small firms, family firms and often sub-contractors of the keiretzu firms. The small firms sector, i.e. firms with less than 1000 employees accounts for over half of all sales and assets in the Japanese economy. The core keiretzu firms are organized around banks and trading companies and are organized as a web of close ties of reciprocal capital relations as they own shares in each other and by inputs and outputs from each other and they are characterized by close ties of interlocking directorship (Gerlach, 63-9 and Scott). The SC training system in Japan is also characterized by dualism. It is highly codified, abstract and theoretical compared with its corporate counterpart. Workers have a comprehensive state-sponsored training and skill testing system which satisfies the needs of the mobile small firm sector. The big core firms train their lifetime employees in house and it is particularly dualist in the sense that firm-based training is highly systematic and theoretical. The PC training system of the German speaking world is based on apprenticeship and practical training with long tradition of technical colleges. The resulting tradition and importance of the Beruf is very important for the structuring of labour relations in the German production system. The German production system is, unlike the Japanese system, characterized by strong position of trade unions, works councils on firm level and close ties between firms and technical colleges of higher education as well as local chambers of commerce and local authorities (Lash and Urry 1994, 81). The training systems in UK and USA have traditionally been situated somewhere between these two systems, but UK, with the decline of apprenticeship by some 67% from the mid-1970s to the mid-1980s, has been moving quickly away from the practice-oriented model (ibid., 70).

The public system of innovation is another important factor in the organization of the infrastructure of human capital. Expenditure on research and development (R&D) varies between countries. This refers both to quantity and quality. Firstly, some countries spend more on public R&D than others. Secondly, there is a difference between countries in terms of socio-economic objectives of R&D. Thirdly, there is a difference in terms of the relations between public R&D and research institutes and private firms (OECD 1994). As an example, in 1990 around 3% of Japans GDP was spent on R&D and over 70% of Japanese R&D was financed by the private sector. The figures for Iceland were just over 1% and 22%

respectively (VÌsindar·d og RannsÛknar·d rÌkisins 1992). Furthermore, Japanese R&D is organized in a strategic way on the basis of long term strategies based on collaboration between firms and the state. Icelandic R&D is characterized by ad hoc policy formation in the context of weak administration and unusually small firms that have difficulties in forming long term strategies. This is one of the fundamental particular characteristics of microsocieties as we will discuss more fully below.

2) The constitution of the ruling elites and organic intellectuals is one of the central factors that affect innovation activity. The ruling elites are those who directly take part in the societal decision making process. In the field of formation of accumulation strategies it is particularly active owners of capital, directors of firms, the state elite and the elites of organized interests (employers and employee movements) that constitute the ruling elites. The ruling elites may lack capacity for the long term policy formation as concerns innovation activity and accumulation strategies and they may lack capacity to implement such policies and strategies. The capacity of the ruling elites depends partly on the size and stability of the firms, partly on how well informed and educated they are. Finally, the quality of the ruling elites depends on the way they are recruited. The more corrupt and nepotist the recruitment is, the more conservative the ruling elites tend to be and the more likely they are to hinder development. For a small glimpse that shows the importance of the leadership in the development of communities, we may highlight the case of the revitalization of fishing communities in Cheticamp in Nova Scotia which has been looked upon as a model for community development. The first factor underlying its success is a strong and dedicated leadership. Interestingly, organic intellectuals, - a core of community members over the years made up of priests, school teachers and, more recently, young educated return migrants - have been consistently involved in most ventures of restructuring the economic base of the communities, particularly in terms of small firm flexible specialization. Another factor cited is a homogenous population with a clear sense of identity stemming from common culture, language and religion. A third factor is a long history of adult education stemming from the Roman Catholic church and Arcadian educators. Finally isolation and lack of investment by large external firms that bring with them social cleavages and conflicts have been cited as an important factor of success (Barrett, 56).

3) As concerns entrepreneurial actors, forms of collective entrepreneurship are based typically on relations between actors such as the state and municipalities, organized interests, firms and individuals. Depending on the balance of power between the entrepreneurial actors and depending on culture and history of different countries, the hegemonic role in entrepreneurial activity may be played by the state such as in the case of 'state entrepreneurship' in Taiwan and South-Korea (Davis and Ward 1990, Huang 1989 and Cotton 1992). In other cases, such as in USA, firms and markets are more important in determining the path of innovative activity (Nelson 1988).

The following table 4.1 highlights some well known forms of relations between these actors that can be considered as examples of collective entrepreneurship. The table indicates that there are many possible forms of collective entrepreneurship.

Table 4.1.
Forms of Collective Entrepreneurship

Actors	The state: governments, municipalities and institutes	Organized interests	Firm	Individual
The state: governments, municipalities and institutes	Supporting international R&D projects, e.g. EUREKA, ESPRIT, ERASMUS; developmental plans for R&D on regional level; Establishing R&D funds and institutions, science parks etc.; tax reductions for R&D, procurement etc.	Collaboration between employers organizations, trade unions and the state in developing R&D and innovative institutes run by organized interests	Procurement, science parks, tax allowances for innovative firms etc. Technological transfer via foreign MNCs (c.f. Taiwan. S-Korea, Singapore etc.)	Centres and laboratories for inventive individuals
Organized interests of capital and labour	R&D projects in the welfare state, health and work conditions. Collaboration in the field of transformation of skills and flexibility of labour and technology as well as spatial flexibility of labour	R&D funds and institutes established and run by employers organizations and/or trade unions from different branches of industry	R&D funds and institutes established and run by in collaboration and run by employers organizations and/or trade unions from different branches of industry	R&D contracts with individuals and access to laboratories and other facilities
New social movements: environmentalists, consumer organizations, womens movements	R&D projects related to the improvement of the environment, consumer information and health standards and gendered technology and discrimination	R&D collaboration by new social movements related to the interests of the new social movements	Collaboration as concerns definition of market niches and access to laboratories and other facilities	R&D contracts with individuals
Firm			R&D and Innovation networks of firms; user-producer relations	firms provide innovative individuals risk capital, mass produce products and bring them to the market
Individual				Groups of individuals initiate and finance R&D projects

In table 4.2, we have highlighted the main types of measures that fall under state forms of collective entrepreneurship as they have appeared in the advanced capitalist countries in recent decades.

Table 4.2.
Classification of Government Policy Tools.

Policy tools	Examples
1. Public enterprise	Innovation by publicly owned industries, setting up of new industries, pioneering use of new technique by public corporations,participation in private enterprise
2. Scientific and technical	Research laboratories, support for research associations, learned societies, professional associations, research grants
3. Education	General education, universities, technical education, apprenticeship schemes, continuing and further education, retraining
4. Information	Information networks and centres, libraries, advisory and consultancy services, databases, liaison services
5. Financial	Grants, loans, subsidies, financial sharing arrangements, provision of equipment, buildings or services, loan guarantees, export credits, etc.
6. Taxation	Company, personal, indirect and payroll taxation, allowances
7. Legal and regulatory	Patents, environmental and health regulations, inspectorates, monopoly regulations
8. Political	Planning, regional policies, honours or awards for innovation, encouragement of mergers or joint consortia, public consultation
9. Procurement	Central or local government purchases and contracts, public corporations, R&D contracts, prototype purchases
10. Public services	Purchases, maintenance, supervision and innovation in health service, public building, construction, transport, telecommunications
11. Commercial	Trade agreements, tariffs, currency regulations
12. Overseas agent	Defence sales organizations

Source:Rothwell and Zegweld 1981: 61.

d) Accumulation theory and territorial embedment

It follows from the discussion above that entrepreneurial activity is to a great extent localized and territorially embedded or country specific. The collective nature of entrepreneurship appears in the dynamic interrelationship between the agents of entrepreneurial activity that is fundamental for the development of technological milieus and capital accumulation. This dynamic relationship is very different from what orthodox, neo-classical theory of prefect markets and factor substitution in the imagined world of general equilibrium presumes. Entrepreneurial activity is a part of the process of accumulation in which firms actively attempt to transform their social and economic environment in order to maximize long term surplus yields.

This 'embedment'[2] of capital accumulation is territorially determined. On the one side, every plant or industry has certain locational specificity in so far as different sites of accumulation offer different mix of labour and skills, natural resources and consumers that suit the needs of the different industries. According to orthodox theory, firms choose the

[2] On the concept of the embedded nature of economic life, see Polanyi, Braudel and Holton.

location of their activity according to where the mix of factors that maximizes profits is to be found. However, as Storper and Walker (1989, 73) argue, the picture is much more complex as firms and industries also have locational capabilities, and develop the factors they need, i.e. labour skills, suppliers and buyers. This is particularly the case in fast growing industries in which the creative powers of fast-rising industries are made possible by technological innovation, organizational advances, labour rationalization and skills development, and the rate of investment (ibid, 74). Due to above normal profits fast-rising industries can attract resources and labour that can not be created at the site even if they have to pay necessary premium. As important is their capacity to generate their own inputs over time rather than simply competing for a stable quantity of goods and labour power. In the early stages or renewal of industries, specific materials, parts and equipment may be so novel that they have to be developed on the spot or in close collaboration with suppliers on a custom basis. The same goes for labour as skills needed may be so novel that they have to be developed through practical experience and on-the-job-training.

Whether new or renewed industries or plants are located in new locations or already established industrial conglomerates will depend on technological as well as social and political conditions. These conditions determine the successful development of industrial complexes in which a dialectical process of the accumulation of local know-how, skills and technological innovativeness maximizes the creative powers of industries. Industrial complexes that generate growth centres of relatively stable input-output links between firms develop i the first instance on the basis of productivity increases that are rooted in internal economies which are based on the rationalization of mechanized labour processes. At the same time their growth is based on their social dynamics and collective entrepreneurship by which external economies are developed. The process leads to geographical agglomerates of related but diverse workplaces and firms with their proliferating linkages. These complexes foster environments of technical competence and rapid technological change and the transformation of technical and social skills of workers and capitalists. In the dynamic context of industrial complexes technological milieus develop which accelerate information flows and the accumulation of know-how and diffusion of industrial production techniques. Such technological milieus result from the dialectical or rather dialogical process of the ongoing involvement of suppliers, consultants and buyers and the resulting back and forth movement of information and personnel between them. The acceleration of information flow that such industrial complexes lead to, finally increase the probability of hitting on significant innovations and strengthen the local or national innovation system.

e) From national to global systems of innovation

We have argued that entrepreneurial activity and the dynamics of industrial innovation is fundamentally territorially embedded in the industrial history and social and

political relations of the site of accumulation. The concept of national systems of innovation in different countries - i.e. the organization of and expenditure on R&D and the interaction between R&D institutions within the territory of a particular nation state - has been developed to compare different features of innovation activity in different countries (see Freeman 1987, Andersen. and Lundvall 1988 and Nelson 1993). This concept suffers from serious shortcomings in so far as it is skewed towards the nation state as the fundamental locus of the dynamics of innovation activity. It underestimates the fact that organization of industrial innovation is increasingly done on local and global level. Local governments increasingly invest in improvements of external economies and social and political conditions of accumulation in order to generate growth and attract investment and firms. Local governments typically invest in development corporations, science parks (Massey, Quintas and Wield 1992), improvements of the local education system and the information/communication/transport infrastructure. In many cases local governments have managed to attract global firms with high value production.[3] To give but a small impression, in USA as an example, South Carolina has been in the forefront of public school reforms to produce more skilled work force. With cheap labour, low taxes and few unions they have attracted foreign firms such as BMW who recently established plants promising 2000 jobs and $66.5 million annual payroll to South Carolina. Between 1990 and 1992 South Carolina lured 93 new foreign owned plants while North Carolina attracted 45. The strategy of North Carolina has been to create an attractive atmosphere for high-tech companies around its famous Research Triangle Park and has devised innovative training programs in addition to its promotion of infrastructure projects such as Atlanta's Hartsfield International Airport and Tennessee's state-of the-art telephone network. Between 1985 and 1992, non-farm employment grew 117.8% vs. 11.2% for the USA as a whole. Per capita grew 46.3% vs. 40% for the nation (BusinessWeek 27th Sept. 1993). In the Midwest governments have been at the forefront of worker training programs. Almost every state has established manufacturing extension services to diffuse to small and midsize companies the latest techniques and organizational ideas. Many states in the region use public funds to seed startups. These public measures have stimulated growth (BusinessWeek July 25 1994, 37). As a result of state, government and company collaboration new growth regions, "hot spots", have risen in several places in USA in recent years. These hot spots that are based on fusion of public and

[3] R.B. Reich, a minister in the administration of U.S. President Bill Clinton claims: "Government policy makers should be less interested in helping American-owned companies earn hefty profits from new technologies than helping Americans become technologically sophisticated. It makes perfect sense, then, to encourage Sony, Philips, Thompson, NEC, or any other global company to train Americans to design and make advanced semiconductors, high-definition televisions, complex parts for jet aircraft, and other exotica of the future. Invite them in; we need the training. By the same token, make government subsidies for technological development available to any corporation, regardless of the nationality of its owners - so long as the company agrees to undertake research, development, and fabrication in the United States, using American scientists, engineers, and technicians. To make the link even more explicit, the amount of government assistance could be tied to the number of Americans involved in the research, development, and engineering" (R.B. Reich 1992, 163).

private investment in high tech infrastructures, human capital, education, universities and R&D facilities have created the grounds for high rates of growth and job creation. In this context one can mention hot spots such as the "Silicon Hills" in Austin; the "Laser Lane" in Orlando; the "Medical Mile" in Philadelphia; the "Princeton Corridor"; the "Ceramic Corridor" in Corning; the Silicon Prairie" in Champaign/Urbana; the "Medical Alley" in Minneapolis/St. Paul; the "Biomed Mountains" in Salt Lake City and; the "Optical Valley" in Tucson (BusinessWeek October 19 1992, 54-5). In UK 38 science parks are to be found in different areas. 59% of the investment in the infrastructure and buildings of these parks had by 1990 been made by the public sector (Massey, Quintas and Wield 1992, 209)[4].

But, systems of innovation are not only becoming more 'local', they are also becoming more 'global'. On the one side, local and national governments increasingly realize the importance of investing in human capital and facilities for innovation activity in their own area or country in order to attract firms and compete with other governments on global basis (Reich 1992, 163). Furthermore, national states are increasingly involved in organizing and financing international projects of industrial innovation and R&D, again in order to improve innovation conditions of competitiveness of firms located within their territory. EU's EUREKA and ESPRIT are examples of such international R&D co-operation in the field of high technology. On the other side, firms increasingly look for location for their research and developmental activities on global basis as there is a great difference in R&D costs in advanced capitalist countries and newly developed countries and East-Europe. Reich (1992, 122-5) has observed that because skills and insights cannot easily be replicated, growing portion R&D activity of American-owned corporations takes place in other countries. Italians help GM designing sleek-looking sports car, while German design engineers ensure that its engine is dependable, and Japanese manufacturing engineers confirm that it can be reliably assembled at a low cost. Between 1986 and 1987 American-owned corporations increased their overseas spending on R&D by 33% compared with a 6% increase in USA. Top-level scientists in East-Europe can be hired for one-tenth of the cost in USA and American firms exploit their skills in fields such as chemistry, biotechnology, computers and micro-electronics, aerospace, etc. etc. Through mergers and joint-ventures, firms organize their R&D on global level as well. The recent merger of Swedish ASEA and Swiss Brown Boveri into ABB Ltd, and its acquisition of the American corporation Combustion Engineering Inc. in 1990, did not only open access to its know-how, but gave the opportunity to rationalize R&D on global basis and swap scientific and managerial staff between labs in different countries (BusinessWeek June 28 1993, 32). Finally, multinational firms such as IBM, ABB, Ford, General Electric, Sony and even McDonald's Corp. and Lever Brothers Co. have recently or are in the process of reorganizing according to global market strategies and

[4] See D. Massey, P. Quintas and D. Wield 1992 for a critical assessment of the role of science parks as concerns industrial innovation

skipping domestic and country based organization of management and production (BusinessWeek May 23 1994, 32).

In the 1960s and 1970s, the development of new product and process technology was, for the most part, an exclusively "domestic" as well as "in-house" activity for most Western companies. But, in the 1980s, as a response to increasingly global competitive environment and organization of production, multinational companies in many industries begun to reorganize their technical activities to optimize them on international basis. In 1990 U.S. companies invested more than $10 billion in R&D overseas, nearly 14% of total company-financed industrial R&D in the United States that year. U.S. Multinational companies have led the charge in leading sectors such as the computers, telecommunications, microelectronics, pharmaceuticals and automotive industries. One quarter to one third of the R&D activities of these sectors take place overseas. However, this is not a one directional movement of outward foreign investment in R&D. Foreign multinationals also invest in R&D in USA through their affiliates. In the United States alone the subsidiaries of foreign firms accounted for more than $11 billion, or more than 15% of total U.S. company-financed industrial R&D in 1990. Furthermore, by 1990 at lest 115 foreign companies had established 254 R&D facilities in the United States; 150 of these R&D facilities were established by Japanese companies, 95 by European companies, 6 by Korean companies, and 3 by Canadian companies (Committee on Technology Policy Options in a Global Economy 1993, 49-50).

Figures of R&D underestimate the importance of the qualitative nature of the increased globalization of technical change. The mushrooming of multinational companies has generated increasingly dense global technical and logistical networks of companies that include a much broader population of "domestic", technically innovative suppliers, vendors, and distributors. The growing importance of such global technological networks of firms is the rapid growth in volume of intermediate inputs for final production obtained from international rather than domestic sources. In the mid-1980s around 50% of inputs of manufactured goods in Canada were imported, in France, Germany and UK it was 30 and 40% (see the following figure) (Committee on Technology Policy Options in a Global Economy 1993, 50).

The growth of the number of technical alliances of firms is another feature which indicates the growth of global innovation networks of firms. Patent licensing and joint R&D has mushroomed in the past decade. A recent U.S. survey of the development of corporate technical alliances shows that such alliances grew fast in the 1980s, particularly in information technology, new materials, and bio-technology, but also in industries such as aerospace, automotive, and chemicals (see the following table) (Committee on Technology Policy Options in a Global Economy 1993, 50).

Table 4.3.
Ratio of Imported to Domestic Sourcing of Inputs.
Average of Manufacturing Goods, by Country.

	Early 1970s	Mid 1970s	Mid 1980s
Canada	0,35	0,37	0,52
France	0,22	0,25	0,38
Germany		0,22	0,28
Japan	0,03	0,04	0,06
UK	0,18	0,33	0,37
USA	0,06	0,07	0,18

Source: Committee on Technology Policy Options in a Global Economy 1993, 51.

Table 4.4.
Number of New Transnational Corporate Technology Alliances, by Industry 1980-1989

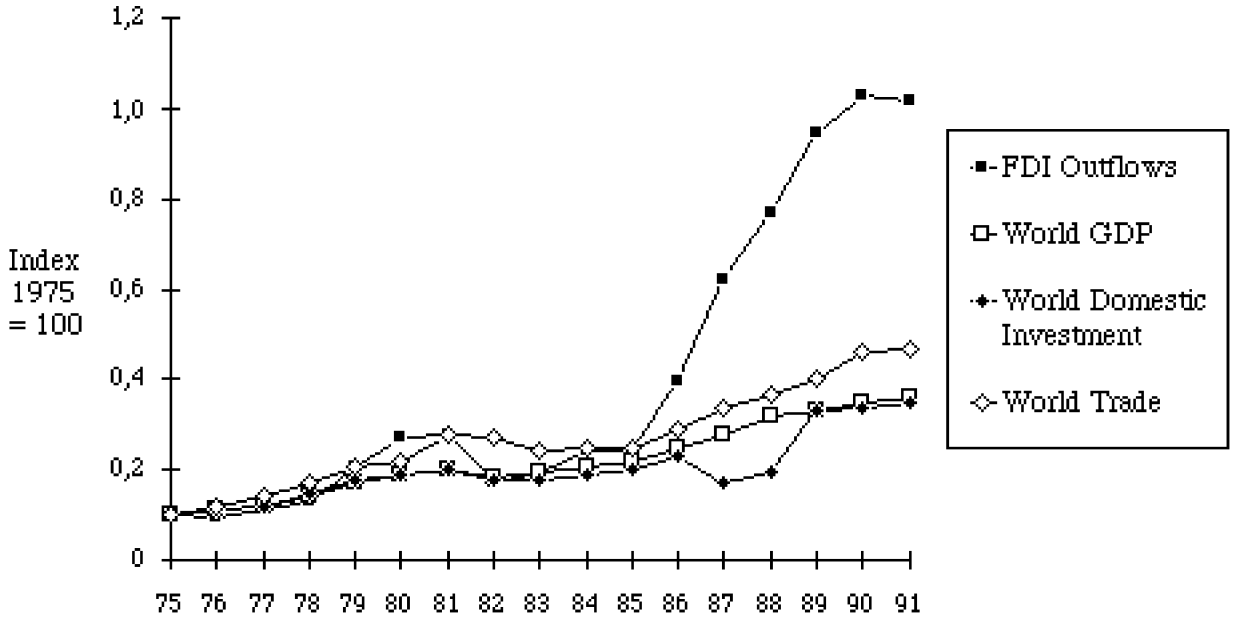
		Europe-Japan	USA-Japan	USA-Europe
Biotechnology	1980-84	5	45	58
	1985-89	20	54	124
New materials	1980-84	15	16	32
	1985-89	23	40	52
Information technology	1980-84	57	133	158
	1985-89	57	132	156
Automobile industry	1980-84	6	10	10
	1985-89	16	39	24
Aero/military	1980-84	1	7	24
	1985-89	3	0	31
Chemicals	1980-84	14	35	31
	1985-89	21	24	54

Source: Committee on Technology Policy Options in a Global Economy 1993, 52.

Globalization of R&D follows the increase in international trade and FDI in recent decades. Increasing international trade is immanent to capitalist development. In the post war era the process of internationalization of capital accumulation has been characterized by higher growth rates of international trade compared to the rate of growth of individual OECD countries (OECD 1992). The first phase of high growth of international trade in that era took place in the 1950s -70s. It followed, on the one side, increased foreign direct investment (FDI) by multinational corporations (MNCs) that increasingly exploited cheap labour in Third world countries. In the 1960s American MNCs invested increasingly in Europe. This increased FDI of MNCs in Europe was followed by increased intra-industry trade between

their units or plants in different countries. FDI in Europe decreased again in the 1970s due to the oil crises of the early and late 1970s (Julius 1990). On the other side liberalization of international trade followed agreements such as GATT and international organizations such as EU and EFTA. A second phase started in the 1980s with increased globalization of firms, systemofacture and increasing protectionism in the advanced capitalist countries (Hoffman and Kaplinsky 1988 and Julius 1990). Trade between the advanced capitalist countries has increased fast and FDI in these countries has grown faster than in Third world countries (Julius), but FDI in Eastern Europe and Mainland China increased fast in this period as well (Chesnai 1988). Presently, the trend in FDI appears to be toward increasing investment in China, South-East Asia and Latin America following the ongoing expansion of global webs or networks of global firms according to a recent UN report on World FDI (Schück).

Figure 4.1.
Growth in world trade, output, domestic investment, and foreign direct investment: 1975-1991.



Source: Committee on Technology Policy Options in a Global Economy 1993, 46.

The globalization of R&D results from the globalization of production and services. Global firms characterized by systemofacture - i.e. internationally integrated firms with geographically dispersed units of design, production, marketing and nationally and globally organized webs of sub-contractors, just-in-time technology, and small batch flexible specialization, but integrated by the means of information technology - have typically developed in the automobile, electronics industry and telecommunications, but flexible specialization for specified markets is also possible in other industries/markets as the well known cases of Benetton and fashion clothes shows.

Table 4.5 highlights the extent of internationalization of R&D, employment and product
shipments in manufacturing enterprises in selected OECD.

Table 4.5.
Foreign-Controlled Firms' share of total business enterprise R&D expenditure, employment and product shipments in manufacturing enterprises in six countries.

	% Share Business Enterprise R&D Expenditure 1989	$ Share Employment 1989	% Share Product Shipments 1989
United States	8.8	10.0	14.9
France	12.4	22.1	16.7
United Kingdom	17.0	14.8	23.5
Sweden	13.6	14.0	15.1
Germany	*	18.1	21.7
Canada	52.0	34.0a	48.6b
Japan	1.0	1.1	2.3

NOTE: The United States defines foreign-controlled firms as nationally incorporated and unincorporated business enterprises in which foreign persons have at least 10 percent interest. Some nations define foreign-controlled firms at a higher level of equity interest.
* Data not available.
a 1986 data
b 1987 data
Source: Committee on Technology Policy Options in a Global Economy 1993, 47.

One can easily get lost in discussion of individual cases such as those above. Globalization of innovation activity is but a part of the globalization of capital accumulation, and one must not forget that the process of globalization is determined by sectoral specificity and the dynamics of territorial agglomeration. After all, the bulk of production and services remains local rather than global. In short, the development towards global accumulation is sectorally uneven. The leading sectors of globalization of capital accumulation are banking, bonds and finance, communications, producer services, the automobile industry and electronics (Reich 1992 and Lash and Urry 1994, 17). The bulk of sectors such as retailing, construction, repairs and miscellaneous small batch production for local markets remains in the hands of small local firms. Finally, despite the trends towards increased globalization of capital accumulation and R&D that we have discussed above, one must not exaggerate this trend and keep in mind that R&D continues to be largely 'national' as public R&D is still important in most capitalist countries and particularly in microsocieties characterized by very small and weak domestic firms (as we will observe shortly). Furthermore, the continuing 'national' character of R&D is to be seen by the fact that e.g. as of the mid-1980s, 91% of total industrial R&D expenditures by U.S.-based companies were made in the United States; 92% of patenting by U.S. firms was from the United States, while the Japanese firms have

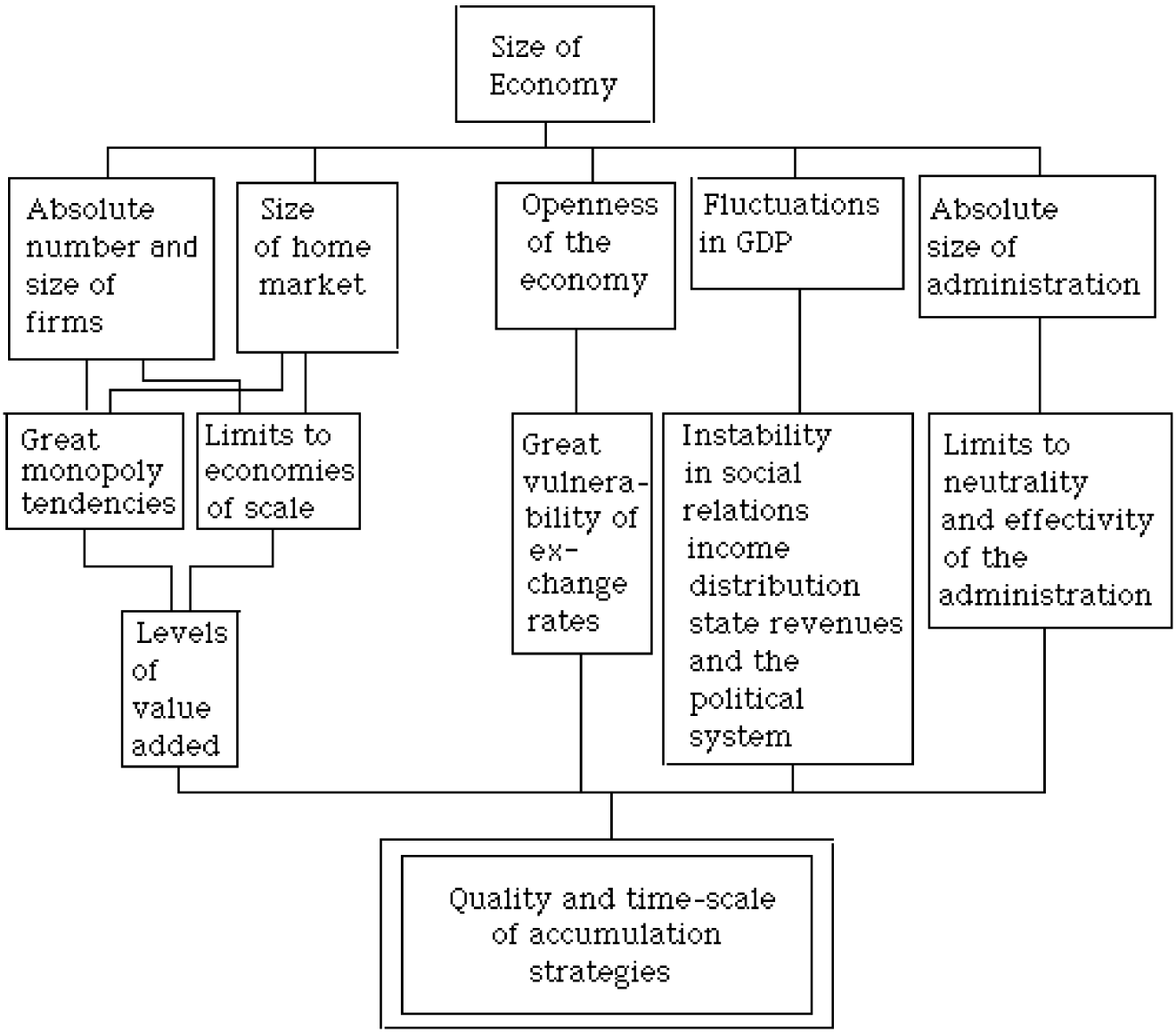
done 99% of their patenting from their home country (Committee on Technology Policy Options in a Global Economy 1993, 59).

f) Microeconomies and collective entrepreneurship

Besides the structural constraints that globalization and techno-institutional paradigm shift such as systemofacture, flexible specialization and the diffusion of post-Fordist industrial relations set collective entrepreneurs, they also face different constraints upon their activity depending on country specific conditions of capital accumulation. Microeconomies, i.e. economies with less than one million inhabitants, have particular size related problems of accumulation different from large economies (Jonsson 1991b, 1992 and 1993). These size related problems of accumulation in microeconomies appear in five fundamental structural constraints of capital accumulation as highlighted in figure 4.2: 1) the absolute number and size of firms tends to be very small in microeconomies (as the cases of the Faroe Islands and Iceland indicate, see table 5.3 and the Appendix); 2) the very small size of the home market; 3) great openness of the economy; 4) great fluctuations in GDP and; 5) the very small absolute size of the administration.

The logic of causality of the figure reads from top to bottom as follows: The size of a society and its economy will affect the five fundamental structural conditions of capital accumulation in the figure, i.e. 1) the absolute number and size of firms; 2) the size of the home market; 3) the openness of the economy; 4) fluctuations in GDP and; 5) the absolute size of administration. A small economy is characterized by a small home market in absolute terms and the smaller the home market/s is/are, the fewer firms can be established in the markets and firms will tend to be small and threatened with over-investment due to difficulties of exploiting economies of scale. The smaller the economy is, the more unlikely it is to be self-sufficient in terms of production of goods demanded (depending on the diffusion of markets and consumption of industrially produced goods). As a consequence, the smaller the economy is, the more open it must be. The smaller the economy is, the greater will the fluctuations in GDP be. This is the case because the smaller the economy is, the fewer the branches of industry are. Thus, fluctuations in one part of the economy may not be met by counter-affecting fluctuations in other parts of the economy as is the case in larger economies. Finally, the smaller the economy is, the smaller is the administration in absolute terms. The size of the administration constrains its quality, forms and way of conduct (cf. the discussion of the 'Westminster model' below).

Figure 4.2.
Size as a Causal Factor in Economies.



As figure 4.2. indicates, the size of the home market and the absolute number and size of firms (whether in terms of turnover rate or person years) determines monopoly tendencies and chances of exploiting economies of scale. These two last mentioned factors affect levels of value added as monopoly and oligopoly leads to decreased output of the economy and increasing costs of other non-monopoly sectors (Yarrow 1985) and lack of economies of scale leads to relatively low levels of productivity. Furthermore, the figure indicates that the openness of the economy affects the role of exchange rates. The smaller the economy is the more open it will tend to be and the more important exchange rate policies will be for the economy. This is the case both in terms of costs of imported goods for consumption and production as well as in terms of profitability of export sectors and long term rationality of investment in these sectors. The fourth factor, fluctuations in GDP, affects social and political

stability. Fluctuations in GDP lead to fluctuations in income distribution and class relations as well as fluctuations in state revenues and party voting. Finally, the fifth factor, the absolute size of administration, determines its grounds to function as a formally neutral body vis-a-vis social and economic interests and to contribute to collective policy making. The smaller the administration is in terms of number of persons, the more it is likely to depend on short term influences of governments and interest groups. The smaller the administration is, the more likely it is to lack resources and specialization to contribute to long term policies and economic and political stability (Jonsson 1991b). However, despite the small size of the administration, there is a greater need for a rationalizing role of the state and public institutions in the economy because of the small number of firms, monopoly tendencies and inability of firms as concerns industrial innovation due to their unusually small size and unstable economic environment.

The consequence of the size related factors is that the size of an economy affects the resources and level of social, economic and political stability upon which the quality and time-scale of economic policies and accumulation strategies depend (Jonsson 1991b).

The size related problems of accumulation in microeconomies set limits to collective entrepreneurs located in such economies. This is a challenge that collective entrepreneurs need to overcome with special measures. Due to the low level of value added and scant R&D of individual firms and limited possibilities of user-producer networks as firms and branches of industry are few in absolute terms, ineffective use of R&D resources and the risk of investing in industrial innovations is high. Furthermore, as firms tend to be very small in microeconomies, problems of crossing minimum capital thresholds in R&D and lack of marketing new products is severe.

As a consequence, due to all these constraints the need to rationalize entrepreneurship and the need to develop productive systems of collective entrepreneurship is even greater in microeconomies than in large economies. Two principles appear to be necessary cornerstones of strategies to develop such systems in microeconomies: On the one side, it has to be based on country specific know-how in order to develop firms, branches of industry, technological milieus and firms-networks of innovation that are able to enter particular market niches; On the other side, in many cases it has to be based on collaboration between domestic and foreign and/or multinational corporations in order to decrease risk and provide the small domestic firms with access to relevant components as well as marketing channels.

Due to the very small homemarkets of microeconomies they tend to be very open in terms of imports and exports compared to large economies (see Appendix). The small homemarkets tend to be to small for new products and they are quick to saturate. The need to export new products is therefore great already in the early stages of the life cycle of products. As a consequence the constraints of the development of international markets is great for entrepreneurial activity in microeconomies.

Increasing international trade, increased FDI and globalization of firms create both new opportunities and constraints for collective entrepreneurship in microeconomies. This development creates opportunities for easier access to market niches and chances increase for small firms in microeconomies to become sub-contractors of global firms. However, the competition between sub-contractors undermines their position vis-·-vis the global firms. Furthermore, small firms have weaker position in competing with big firms as it is more difficult for them to exploit new technology than is the case with big firms. Research into transfer of technology shows as an example that MNCs invest more intensively in information technology then national firms and big firms are more information technology intensive than small firms (Kaplinsky 1984). In this situation the need for productive collective entrepreneurship is felt even more greatly in microeconomies because of the small size of firms.

Table 4.6.
Island States according to Population Size and Admission to the United Nations

State	Population millions 1992	Year of Admission to the UN	Visible Imports as % of GNP 1981
Cuba	10.83	1945	
Haiti	6.71	1945	
Dominican Republic	7.32	1945	
Iceland	0.26	1946	
Ireland	3.55	1955	
Sri Lanka	17.41	1955	
Cyprus	0.72	1960	50.0
Jamaica	2.39	1962	56.7
Trinidad and Tobago	1.27	1962	23.5
Malta	0.36	1964	65.3
Maldives	0.23	1965	75.5
Barbados	0.26	1966	63.6
Mauritius	1.10	1968	45.0
Fiji	0.75	1970	49.0
Bahrain	0.53	1971	127.3
Bahamas	0.26	1973	101.0
Grenada	0.09	1974	65.0
Cape Verde	0.39	1975	55.0
Sao Tome and Principe	0.12	1975	45.0
Comoros	0.51	1975	30.9
Western Samoa	0.16	1976	
Seychelles	0.07	1976	81.8
Dominica	0.07	1978	83.3
Solomon Islands	0.34	1978	50.7
Saint Lucia	0.15	1979	108.3
Saint Vincent and the Grenadines	0.11	1980	
Antigua and Barbuda	0.08	1981	75.0
Vanuatu	0.16	1981	145.0
St. KItts-Nevis	0.04	1983	50.0

Source: P. Hein, 27; E.C. Dommen/P.L. Hein, 153-4; OECD 1993b and OECD 1993: **DAO Report 1993 - Development Co-operation, Aid in Transition**.

We may conclude that the present structure of international trade is both an advantage and disadvantage for microeconomies. Liberalization of international trade is necessary for the export-oriented microeconomies and insofar as they can develop and produce high quality products for market niches, liberalization is an advantage for them. However, difficulties in exploiting new technology is a special problem as we mentioned above. The threat of becoming a low tech and low value added sub-contractor of MNCs is great.

Having discussed the economic, social and political effects of the size of economies, we should now discuss scales and geographical factors. Geographical factors refer to climates and resources of economies as well as distances between countries and markets. Some states are land-locked, while others are islands. It is easier for small land-locked countries to overcome shortcomings of small home markets by extending them to neighbouring countries, than for remote islands that have to deal with great freight costs. In short, geograpical location matters.

The scale of size of economies matters both in material terms, as we discussed above, and in analytical terms. In order to define the 'territory' of studies (Tornerbohm 1981a and 1981b) of small states many authors have attempted to make an analytical division between small states and large states. In the Post War Era a great number of islands and very small populations have become independent states and their new status in the international political system has generated interest in their particular problems, especially their problems of development as most of these states are Third World Countries. As table 4.6 indicates, during the period 1945-1983, 22 states with population of less than one million inhabitants (1981 figures) joined the United Nations.

The concept of microstates has been developed to distinguish very small states from 'small states' which have enjoyed attention in main stream economic and political theory, especially small European states. As Walsh (1986) notes, students of small countries have based their definition of small countries on as diverse criteria as size of population, GNP, or/and international relations. On the basis of these criteria they have defined small states as e.g. those that have population of fewer than 10 millions or those with under $ 20 billion GDP (ibid.: 5). Walsh, to mention but one, chooses GDP as it:

> 'captures some measure of the resources available to a country for future innovation, and the size of its domestic market. GDP reflects in particular the level of resources of relatively poor populated countries in a way which population size alone does not capture.' (ibid.: 5).

Obviously studies of countries with small population can not depend on whether they are independent states or not. The cases of the Faroe Islands and Greenland show that the concept of microsocieties is more fruitful as the Greenlandic and Faroese societies actually exist as separate socities in terns of history, culture, social and political life although they are part of the Danish state. Indeed, the development of their homerule recognizes this fact.

With reference to population size and on the basis of table 4.6., it seems reasonable, as a first approximation, to define microsocieties and hence microeconomies as those with less than 1 million inhabitants and small societies may than range from 1 million to 10 millions of inhabitants.

But, by nature of the object of our study, capital accumulation in microsocieties must be analysed in terms of institutional factors as well as in terms of size-related structural conditions. With reference to the problematic of analysing societies in relation to the nature of their regimes of capital accumulation, it seems to be reasonable to categorize countries in a four dimensional way according to 1) GDP; 2) GDP per capita; 3) the degree of openness of the economy and; 4) social expenditure as a percentage of GDP. This categorization has the advantage over the purely size-based approaches, that it reflects better the role of the state, international trade relations and the level of affluence. By taking these elements into consideration, one distinguishes more clearly microsocieties from small states and small societies. A distinction is also made between countries having developed welfare systems from countries having 'underdeveloped' welfare systems. As one can see from table 4.7 in which total GDP of different OECD countries is highlighted, countries like the Faroe Islands, Greenland and Iceland are clearly distinguished from the rest of the Nordic countries as well as the rest of the OECD countries. As an example, the GDP of Norway was almost 18 times that of Iceland and as a consequence the home market as a locus of capital accumulation has very different potentials in the two countries.

Table 4.7.
Gross Domestic Product of OECD Member Countries in 1993
(billion of US$ at current exchange rates)

USA	6245.4	Netherands	309.4	Norway	103.2
Japan	4198.0	Australia	278.8	Finland	81.8
Germany	1712.9	Switzerland	232.8	Portuga	l75.1
France	1254.4	Belgium	207.5	Greece	74.2
UK	927.4	Sweden	185.3	Ireland	44.7
Italy	999.7	Austria	181.2	New Zealand	43.4
Canada	548.9	Turkey	138.4		
Spain	482.8	Denmark	135.4	Luxembourg	10.3
				Iceland	5.8
				Faroe Islands	0.9*
				Greenland	1.3**

* 1991. ** Disposable GNP1991, Danish 'bloc-grant' included (33%).
Sources: OECD (1994) **Main Economic Indicators 94/3**; Grønlands Hjemmestyre (1993) **Grønland Kalaallit Nunaat 1992/93**; Hagstova Føroya: **Árbók fyrir Føroyar 1992** and; Nordic Council of Ministers **Yearbook of Nordic Statistics 1994**.

We can categorize the OECD countries in terms of the level of affluence. By comparing per capita US$ income and by dividing them into three main groups on that basis (cf. table 4.8.) Accordingly, the small Scandinavian countries, except Finland, fall into the richest category along with Switzerland, Japan, Luxembourg and Austria. Most of the other

W-European countries, along with USA, fall into the middle category, while the newly industrialized W-European countries, Ireland, Spain, Greece and Portugal, fall into the poorest category along with Turkey. According to this categorization we can conclude that Iceland, Greenland, the Scandinavian countries and the small W-European countries are affluent or rather affluent despite how small their home market is.

Table 4.8.
OECD Member Countries Per Capita GDP 1992 in US$ at Current rates

Very affluent		---- medium affluent		--- less affluent	
Switzerland	34690	USA	23214	Faroe Islands	19215*
Japan	29525	France	23006	UK	18028
Sweden	28486	Germany	22208	Australia	16567
Denmark	27544	Belgium	21825	Spain	14707
Luxembourg	27180	Italy	21540	Ireland	13758
Norway	26341	Netherlands	21103	New Zealand	12097
Iceland	25385	Finland	21063	Greece	7563
Austria	23491	Canada	20543	Portugal	8552
Greenland	23373**			Turkey	1914

* 1991. ** Disposable GNP per capita 1991, Danish 'bloc-grant' included (33%).
Sources: OECD (1994) **Main Economic Indicators 94/3**; Grønlands Hjemmestyre (1993) **Grønland Kalaallit Nunaat 1992/93**; Hagstova Føroya: **Árbók fyrir Føroyar 1992** and; Nordic Council of Ministers **Yearbook of Nordic Statistics 1994**.

Table 4.9.
Openness of the Economies; Exports as Per Cent of GDP 1992.

Very open economies		open economies		less open economies	
Belgium/Luxemb.	58.5	Denmark	23.3	USA	9.0
Ireland	45.0	Iceland	23.2	Japan	5.7
Netherlands	47.4	Canada	22.3		
Faroe Islands	44.7*	Norway	21.8		
Greenland	35.3**	Germany	20.5		
Portugal	33.4	Turkey	19.8		
Greece	28.8	UK	19.8		
Austria	28.4	New Zealand	19.5		
Switzerland	28.0	Sweden	18.6		
		Finland	18.3		
		France	17.8		
		Spain	16.6		
		Italy	14.1		
		Australia	13.7		

* 1991. ** GNP 1991 Danish bloc-grant not included (23.7% if the Danish bloc-grant is included).
Sources: IMF: **Direction of Trade Statistics** March 1994: IMF **International Financial Statistics**; OECD (1994) **Main Economic Indicators 94/3**; Grønlands Hjemmestyre (1993) **Grønland Kalaallit Nunaat 1992/93**; Hagstova Føroya: **Árbók fyrir Føroyar 1992** and; Nordic Council of Ministers **Yearbook of Nordic Statistics 1994**.

As we can see from table 4.9, the small countries are characterized by great openness while the large countries tend to be less open. Japan and USA are least open with exports that amount to less than 10% of their GDP 1992.

By way of approaching the problem of small states and economies with analysis of regimes of capital accumulation, our approach is obviously different from the approaches of most economists as we know them. As can be seen from the table below, the small W-European countries tend to spend more on social expenditure than the large countries. But, the very small countries, i.e. Iceland and Faroe Islands, are low spenders while Greenland is a high spending country in terms of social expenditure. However, one has to keep in mind that Greenland and Faroe Islands have access to the Danish social welfare system so that the real figures for these countries are bound to be higher. In that sense, the very small countries or microsocieties differ from the small countries.

Table 4.10.
Social Expenditure as % of GDP[1]
A = Education, health, housing; B = Income transfers; C = A + B

		A	B	C
Sweden	1988	14.5	25.8	40.3
Denmark	1988	14.6	22.5	37.1
Norway	1989	16.2	18.8	35.0
Netherlands	1989	12.3	21.1	33.4
Austria	1988	10.5	23.0	33.5
Germany	1988	12.7	18.5	30.2
Faroe Islands	1991	12.4*	17.0**	29.4
Greenland	1987	19.5#	8.6	28.1
UK	1989	12.8	12.9	25.7
Japan	1989	10.9	14.4	25.3
Finland	1989	10.7	14.3	25.0
Australia	1988	11.8	7.4	19.2
USA	1989	6.1	11.7	17.8
Iceland	1990	11.7	4.5	16.2

1 Because of the approximations made for some countries, cross-country comparisons should be made with causion. Furthermore, the great fluctuations in the West-Nordic GDP render comparison based on one year even more difficult.

* Education and health. ** Danish state contribution 21.8% (=> B = 13,3 and C = 25,7)

Health (30% of this figure) is 100% Danish state contribution (=> A = 13,7 and C = 22,3)

Sources: Grønlands Hjemmestyre (1991) **Grønland Kalaallit Nunaat 1990**; Hagstova Føroya: **Árbók fyrir Føroyar 1992**; Nordic Council of Ministers (1992) **Yearbook of Nordic Statistics 1992**; Nordic Council of Ministers (1992): **Social trygghet i de nordiske land - omfang, utgifter og finansiering 1990** and; H. Oxley and J. P. Martin: 'Controlling Government Spending and Deficits: Trends in the 1980s and Prospects in the 1990s' in OECD: **OECD Economic Studies** No. 17/1991.

We may conclude from the above comparison that the small W-European countries differ from the large capitalist countries in that they are characterized by more open economies and they spend more on social expenditure. The very small West-Nordic countries or microeconomies are more open in terms of exports than the large countries. But, West-Nordic countries are more like the large capitalist countries and less like the small countries in terms of social expenditure. Both the small and very small W-European countries tend to be either very affluent or affluent and are in that sense like the USA and Japan. The Faroe Islands are in the category of less affluent countries, but it has to be kept in mind that in 1991 there was a severe crisis in the Faroe Islands.

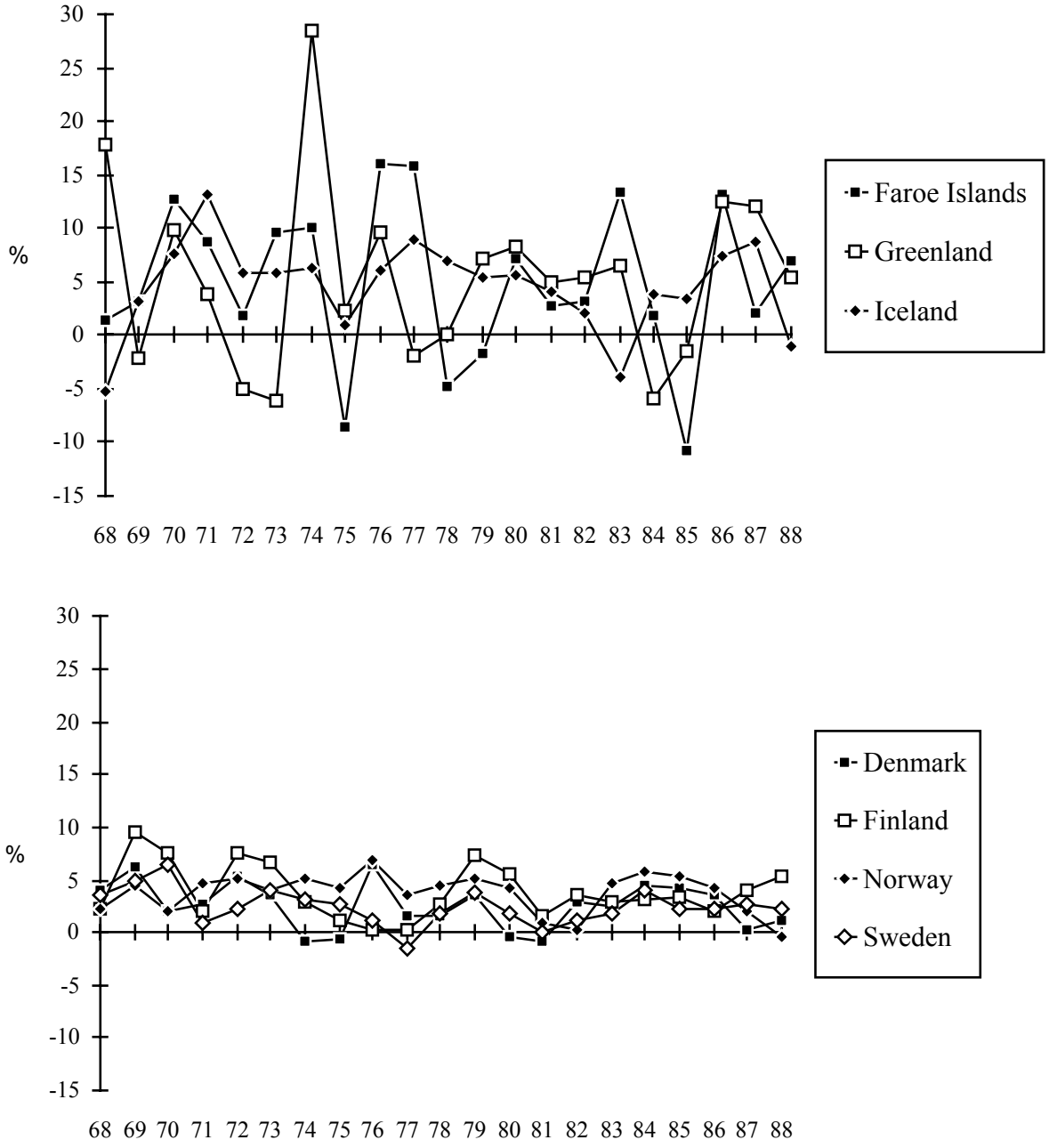
g) Small states, microsocieties and economic fluctuations.

Small capitalist economies of W-Europe have suffered from the economic crisis of the 1970s and 1980s like the large capitalist countries. Figure 4.3. indicates that the Nordic countries are a diverse group of countries which have experienced different periods of slow and fast economic growth. But, what we would particularly like to highlight here is the extreme fluctuations in the Faroese and Icelandic economic growth compared with the other Nordic countries. The reason for the difference is dependence on narrow resource base and one or few export goods. This is indeed one of the characteristics of fishing economies and many 'microeconomies' that call for different theories from the theories of small states and theories of large countries based on the characteristic of large markets and indeed more closed economies (as we will discuss below).

It appears from figure 4.3. that the Faroese and Icelandic microeconomies are characterized by much greater fluctuations in GNP than the small Nordic states. The reason for this difference is to be found in the general effects of size as we analysed above: Microeconomies share the same size influenced characteristics with small states, but in a more extreme form. These are characteristics we have already highlighted, such as high level of openness of the economy in terms of export and import, small domestic market and limits to economies of scale. But the very small fishing economies of the Faroe-Islands, Greenland and Iceland have some particularities of their own as islands. Island characteristics have been defined in relation to “handicaps” and "constraints" such as: smallness, remoteness, constraints in transport and communications, great distances from market centres, highly limited internal markets, lack of marketing expertise, low resources endowment, lack of natural resources and dependence on narrow range of agricultural resources, heavy dependence on a few commodities for their foreign exchange earnings, very narrow range of local skills with a critical shortage of trained manpower, serious balance of payment problems and heavy financial burdens, limited access to capital markets, dependence on one or few large companies often foreign owned and operating on highly privileged terms.

Shortage of administrative personnel, proneness to certain types of natural disasters such as cyclones or avalanches in the polar region, highly fragile natural ecology and very vulnerable physical environment (Hein 1985: 20-1 and Dolman 1985: 41-2).

Figure 4.3.
Economic Growth of the Nordic Countries 1968-1988
Annual Growth (%) of Real GDP



Sources: Nordic Council of Ministers 1992; OECD 1989a and 187; The Economic Institute 1987b, 1989a and 1991; Hagdeildin 1980; Hagstovan 1992, Paldam 1995.

To this list one should add strong oligopoly and monopoly tendencies in local markets and the economy as a whole (see Jonsson 1990 for a detailed study of oligopoly in Iceland). Furthermore, one should add great fluctuations in exports that typically are agricultural products (fish products as concerns Greenland, the Faroe Islands and Iceland). Indeed, studies have shown that visible export instability is strongly and negatively correlated with the size of countries, the size of exports and the level of development and the rate of growth (Dommen and Hein 1985: 171 and 172). Furthermore, as Dolman highlights concerning island developing countries:

> 'If progress in the diversification of agriculture has been slow, progress in the development of manufacture has been even slower. Small island countries, because of their relative affluence and geographic situation, tend to be high cost producers. They have tiny internal markets. They lack physical infrastructure and are deficient in technical, managerial and, sometimes, entrepreneurial skills. They do not have the "critical mass" required to first initiate and then sustain processes of technological innovation. The "additional cost" of small island industrialization (transport costs, supervisory salary costs, energy costs etc.) are such that they cannot generally be compensated for by lower wage rates, "tax holidays", exchange rate adjustment and similar measures. Viewed from the standpoint of an industrial entrepreneur, the setting up of even a modest operation in a small and remote island does not make much economic sense, and there is little an island government can do to change the overriding logic.' (Dolman 1985: 44-5).

Besides these characteristics there is a great resemblance among island states in terms of their small populations as highlighted above. As Hein (1985) claims there seems to be a considerable overlapping between smallness and islands. Of all the developing countries and territories with population of less than one million listed in the UN Statistical Yearbook, there are relatively few (16) which are not islands, compared to sixty which are - whereas there are only ten developing island countries and territories whose population exceed one million (Hein 1985: 21).

However, the case is still not closed. There are some institutional characteristics that are more typical for microsocieties and islands compared with larger societies. As Murray (1985: 185-202) has analysed concerning public administration in small island countries, the principle of Western hierarchical organization of administration with specialized, full-time job structure, what he calls 'the Westminster model', does not fit into the context of islands with tiny populations[2]. The application of such organizational structures is limited by the absolute number of public employees, the limited and discontinuous demand for specialists by the public administration and lack of neutrality of the public administration due to personal relations between public employees and the individuals in society. As a consequence, the problem of nepotism is much greater in small societies than large ones.

Murray analysed the public administration in Pacific islands such as Kiribati, Nauru, Solomon Islands and Tuvalu. He highlighted improvisations in the organization of public

administration alternative to the Westminster model. The aim of the Westminster model was to establish a ministerial structure, providing for a division between political and administrative roles and with a public service operating according to the ideals of a permanent, neutral and efficient service (ibid.: 186). Murray looked into three groups of issues to compare such improvisations with the Westminster model.

Firstly he analysed alternatives to the idea of hierarchical organization of administrative offices and training and development of staff in accordance with it. The basic model of good administration assumed that administration was conducted through administrative departments or ministries, and that a single hierarchy of offices in these ministries with clear definitions of jobs, could both carry out a wide range of administrative functions and take on new tasks (ibid.: 189). This was indeed a common starting point in the Pacific, according to Murray, but much improvisation took place alongside it. Individual officials were formally assigned duties outside their ministry - an official might be a senior official in a ministry who served also as clerk to the High Court when the Court sat; or he might be a clerk to a ministry who was also a member of a board managing a utility. Sometimes, on an irregular basis an official might be pulled out of a ministry to perform particular jobs - assisting a visiting mission, or translating the rules of procedure of the assembly (ibid.: 189). Administrative bodies are characterized by ad hoc forms due to how small they are. As Murray highlights, if a minister wanted a job done, he would decide who he thought would do it well, and it did not matter whether the individual filled an office that had nothing to do with the kind of work to be done. In some cases, an office would be established ad hoc to do the job. In some other cases a regularly constituted office would be staffed only when needed. And sometimes the project approach was used and a team established to do the job, e.g. planning new industries etc. (ibid.: 190). Furthermore Murray highlights that unlike the Westminster model, administrative jobs were not necessarily full-time jobs. Jobs are frequently broken down and informal structures created appropriate to separate tasks. The job structure would often deviate from the Westminster model as they were not individual jobs, i.e. as officials are often away for long periods tasks would not await them. The more common situation is for staff to work as team without adhering rigidly to job descriptions and duty schedules (ibid.: 192-3). The smallness of administrative bodies and discontinuity in operating individual offices undermines the hierarchical structure of authority that characterizes the Westminster model. As Murray points out:

> 'The idea, however of differentiating the making of decisions from their execution and having specialized administrative staff to carry them out was only one method of conducting affairs, and much in the experience of countries in the Pacific was alien to this approach. An alternative approach was to reach decisions by consensus in face to face meetings and make the execution of decisions an obligation on all those sharing in the consensus. The formal decision process took place in meetings where those recognized as qualified participants shared a face to face relationship. Procedures were followed which preserved social harmony while achieving an agreement on a

decision, and all were under an obligation then to act according to the general agreement. Nevertheless, while preserving the commitment to an agreed decision once reached in pursuit of social harmony, what constituted this agreed decision was open to reinterpretation and adjustment' (ibid.: 196).

Secondly, the Westminster model presumes that public administration is nationally self-contained. In the small island countries of the Pacific, this is difficult to obtain. In the Pacific islands, Murray remarks, some reliance is placed routinely on staff and services which in one way or another were not an integral part of the formal administration. In the medical field, he mentions, there was the regular work of the Australian eye team in Solomon Islands and surgical team in Tuvalu, and the formal linking of the hospital in Niue with hospitals in New Zealand, the provision of the weather reporting service, and associated services, by New Zealand in, for instance, Tuvalu. There was what he describes as implicit reliance on New Zealand and Australia to help in the event of natural disasters. In many policy areas there was a continuing reliance on external advice and information from abroad (ibid.: 196-7).[5]

Thirdly, Murray highlights the problems of realizing the idea of an independent non-political and impartial public service in the small island countries. The idea of independence and detachment from politics and political influence presupposes a society in which the public service forms only a small part, but in the small island context this is not the case. The public service is often the largest employer with corresponding interaction with people in very wide range of activities (ibid.: 199). Furthermore, in some islands where many small islands have the headquarters of administration concentrated in one island, the public employees become very isolated and come to develop interests of their own. As a consequence, the neutrality of the public services is diminished Finally where external aid is available and islands become dependent on aid, the focus of administrative attention becomes to satisfy the aid givers and maintain their financial support, according to Murray (ibid.: 200)[6].

Microeconomies do not only differ from small and large economies in terms of great economic fluctuations and problems of the state as concerns unstable nature and small absolute size of administration and the state. Their position in the international division of labour is different as well. Tables 4.11 and 4.12 show clearly how much the West-Nordic countries resemble developing countries in terms of their export structure.

[5] There are many examples of dependency of such external expertise in Iceland. The reason is more due to distrust of 'neutral' Icelandic expertise than lack of domestic know-how. Among recent examples is a massive UN report from 1973 named 'Iceland. Long term Development Plan for the Manufacturing Industry 1973-1980'. Another recent example is an investigation done by a British company in the late 1970's of defraud by the MNC Alusuisse, as it falsified costs of imported bauxite. More recently external expertise has investigated conditions of restructuring the financial markets in Iceland.

[6] Although, we have highlighted here, following Murray, how unrealistic the concept of modern organization of administration is in the small island context, one must realize as well that the operation of the formally defined organization of administration in large countries are not reducible to the formal structures alone. The formal structures are reproduced through patterns of informal interactions between individuals in large organizations in the large countries as in the small island countries (see e.g. Blau 1973). We are here emphasizing that it is more problematic to realize the strict formal structures of modern administration in the small island context than in the large countries with large bureaucracies.

There is a striking difference between the West-Nordic Countries and the East-Nordic countries as we look at categories SITC 0 and SITC 7. SITC 7 refers to machinery and transport equipment. The pattern is similar in Table 4.12. as in Table 4.11.

Table 4.11.
Total Imports in 1992 by the Nordic Countries from Individual Nordic Countries in terms of SITC Categories in Percentages

	SITC 0	SITC 1	SITC 2	SITC 3	SITC 4	SITC 5	SITC 6	SITC 7	SITC 8	SITC 9
Denmark	10,0	0,7	4,9	10,4	0,2	10,4	13,9	24,7	24,4	0,4
Faroe Islands	79,2	0,0	2,5	0,9	0,8	0,1	0,2	13,0	0,6	2,7
Finland	2,0	0,5	3,9	9,1	0,1	8,4	33,1	29,5	13,3	0,0
Greenland	97,3	0,0	0,2	0,0	0,0	0,0	0,1	0,7	0,4	1,3
Iceland	75,8	0,0	3,8	0,0	7,3	0,2	6,2	2,3	2,7	1,8
Norway	10,2	0,4	4,5	31,7	0,2	9,6	16,8	19,7	6,8	0,1
Sweden	6,5	0,4	5,4	12,9	0,2	10,1	22,4	26,1	15,8	0,2

SITC 0 = food and live animals; SITC 1 = beverages and tobacco; SITC 2 = crude materials, inedible, except fuel; SITC 3 = mineral fuels, lubricants and related materials; SITC 4 = animal and vegetable oils, fats and waxes; SITC 5 = hemicals and related products; SITC 6 = manufactured goods classified chiefly by material; SITC 7 = machinery and transport equipment; SITC 8 = miscellaneous manufactured articles; SITC 9 = commodities and transactions not classified elsewhere.
Source: Nordic Council of Ministers (1994) **Yearbook of Nordic Statistics 1994**.

Table 4.12.
Exports of the Nordic Countries in 1990 in Terms of SITC Categories in Percentages

	SITC 0	SITC 1	SITC 2	SITC 3	SITC 4	SITC 5	SITC 6	SITC 7	SITC 8	SITC 9
Denmark	25,1	1,1	5,2	3,7	0,4	9,4	11,4	27,0	16,1	0,7
Faroe Islands	88,6	0,0	0,9	0,0	0,2	0,0	0,0	10,3	0,0	0,0
Finland	2,2	0,2	10,1	1,5	0,1	6,4	41,2	30,9	7,5	0,1
Greenland	83,5	0,0	13,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Iceland	78,5	0,2	1,2	0,0	1,1	0,1	15,2	2,1	1,0	0,6
Norway	6,7	0,1	3,5	47,8	0,2	6,6	18,0	13,9	3,2	0,0
Sweden	1,8	0,1	8,8	3,0	0,2	7,5	25,7	43,3	8,8	0,9

Source: Nordic Council of Minister (1992) **Yearbook of Nordic Statistics 1992**; Grønlands Hjemmestyre (1991) **Grønland/ Kalaallit Nunaat 1990**; Hagstova Føroya (1992) **Árbók fyri Føroyar 1992**.

h) Neo-structuralism and innovation strategies - the case of the West-Nordic countries

Having discussed the fundamental dynamics of collective entrepreneurship and the main features of microeconomies, we should conclude the discussion with policy considerations that may be termed neo-structuralist (Jonsson 1988) as they take into account the importance of active socio-economic restructuring of economies at the same time as they emphasize export orientation, globalization and flexible specialization or systemofacture. A neo-structuralist approach is therefore different from the structuralism of the 1960s and 1970s in development theories as the latter emphasizes 'import substitution' and the development of domestic manufacturing industries defended by import taxes. It is a different approach from

that of dependency theories as it emphasizes that, given the right institutional framework and progressive role of domestic, collective entrepreneurs, foreign investment can be helpful in the context of globalization of accumulation and n the light of the shortcomings of innovation activity by very small and isolated firms in microeconomies. Furthermore, neo-structuralist approach is different from statist theories of development in that, although cases such as Taiwan, S-Korea and Singapore point at the importance of a strong state and state-entrepreneurship in generating economic growth, a strong state in these countries is a historically contingent and not the rule in the political economy of capitalist countries. A more realist concept is needed, such as that of collective entrepreneurship, in order to analyse the dynamics of the interrelationships between collective actors and the formation of accumulation strategies and innovation policies. The state is but one of many collective factors that are important in this respect. Finally, neo-structuralism is a different approach from the liberalist and modernist theories of the 1950s and 1960s as it emphasizes that world market adjustment and comparative advantage of "nations" are not given factors, but open to strategic transformation and this transformation takes different forms according to different cultures and institutional frameworks of different locations of accumulation.The following table highlights the main factors of neo-structuralist problematic and strategies (see Jonsson 1988). We will now discuss the neo-structuralist problematic and concretize our analysis by observing the West-Nordic socio-economic formations, i.e. Greenland, the Faroe Islands and Iceland.

Table 4.13.
The Main Factors of the Neo-Structuralist Problematic

I. Independent variables:

a) 'primary factors':

i. stages of technical change
- initial
- mature

ii. nature of technical change
- incremental
- radical
- changes of technical systems
- changes in techno-economic paradigms

iii. size of the domestic market
- barriers of entry
- limits to economies of scale
- supply of investment capital & R&D resources
- amount of demand
- levels of competition

iv. country specific resources ('natural' and/or 'intellectual')
- renewable
- exhaustible
- few or many

b) 'secondary factors':

v. level of openness of the economy
- protectionism
- access to foreign markets
- foreign investment & its relation to local firms
- investment abroad and its relation to local firms

vi. development of industrial complexes
- economies of scale of investment in R&D and infrastructures
- learning by using processes
- specialization

vii. R&D resources
- priorization of fields of R&D
- minimum R&D barriers
- international co-operation

viii. state power and government policies
- fiscal policies
- monetary policies
  - money supply
  - interest rates
  - exchange rates
- structuralist policies
  - infrastructure investment
  - influencing price formation
  - 'external' industrial relations
  - policies to direct investmentorganizing marketing of individual capital
  - organizing the structure of R&D
  - international institutions

ix. income distribution

x. industrial relations and forms of organized interests
- *decentralized*
  - capitalist antagonist or non-antagonist
  - collective anarchist
- *neo-corporatist*
  - statist
    - fascist
    - collectivist

xi. strategies of individual capital
- management structures
  - vertical or horizontal
- R&D investment
- supplier/user relations
- retailing and marketing policies
- stock market policies
- financial capital's rationality

xii. international institutions

xiii. foreign military intervention

II. Dependent variables:

confidence in investment, level of technical change, specialization and structural competitiveness

economic growth, output and employment

In the neo-structuralist framework presented above a distinction is made between 'primary' and 'secondary' factors according to which the former represents factors that are external and structural and individual governments and firms can not change, i.e. these are 'given factors'. 'Secondary' factors refer to factors that governments, firms and other actors of collective innovation can influence in a strategic way. Let's now discuss the individual factors of the neo-structural framework in the context of the West-Nordic countries. A detailed discussion of the regimes of accumulation in the West-Nordic countries is provided in the following chapters. In the following they will only be briefly referred to.

The first two factors of the neo-structuralist framework reflect the technological basis of capital accumulation and highlight the fact that stages of technological development are always pregiven and therefore represent the technological necessity that determines potential rates of accumulation and profits at a particular time in history. Different individual capitals may succeed in exploiting maturing technologies and become more competitive than others in a particular sector, depending on other factors of costs of production (such as e.g. cheap labour, energy, good public infrastructures etc.), but to sustain high rates of profit in the long run, they will have to ensure that they will be among the first to exploit 'key factors' of the best practice technological systems of the future. The West-Nordic countries have been very successful in importing best practice technology particularly related to fishing and fish processing. However, the level R&D is very low, just above 1% of GDP in the case of Iceland and below 0,5% in the case the Faroe Islands and Greenland. Despite low level of R&D expenditure, some Icelandic firms have been successful in developing frontier technology based on microelectronics in fields such as electronic scales for fish processing and automatic hand-lines. In the field of bio-technology development of high-heat enzymes by the Institute of Technology in Iceland is presented as promising. But, the overall picture shows a chaotic exploitation of local know-how and micro-electronics and other key-factors of future technology (Jonsson 1991b and 1994). In short, the West-Nordic countries have not proved to be successful in entering the early or initial stage of technical change as concerns information technology and bio-technology.

As concerns the nature of technical change and spatial development of innovation systems, the innovation systems of the West-Nordic countries are relatively underdeveloped or extremely localized. Investment in foreign countries is very low but has increased in recent years in the case of Iceland, particularly in the fishing/fish processing sector and the financial sector has established funds that invest in Southeast Asia. The increasing outflow of FDI has not aimed at taking part in global systems of innovation, such as taking part in joint ventures and innovation projects with SA-Asian firms or firms in other areas. However, Icelandic firms have participated in regional systems of innovation such as EU's Eureka, but the initiative has come from the state and institutes such as the Research Council of Iceland. The West-Nordic countries have not developed their own regional system of innovation despite

similar economic structural conditions and underdeveloped systems of innovation.

The third factor, the size of the domestic market determines levels of resources for capital accumulation in the country in question and possibilities of crossing minimum investment barriers in R&D and infrastructures. Thus, given that the rate of exploitation is unchanged, the amount of value for R&D and investment is determined by the size of the GNP, mediated through aggregate demand. This absolute level is also a cause of uneven development as GNP determines access to foreign loans that are used to improve economic growth as the rule is that the richer the country is and its firms, the better access it and its firms have to foreign banks. It is also the case, in relation to the 'near market investment policies' of MNCs and due to 'systemofacture' (Kaplinsky 1985), that inflow of foreign capital is determined by the size of the domestic market or the 'extended domestic market' (cf. the market of the Nordic countries and the EU). As the experience of post war Japan shows, a protected, large domestic market, given the right kind of industrial relations and active role of the state in the formation of industrial policy, can generate high rates of accumulation and increase possibilities of securing leadership in future 'key technologies' (Freeman, Clark and Soete 1982).

Due to the small home market and consequent shortcomings of high levels of oligopoly, the very small domestic firms and lack of domestic venture capital it is important for West-Nordic firms to take part in joint ventures either abroad or at home by inviting foreign FDI that can supply capital, links to global firms and global networks of production and services. Among the West-Nordic countries Greenland appears to have the best organizational resources to overcome the shortcomings related to the small homemarket. The concentration and centralization of capital is far the greatest in Greenland. Royal Greenland is among the largest fishing firms of Europe so that there is strong base for venture capital and R&D. Furthermore, Greenland is characterized by a very stable governmental system dominated by the socialist Siumuts party which has been in power since 1979. As Royal Greenland and the bulk of the economy is socialized, the case for a progressive statist development policies is very strong.

As concerns the fourth factor, natural and/or country specific resources are more 'controllable' than others. By this we mean that some resources are renewable while others are not, and the price of some resources may be influenced by co-ordinated actions of governments. Furthermore, some resources can be extended and cultivated to increase future economic growth. Finally, some countries have access to many resources while others have access to few. The West-Nordic countries are rich of renewable resources, i.e. their fluctuating fish stocks. But at times they have found it difficult to preserve them for optimum exploitation and they have found it difficult to optimize the level of value added of fish products and extend this resource in that way. With flexible specialization products can adjust better to market demand and further processing is possible (Friis 1992b). The

accumulated country specific know-how related to fishing and fish processing is another resource which can be 'cultivated' and extended with progressive education and R&D policies. Recent research has shown that the Faroe Islands and Greenland have rich oil reserves in their territories. Commercial exploitation of these resources are considered likely within 20 years. Furthermore, Greenland is thought to have as well valuable natural resources such as gold and diamonds and minerals, but again research in this field has been scant to come to certain conclusions.

Concerning the fifth factor, the level of openness of an economy, the smaller national or local capital is, the less it is able to compete with large firms at high level of exploitation of economies of scale. As a consequence, depending on the stage of technical development and size of the domestic market, small economies will tend to be characterized by high level of exports and imports. As the competitive gap between imported goods and locally produced goods extends, protectionism is likely to lead to relative decline in real wages and resources in the economy available for R&D and progressive investment. As a result, pressures for liberal trade policies are likely to rise and more so the smaller the economy is. It goes without mentioning that the very small West-Nordic economies are unusually open in terms of exports and imports (see Appendix).

Concerning foreign investment it should be emphasized that its forms of relation to local capital is crucial for what kind of multiplier effects and how stimulating it will be for economic growth it will be. Given lack of local initiative and capacity for endogenously generated growth in particular branches of industry, foreign investment has three main advantages and three main disadvantages: As for the advantages, it may bring with it new technology and skills that have not existed in the economy before and may, with the right relations between the foreign firm(s) and local firms, generate accumulation of skills that may generate new sectors of high growth. It may also bring with it necessary risk capital which does not exist in the economy and help crossing barriers of investment. Finally, it may open new channels for marketing. As for the disadvantages it should be emphasized that it may bring with it new industrial relations that may cause unrest in the labour market as it may decrease the power of the work force and representation of the labour movement within the company (e.g. in terms of 'no-strike deals' and firms' based organization of labour interests rather than national organization). Secondly, as governments compete for MNCs investment and they may move their activities elsewhere if their interests are threatened, foreign investment may decrease the power of national governments to form tax policies, exchange rate policies, compensation or social wages etc., and therefore diminish governments' power to form independent economic policies. Finally, it may require huge infrastructural investment that may be of dubious use or even burden for 'national' capital (e.g. in 1989, 51.6% of electricity production in Iceland was sold at low price to MNCs while domestic firms and households pay high prices for electricity. See The Central Bank of Iceland).

Some of the fastest growing small countries, namely Sweden, Switzerland and the Netherlands, have generated multinationals that have invested abroad (Arnold 1986: 8). Investment like this may accelerate growth in these countries if those parts of the production that produces highest levels of value added are kept 'at home' and if this investment is a part of 'industrial complexes' in the 'homelands' and, as a consequence generates economic and technological multiplier effects there. But, this is not necessarily the case. Indeed, there are signs today that these firms increasingly move their R&D activities nearer to markets abroad to prepare for the EU market and its liberalization in 1992 (See Burton 1990 concerning the Swedish case).

The development of increasing 'liberalization' and deregulation of financial markets in the capitalist countries in recent years may accelerate the process of uneven development as confidence in less competitive countries leads to outflow of investment capital. The outflow of capital reduces investment and spending on R&D in these countries. R&D may be moved to the large countries where risk is felt to be lower. We can take rapidly expanding genetic engineering in Sweden after 1983 as an example of this problem. However, this expansion did not lead to investment in exploitation of this research as Swedish firms saw the field as expensive, risky and profitable only in the long run and requiring a sizeable R&D commitment of their own. Swedish financiers willing to invest in this field therefore put their money in foreign biotechnology firms (Walsh 1986: 24-25). In the relatively stagnant economies of the West-Nordic countries where new fields R&D and industrial innovation are difficult to develop without consistent collective development strategies, confidence is low and investors have no other options than investing abroad in fast growing economies, c.f. the Icelandic funds mentioned above that specialize in investment in SE-Asian economies.

As for the sixth factor, the development of 'industrial complexes', it should be emphasized that close relationship between firms is important for "learning by using", and that industrial relations in the firms are important for strategies like that. Concerted technical changes within the firms, retraining programs, level of wage equality and neo-corporatism on the micro level, i.e. within the firms, will ease technical change, given that they will not lead to a situation in which a large portion of the staff is made redundant, that the level of unemployment in the economy is not to high and 'the flexibility of labour' is made easier by an efficient social welfare system. The contrasting experience of different levels of social unrest, industrial strike activities etc., from Sweden and Britain in the present capitalist crisis is a striking example that highlights the importance of these factors (see e.g. Cornwall 1983 and Jonsson 1986).

As concerns the West-Nordic countries the small family private firms generate close relations between employees and employers that ease technical change. But, these small family firms tend to be very local in their activities and networks of firms do not develop. As a consequence and due to the fact that R&D is underdeveloped and scant, progressive

technological milieus do not develop. As the case of Iceland shows, networks of industrial innovation are rare (Jonsson and Jonsson 1992). The strong position of the state firms in Greenland constitutes a base for the development of progressive industrial complexes (see the following chapters).

Concerning the seventh factor, i.e. resources spent on R&D expenditure are unevenly distributed among countries. In 1990, USA spent e.g. 2.8% of GDP on R&D while Iceland spent 1,1% of GDP (VÌsindar·d og RannsÛknar·d rÌkisins 1992). It follows that small countries and low R&D spenders must either spread their resources more thinly over the available areas, or else select certain areas as priorities for R&D investment. Despite the problems of entering different stages of technical change mentioned above, low R&D spending countries are under stronger pressure to choose carefully to spend scarce resources in order to develop independent science basis in the fields that they have targeted (Walsh 1986.: 22).

Small countries do on the average have a higher intensity of international scientific publishing than the larger countries. The root of this phenomena is the lack of workable size of national research groups that leaves researchers isolated and they therefore orientate their efforts toward the international scientific community. Furthermore, this 'international science' is most likely to be concentrated on the most abstract and theoretical ideas while innovation oriented R&D is more likely to be the private property of business enterprises. The reason here may be not only the small size of the national scientific community in small countries, but as well the fact that small OECD states except Sweden spend less on defence R&D than the large OECD countries except Japan and the role of the public sector R&D is more important in the small countries like Australia, Canada, Denmark, Ireland, New Zealand, Iceland, Norway, Portugal and Greece than in the large countries. Furthermore, scientists in small countries may also be more internationally active than their colleagues in large countries because there is greater respect for the autonomy of science in the public sector than in the private sector (see OECD 1984, 29-36).

Because R&D resources of small countries tend to be spread thinly over many areas their research is unlikely to be first rate in more than few fields and in many fields of applied R&D, where huge resources are required to cross minimum thresholds of success, small countries are unlikely to be on the frontier unless their R&D policy is very target oriented. In the cases of very small countries or very low R&D spenders like the West-Nordic countries, even such a policy will not do. This 'problem of focusing' results in lack of specialized R&D institutions, laboratories and large R&D programmes that are capable of exploiting economies of scale concerning R&D and concentrate on applied research and development more directly towards economic and social goals. Organizations like these are more likely to be found in larger countries and they are likely to be the most efficient at gathering basic scientific information from the international and national pool and applying it to the

development of innovations (Walsh 1986: 24).

Small countries could make up for their relative weakness concerning R&D by transferring technology from abroad by licensing. But the problem here is that the amount and quality of R&D resources needed to develop further such technological transfer is likely to be higher in the larger countries (e.g. specialized research institutes, laboratories, science parks etc.). The chances of exploiting licensing successfully are therefore greater in larger countries. Furthermore, larger countries contribute more heavily to innovation oriented R&D and patenting and their results are therefore likely to be subject to commercial or national secrecy. This situation reduces chances for small countries to exploit new innovations by licensing. However, by concentrating on country specific know-how, like technology related to fishing and fish-processing in the case of the West-Nordic countries, countries may develop territorially embedded knowledge niches that attract foreign firms that can bring in more capital and joint ventures.

Finally, due to lack of R&D resources and relatively lower salaries, small and low R&D spending countries are likely to suffer from 'brain drain' due to emigration of scientists (Walsh 1986: 26).

As concerns the eighth factor, i.e. state power and government policies, it should be highlighted that besides traditional anti-cyclical fiscal and monetary policies and the structuralist measures highlighted above, the state can work against tendencies towards uneven development - when growth is slower in the country in question compared to other countries - and optimize growth with special industrial innovation policies and policy tools analysed above in the part on collective entrepreneurship. Policy tools of this kind are important for structuralist policies in the field of industrial innovation policies. But to the extent that such policies may prove necessary in counteracting uneven development and improving competitiveness of domestic or foreign firms located in the country, they are per se not a sufficient factor. Success will depend on the right kind of monetary and fiscal policies. Monetary policy plays a role of relative autonomy and can accelerate developmental trends although in the long run it has to follow the real development of value production and relative values in the economy in question. As a consequence, monetary expansion will only lead to inflation if increase in productivity does not take place in the same period. And as technological development is irreducible to the development of prices and supply and demand in markets, monetary expansion will not be progressive unless a tendency towards reduction in production costs and increase in productivity and international competitiveness is already under way, due to technological change or reduction in other cost factors. The same goes for exchange rate policy: Given unchanged relative cost structure of production, devaluation of the currency of the country in question will only in the short run improve the position of exporting sectors unless productivity increases and counteracts increases in costs of factors of production due to rising prices of imported goods, raw material etc. for

production and due to indexing of wages where that exists (as wage claims increase along with increases in imported goods for the reproduction of labour). Devaluation may in the short run improve the position of import competing firms, but may on the other hand work as protectionism would in the long run .

Structuralist policies are the third main governmental policy field along with fiscal and monetary policies. Besides directing investment into future sectors of anticipated high growth with measures that improve social and economic conditions of competitiveness of firms, such policies aim at improving physical and human infrastructure that determines long term conditions of productivity by lowering external costs of transport and communication and capacity to adjust/transform skills according to technical change and market demand.

The West-Nordic countries are characterized by weak states and governments with poor measures to realize long term structuralist policies as we analysed above. However, investment in the physical infrastructure has been great in recent decades and so has investment in human capital. But, in terms of human capital the situation is different in the three West-Nordic countries. Greenland suffers from lack of domestic class of specialists, while the Faroe Islands and particularly Iceland suffers from invisible underemployment of their educated work force and rapid depreciation of investment in technical skills.

As concerns the ninth factor, income distribution, just as Keynesian policies that lead to more equal income distribution (Jonsson 1991a) accelerate the rate of capital accumulation in recessions so may such policies in general accelerate the rate of capital accumulation and hence accelerate industrialization in developing countries depending on the level of development of the country in question, the nature of its 'external economies of scale' and technology policy of governments (for analysis of the effectiveness of such policies see Colman and Nixson 1986: 74-103). However, the increase in general demand due to more equal distribution of income will only lead to increase in the rate of accumulation in the long run in the country in question if confidence in domestic investment opportunities is established. Income distribution in the West-Nordic countries is relatively equal compared to other OECD countries, but confidence in future investment opportunities is weak. As a consequence, without any strong industrial and structuralist policies, surplus capital finds its way out these countries in the form of outward FDI, which appears to be increasing fast, especially in the case of Iceland and in the light of the present crisis in the Faroe Islands. The case of Greenland is different in this respect because of the high rate of centralization of capital there and lack of speculative capital.

The tenth factor, forms of industrial relations and interest mediation affect the speed of technical change and economic growth but depend on the structural phase of the development of the economy in question. They may speed up economic growth or slow it down as can be seen from the different cases of the Japanese, Swedish and UK regimes of capital accumulation (see Jonsson 1989). Industrial relations in Iceland are characterized by

extreme antagonism if one takes strike activity into account (see Jonsson 1991b and the following chapter 6). The establishment of neo-corporatist forms of interest mediation is extremely difficult in an economy which is characterized by extreme economic fluctuations as the Icelandic economy and the Greenlandic and Faroese economies. The great economic fluctuations and hence structural trend toward antagonist industrial relations, makes it very difficult to realize long term structuralist policies that would increase economic growth or follow the example of the other Nordic countries.

In addition, the strategies of individual capital or firms may be crucial. In the case of financial capital, the time scale of loan strategies and willingness to take risks and capacity to take rational decisions on quality of investments and to avoid short term political, nepotist or corrupt decision may be crucial for optimizing long term capital accumulation (short term political interests are often the leading moment in a small country like Iceland where most of the banks are state owned and controlled by politicians). In terms of manufacturing capital the time scale of marketing strategies, forms and retailing relations and processing of information on demand trends is becoming more and more important on the affluent markets of the Western capitalist countries (cf. 'just in time technology' and 'investment near markets'). As adjustment to the increasing needs of flexibility in markets is increasingly important so are also internal management strategies of firms. Flexible manufacturing requires 'horizontal management structures' in which the information flow and rotation of staff between departments is optimized. Increased industrial democracy and participation of employees are crucial in easing the internal information flow (but as such the extent of industrial "democracy" is determined by the overall rule of capital and the top level of management, see e.g. Mendner 1975 and Jonsson 1980). Although some forms of management strategies do in theory optimize capital accumulation and profitability, in practice the actual, realized forms of management depend on the nature of the industrial relations and structures of interest mediation in the economy in question and the flexibility of management traditions. In economies such as the Icelandic and Faroese economies where the bulk of firms are very small family firms, 'humanization' of labour and even programs such as quality control are rarely of relevance as information flows easily within the firms. The main problem of very small (family) firms is the lack of capacity to form long term strategies in terms of R&D investment, supplier/user relations, retailing and marketing policies. The weakness of the firms in this respect requires collective forms of innovation and collaboration among firms themselves, municipal authorities and the state. Unfortunately the state is weak in this respect as well in the West-Nordic countries so that the need for collaboration with foreign firms, large or small, is necessary. Firms in Iceland do not appear to have any long term strategies or stock market policies that aim at building innovation networks of firms (Jonsson and Jonsson 1992) and forms of integration are predominantly vertical and almost exclusively limited to fishing and fish processing sectors (the F-sector) with links with insurance and oil companies

in some cases (ibid.). The structure of concentration and centralization in the other two West-Nordic countries is different, particularly as concerns Greenland as we discussed above, where the structural conditions for long term strategies of the socialized firm sector are good. Finally as concerns strategies of financial capital the situation is difficult in the West-Nordic countries today. On the one side the bank sector has collapsed in the Faroe Islands (Lyck 1993), banks in Greenland are predominantly commercial and are geared towards short term low risk lending and on the other side banks in Iceland are dominated by political interests, high rates of interests and protected by oligopoly. The bulk of Icelandic banks and industrial investment funds are part of the state which is characterized by inconsistent and at times chaotic development strategies. As a consequence the financial system in the West-Nordic is in its present state incapable of securing necessary consistency and long term rationality of industrial investment.

As concerns the twelfth factor of neo-structuralist strategies, international institutions such as EU, NAFTA, GATT etc. are important for capital accumulation when productivity based on economies of scale has outgrown home markets and international intra-industry trade has become crucial for profitability followed by increasing inward and outward FDI. It is particularly MNCs that press for 'liberalization' of international trade and its institutionalization and most of them originate in the large advanced capitalist economies and have their headquarters there. The dynamic behind internationalization and globalization of capital accumulation in economies such as the West-Nordic economies is different from that of the large economies. While saturation of home market demand and the hunt for cheap resources (Mandel 1976, 44-8) pressures for globalization of accumulation in the large countries, the need for globalization of capital accumulation in the very small West-Nordic fishing economies is based on drying up of resources, i.e. fish. Economic growth has for decades been based on extending fishing limits and territories and fishing in foreign waters. In the 1980s and 1990s this accumulation strategy came to its limits and the present situation is characterized by increasing pressure for access to fishing within 200 miles fishing territories of other countries, increasing interest in merging domestic firms with foreign firms (outward FDI) in the F-sector and participating in global fish markets. At the same time, due to the weaknesses of domestic firms and the state apparatuses as concerns the formation of long term accumulation strategies inward FDI is necessary in order to establish new industries based on local know how and medium and/and or high technology. These countries are rich in human capital as can be seen from the fact that e.g. 20-25% of school leavers in Iceland complete university degrees, but they are poor in terms of the quality and capacity of the bourgeoisie and ruling elites to realize successful long term strategies of growth.

i) Conclusion.

In this chapter, we have argued that innovation activity is by nature a collective

activity in which the interaction between users and producers of technology, innovation networks of firms, infrastructures of human capital and collaboration between firms and the state play central role. As a consequence, innovation activity and capital accumulation is to a great extent territorially 'embedded' in social, political and cultural structures. In this context technological milieus and national systems of innovation develop. With increasing globalization of capital accumulation, local and national systems of innovation have become more important as a part of strategies of governments to improve competitiveness of domestic firms and to attract foreign investment. We argued that local as well as national governments have increasingly followed such neo-structuralist strategies. Such strategies are becoming more important following the emerging global systems of innovation of global firms.

Microsocieties face different challenges concerning neo-structuralist strategies and adjustment to the globalization of accumulation compared to large societies and economies. We argued that microsocieties, such as the West-Nordic countries, rely more on collective organization of innovation activity due to the very small size of their firms and administration and the consequent problems of forming long term accumulation strategies. At the same time, compared to large economies and their firms, they are more dependent on foreign firms concerning transfer of technology, risk capital and marketing due to their underdeveloped local and national systems of innovation. Such technological collaboration with foreign firms can be successful if it is based on country specific local know-how and strategies that lead to technological multiplier effects that increase the level of value added in the old industries of these countries and result in high levels of value added in their new future industries.

We will discuss the particular charcteristics of the regimes of accumulation and accumulation strategies of the West-Nordic countries in the following two chapters and discuss the problems these countries face in the present era of globalization of capital accumulation in the last chapter.

Chapter 5

Fordism and the Regimes of Accumulation in the West-Nordic Countries.

In the chapters above we have discussed and developed a theoretical framework necessary for analyses of microsocieties. As market laws are greatly overdetermined by institutional regulation and monopoly and oligopoly tendencies undermine the the role of the market in such economies, institutionalist theories of societal development and capital accumulation are necessary. Our point of departure was therefore that regulationist theories of regimes of accumulation and neo-Schumpeterian theories of innovations determined long waves are of great relevance as these schools problematize institutionalist conditions of capital accumulation. As concerns studies of microsocieties and islands such as the West-Nordic Countries, these theories suffer however from serious shortcomings as they are underdeveloped in terms of analyses of hegemonic politics and in their treatment of size related problems of accumulation and active struggle for different accumulation strategies.

As regulation theory presumes, technological trajectories, hegemonic structures and modes of regulation constitute a regime of accumulation. As will appear from the following discussion, the regimes of accumulation in the West-Nordic countries are very different from the Fordist regime of accumulation discussed in chapter 2. Table 5.2 sketches what is at stake. From this 'ideal typical' comparison it appears that their regimes of accumulation are only partly Fordist. The dominant technological paradigm is not characterized by mass production as diffusion of assembly line technology is low and so is concentration of capital.

Furthermore, hegemonic structures in the West-Nordic countries are not characterized by the hegemony of large firms in leading manufacturing sectors of mass production. Indeed, their economies are dominated by very small firms and low levels of concentration and centralization of capital in most sectors except fishing and fish processing (and the MNCs' sector in Iceland, see Jonsson 1991b: 141-51). However, there is a difference between the Faroe Islands, Greenland and Iceland in respect of the degree of centralization of capital. Large firms in the fishing and fish-processing sectors (the F-sector) in the Faroe Islands have until recently been closely related to financial capital in terms of ownership and control. The fish export company Føroya Fiskasøla owned until recently 1/3 of the stocks in the largest bank in Faroe Islands, Sjóvinnubanken (see the following chapter). Centralization of capital is also great in Greenland, especially in the F-sector. In addition there is an extensive centralization of capital and links between firms in the financial sector and F-sector in Greenland both in terms of shares and in terms of interlocking directorship. As the

government of Greenland is the main actor in the economy due to its wide ranging ownership of capital, the political elite is the centre of decision making of an unusual statist system of accumulation.

The Greenlandic Homerule government's, i.e. the Hjemmestyre's, ownership of Greenlandic firms and shares in firms is the centre of gravity of the centralization of capital in Greenland. The Greenlandic government is a major actor in the Greenlandic economy (see the following table. It runs the bulk of the fish processing plants in Greenland and owns the bulk of the fishing fleet. The Royal Greenland A/S is the largest firm in the F-sector in Greenland. In 1985 79.6% of fish purchases in Greenland were bought by its forerunner, the state owned KGH. KGH was changed into a share holding company in 1985 called Royal Greenland A/S and 100% of the shares are owned by the Hjemmestyre. Royal Greenland A/S still holds the strong position in fish purchases and it owns the bulk of the fishing fleet. The Hjemmestyre also runs shipyards and technical services for the F-sector. The Hjemmestyre owns as well the Kalaallit Niuuerfit (KNI) since 1986 which runs the bulk of wholesaling and retailing in Greenland and runs the post services. The Hjemmestyre owns as well the telecommunication services, energy and water services and runs computer services. Furthermore the Hjemmestyre owns shares in the airliner Grønlandsfly A/S, the oil company Nunaoil A/S, and Nuuk Imeq A/S which bottles beer and produces mineral water. The Hjemmesatyre owns 40% of the ship liner the Royal Arctic Line A/S which covers the bulk of all Atlantic transport on sea to and from Greenland. Through its ownership of Greenland Baseselskap A/S it has intersts in the Greenland Contractors A/S which runs services on the US military bases in Greenland. Finally, the Hjemmestyre owns important shares in the Nuna Bank A/S since 1985, i.e. one of two commercial banks in Greenland (Grønlands Hjemmstyre 1993 and M. Schwedler).

Table 5.1.
Enterprises of the Greenlandic Homerule

100% of shares owned by the Homerule	*Large portion of shares owned by the Homerule*	*100% owned by the Homerule*
Royal Greenland A/S	Royal Arctic Line A/S	Grønlands Værfter
KNI Holding A/S	Grønlandsfly A/S	Grønlands Energiforsyning
KNI Detail A/S	Nuna Bank A/S	Grønlands Forundersøgelser
KNI Service A/S	Nunaoil A/S	Grønlands Lufthavnsvæsen
Tele Greenland A/S	Nuuk Imerq A/S	Q-Data
Greenland Tourism A/S	Grønlands Rejsebureau A/S	+ manu others
Grønlands Baseselskab A/S	Nuna Plast A/S	
A/S Boligselskabet INI	Qaqortoq Sæbefabrik A/S	
Great Greenland A/S	Santa's Work Shop Nuuk A/S	
Grønlands Erhvervs-udviklings Selskab A/S	Greenland Contractors I/S	

Source: Statistical Bureau of Greenland: **Grønland 1994, Kalaallit Nunaat, Statistisk Årbog**.

The strong position of the Hjemmestyre in the Greenlandic economy in terms of social ownership of capital creates the grounds for a powerful network of a statist interlocking directorship and centralization of socialized and private capital in the economy. This statist system of centralization of capital has been based on an unusual political stability as the ruling parties, the social-democratic Siumuts and the socialist Inuit Attaqatigiit, have been in power and have governed by means of a coalition governments of these two parties uninterrupted since the introduction of the homerule in 1979.

Centralization of capital in Iceland is not as extensive as in Greenland as it is almost exclusively limited to vertical relations between local fishing and fish processing firms in the different fishing villages in Iceland, However, in some cases F-sector firms are related to insurance and oil trading firms in networks of interlocking directorship (F. Jonsson and I. Jonsson). But, this is by no way the rule.

MNCs are relatively weak and foreign investment is low in the West-Nordic economies. Within the working class manufacturing workers and their unions have not played a hegemonic role to the same extent as in the Fordist advanced industrial countries during the post war period. This is due to sectoral development which is characterized by larger size and share of GDP of agriculture and the F-sector in these economies compared to the advanced industrial countries.

In terms of hegemonic projects the regime of accumulation in Iceland is characterized by a weak 'one nation project' since the welfare state in Iceland is underdeveloped (ibid.: 266-78). The growth of the welfare state has been important in terms of formation of hegemonic projects in the Faroe Islands as we will discuss in the following chapter. However, the welfare state ideology has been a part of a unionist tendency of social-democrats in the Faroe islands rather than a one-'nation' strategy. The hegemonic project in Greenland since the introduction of the homerule in 1979 has concentrated on independence struggle and nation building. This nationalist project has effectively kept foreign investment at the minimum and led to emphasis on investment of domestic firms in the F-sector as will be discussed in the following chapter.

a) Modes of regulation in the West-Nordic countries.

In chapter 2 we pointed out that modes of regulation consist of monetary systems, regulation of the wage-relation, modes of competition and forms of the state. As concerns monetary regulation, the Icelandic regime of accumulation was not characterized by strong alignment to the post-war Bretton Woods principles of fixed US Dollar exchange rates as in the core Fordist countries (until the Bretton Woods system broke down in the early 1970s). Indeed, the exchange rate was used unusually frequently as anti-cyclical policy instrument to secure profit rates in the export sectors (ibid.: 127-39). Actually, public sector expenditure was not used anti-cyclically as it tended to develop pro-cyclically during the period. Unlike the core Fordist countries, the financial system in Iceland has always been dominated by state

banks and not private commercial banks and the level of oligopoly in this sector is very high. As an example, in 1990 the lending of the three largest commercial banks accounted for 83% of the total lending of the commercial bank sector in Iceland (Hagstofa Íslands 1992, 176). Furthermore, the stock market has always been underdeveloped (Jonsson 1991b.: 174-80).

The monetary regulation in Greenland and the Faroe Islands is different compared to Iceland. As a part of the Danish monetary system, exchange rate policy has not served the conjunctural interests of the F-sector (fishing and fish processing) as is the case in Iceland. The Danish krona has not been devalued to secure profit rates in the F-sector in slump periods. Danish monetary regulation followed the Bretton Woods regime involving great stability compared to Icelandic monetary regulation. Like the Icelandic financial system, the financial systems of Greenland and the Faroe Islands is characterized by high levels of oligopoly. As an example, in 1990 the three largest banks in the Faroe Islands lent 91% of the total lending of the commercial bank sector (J. Eliason, 53-4). The financial sector of Greenland is also characterized by high level of oligopoly. There are only two commercial banks in Greenland. Furthermore, like in Iceland, the stock market remains underdeveloped in Greenland and the Faroe Islands. However, the bank sector is not dominated by state banks in the Faroe Islands and to a lesser extent in Greenland than is the case in Iceland.

Fordist regulation of the wage-relation is characterized by monopolized, peak level agreements between labour and capital and the state and attuned to increases in productivity. Such monopolized interest mediation developed furthest in the neo-corporatist structures of the countries of North-Europe. In Iceland the case is different. Employers' and employees' organizatons are very dispersed in organizational terms so that coordinated, monopolized regulation of the wage-relation is very weak. Indeed, there are three separate organizations of employees in Iceland who rarely cooperate in terms of wage formation, i.e. the general association of employees in the private sector (ASÍ), the general association of non-university graduated employees in the state sector (BSRB) and the general association of university graduates working in the state sector (BHMR) (Jonsson 1991b: 243-56). Neo-corporatist structures of income and wage formation have only developed in the F-sector both in Iceland and the Faroe Islands were the labour movement is also relatively uncoordinated. The situation in Greenland is particularly difficult as concerns the formation of coordinated wage development. Besides the difficulty of coordinating a labour movement that is extremely diffused in geographical terms, the labour movement has been confronted with ethnic segmentation of the labout market as the Danish state has practiced the policy of paying wages depending on where employees are born. The aim is to attract Danish employees with necessary skills to work in Greenland, but this policy has resulted in wage differentials between those born and those not born in Greenland which amount to approximately 25%. In practice this policy intensified ethnic conflicts that at times have led to rough rows between

Danish workers and local people. However, the official Danish legitimation refers to the necessity of fast modernization and economic realism.

Table 5.2.
A comparison of a 'ideal typical' Fordist Regime of Accumulation and the Regimes of Accumulation in the West-Nordic Countries

Constituents of regimes of accumulation	*Fordist regime of accumulation*	*The regimes of accumulation in the West-Nordic countries*
A. Technological trajectories/ paradigms and labour processes	Fast diffusion of Taylorism and mass production. intensive accumulation and exploitation of economies of scale. Increasing importance of R&D for accumulation.	Slow diffusion of Taylorism and mass production. Accumulation extensive and exploitation of economies of scale low. R&D low and stagnant
B. Hegemonic structures	Hegemony of MNCs, large firms and leading sectors of mass production such as automobile, consumer durables, process plants, synthetic materials, petro-chemicals	MNCs' and inward foreign investment low. Leading sectors of mass production small and underdeveloped.
C. Mode of regulation:		
a) Monetary systems	Monetary systems based on the Bretton Woods system of fixed exchange rates relative to US$. Commercial bank sector dominated by private banks under the supervision of central banks. Low interest rates and anti-cyclical public expenditure on the welfare system and warfare economy. Demand for goods increasingly secured by means of extended forms of producers and consumers loans.	Iceland: Exchange rates very unstable and devaluations of the Krona frequent to secure rates of profits of exporting sectors. The financial system dominated by state-banks and political steering. Faroe Islands and Greenland: Exchange rates stable and determined by the Danish krona. Private banks are important compared to Iceland. Political steering great through industrial subsidizing, especially in the F-sector. All countries: Stockmarkets extremely underdeveloped. Low real interest rates until the 1980s. No military and hence no military-industrial-complex in the proper sense.
b) Regulation of the wage-relation	Regulation of the wage-relation based on peak-level agreements on the development of wages and skills by organizations of capital and labour. Income secured by the state through social transfers. This monopolized form of wage formation links wage development to price development and forecasts of productivity development.	Labour movements weak and decentralized. Strikes extremely frequent in Iceland. Oppressive forms of state intervention in labour market agreements frequent in Iceland, especially as concerns intervention into index-linking of wage formation. Development of real wages very unstable. The labour market in the Faroe Islands and Grreenland more stable.
c) Modes of competition	Modes of competition based on anti-trust laws in order to regulate monopoly and oligopoly tendencies and supervision by the state as	Slow to 'liberalize' trade and join and arrange special agreements with organiz-ations such as the EFTA, EC and GATT. High levels of

	concerns price formation in these sectors. International trade regulation based on GATT, EEC and EFTA etc. agreements.	monopoly and oligopoly in most markets and state control of price formation frequent.
d) Forms of the state	centered around parlia-mentary democracy and neo-corporatist structures.	Neo-corporatist structures weak and the state apparatuses are very weak in terms of long term policy making. Balance of powerof social forces produce extremely strongpower position of capital. Nepotismundermines democracy.

As concerns modes of competition, Iceland is different from the core Fordist countries as she has been slow to 'liberalize' trade and arrange special agreements with organizations such as the EFTA and the EC. Price formation in domestic markets in Iceland has frequently been state controlled, particularly during periods of left wing governments. Greenland and the Faroe Islands assimilate Iceland in that their relations to EFTA and EC/EU have been difficult to develop. While Iceland is a member of EFTA, neither the Faroe Islands nor Greenland are members. Non of the West-Nordic countries are members of EU. Furthermore, due to the very small home markets in the West-Nordic countries, "free" market competition is an exception rather than the rule (see Jonsson 1990 for a detailed study of the level of oligopoly in Iceland). It is interesting to mention in this context that comparison of prices of daily consumer goods (dairy and food products) in Greenland and Denmark shows that the level of prices in Greenland is around 50% higher than in Denmark (i.e. if one adds 25% VAT on top of the Greenlandic prices as one has to do as there is no VAT in Greeenland but 25% VAT in Denmark, M. Paldam 73). The reader may now rush to the conclusion that the high price level in Greenland is due to the fact that the state runs the bulk of retailing (KNI A/S) in Greenland and because the state is always ineffective (sic!), the level of prices will be high. But, a comparison of prices of daily consumer goods in Copenhagen and Reykjavik in early 1995 shows that the level of prices is also around 50% higher in Reykjavik (Samkeppnisstofnun 1995) despite the fact that the bulk of retailing in Iceland is private and the level of VAT is similar in Iceland and Denmark. Furthermore, the level of prices is similar in Greenland and Iceland compared to Denmark despite the fact that wages are much higher in Greenland than Iceland. As a consequence the comparison makes the case better for theb state dominated retail in Greenland than retail in Iceland which is dominated by private firms. It appears that the form of ownership can not explain the situation, but rather the phenomena of monopoly and oligopoly which has its structural basis in the smallness of microeconomies.

Finally, although the organization of the state in the West-Nordic countries is based on the organizational principles of parliamentary democracy as in the core Fordist countries, neo-corporatist structures have not developed to the same extent there as in the core Fordist countries. Indeed, it is only in the F-sector that such structures have developed in Iceland and the Faroe Islands (Jonsson 1991b, 180-98 and Dali and Mørkøre, 160). The system of interest

mediation in Greenland is different from that of the core Fordist countries and the Faroe Islands and Iceland in that the state is much more important in wage formation as the state is a major actor in the economy through its firms. Furthermore, oppressive forms of state interventionism have been used frequently in Iceland to regulate the wage-relation (Jonsson 1991b: 180-98). This characteristic has made civil rights much more vulnerable to semi-fascist intervention in Iceland than the core Fordist countries (ibid.: 180-98).

Table 5.2 indicates briefly that there is a great difference between the ideal typical Fordist regime and regimes of accumulation in microsocieties such as the West-Nordic countries. The latter appear to be rather underdeveloped in terms of the former. The reason for this underdevelopment is to be found in the size related problems of capital accumulation and the problems of realizing measures against uneven development through accumulation strategies.

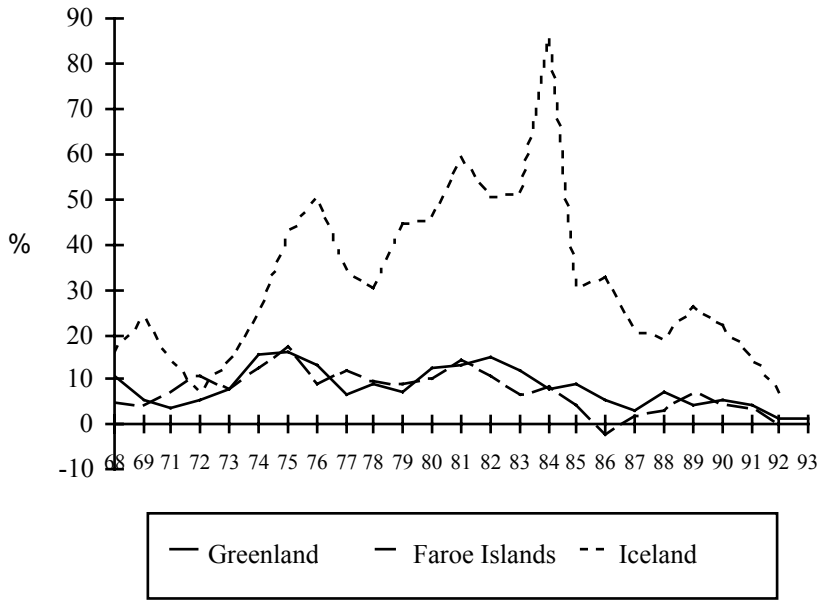
b) Size related problems of accumulation.

As concerns economic conditions of capital accumulation the regime of accumulation in Iceland was until the late 1980's characterized by chronically high levels of inflation and great economic fluctuations. Elsewhere we have shown with regression analyses that changes in the exchange rate of US$, i.e. devaluation of the Krona, is the best predictor of inflation and a better explanatory factor than the wage-wage spiral as the power elite in Iceland proclaims (ibid.: 127-39). These different explanations have different ideological meaning as the former would explain inflation in terms of fluctuations in the rates of profits in the export sector, while the latter would emphasize wage determined cost push inflation. The dominance of the latter explanation is an important part of the mode of regulation of wage formation as it legitimizes cuts in real wages and repressive forms of state interventionism. Indeed, as figure 5.1. highlights, rates of inflation in the Faroe Islands tend to be much lower than in Iceland, although economic fluctuations are as severe problem in both economies. The difference is that Faroese exchange rates cling to the Danish krona while the Icelandic krona is frequently devalued to secure profit rates in the F-sector.

Great economic fluctuations are among the fundamental characteristics of the West-Nordic economies as microeconomies. Such economic fluctuations are much greater than as an example fluctuations in the economies of the other Nordic countries as we dicussed in chapter 4 (see figure 4.3). The great economic fluctuations of the West-Nordic countries are caused by the nature of their exports: semi-processed fish (and primary aluminum in the case of Iceland) which amounts to over 90% of visible export (see Appendix). In this respect they appear to resemble developing countries. Furthermore, sectoral development is characterized by relatively slow growth of the manufacturing sector, stagnation of 'national' capital (and increased but limited inward foreign investment by MNCs since the late 1960s in the case of Iceland). The stagnation of 'national' capital is due to the small size of the homemarket and

the problems of exploiting economies of scale which is reflected in the unusually small size of firms, low levels of capital stock per employee (see table 5.3) and finally low levels of R&D, indeed among the lowest in the OECD countries (see the following chapter and Jonsson 1992b: 139-67 and 1994). As the case of Iceland shows, these size related problems of accumulation culminate in low levels of value added by international standards and hence low levels of gross operating surplus, wages and taxes. The reason is that labour productivity has increased slowly in Iceland - compared to the other Nordic countries as well as to Japan, UK and USA - as accumulation is fundamentally extensive rather than intensive: Economic growth is basically to be explained by extention of territorial water and growth in the participation rate of women in the Icelandic labour market as well as great domestic migration (ibid.: 180-98).

Figure 5.1.
Inflation in the West-Nordic Countries 1968-1992*



* The figures for Greenland 1968-71 refer to the index of retail prices otherwise they refer to the index of consumer prices. The Faroese figures refer to the index of retail prices 1968-92 and after 1980 increases in common taxes are not included. The figures for Iceland refer to the index of consumer prices.
Sources:Grønlands Hjemmestyre **Grønland Kalaallit Nunaat** (various years); Hagdeildin: Tjó›arbúskapur Føroya 1980 and Hagstova Føroya: **Statistical Bulletin** May 1993; Hagstofa Íslands: **Landshagir 1992**.

Besides problems of exploiting economies of scale, the small homemarket and geographical distribution of the population in Iceland in relatively economically isolated communities produces conditions in which natural monopoly and high levels of oligopoly constitute a fundamental characteristic of capital accumulation and undermines long run output growth (for analysis of the case of Iceland see ibid.: 167-74 and Jonsson 1990). The situation is even more extreme in the case of Greenland. The population of the Faroe Islands

is not as dispersed, but the very small size of the population in itself generates great monopoly and oligopoly tendencies.

Still another consequence of size related problems of accumulation in microeconomies and islands such as the West-Nordic countries is that the smallness of firms, low levels of value added and rates of profit hinder the development of financial and industrial capital into separate sectors of capital in private banks and stock markets. Indeed, private firms tend to stagnate in the form of small family firms rather than develop as joint stock companies. Consequently, the financial system in Iceland is dominated by state banks and characterized by a very small stock market (Jonsson 1991b: 174-80). The statist regime of accumulation in Greenland is characterized by unusually large state sector which is being formally decentralized 'from above' by changing firms owned by the Hjemmestyre into share holding companies the shares of which are not necessarily owned by individuals, firms or other bodies than the Hjemmestyre itself as we highlighted above. The Hjemmestyre in Greenland is a major actor both in the financial and productive sector as we discussed above. The financial system of the Faroe Islands which was characterized by close capital relations between the major bank, the Sjóvinnubanki, and firms in the F-sector was different in so far as the position of private capital in the financial sector was strong, but this system collapsed in the early 1990s and is still to be put on its feet. But great part of financial transactions in the Faroe Islands took and take place through funds of the local government and Danish investment funds owned by the Danish state. As a consequence, the financial systems of the West-Nordic countries are largely socialized and as stock markets are small external financial resources are scant.

Table 5.3.
Size of Manufacturing Firms and the Manufacturing sector (ISIC 31-39) in the Nordic Countries 1991

	Manufacture as % of total labour force	Average size of establishments, number of persons engaged	Value added as % of gross output
Denmark	18,4	41,7	45,0
Faroe Islands	13,8#	14,7*	
Finland	17,3	62,1	34,4
Greenland	6.7**		
Iceland	16,5***	9,3*	29,3
Norway	13,2	42,1	27,3
Sweden	16,4	81,2*	33,8

Gross factor cost of manufacturing as % GDP. 1992; * 1990; **1989, i.e. carpenters, painters, certified electricians, mechanics and contractors etc.; *** number of employees in 1991 against total number of employees in 1992. Sources: Hagstova Föroya (1992); Nordic Coucil of Ministers (1994); Grønlands Hjemmestyre (1993); Grønlands Hjemmestyre (1993)

As a consequence of the extensive regime of accumulation in Iceland, the labour market is shown to be characterized by long hours at work per weak and low wages compared to the other Nordic countries. Taxation in Iceland is characterized by an unusually

great emphasis on indirect taxes rather than taxes on income, profits and property. Taxation in Iceland does therefore not equalize distribution of income and life chances to the same extent as in other OECD countries. Great economic instability, long hours at work and the unconventional tax system leads to great tension in the labour market which culminates in extreme frequency of strikes.

Table 5.4.
Number of working Days lost because of Strikes per 1000 Employees* in the Nordic Countries 1970-1992.

	Denmark	Finland	Iceland	Norway	Sweden
1970	43	108	3654	30	40
1971	9	1259	372	6	217
1972	9	220	136	7	3
1973	1608	1138	156	7	3
1974	77	192	1000	189	15
1975	42	126	674	7	88
1976	90	574	3163	76	6
1977	98	1049	1919	14	29
1978	55	59	500	34	10
1979	70	106	155	4	7
1980	75	681	292	55	1058
1981	272	276	703	14	49
1982	39	86	1044	145	0
1983	33	298	0	3	9
1984	53	625	2573	53	7
1985	914	71	752	33	119
1986	35	1146	8	494	163
1987	51	54	751	6	4
1988	36	74	790	39	181
1989	20	83	635	8	92
1990	37	379	0	69	171
1991	27	196	24	2	5
1992	24	34	0	182	7
Average	161,6	384,1	839,2	64,2	99,3

* Total employment; ** Banned by law.
Sources: Nordic Council of Ministers **Yearbook of Nordic Statistics** (various years); Economic Institute (Thjodhagsstofnun) (1994) **Sögulegt yfirlit hagtalna**; Hagstofa Íslands **Landshagir** (various years) and; OECD 1989a.

These instabilities and tensions on the labour market in Iceland have been met by unusually frequent use of repressive forms of state interventionism. Decrees and laws that ban strikes and index linking of wages in wage agreements have been a permanent and structural part of the mode of regulation of the wage-relation in Iceland. Finally the labour market is characterized by great waves of migration from small communities to the capital area which have been a source of cheap labour for the regime of extensive accumulation in Iceland (Jonsson 1991b.: 180-98).

The labour market in the Faroe Islands appears at first sight to be characterized by much more stability than the Icelandic labour market. Wages of different groups of wage earners appear to develop evenly (Hagstova Føroya 1992, 218). However, the picture is

different in terms of emigration. The labour markets in the West-Nordic countries are characterized by unusually great instability or 'flexibility' (of the 'reserve army of labour') in terms of migration. However, emigration is much greater in the Faroe Islands and Greenland than Iceland. This appears clearly in the table 5.5 below in which emigration from the Nordic countries is compared.

Table 5.5.
Emigrants from the Nordic Countries 1976-1990
Per 1000 of mean population

	Denmark	Faroe Islands	Greenland	Finland	Åland	Iceland	Norway	Sweden
1976-80	5,5	26,1	70,2	3,5	19	10,2	3,6	3
1981-85	5,3	27,2	68,7	1,6	14,5	8,5	3,7	3,1
1986-90	6,2	38,1		1,6	8,2	12,8	5	2,7

Source: Nordic Council of Ministers (1992) **Yearbook of Nordic Statistics 1992**.

c) Government and administration.

Because of the smallness of the homemarket, microeconomies are characterized by relatively few industrial sectors and simple division of labour. Besides this characteristic, the demography of Iceland with her relatively isolated communities and dispersed population generates social and political structures that affect the mode of regulation in Iceland. Trade, manufacture and administration is concentrated in the capital area, fishing and fish processing is concentrated in the small fishing villages around Iceland. This clear pattern of spatial division of labour generates strong feeling of sectorism and localism in the fishing communities. Localism, sectorism and a high level of concentration and centralization of capital in the fishing communities breed the material conditions of neo-corporatist structures in the fishing and fish-processing sectors which are the only sectors in Iceland characterized by tripartite neo-corporatist interest mediation. Neo-corporatist tripartite modes of regulation have not developed in other sectors in Iceland as the labour movement is weak and capital is characterized by low levels of concentration and centralization outside the fish and fish processing sectors. Besides low levels of concentration of capital and hence labour, the weak power position of labour is to be explained by high levels of affluence in terms of GDP per capita and high levels of social mobility. These are important conditions of the political system and the balance of power of capital and labour in Iceland.

The situation in the Faroe Islands is somewhat similar. There is a similar pattern of spatial division of labour. Administrational institutions, trade and industry is concentrated in the capital, Tórshavn, while fishing and fish processing predominate in the fishing communities around the islands. But, fishing and fish processing is also important in Tórshavn, particularly trawler firms. The situation is also similar in Greenland where

administration, trade and headquarters of the main firm are concentrated in the capital Nuuk. Furthermore, as big capital in the Faroe Islands, i.e. the big trawler firms, are concentrated in the capital, the contradictions between the capital area and the regions are even more at play in the Faroe Islands than Iceland. As we will discuss below, these contradictions affect the political life and the structure of conflicting interests in the Faroe Islands. Like in Iceland, it is only in the F-sector that interest mediation has developed in a neo-corporatist way, a development that started in the 1960s (Dali and Mørkøre, 119). Like in Iceland, the rate of social mobility and affluence has been high during the post war era, indeed gross national income per capita is higher in the Faroe Islands than Denmark (J. Eliasen, 8)[3]

Government expenditure is low in Iceland compared to the Faroe Islands and Greenland as Figure 5.2. shows. Furthermore, public consumption tends to develop pro-cyclically in Iceland and is characterized by low levels of social expenditure compared to other OECD countries as we highlighted in chapter 4. The mode of regulation in Iceland is in this respect therefore characterized more by laissez-fair policies than Keynesian welfare state policies (Jonsson 1991b: 270-304). If one discounts Danish state subsidies in social expenditure in the Faroe Islands and Greenland (1/4 - 1/3 of the expenditure) the mode of regulation in these countries assimilates more the Icelandic case. The inflow of Danish state subsidies into the social sector in the Faroe Islands and Greenland leads to higher level of public expenditure. The great activity of the Greenlandic government, the Hjemmestyre, makes general government expenditure even larger in Greenland than in the Faroe Islands. As a consequence the public sector is much larger in Greenland than in the other West-Nordic countries as Figure 5.2 shows.

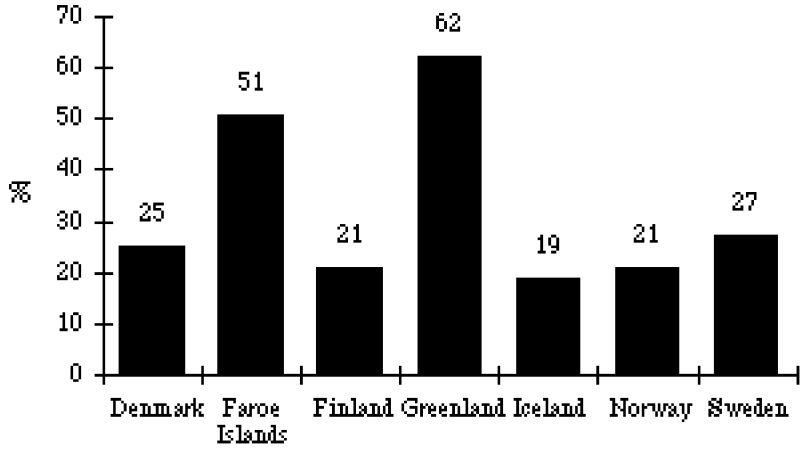
It appears from the discussion above, that the governmental sector is small in Iceland compared to Sweden and Denmark. In absolute terms the distinctiveness of the West-Nordic countries is even more striking as we look at the number of persons working in this sector. In 1988 the size of the central administration (i.e. ministerial bodies) and research institutes in Iceland, in terms of person years, was 770 and 733 respectively (the Economic Institute 1991). In 1991 there were 552 persons working in the central government in the Faroe Islands, i.e. in ministerial bodies and related research institutes. The figure for Greenland was 650 in 1991 (Heinesen, 93). Although these are not comparable figures, strictly speaking, they indicate clearly how small the administration is in absolute terms.

The very small size of the central administration in microsocieties is one of their particular size related characteristics. This characteristic has its structural consequences. It affects organizational structures, neutrality, and long term policy formation. It follows that with a very small central administration the state elite must be very small, i.e. the elite of the central state (communes excluded). In the case of the Faroe Islands, there are 28 persons that

[3] In 1988 the gross national income per capita was 150000 Danish kronas while the figure for Denmark was 135000 (J. Eliasen, 8). In that same year GDP per capita at current prices using PPPs (US dollars), was 13854 in Denmark while it was 15929 in Iceland Nordic Council of Ministers 1992.

constitute the state elite, i.e. the directors of the 7 ministries that exist in the Faroe Islands and the directors of related research institutes (Heinesen, 54-5). Similarily, in the case of Greenland, there are 20 persons that constitute the state elite, i.e. the directors of the specialized offices of the 7 ministries that exist in Greenland (ibid., 79-80). These persons are to be considered the most important persons in the state sector in affecting societal policy formation. The state elite in Iceland has been estimated to be 51 persons (estimated as 20% of those working on managerial level in ministries and related research institutes. See Jonsson 1991, 65). Again, although not quite comparable, these figures indicate how very small the state elite is in the West-Nordic microsocieties.

Figure 5.2.
General Government Consumption
Expenditure as percentage of GDP 1990



Sources: Nordic Council of Ministers 1992; Hagstova Føroya 1992; Rigsombudsmanden på Færøerne 1992; Grønlands Hjemmestyre 1993.

It would appear from the very small size of the central administration and the state elite, that it is virtually impossible for the state to play a leading role in long term policy formation and entrepreneurial activity in these countries. To put it differently, there are strict structural limits to state entrepreneurship (see Jonsson 1993b). This is particularly the case in Iceland and the Faroe Islands because of the limited role the state plays in production and because the bulk of firms outside the financial sector are private. The situation is different in Greenland as the strong position of the Greenlandic state, the Hjemmestyre, in the production, transport and service sector as well as the financial sector speaks for a strong case of long term policy formation and statist development strategies as we observed above.

Furthermore, the small size of the central administration sets limits to its organizational structures. In chapter 4 we highlighted the difficulties of implementing the hierarchical 'Westminster model' as a fundamental organizational principle in microeconomies. These difficulties are explicitly institutionalized in the organization of the central administration in the Faroe Islands nd Greenland. As Heinesen has analyzed, there are two alternatives considered to be relevant for the development of the central administration in

the Faroe Islands. On the one side there is the , which presumes that a ministry must be based on one ministerial unit that administers specialized institutes. The ministerial unit works on the level of policy formation while the institutes are executive organs by nature. On the other side, there is the uniform model of administration, which presumes that both the work on policy formation level and the work on executive level is organized "under one roof" so that it is directly administered by the minister. However, in order to avoid that the minister is overburdened with the detailed executive work of the ministry in question, the ministry is organized in separate offices to distinct policy formation from executive work within the ministry (Heinesen, 38-9). The central administration in the Faroe Islands was from the implementation of the homerule in 1948 based formally on the two-level model or 'Westminster model' as we called it above. But, as more administrative functions came under the homerule in the following decades, more institutes were established. These institutes took over ministerial functions of policy formation as well as executive functions, so that in practice the predominant organizational principle of the central administration became the uniform model (ibid, 98).

The Greenlandic administration was from the start based on the uniform model when the homerule was introduced in 1979 (ibid, 98). The difference between the Faroese and Greenlandic administrations is that the principle of uniformity is organized on the departmental level in Greenland while it is organized on the level of the specialized institutes in the Faroe Islands (ibid, 98).

The situation is very similar in Iceland in terms of organizational principle. However, both the two level and the uniform models exist side by side depending on the fields of policy formation. There appears to be a difference in that institutionalized extramural, socio-economic interests are explicitly at play in the policy formation of the central administration. The Icelandic central administration is formally organized in terms of the Westminster model. However, policy formation in the fields of agriculture and fishing and fish processing is to a large extent determined by research institutes and organized interests in these fields. As an example, the Agricultural Society of Iceland, which is composed of farmers societies, is the most important single unit of the process of policy formation in the field of agricultural policy (e.g. initiating quotas of milk and meat production). The Agricultural Society of Iceland is considered to have semi-ministerial position in the Icelandic central administration. Similarly, the Fisheries Association of Iceland, composed of employers and employees' societies, together with the Marine Research Institute are the most important units of the process of policy formation in the field of fishing policy in Iceland (e.g. initiating fishing quotas which play a fundamental role in the Icelandic economy). In the field of manufacture and trade policy formation, associations of employers play an important role in policy formation, i.e. the Federation of Icelandic Industries and the Iceland Chamber of Commerce.

Furthermore, the very small size of the administration in microsocieties such as the West-Nordic countries breeds nepotism that undermines its neutrality and democratic procedures. As these societies are very small, the ruling elites tend to have been educated in the same schools and tend to be characterized by close family and friendship relations. In short, due to such close social relations it is very difficult indeed to control and reduce nepotist relations between the administration and extramural socio-economic interests.

Due to its small size and lack of neutrality the central administration has great difficulties in initiating and realizing consistent long term policies in the fields of social and economic development. In addition to this, great political instability may further undermine the entrepreneurial role of the state if governments are short lived. Iceland is characterized by great political instability which is to be expected as the great economic fluctuations in Iceland frequently shift social and economic foundations of support for political parties and governments. As an example governments lasted for two years in the average during the 1950s. The figure for the 1970s was two years and three months and in the 1980s it was two years. The governmental pattern was exceptional in the period from 1960 to 1971 in that the same coalition government of the right wing Independence Party and the social-democratic Peoples Party ruled all this period (Jonsson 1991b and 1991c, 44-5). Indeed, after the great slump during 1967-9 when fishing of herring collapsed this government was doomed and the Peoples Party was faced with one of the greatest defeat in its history when it lost 1/3 of its votes (ibid., 41-2). Table 5.6 highlights the great political instability in Iceland in terms of party support.

In terms of parliamentary politics, the present party system in Iceland has developed from instability during the 1960s on the left wing to increasing instability during the 1980s on the right wing as well. The main parties have been the same during the post war era with some left-wing splits from the social democratic People's Party (PP) and the People's Alliance (PA). The main parties today are, from left to right: the Women's Party (WP), the PA, the PP, the Progressive Party (PrP) and the Independence Party (IP).

The history of the Icelandic political parties reflects the instability of political life in Iceland. The PP and the PrP are the oldest parties, the former established in 1916 and the latter formally the year after. The PP was a part of the Icelandic Trade Union Conference (Althydusamband Íslands, ASÍ), i.e. TUC's political arm (Gudmundsson and Karlsson 1988: 217 and 223). The IP was established in 1929 with a coalescence of the Liberal Party and the Conservative Party (Thorleifsson 1983: 195-6) and most of the members of the National Socialist Party (NSP) joined IP in 1939 when NSP was discontinued. National socialists had collaborated closely with the IP in the local elections in 1934 (Gudmundsson 1976: 30-5 and 59-60) The Socialist Party (SP) was established in 1938 with a coalescence of the Communist Party (CP, established in 1930) and a left-wing splinter group from the PP (Thorleifsson 1983: 190 and 192). In 1968, the People's Alliance (PA) was formally

established. Its roots lie in a election alliance for the parliamentary elections in 1956 between the SP and a left-wing splinter group from the PP, the 'Hannibalists', and in 1963 the Nation's Defence Party (NDP) joined the alliance . The NDP was established in 1953 to oppose US military activities in Iceland (ibid.: 251-2 and Gudmundsson and Karlsson 1988: 326). In 1969, the Hannibalists established their own party, the Alliance of the Left and Liberals (ALL). They had quit collaboration with the SP in 1967 and established the ALL to unite socialists and cooperatists, they claimed (Thorleifsson 1983: 252). By the early 1970s a splinter group from the PrP, the traditional farmers and cooperists party, joined the ALL and were among its candidates in the 1974 parliamentary elections (they had been members of the left-wing movement within the PrP, the so called "Mödruvellingar"). Many of these people joined the PA in the late 1970s (Gudmundsson 1987: 157). In 1983, the PP splitted once again and a new party was established before the parliamentary elections in that year, i.e. the Socialist Alliance (SA) (ibid.: 241). The SA continued the ALL's attacks on the power structure of the "old parties". However, it criticized more strongly the concentration of power in the labour movement and it was more market orientated than the ALL in its ideology. The Women's party was established in 1983, before the parliamentary elections in that year. Finally, the Citizens' Party (CiP) was established in 1987 by a splinter group from the IP and in 1989 the CiP splitted as 2 of its MPs and their followers established the Liberal Right Wing Party (LRWP).

Table 5.6.
Outcome of Icelandic Parliamentary Elections 1946-1991.
Per Cent of valid Votes and Number of Elected Members (%/MPs).

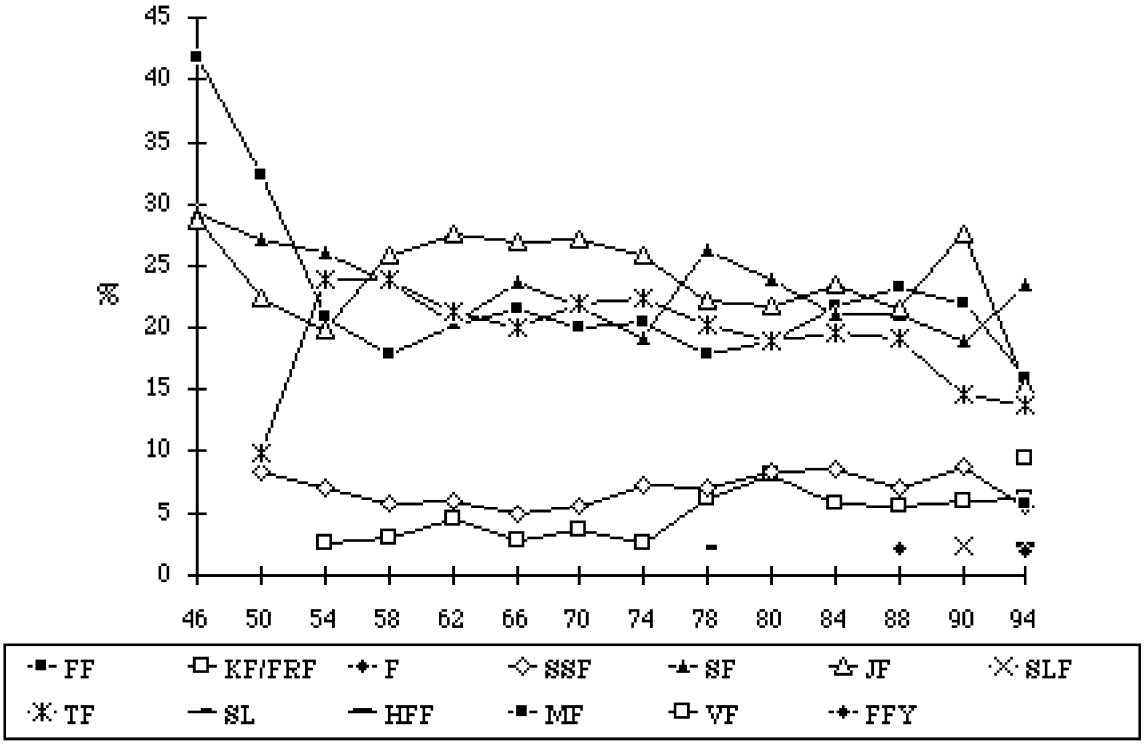
	NIP	ALL	CPIML	LRC	SA	SP/PA	PP	PRP	IP	CiP	WP	Others
1946						19,5/10	17,8/9	23,1/13	39.4/20			0,2
1949						19,5/9	16,5/7	24,5/17	39.5/19			
1953	6,0/2					16,1/7	15,6/6	21,9/16	37.1/21			3,3
1956	4,5					19,2/8	18,3/8	15,6/18	42.4/19			0,0
1959	2,5					15,3/7	12,5/6	27,1/19	42.5/20			
1959	3,4					16,0/10	15,2/9	25,7/17	39.7/24			
1963						19,6/9	14,2/8	28,2/19	41.4/24			0,2
1967						17,6/10	15,7/9	28,1/18	37.5/23			1,1
1971		8,9/5				17,1/10	10,5/6	25,3/17	36.2/22			2,0
1974		4,6/2	0,1	0,2		18,3/11	9,1/5	24,9/17	42.7/25			0,1
1978		3,3	0,1	0,2		22,9/14	22,9/14	16,9/12	32.7/20			1,5
1979				0,4		19,7/11	17,5/10	24,9/17	35.4/21			3,1
1983					7,3/4	17,3/10	11,7/6	18,5/14	38.7/23		5,5/3	1,0
1987					0,2	13,4/8	15,2/10	18,9/13	27.2/18	10,9/7	10,1/6	4,3/1
1991						14,4/9	15,5/10	18,9/13	38.6/26		8,,3/5	4,3/0

Abbreviations: Alliance of the Left and Liberals (ALL); Citizens' Party (CiP); Humanist Party (HP); Independence Party (IP); Leage of Revolutionary Communists (LRC); Liberal Right Wing Party (LRWP; Marxist-Leninists (CPIML); Nation's Party (NP); Nation's Defence Party (NDP); People's Alliance (PA); People's Party (PP); Progressive Party (PrP); Socialist Alliance (SA); Socialist Party (SP); Women's Party (WP).
Sources: The Statistical Bureau of Iceland 1984 and 1988.

Besides these parties mentioned above that actually managed to have candidates elected to the parliament, there have been some parties established that have ran for parliament, but did not succeed. In 1978, the stalinist party, the Communist Party of Iceland, the Marxist-Leninists (CPIML), and the trotskyite, the Leage of Revolutionary Communists (LRC), ran for parliament, but with negligible results (Gudmundsson and Karlsson 1988: 319). The Humanist Party (HP) ran in 1987, but without success and so did the purely regionalist party the Nation's Party (NP), but received negligible support.

Political life in the Faroe Islands is marked by more stability than that of Iceland as figure 5.3 indicates. Great political instability that is to be expected from the great economic fluctuations in the Faroe Islands is reduced by the importance of independence politics in the islands and the Danish support of the welfare state in the Faroe Islands which strengthens the position of the social democratic party, Javnadarflokkurin. The nationalist-unionist cleavage axis in Faroese politics reduces the importance of the left-right cleavage axis of economic issues (Mørkere, 1991). Faroese coalition governments are also more stable than their Icelandic counterparts.

Figure 5.3.
Results of Parliamentary Elections to the Faroese Løgting 1946-1994
Valid votes for each party as percentages of total valid votes.



FF = Fólkaflokkurin/Conservative People's Party; SF = Sambandsflokkurin/Liberal Unionist Party; JF = Jafna›arflokkurin/Social Democratic Party; SSF = Sjálvst‡riflokkurin/Social Liberal Autonom. Party; TF = Tjó›veldisflokkurin/Republican Party; KF/FRF = Kristiligi Fólkaflokkurin/Framburds- og fiskivinnuflokkurin/Christian Peoples Party; F = Framsoknarflokkurin/Progressive Party; SLF = Sos. Loysingarflokkurin/Socialist Separatist Party; HFF = Hin Føroyski Flokkurin/Faroese Party; MF = Mi›flokkurin/Centre Party; VF = Verkamannafylkingin/Labour Movement; FFY = Frelsisfylkingin/Liberation Movement.
Source: Hagstova Føroya.

However, in the parliamentary elections in 1994 the party system collapsed following the collapse of the economic system and substantial conflicts between Faroese and Danish politicians concerning who should pay for the crisis, the Faroese taxpayers or Danish banks. The social democratic party, Jafna›arflokkurin led the negosations with the Danish government and became unpopular. Many new parties where established before the elections among them a new party, Verkamannafylkingin (VF) which was established by some leaders of the labour movement and threatened particularly the ruling social democratic party, Jafna›arflokkurin. VF received 9,5% of the votes. Jafna›arflokkurin lost 12,2% of the votes. A new centre party, Mi›flokkurin received 5,8% of the votes. Two other new parties, Hin Føroyski Flokkurin and Frælsisfylkingin, received 2,4% and 1,9% of the votes respectivily, but they did not get any MPs. The collapse of the Javnadarflokkurin indicates a crisis of the political regime and may be a sign of greater political instability in the future.

The political system in Greenland is characterized by the greatest stability compared to the other two West-Nordic countries as the following table indicates which shows results from elections to the homerule parliament in Greenland, the Landsting. Two socialist parties, Inuit Ataqatigiit (IA) and Siumuts, were in power from 1979 until 1995. The situation was such that either Siumuts formed minority governments with the support of IA or they formed governments together. This cooperation between the two parties shows remarkable stability in the political system. However, after the Landsting elections for the Greenlandic parliament in March 1995 Siumuts formed a coalition government with the right wing Atassut which has lost one fourth of its support since 1979.

Table 5.7.
Outcome of Elections to the Greenlandic Parliament, the Landsting 1979-1991
Per cent of valid votes

	1979	1983	1984	1987	1991	1995
Atasut	41,7	46,6	43,8	40,1	30,1	29,7
Inuit Ataqatigiit	4,4	10,6	12,1	16,3	19,4	20,3
Issittup Partiiat				4,4	2,8	0,4
Siumut	46,1	42,3	44,1	39,8	37,3	38,5
Sulisartut Partiiat	5,6					
Akulliit Partiiat					9,5	6,2
Non-party candidates	2,2	0,5		0,4	0,9	

Source: Grønlands Hjemmestyre: **Grønland Kalaallit Nunaat 1990** and other sources.

d) Balance of power of socio-economic forces.

The underdevelopment of Keynesian regulation and the welfare state in Iceland is to be explained by the weak power position of left wing parties and the labour movement, which

is overdetermined by the high level of affluence and high economic growth since the 1950s. The labour movement in Iceland appears to be strong at first sight because of high rate of unionization (around 70%, Jonsson 1991b: 240). However, a closer look shows that great organizational weakness of the labour movement. The labour movement in Iceland is split into four main organizations that work independently on wage formation which culminates in great lack of solitary wage policies of these movements (ibid.: 241). Besides this weakness labour lacks power resources compared to capital. A comparison of the number of graduated economists working on policy formation level for the organizations of capital and labour, shows that central organizations of employers unions have over 4 times more of such specialists than central organizations of trade unions (cf. table 5.8). These power resources are not only important in terms of wage negotiations. They work as well as organic intellectuals and are important in ideological struggle.

Table 5.8.
Development of the Number of Staff of Icelandic Organizations of Labour and Capital working on Policy Level 1970-1987 in Terms of Person-Years*

***Number of Total Staff ** **					
	1970	1975	1980	1985	1987
Total labour	26.1	30.1	39.8	50.2	50.4
Total capital	50.9	57.4	68.9	83.4	83.6
Number of Staff with University Education					
	1970	1975	1980	1985	1987
Total labour	2.0	2.0	3.0	7.5	8.9
Total capital	23.0	23.0	30.0	40.0	38.5
Number of Staff with Economist or Business Administration Degrees (≥ 3 years)					
	1970	1975	1980	1985	1987
Total labour	2.0	2.0	3.0	5.0	4.0
Total capital	13.0	15.0	18.0	20.0	19.0

Person-Years here are defined by the organizxations as numbers of jobs. In practice there is not much difference.
* Number of staff with university degrees plus those with no such degrees.
Sources: Interviews with managers and chiefs of staff of the organizations in question.

The right wing Independent Party has dominated Icelandic governments during the period since 1944 as can be seen if one examines for how long the different political parties have been in the coalition governments during the period[4]. The strong power position of the

[4] With a relatively stable electoral support of 38.0% of the votes in parliamentary elections during the period 1944-91. It was in government for 418 months during the period 1944-1988. The second largest party, the center Progressive Party, was supported by 22.8% of votes in the average in parliamentary elections during the period 1944-1991. During the period 1944-1988 it was in government for 353 months. The social democratic Peoples Party was supported by 15.2% of the votes in parliamentary elections during the period 1944. It was in government for 289 months during the period 1944-88. The Peoples Alliance and its prerequisite Socialist Party, with roots in the former Communist Party, was supported in the average by 17.5% of votes in parliamentary elections during the 1944-91 period. It was in government for 184 months during the period 1944-91. These four

right wing in Icelandic politics has been supported by its clear dominance of the Icelandic media during the period since 1944 and further back. The two right wing newspapers, the DV and the Morgunbladid, share 67% (1985 figures) of the newspaper market, and the concentration is increasing in the market (Karlsson 1987: 118 and Jonsson 1991b: tables 9.12 and 9.13).

The weak power position of the left wing parties and the labour movement is reflected in a relatively underdeveloped welfare system as we highlighted above. At the same time the strong power position of capital and the right wing appears in the dominant mode of regulation in Iceland. Neo-corporatist structures have not developed in any sectors of the Icelandic economy except the fishing and fish processing sectors, where concentration and centralization of capital is greatest. Accumulation strategies have been predominantly export orientated as we will analyse in the following chapter. Indeed, no long term accumulation strategies have been formed for the development of domestic capital, as the firms are to small to be able to establish such strategies. Furthermore, the state elite is to small in absolute terms and has no resources to take over the role of the 'collective entrepreneur' to develop long term accumulation strategies. As we have shown elsewhere, the size of the state elite working on policy formation level is around 51 persons (Jonsson 1991c: 65). This is among the structural consequences of size in microsocieties such as Iceland.

The small size of the Faroese administration weakens its power position similar to its Icelandic counterpart. Due to the high level of concentration of capital in the F-sector, its strong position vis-á-vis the bank sector in terms of ownership and control until the present crisis and the vital importance of its products for export, the power position of F-sector capital has been and is bound to be extremely strong in terms of structural power. Employers are organized in 6 unions that coordinate their policies towards wage agreements (Havnar Employers' Union. Employers Union of the Faroe Islands, Faroese Union of Industrialists, Faroese Merchants' Union and 2 shipowners' unions). The power position of the labour movement appears to be relatively weak in the face of the high level of centralization and concentration of capital in the F-sector and bank sector and in terms of relatively few unions of employers. The labour movement is weak in organizational terms. There are 65 trade unions in the Faroe Islands which are organized on local, skill and sex level. The average size of the unions is around 287 members. The Union of Faroese Fishermen is largest with 3000 members. 39 unions of unskilled workers are joined in the Faroese Association of Workers (FWA). In some cases there are special agreements between members of FWA and local employers. In some cases employees are members of more than one union (Hagstova Føroya 1992, 215-17). Despite the decentralized nature of the labour movement wages of the

parties have constituted the core of the Icelandic party system while other parties have been shortlifed in Icelandic politics. However, the Women's Party which was established in 1983 has been supported by 8.0% in the average in three parliamentary elections since 1983. It has never entered governments and does not show signs of electoral decline (Jónsson 1991b: 229-34).

different groups of employees appear to have developed evenly during the 1980s (ibid., 220). The reasons are presumably the coordination of employers wage policies and the development of Danish wages may be a criterion of reference which strengthens the bargaining position of the trade unions, particularly as the labour market appears to be very "flexible" in terms of emigration.

The system of interest mediation in Greenland is characterized by high level of centralization of employers decision making in the field of wage formation as is to be expected from the high level of centralization of capital and the large public sector. Employees in Greenland are segmented into many organizations in geographical, skill and sex terms. Furthermore, employees are segmented into those whose wage contracts are negotiated via Greenlandic trade unions and those who are members of Danish trade unions. Until 1991 employees born in Greenland got lower wages than those not born in Greenland (basically Danish workforce). After 1991 public employees have the same wages for the same job, education and training irrespective of place of bearth. Outside the public sector the wage difference will gradually become equal in the period until 1997 (Grønlands Hjemmestyre 1994). According to the latest labour market survey from 1987 there were 33998 wage earners in Greenland, 27243 born in Greenland and 6755 born outside Greenland. Around one fourth of wage earners in Greenland are full time workers.

The largest Greenlandic employees' organization is SIK - Sulinermik Inuutissarsiutequartut Kattuffiat. With approximately 6000 members (SIK, 2) it represents both skilled and unskilled labourers. In recent years some groups have left the SIK and obtained independent collective bargaining rights. This trend is likely to be stronger in the future as the Greenlandic work force becomes more educated

Unlike the labour movement, the employers' organizations are highly centralized and dominated by public employers, i.e. the Hjemmestyre, municipalities and the Danish government. The interests of the public employers are co-ordinated via a formal consultation argreement. There are two employers' organizations in the private sector, the Greenlandic Employers' Confederation which organises local builders, contractors and road carriers and FADVIG which is an organization under the Danish Employers' Confederation which represents Danish companies or Greenlandic subsidiaries in Greenland. These associations have joint agreements with SIK and the Danish Federation of Trade Unions (LO) (Grønlands Hjemmestyre 1994).

Having analysed briefly the structural conditions of the West-Nordic regimes of accumulation, we should now summarize the implicit theory of the socio-economic dynamics of the formation and reproduction of regimes of accumulation that the discussion above has been based on. This model is particularely important for the conjunctural analysis in the following chapters.

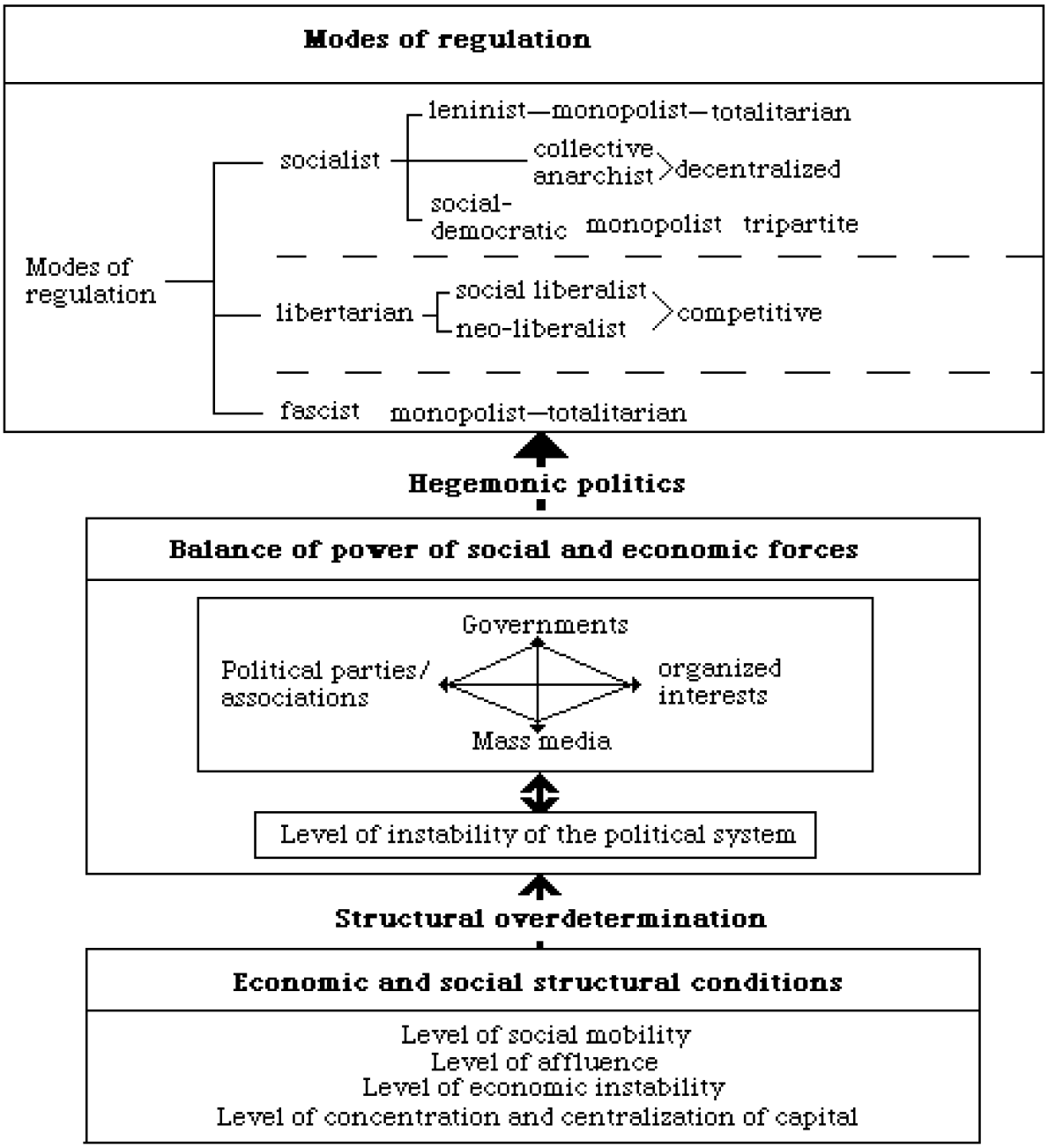
e) A model of the socio-economic dynamic of the formation and reproduction of regimes of accumulation

Figure 5.4 highlights the general socio-economic dynamic behind the formation and reproduction of different modes of regulation. It reflects both structural and conjunctural moments of this dynamic and takes into account the institutional and size related conditions of accumulation. It presumes that economic and social structural conditions overdetermine the balance of power of social and economic forces, i.e. the level of instability of the political system and its interrelationship with the economic and social actors. The balance of power of economic and social forces determines finally the resulting type of mode of regulation and its development in the country in question. The economic and social structural conditions are determined by mechanisms of adjustment to world market development and its determination by the dynamics of long waves, while world market adjustment is realized through conjunctural accumulation strategies.

The high level of affluence and economic growth in Iceland in the post war era and the weak power position of left wing parties and the labour movement in Iceland has led to the predominance of a social liberalist mode of regulation. Great political instability and small size of firms and the administration undermines grounds for the formation of long term accumulation strategies. As a consequence, short term accumulation strategies prevail that reproduce the position of Iceland in the international division of labour as technology importing/dependent economy. Furthermore, these strategies reproduce the regime of accumulation in Iceland as an extensive regime of accumulation. Deepening crisis of this extensive regime of accumulation in the 1980's has not led to an increasing emphasis on the development of an intensive regime of accumulation. Instead, the mode of regulation has become increasingly authoritarian with semi-fascist attacks on the labour movement.

The development of the Faroese and Greenlandic regimes of accumulation has been similar to that of Iceland. Structural conditions and size related problems of accumulation determine the stagnation of these extensive regimes of accumulation. But as we will analyse in the following chapter, hegemonic projects are different in these three regimes of accumulation as the issue of the relations of the Faroe Islands and Greenland to Denmark create a very different set of cleavage axes in the two countries.

Figure 5.4.
Modes of Regulation, Hegemonic Politics and Social and Economic Structural Conditions of Accumulation



Chapter 6

Accumulation strategies and hegemonic politics in the West-Nordic countries since the War

In this chapter, we will discuss similarities and differences in accumulation strategies and hegemonic projects in the West-Nordic countries during the post war era. We will highlight the structural crisis and overinvestment in the F-sectors of the West-Nordic economies and analyse the crisis that has its origin in the balance of power of socio-economic forces and the domonance of liberal strategies of development that emphasize 'comparative advantage' in terms of natural resources (fish, energy production, minerals and tourism) instead of neo-structuralist strategies based on investment in research and development (R&D). In the case of Iceland, we will particularly highlight the instability and ad hoc nature of economic policy formation.

A. Accumulation strategies and hegemonic projects in Iceland

Accumulation strategies in Iceland during the post war era have reflected the long term structural development of capital accumulation in Iceland, both in terms of the relative growth and decline of sectors and branches of industry as well as demographical development that we analysed briefly above. In short, we would claim that the long term development of accumulation strategies reflect the declining role of the F-sector, i.e. fishing and fish-processing, in the Icelandic economy and the growth of services. Furthermore, we would claim that the 1940s and 1950s were characterized by export oriented accumulation strategies based on expansion of the F-sector. These strategies were based on structuralist policies by the mid and 1ate 1940s that directed investment into the F-sector that then developed into import substitution policies in order to improve manufacturing by the late 1950s. The establishment of the coalition government of the Independence Party (IP) and the Peoples Party (PP) in 1960 marked a break with the structuralism of the 1940s and 1950s. This government stayed in power until 1971, and attempted to realize right wing Keynesian policies (of the type favored by the neo-classic synthesis) with indirect policy measures emphasizing 1) devaluation of the krona to secure profitability of the exporting firms in the F-sector; 2) withdrawal of protectionism concerning imports of manufactured goods and; 3) internationalization of the economy in terms of foreign investment by MNCs in aluminium production in order to sell energy from state owned power plants. The left wing government established in 1971 marked a return to export-oriented structuralist policies, but this time

without import substitution. This government was a coalition government of the IP, PP and PrP (the Progressive Party) and a new splinter party from the PP, i.e. the Alliance of Liberals and Left Wingers (ALL). The accumulation strategies of the government were characterized by a rapid increase in investment in the F-sector. The right wing government of the IP and PrP that was established in 1983 marked yet another period in terms of accumulation strategies with a neo-liberal accumulation strategy emphasizing stable exchange rates, authoritarian state intervention and attacks on the labour movement.

We will now analyse these different periods in terms of problems of world market adjustment and hegemonic politics, i.e. in terms of hegemonic projects and power blocs. As we analyzed in chapter 3, hegemonic projects aim at resolving conflicts between particular interests and general interests of capital at the same time as it advances the long term interests of the hegemonic class (fraction) while derogating the pursuit of other particular interests that are inconsistent with it. A hegemonic project involves furthermore mobilization of support behind a concrete, national-popular programme of action which coordinates economic and non-economic objectives. Finally it implies accumulation strategies that directly are concerned with economic expansion on national and international level. Hegemonic projects are realized actively through the process of hegemonic politcs in which shifting power blocs realize their interests in the context of strategic actions of their political agents, usually in non-revolutionary periods the established political elite consisting of the elites of political parties, organized interests and the state (see Scott 1991: 37).

We will analyse shifting hegemonic projects and power blocs in Iceland since 1944 in detail shortly. Briefly, the history of Iceland is characterized by four periods of shifting hegemonic projects and power blocs, i.e. a) the predominance of structuralist projects during the period 1944-1959; b) deformed Keynesian projects of neo-classical synthesis type during1960-1971; c) structuralist projects in the 1970s and; d) neo-liberalist/authoritarian projects during the 1980s.

In brief terms figure 6.1 shows that as concerns national popular strategies, structuralist projects have been based on one nation strategies such as extension of the welfare state and territorial waters, while neoclassical projects have been grounded in common enemy strategies such as the proclaimed communist threat and threat of hyper-inflation. The figure also indicates that accumulation strategies have developed from structuralist, import substitution and export promotion strategies in the first period to a neo-liberalist, authoritarian strategies of deregulation in the last period.

Figure 6.1.
Hegemonic Projects in Iceland since 1944

			Structuralist projects 1944-59	Neo-classical synthesis projects 1960-1970	Structuralist projects 1971-82	Neo-liberalist /authoritarian projects 1983-9?
National popular strategies	One nation strategy	Expansion of the welfare state	Fast growth during 1944-7, but slows down after that	Growth rate relatively low	Fast growth in the early and late 1970s and early 1980s	Fast growth in the late 1980s
		Extension of the territorial waters	Territorial waters estended from 3 to 4 miles in 1950/52 and 12 miles in 1958		Territorial waters estended from 12 to 50 miles in 1972 and to 200 miles 1976	
	Common enemy strategy	Communist threat/Russian invasion	US-basis and the NATO-axis splits the left and isolates the Socialist Party 1947-56	Heydays of the NATO-axis	Decline of the NATO-axis	Decline of the NATO-axis
		Threat of hyper-inflation				Legitimizes increasing use of repressive forms of state interventionism
	Two nations strategy	Tax reductions and cuts in the welfare state				Tax red. of firms, growth of welfare state and budget deficit.
Accumulation strategies	Structuralist	Import sibstitution	Severe restrictions on imports and complicated regulation of foreign currency exchange. Devaluations during periods of right-wing governments Low interest rates.	Deregulation of imports and foreign currency exchange undermies import substitution	Limited import substitution due to the process of adjustment to EFTA and EEC agreements	
		Export promotion	Heavy steering of investment into the fish sectors. Direct aid for the fish and agricultaral sectors	Heavy steering of investment into infrastructur, i.e. power plants in order to produce cheap electricity for MNCs	Heavy steering of investment into the fish sectors. Direct aid for the fish and agricultaral sectors	
	Neo-classical	Neo-classical synthesis		Devaluation emphasized over aid for the fish sector. Iceland joins EFTA and makes special contracts with EEC. Emphasis on inward foreign investment	Devaluation emphasized to secure profitability of the export sectors Low interest rates Increasing foreign debt	
		Neo-liberalist				Deregulation of financial markets. Fixed exchange rates. High interest rates. Increasing suppression of trade unions

Figure 6.2 indicates, that shifting power blocs have coincided with the shifting periods of hegemonic projects. The leading politically dominant classes have been F-sector capitalists. Trade capitalists have joined these classes during periods of neoclassical projects. Fishing capitalist and trade capitalists have taken turns at playing the role of the hegemonic fraction in so far as the different hegemonic projects have predominantly reflected their different interests during the different periods. Figure 6.2 indicates also shifts in the political elite. The political elite is constituted by those who actively - through promotion of legislation and policy formation at government level - form and reproduce the constellation of classes of the power bloc in question. The figure indicates that the elites of the IP and PrP have played the hegemonic role within the political elite during the post 1944 period.

Figure 6.2.

Power blocs and Hegemonic projects in Iceland since 1944

		Structuralist projects 1944-59	Neo-classical synthesis projects 1960-1970	Structuralist projects 1971-82	Neo-liberalist /authoritarian projects 1983-9?
Power blocs	Politically dominant classes	Fish sector capitalists	Fish sector and trade sector capitalists	Fish sector capitalists	Fish sector and trade sector capitalists
	Hegemonic fraction	Fishing capitalists	Trade capitalists	Fishing capitalists	Trade capitalists
	Political elites on governmental level	Elites of the IP and the PrP. Subordinate role of PP and SP elites	Elites of the IP and PP	Elites of the ALL, PA and PrP. Subordinate role of the elites of the PP and IP	Elites of the IP and PrP. Subordinate role of PA and PP elites

We will now analyse the scenario in figures 6.1 and 6.2 in detail.

a) Export orientated growth strategies: Structuralist accumulation strategies vs. neo-classical attempts 1944-1959.

The international economic crisis of the capitalist countries during the 1930s had great impact on the Icelandic economy. Economic growth was low until Iceland was occupied by the British army in 1940 (see table 6.1). The Brits brought with them expansion through services and work for the army. At the same time fish prices and export of fish-products increased greatly due to the war. It was particularly the closure of the Spanish market for salted fish in 1937, due to the civil war, that lowered growth rates in the late 1930s. Salted

fish amounted to 60% of exports from Iceland during the 1920s and the Spaniards bought roughly 50% of the salted fish (Thorleifsson 1990: 214). Exports of salted fish decreased from 70636 tons in the average in 1926-30 and 68663 tons in 1931-35 to 37757 tons in 1936-40 and 7230 tons in 1941-45 (The Statistical Bureau of Iceland 1984: 131). But, the salt fish shock was matched by an increase in exports of other fish products such as iced fish, frozen fish, fish oil and fish meal (The Statistical Bureau of Iceland 1967: 180-1). Economic growth was low during the 1936-1939 period and indeed negative in 1936 as table 6.1. shows.

Table 6.1.
Economic growth and inflation in Iceland 1935-1945.

	GNP millions of kronas	GNP increase from previous year	Index of goods and services previous year
1935	127		1
1936	130	2.36	3
1937	142	9.23	6
1938	144	1.41	1
1939	155	7.64	4
1940	259	67.10	31
1941	419	61.78	28
1942	653	55.85	31
1943	852	30.47	27
1944	953	11.85	4

Sources: Björnsson 1964 and Verdbólgunefnd 1978.

The high rates of economic growth during the war led to accumulation of huge deposits, in terms of the Icelandic context, owned by Icelandic banks in British and USA banks (Jonsson 1969: 716). The reason for this was that fish was sold at high prices during the war, but supply of imported goods was scant from Europe and USA. The deposits amounted to approximately 500 millions of kronas in 1944 (Thorleifsson 1990: 244) which was more than 50% of Iceland's GNP in that year.

In October 1944, a new government of the IP, PP and SP (the Socialist Party) was established in which the right-wing and left-wing of the Icelandic party system joined, following a climate of ideological compromises due to the establishment of the Icelandic Republic in 1944 under US occupation (since 1941) and popular front policies of the SP (former Communist Party). This government followed a realist structuralist[5] accumulation

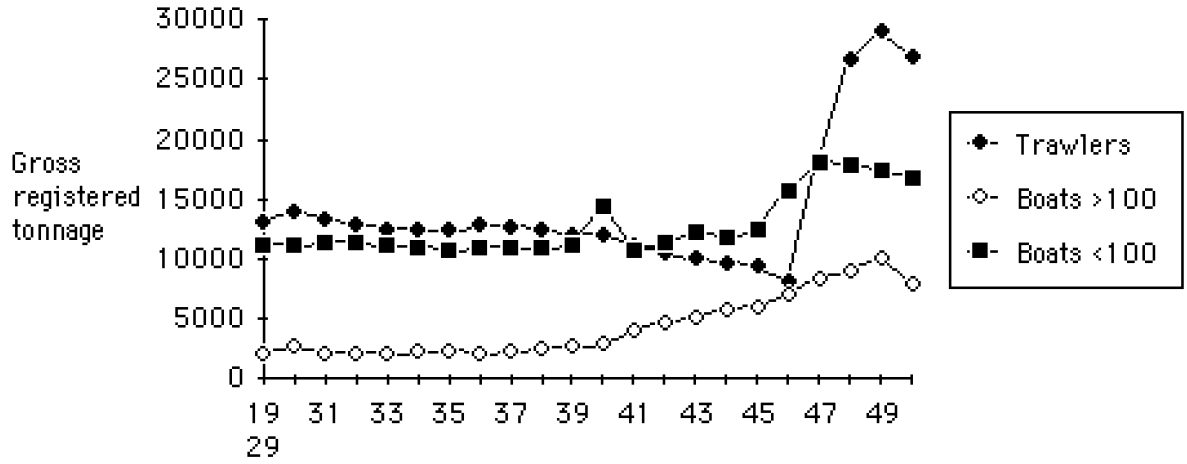
[5] We can roughly distinguish between on the one side 'formalist structuralism', referring to the use of the term 'structuralist policy' by neoclassical economists which is no more than a restatement of the orthodox idea of perfect competition and pure market clearing and the Ricardian idea of comparative advantage in international trade. According to this 'formalist structuralism' optimum output is produced by liberalization and deregulation of markets (cf. OECD 1987c). On the other side there is the 'institutionalist structuralism' which refers to non-market attempts and measures to change the function and resources of economic and social institutions and systems as a necessary condition of optimum economic output. 'Institutionalist structuralism' is either 'defensive structuralism' or 'realist structuralism' as the former attempts to defend sectors or firms in the short run for gains in the long run or for social reasons while the latter moves resources from declining or slow growth sectors to sectors with high growth rates.

strategy that was export orientated, but aiming at directing investments in a *selective* way into the fishing and fish-processing sectors. At the same time, protectionism as regards imports continued. The government, which called itself 'the government of innovations', decided to freeze 300 millions of kronas of the deposits in the British and US banks in special accounts. These funds were only allowed to be invested given the consent of the government and only to be invested in the following way: 1) in fishing vessels, engines and material for shipbuilding for at least 200 millions of kronas; 2) in machines etc. aiming at expansion and reforms of herring plants, freezing plants, cannery, barrel production and ship building for approximately 50 millions of kronas; 3) in machines etc. for a fertilizer plant, processing of agricultural products, agricultural machines and material for electrical power plants for approximately 50 millions of kronas. These means of production were to be sold to individuals and private and cooperative firms, but the state was to arrange the acquisition of them from abroad and from within Iceland (Jonsson 1969: 716). Already, 45 fishing boats had been ordered from Swedish ship builders in 1943. These were to be completed in 1944, but it was not until 1945 and 1946 that they were completed. The 'government of innovations' allowed 15 millions of kronas to be lent for these Swedish boats and allowed lending for five more boats from Sweden. It also decided to allow lending for fishing boats built in Iceland for 30 millions of kronas. The government arranged also that building of 30 more fishing boats was started, and these boats were to be completed in 1946 and 1947. However, the greatest step taken in reforming the fishing sector was taken, when the government decided in 1945 to have 30 new trawlers built in the UK (ibid.: 759-60). The building cost of the trawlers amounted to roughly 50% of the bank deposits in banks in Britain and USA (Thorleifsson 1990: 246).

In order to organize the accumulation strategy, the government established the 'Council of Innovations', which was a council of four representatives. The council was to draw up a five year plan of reforms in the Icelandic economy. The plan concerned restructuring of the different branches of industry, in particular the fisheries sectors, but also the development of infrastructure investment (Jonsson 1969: 760)

The restructuring of the fishing and fish processing sectors aimed at world market adjustment in the sense that prices of fish products were expected to be high after the war and hence high profitability in these sectors. However, high profits were only possible if the fishing fleet was renewed as the trawlers fleet was obsolete, over 20 years old, and hence not competitive. The enormous jump in investment in trawlers rather than boats reflects increasing strength of a techno-economic paradigm based on economies of scale rationality compared with the depressed 1930s. However, investment in boats was also considerable as figure 6.3 indicates.

Figure 6.3.
Size of the Icelandic Fishing Fleet 1929-1950



Source: The Statistical Bureau of Iceland 1984.

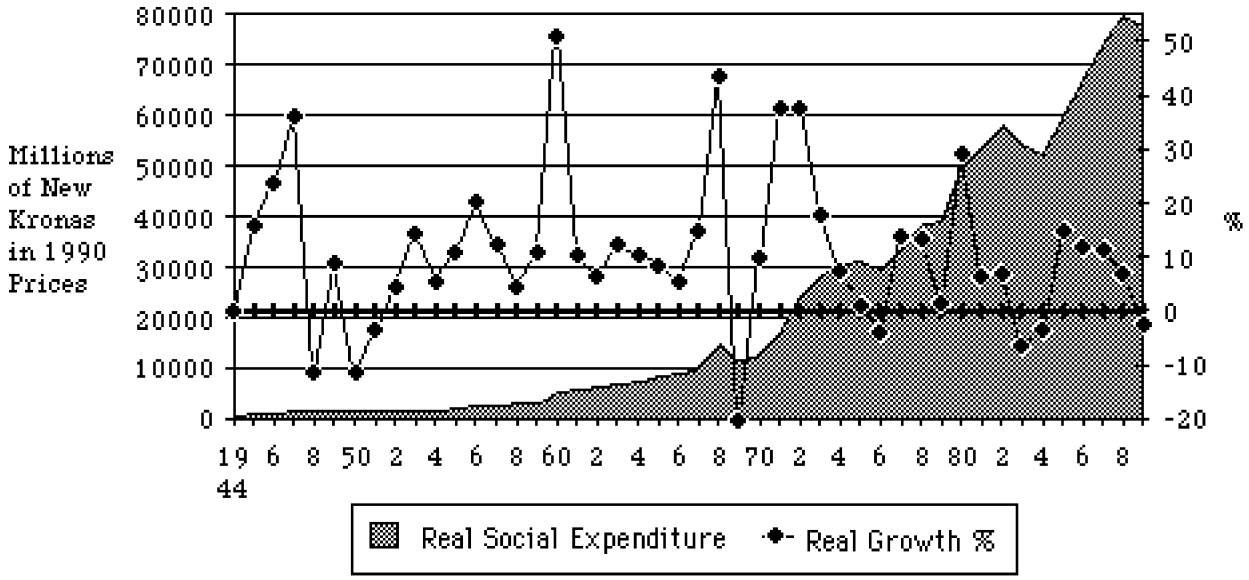
The accumulation strategy of the 'Government of Innovations' was anchored in a wider hegemonic project which was dominated by the interests of capital in the fishing and fish processing sectors. As Iceland was a new republic and an independent state, the government's policy was to secure the independence of Iceland in international agreements, trade agreements and take part in the preparation for the establishment of the United Nations although Iceland had not declared war on Germany or any other state as it had and still has no army. But, the government declared that it would prepare for the extension of Iceland's territorial waters and preservation of important areas of upbringing of fish in the Faxabay (Jonsson 1969: 715-716). Furthermore, the hegemonic project was not only based on this nationalist ideology. A 'one nation project', i.e. a *national-popular* strategy in which all social groups are to benefit from economic progress and not only the privileged (Jessop et. al. 1988: 178-9) was developed that legitimized the structuralist policies. This took place in the form of increasing social expenditure as figure 6.4. indicates. Finally, the hegemonic project was based on spread of consumerism as the great economic growth during the war, led to a Fordist consumption explosion in the form of mass consumption of mass produced, mostly imported durable and non-durable goods (Thorleifsson 1990: 247 and Bjornsson 1964: 251).

The structuralist one-nation hegemonic project relied on a power bloc of capital and labour in the F-sector. The political elite was based on the collaboration of the elites of the PP, SP and IP and supported by MPs of these parties in the parliament, Althingi, i.e. only 3/4 part of the MPs of the IP supported the government. The hegemonic fraction and hegemonic political elite consisted of representatives of big capital in fishing[6]. Furthermore the government was backed by the labour movement which was dominated by members of the

[6] The power structure crystallized in Ólafur Thors, who had owned one of the largest trawlers company in Iceland and been the president of the Trawlers Association. He became the prime minister of the 'Goverment of Innovations'.

PP and SP.

Figure 6.4.
Social Expenditure and its Real Growth 1944-1989



Left hand vertical axis indicates real social expenditure, i.e. in terms of education, health and social insurance. The right hand verical axis shows yearly real growth (%) of social expenditure.
'New Kronas' refer to a change in the nominal value of the currency in Iceland that took place in 1980 when the last zero was deleted from all figures/prices, e.g. 1000 IKR became 100 IKR).
Source: The Statistical Bureau of Iceland 1967, 1974, 1984 and 1991.

The 'Government of Innovations' lasted only until October 1946, i.e. for two years. It splitt due to different views of the parties concerning whether the US-navy should continue to have access to the Keflavik airport which they had built during the war. The US goverment wanted access to the airport as it was said to be necessary for their occupation of W-Germany. The cold war was creeping in and the SP rejected such arrangements (Jonsson 1969: 261).

The impact of the investment policies of the 'Government of Innovations' was long lasting, but the arrival of the US-cleavage axis in Icelandic politics - which was strengthened as Iceland entered NATO in 1949 and the US-navy came back to Iceland in 1951 after two years absence - had fundamental impact on hegemonic projects and the patterns of power blocs in Iceland as the SP with its strong structuralist policies were kept out of governments until the left wing government of 1956 was established. Following and as a condition of the growth of mass consumption, wholesaling and retailing increased fast. This growth was both in the form of cooperative and private firms in trade[7]. The growth of trade appears in table

[7] The increase in the number of members of coops reflects the growth of the cooperative movement in trading. The number of members increased from 7598 in 1930 to 16974 in 1940, 30680 in 1950, 30922 in 1960, 31388 in 1970, 41792 in 1980 and 46700 in 1983 (The Statistical Bureau of Iceland 1984: 119). The greatest increase in a single decade appears to have been in the 1940s.

6.2. which shows that employment in trade increased from 6.8% of total employment by industries in 1940 to 8.9% in 1950 and 11.6% in 1960.

The rapid growth in trade strengthened the power position of trade capital, and the IP and PrP with its relations to the cooperative movement dominated the governmental pattern until 1956. The power bloc in this period was characterized by diminishing power of labour at the same time as trade capital improved its power position. The political elite was constituted by the representatives of these parties and their movements, while the PP and their members in the elite of the labour movement supported it at times[8]. The national-popular strategy which was one of the cornerstones of the hegemonic project in this period was based on the cold war ideology of the communist threat and Russian invasion which was argued for with reference to the militarily important position of Iceland. With, the trade-capital dominated power bloc the accumulation strategy changed from being fisheries, export orientated accumulation to a strategy of diminishing protectionism and import restrictions and increasing emphasis on indirect policy measures such as devaluation of the krona. But, this shift in strategy did not take place until the IP-PrP government came to power in 1949.

Table 6.2.
Employment by industries 1940-1980.
Percentage breakdown

	1940	1950	1960	1965	1970	1975	1980
Agriculture	32.3	22.2	16.0	13.7	13.3	10.5	7.8
Fishing	14.1	10.4	8.2	6.0	6.3	5.4	5.3
Fish-Processeing	6.8	6.5	15.4	9.4	8.0	8.1	9.5
Manufacture	8.8	16.3	10.2	16.9	17.2	16.6	17.2
Construction	5.5	9.9	10.0	11.7	10.6	12.0	10.1
Electricity, water, and more	0.6	1.3	1.0	0.8	1.0	0.8	1.1
Trade	6.8	8.9	11.6	12.4	11.7	12.0	11.5
Banks and insurance	0.8	0.9	1.8	2.3	3.0	3.2	3.7
Transport and communication	7.8	8.4	8.2	9.4	8.4	8.1	7.3
Services	16.5	15.2	16.3	16.1	19.7	22.5	25.5
For the US-Navy		1.3	1.3	0.8	0.8	1.0	

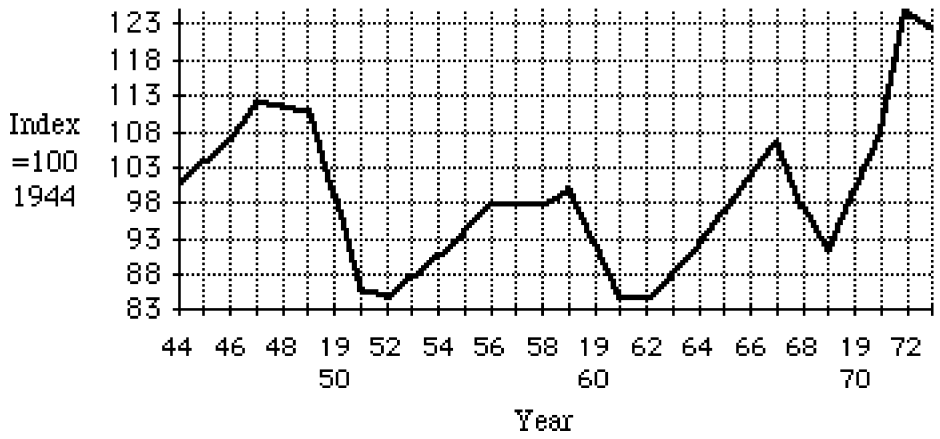
Source: The Economic Institute 1988: 41.

The government which followed the 'Government of Innovations' in February 1947 was a coalition government of the IP, PP and PrP. Its aim was to follow the structuralism of the former government and it wanted to ".. coordinate the actions of individuals and the public sector" (Jonsson 1969: 764) so that they would follow a pre-given plan. The government's proclaimed plan was to secure full employment, fair income and prices of consumer goods for everyone. Its aim was to continue to acquire new sophisticated means of

[8] See the analysis of the political system and governmental patterns in Jónsson 1991b: chapter 9.

production, build industrial plants and to produce as much as possible of goods based on domestic raw material from sea and land. The government decided to establish a 'Financial Council' and the 'Commercial committee' that were to supervise the economic plans of the government and allocate permits to invest, import, buy foreign currencies and finally to supervise general price development (ibid.: 765). This government is said to have been the government of the greatest economic restrictions in the history of the republic of Iceland. The reason for the restrictions was that the funds of foreign currencies had dried up in the years of expansion of the former government (Thorleifsson 1990: 258). But the accumulation strategy of this government was not a realist, structuralist strategy in the sense that it stimulated investment in future growth sectors. The role of the governemnt was rather to realize an austerity policy (as it would be called today) of contraction. It not only cut social expenditure as a percentage of total current expenditure of the Treasury as figure 6.4 highlights, but real wages stayed relatively stable during the period of the government as figure 6.5 shows (real wages in terms of wage rates).

Figure 6.5.
Index of Real Wages of Longshoremen in Reykjavik 1944-1973



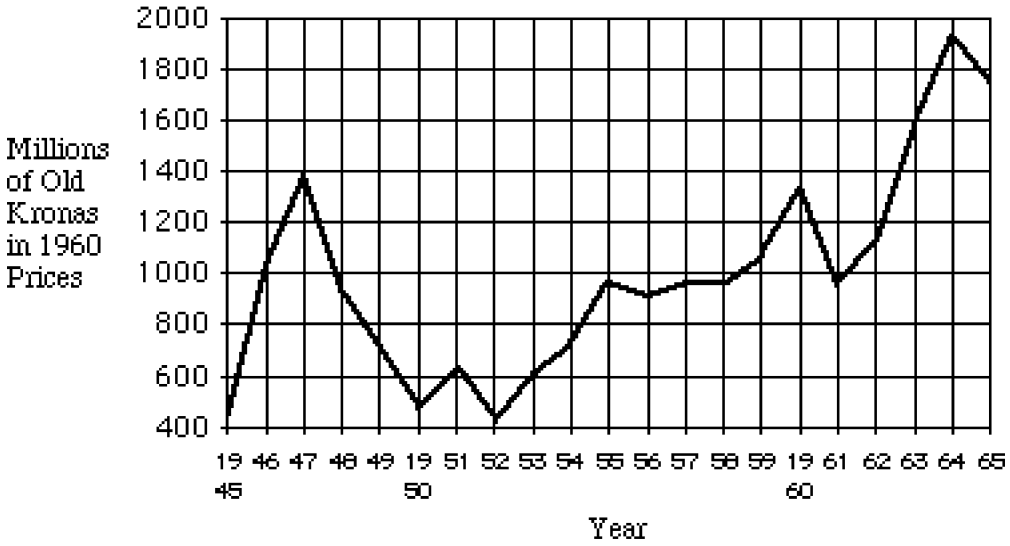
Source: Kristgeirsson 1974.

The government did not manage to stimulate expansion so that the slump deepened as the drop in gross fixed asset formation reflects indicated in figure 6.6. This happened despite a loan of 2.3 millions of kronas from the US Marshall-Plan in 1948 and 5.2 millions of kronas in conditional support from the same plan (Jonsson 1969: 853). The slump also appeared as a negative growth of GDP. In 1945, the growth of GDP per capita was 9.3%, while in 1948 it was -0.1% and 1949 it was -3.3% (The Economic Institute 1988a).

The failures of the accumulation strategy of the government eventually led to a breakdown of the power bloc behind it so that the PrP required that government parties would have to decide on new economic policy during the summer 1949. But, the parties did not come to a conclusion so that parliamentary elections were arranged for October that year.

The elections were followed by governmental crisis as no majority government was established. A minority government of the IP came into power in December 1949 and ruled until March 1950. Although short-lived, it marked a break in terms of accumulation strategies (although it failed) as well as a change in the pattern of the power bloc. During 1950-1956 labour was kept out of the power bloc as the PP and SP were kept out of government and the IP and PrP collaborated in governments, i.e. the main representatives of the interests of capital in Iceland, whether in private or cooperative form.

Figure 6.6.
Total Gross FIxed Asset Formation 1945-1965



Source: The Statistical Bureau of Iceland 1984.

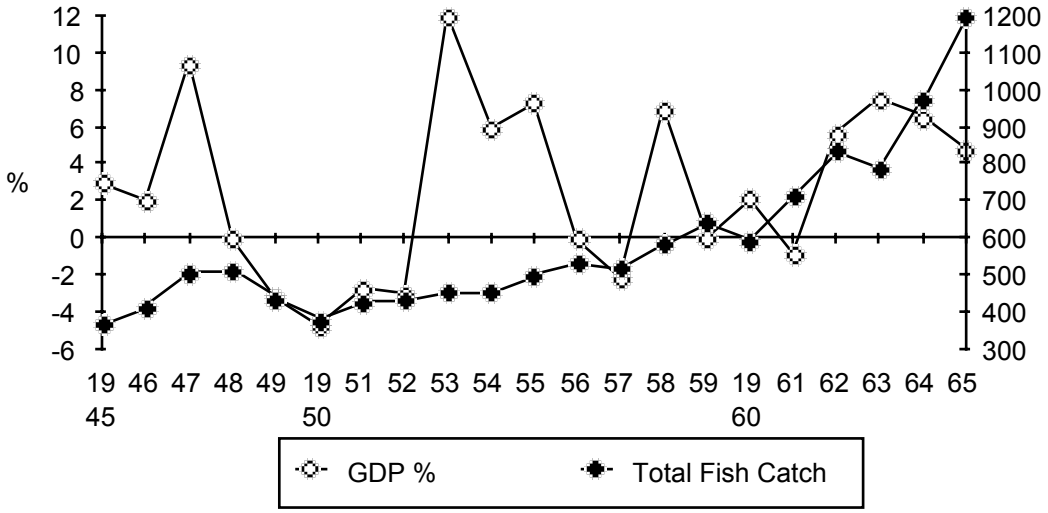
The minority government of the IP asked two esteemed economists and members of the IP to develop a plan for economic recovery. The report of these two economist or 'organic intellectuals'[9] was reproduced in the economic policy of a new government of the IP and PrP established in March 1950. The core of the accumulation strategy of the government was a shift to indirect policy measures which crystallized in 42.6% devaluation of the krona to support the exporting industries, i.e. the F-sector. The expansion of the F-sector due to the devaluation was expected to lead to general expansion so that economic restrictions and rationing would not be necessary (Jonsson 1969: 862 and Thorleifsson 1990: 260).

This accumulation strategy led to great increases in prices of imported consumer goods and hence attacked real wages. In 1950 and 1951 deregulation of imports of goods was gradually extended so that in 1951 approximately 65% of imports were freely imported, i.e. special permission was not necessary (Thorleifsson 1990: 263). As figure 6.5 indicates, real wages decreased fast in 1950 and 1951 and it was not until after extensive strikes in

[9] cf. A, Gramsci's concept of 'organic intellectuals' who organize society in general on behalf of a social group or class. See Gramsci 1978: 5-6.

December 1952 that real wages increased again. Economic growth in terms of GDP was low in 1951 and 1952, i.e. -2.8% and -3.1% respectively. But, in 1953, 1954 and 1955 it was high, i.e. 11.9%, 5.9% and 7.3% in the respective years (The Economic Institute 1988a: 16). The increase in economic growth was mainly due to the increase in fish catch as figure 6.7 suggests, but terms of trade improved fast in 1953 which caused the great upswing in GDP in that year (terms of trade increased by 7.6% in 1953, 3.9% in 1954 and 2.6% in 1955, was negative in 1956- 2.8%. The Economic Institute 1988a).

Figure 6.7.
Growth of GDP and Fish Catch 1945-1965



The left-hand value axis shows increase in GDP per year in percentage. The right-hand value axis shows yearly total fish catch in terms of thousands of tonnage.
Sources: The Economic Institute 1988a and The Statistical Bureau of Iceland 1984.

After parliamentary election in June 1953 the IP and PrP continued their collaboration and established a new government. The economic policy was the same, but in spring in 1955 the labour movement organized one of the most extensive and longest strike in the history of Iceland (the strike of some unions lasted for more than five weeks, see Thorleifsson 1990: 263).

The strategy of indirect policy measures failed. Increasing production costs in the early 1950s culminated in serious problems of the exporting sectors in 1954 and 1955, inducing the government to introduce direct form of intervention, It allocated special grants to the trawler-firms (2000 kronas per day fishing). But more was needed. By the last few months of 1955 the government and representatives of the fishing sector had negotiations that ended with no agreements. The fishing companies organized a fishing ban from the end of 1955 which lasted until the 23rd of January 1956. The government gave in and the parliament passed laws at the 31st of January according to which a new fund was established, The Production Fund ("Framleidslusjodur"). This fund was financed by special import taxes and most of its allocations went to the trawler companies in the form of detailed selective

grants.[10] There were already three different forms of support for the F-sector carried out at that time, i.e. the 'boat foreign currency system' ("batagjaldeyriskerfid")[11] for the fish processing sector from 1951 and there were also special grants for trawlers from 1953 as we mentioned earlier. In 1955 producers that salted herring were granted 100 kronas per barrel.

These different measures are interesting in analytical terms. In general, they reflect the chaotic nature of the mode of regulation. The accumulation strategies were characterized by *ad hoc* selective measures that were responses to serious problems of accumulation of the different sectors of the F-sector after they had culminated. Anti-cyclical measures were not institutionalized in a permanent way until the 1960s when limited attempts were made to develop Keynesian policies and consequent institutional structures.

By 1956 the 'national popular project' of cold-war ideology was cracking and the MPs of the PP, PrP, SP as well as the Nation's Defence Party, i.e. a majority in the parliament, confirmed a parliamentary decree that decided that the US-Navy was to leave Iceland and Icelanders would themselves run the base in Keflavik (Thorleifsson 1990: 266). A new power bloc emerged which led to a dissolution of the parliament and elections shortly afterwards. The PP and the PrP collaborated in the elections so that the PP had candidatures in towns and villages and the PrP in rural constituencies. The SP and the left wing of the PP collaborated in the elections and formed a election alliance, the Peoples Alliance. The left-wingers of the PP were followers of Hannibal Valdimarsson, the president of the General Association of Employees (ASÍ), who had been expelled from the PP (Jonsson 1969: 297). The PA, PP and PrP established a government, a Left Wing Government as it came to be called.

The left wing government reflected a power bloc based on collaboration of labour and cooperative capital in the F-sector. It worked on a new 'national popular project' which was based on the extension of the territorial waters from 4 to 12 miles which formally took place in September 1958 (ibid.: 839). The Soviet invasion in Hungary in 1956 undermined this 'national popular project' and the right wings of the PP and PrP became tense and the government never succeeded in sending the US-Navy back home.

Despite the weaknesses in the 'national popular project' the government changed

[10] Trawlers 10 years and younger were granted 5000 kronas per day at fishing (had been 200 kronas before); fish-processing plants were granted 50 kronas per tonnage of disembowelled, exported fish with heads; the state paid 50% of insurance of fish boats in 1956; fish-processing plants were paid 260 kronas per tonnage of exported small fish (less than 57 cm long) that was disembowelled with head and they were also paid grants for fish from boats; firms producing salted herring were also paid special grants; 56 millions of kronas were spent as the state bought B-certificates that turned out to be more difficult to sell than expected and finally; 15 millions were spent on agricultural products, i.e. sheep meat, wool and sheepskin (Fjármálatí›indi 1956).

[11] The 'boat foreign currency system' was a complex system of support. According to it, the fish processing companies that bought fish from boats, but did not produce herring products or codoil, were issued special certificates that amounted to 50% of the value of the fish they bought. These certificates were called 'A-certificates' and their owners were allowed on the basis of these A-certificates to issue 'B-certificates' that were permits for import of a list of particular goods they would sell to importers. If the B-certificates were sold for 'free foreign currency' they were allowed to be sold for 60% of their face value and if they were sold for 'clearing foreign currency' they were allowed to be sold for 25% of their face value (Fjármálatídindi 1956).

course in terms of accumulation strategies. It rejected policies based on devaluation of the krona and pursued import substitution and structuralist investment policies in the F-sector. As concerns wage and price formation the government issued a decree in August 1956 that froze wages and prices (ibid.: 866). The government established the Export Fund which administered all grants to the exporting sectors. At the same time the grants and the 'boat foreign currency system' was abolished. The need for increased revenues due to the Export Fund was met with increased import taxes on luxury goods, cars and imported goods competing with domestic manufacturing goods. The policy of the government was also to increase greatly property taxes (ibid.: 867-8). According to the law of property tax, the revenue was to be used for investment in 15 new trawlers that were to be built and sold at cost price.

In 1957, the Export Fund turned out to be too small to secure capital accumulation in the F-sector, especially due to scant fish catch and scant foreign currency income. Thus, the revenue of the Export Fund was increased by increasing tax on foreign currency that rose from 16% to 55% (ibid.: 868).

Serious problems emerged as well on the labour market. Import taxes led to import cost push inflation so that real wages tended to decrease. Real wages of longshoremen increased by 6% in 1955, by 0% in 1956, by -1% in 1957 and by 1% in 1958 (Verdbolgunefnd 1982). As wages increased more than the government had presumed in 1958, it was predicted that the F-sector would once again face serious problems. In November, the Prime Minister (PrP) requested that the general assembly of the General Association of Employees (ASÍ), which was held at that time, would accept that an index linked increase in wages would be cancelled for a month. This delay would then give the government time to find new ways to counteract presumed great increase in inflation. The request was rejected and the government was dissolved (Thorleifsson 1990: 270).

A minority government of the PP was established with the support of the IP. To counteract inflation and secure the profitability of the exporting sectors, the government rejected measures that would increase grants to these sectors on the basis of increased taxing of other sectors and/or households. Instead it decided to decrease production costs by decreasing prices by subsidizing agricultural products and stabilizing wages by decreasing the index of cost of living through these subsidizes (Jonsson 1969: 871).

The IP and PP established a government in October 1959 that lived for 12 years, or until 1971. This was the 'Government of Restoration' as it named itself. The government's plan was to deregulate the economy and institutionalize long term economic policy alongside the extension of social expenditure. However, compared to the 1970s and 1980s this was a period of slow growth of social expenditure or the welfare system of households as we prefer to call it. See figure 6.4 above. (Jonsson 1991b).

b) Neoclassical synthesis version of
export orientated growth strategy 1960-1971.

The 'Government of Restoration' based its 'national popular project' on consumerism following deregulation of imports and extension of the welfare state of households. As for consumerism, the share of foodstuffs and drinks as a percentage of imports rose from 9.8% in 1960 to 10.5% in 1969 and the share of clothes from 1.8% to 3.9%. The share of electrical machines and equipment increased from 4.3% to 10.6% over the same period. The real value of imports of these goods was 15.0 millions of old kronas[12] in 1960 in terms of 1969 prices (index of goods and services. In 1969 the real value had increased to 27.0 millions of old kronas or 80% (The Economic Institute 1988a: 61). The government emphasized extension of the welfare state of households, especially in terms of social transfers. Government final consumption expenditure as percentage of general government outlays increased from 35.3% in 1959 to 43.4% in 1970 and social security as a percentage of general government outlays increased from 14.4% in 1959 to 25.5% in 1970 (ibid.: 95). It also abolished income tax of low income (Jonsson 1969: 875), but at the same time general sales tax was introduced for the first time which marked increased emphasis on indirect taxation (Vidreisnarstjornin 1960: 3 and Thorleifsson 1990: 275).

The emphasis on social transfers and abolishment of tax on low income groups was a side effect of the accumulation strategy of the government as these measures aimed at conteracting consequences of its monetary and wage policies for low income groups. One of the cornerstones of the accumulation strategy was a substantive devaluation of the krona which was supposed to make it possible to abolish the system of grants to the exporting sectors. The Export Fund was abolished in February in 1960. The devaluation aimed at equalizing the conditions of capital accumulation in the different sectors of the economy so that manufacturing firms that produced goods for the export sectors would have better chance to compete with imported goods for these sectors that had hitherto been bought for cheap foreign currency in order to lower the production costs of the exporting sector (Vidreisnarstjornin 1960: 14). The deregulation of imports marked a shift from import substitution strategy as concerns manufacture. But, the devaluation, which was 13.2% in terms of pound sterling, meant that real wages would decrease as prices of imports increased. This was for the first time since 1939 that the PP accepted devaluation as a means of economic policy (fiorleifsson 1983: 275).

The government's measurements led to a systematic internationalization of the economy. It deregulated imports and planned that 60% of imports would be 'liberalized' over a short time. Furthermore, the government prepared Iceland's entry into the EFTA (European Free Trade Association) which finally took place in 1970 (ibid.: 275). The government

[12] In 1980 the name value of the Icelandic krona was decreased by two digits. 100 kronas became 1 krona.

negotiated also with the MNC Alusuisse resulting in the investment in an aluminum plant that started production in 1970. Finally, the government made an agreement with the IMF and the Fund of Europe of the OECD concerning loans to stimulate foreign trade (Jonsson 1969: 876).

Besides the devaluation of the krona, the government increased interest rates on bank loans and established the Central Bank of Iceland, which was supposed to have an independent role as concerns monetary policy (i.e. it would take over the responsibility of devaluation of the krona) (ibid.: 877).

One of the main moments of the accumulation strategy was to abolish the index linking of wage formation (ibid., 876) that had been introduced in 1939 (Thorleifsson 1990, 240). But, the unions of employees and employers were allowed to negotiate wage-rates (Jonsson 1969: 876).

The era of the 'Government of Restoration' was a period in the history of the Icelandic republic, that was characterized by the longest lasting solidarity of the bourgeoisie and stability of a power bloc. In this period, there was a relatively stable balance of power between the fractions of capital, in the fish and trade sectors as the strategy of devaluation was in the interest of these fractions of capital in the short run. The power bloc was dominated by the interests of capital in the F-sector and trade sector and the social and economic development reflected this dominance. The IP and the employers unions represented the interests of capital in the power bloc while the PP joined it and secured the support of the part of the labour movement that it controlled. As a consequence the interests of wage earners were met in a limited way by limited improvements in the welfare state of households (i.e. limited in terms of Scandinavian standards. See Jonsson 1991b: chapter 9).

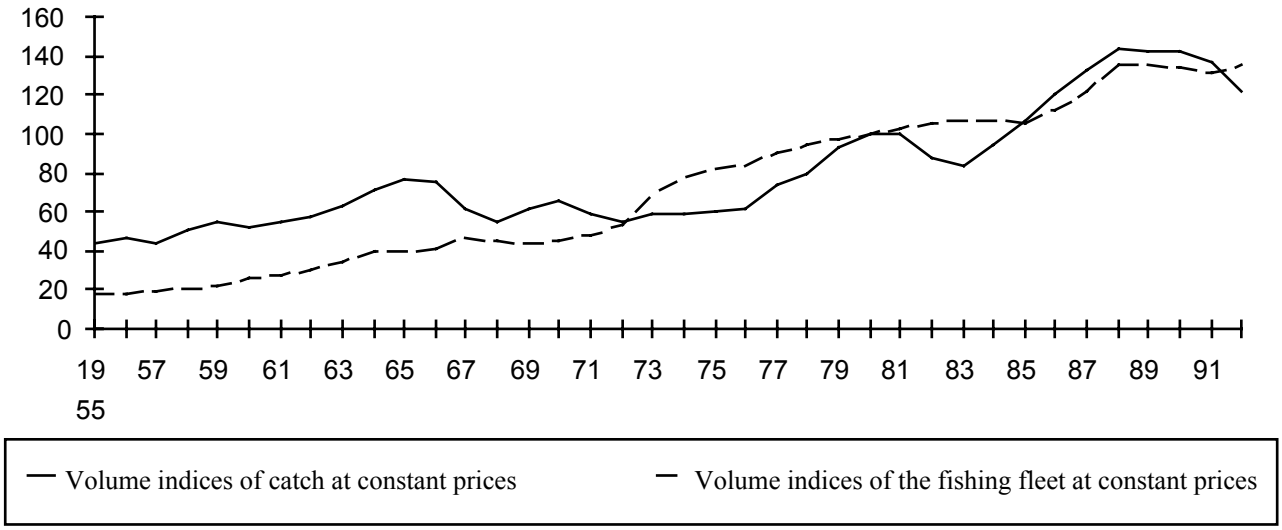
The support within the power bloc for the accumulation strategy of the government became gradually weaker as the policy of devaluation opposed the interests of the part of the manufacturing sector that based its production on imported raw material and goods as the prices of these goods increased with devaluation. The devaluation policy opposed the interests of the wage earners as it tended to cut real wages. The government faced increased economic and political problems, particularly by the late 1960s following the crisis in the herring fishing industry in 1967-9 (Jonsson 1991b). This crisis was followed by a wave of migration from the fishing communities to the Reykjavík area, South-Cape and abroad. This crisis was the most serious threat to the colaboration of capital in the fish and trade sectors and the PP led part of the labour movement as the support of the IP and PP among the electorate broke down. The crisis of the power bloc culminated in the defeat of the government in the parliamentary elections in 1971 and a split in the PP before the elections and the establishment of the ALL (ibid.). The herring fishing crisis hit wage earners badly and especially the fishing communities so that requests for regionalist, structuralist policies become more conspicuous.

c) Revival of structuralist, export orientated accumulation strategies in the early 1970s and the close of the regime of devaluation in the early 1980s.

After the parliamentary elections in 1971 a left wing government was established and consisted of ministers from the PA, PrP and the ALL. The government marked a shift in the power bloc. The PrP has the closest relations with the cooperative movement which has its stronghold in fishing communities due to their direct and indirect investment in fishing, fish processing and particularly retailing, but also in processing of agricultural products.[13] The PA and ALL represented the left wing of the social democratic movement and labour movement that had fought against the devaluation policies of the former government, against migration and for index linking of wages. These forces united around an accumulation strategy based on regionalism and steering of investment into the F-sector and agricultural sectors as well as subsidies of agricultural products to secure the real income of wage earners and farmers.

The government's 'national popular project' was based on these interests and its aim was to extend the territorial waters from 12 to 50 miles. This led to the cod war in the early 1970s. Furthermore, the government's policy was to send the US-Navy back home. The government increased greatly allocations to the welfare state of households (see figure 6.4). It increased greatly as well subsidies for agricultural products to increase real wages and support the farmers.

Figure 6.8.
The Volume of Indices of the Catvh Value and the Fishing Fleet at Constant Prices 1955-1992.



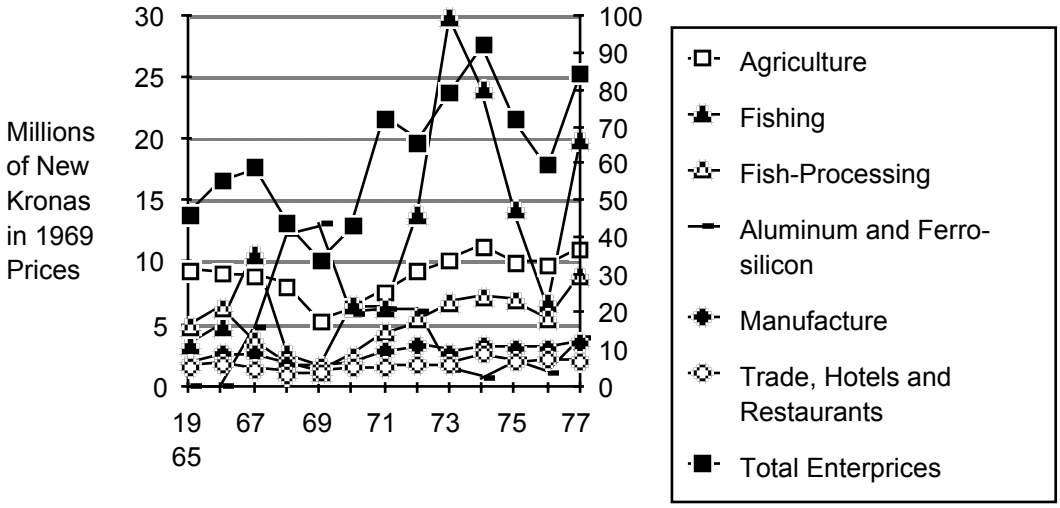
Source: The Economic Institute 1994.

[13] in 1986 coops paid approximately 9.7% of the total sum of wages in sectors outside the administrative state sector (Jónsson 1989b: 57). In 1987 coops paid 0.02% of the total wage sum in fishing and 6.27% in fish processing 27.98% of retailing and 10.50% of whole sale (see The Economic Institute, 1989a: 172).

However, the most important moment of the accumulation strategy of the government was the restoration of capital accumulation in the fishing communities by directing investment into the F-sector, i.e. structuralist, export orientated accumulation strategy based on new imported technology in the fishing sector. This was in line with the policy of preserving the fish stocks and extending the territorial waters. As figure 6.8 highlights, the size of the fishing fleet increased very fast in the early 1970s. The figure shows also that the increase in the growth of fish catch has been much slower than the increase in the fishing fleet, indicating over-investment during the 1970s and 1980s and the situation is getting even worse in the early 1990s.

The bulk of the investment in the fishing fleet was in stern trawlers, most of them built in Spain, Norway and Poland. In other words, already existing imported technology. The investment in the fleet has been with great intervals and the 'Government of Restoration' had been criticized as the fleet had not been renewed. Indeed, the bulk of the fleet was becoming obsolete having been bought in the years of the 'Government of Innovations' 1944-7. But, the investment in fish processing was also great as figure 6.9 indicates. Gross fixed asset formation in this sector increased from 1.18 millions of new kronas in 1969 in terms of 1969 prices to 7.30 millions of new kronas in 1974. But, investment in agriculture was even greater, i.e. 5.3 millions in 1969 and 11.4 millions of new kronas in 1974. Figure 6.9 highlights also the total gross fixed asset formation of enterprises on the right hand value axis. It appears that the period 1970 to 1974 marked a steep growth of total asset formation, but unlike agriculture and the F-sector, manufacture and trade, hotels and restaurants were characterized by relative stagnation.

Figure 6.9.
Gross Fixed Asset Formation 1965-1977.

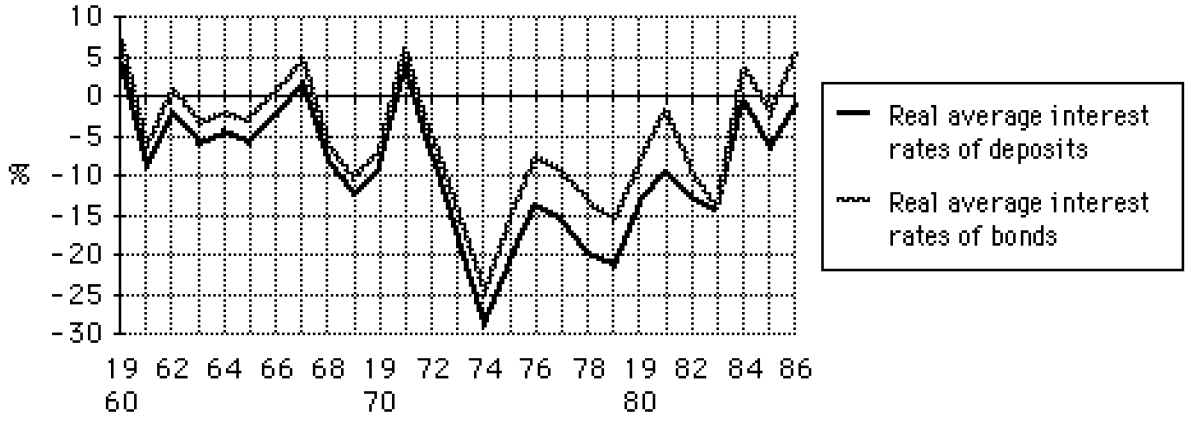


Source: The Statistical Bureau of Iceland 1984.

The monetary policy of the government stimulated the investment boom. Real interest rates of deposits became negative by 28.7% in 1974 and of bonds by 21.6% as figure 6.10 shows. But, the government followed also a policy of devaluation of the krona to improve the position of the exporting sectors, i.e. in December 1972, February 1973 and May 1974, while the krona was revaluated in April 1973 (at the end of 1971 the exchange rate of 1 US$ was 0.871, 1972 it was 0.908, 1973 it was 0.836 and 1974 it was 1.176, the Economic Institute, 1988a: 114). This policy of 'floating exchange rates' followed the crisis of the Bretton Woods system

The reflationary policy of the government caused great increase in inflation. Inflation in terms of the index of cost of living increased from 6.4% in 1971 to 43.0% in 1974 (The Economic Institute 1988a: 79). The government froze price and wage development in Novemeber 1970 and in July 1972 it cancelled wage increase that were to take place due to increase in the index of cost of living by increasing subsidies of agricultural goods and family compensation. In February 1973, the government increased taxation, mainly sales tax, and cut index linked wage increases due to and equal to the increase in sales tax. These measures were legitimized on the grounds of the economic effects of the volcanic eruption in one of the most important fishing community, the Vestamannaeyjar in that year. In April 1973 the government issued a decree that aimed at decreasing prices and wages at the same time as it revalued the krona. The oil-crisis in 1973/4 changed the economic course as the terms of trade developed in a disadvantageous way. The index of terms of trade was 100 in 1972, in 1973 it was 118, 1974 it was 106 and 1975 it was 89.9 (in terms of foreign currency, aluminum not included. The Central Bank of Iceland). In March 1974 the government lowered the level of income tax and increased sales tax and wage tax. These were among measures that were supposed to counter-affect the effects of the development of terms of trade (Fridjonsson 1984: 228-9).

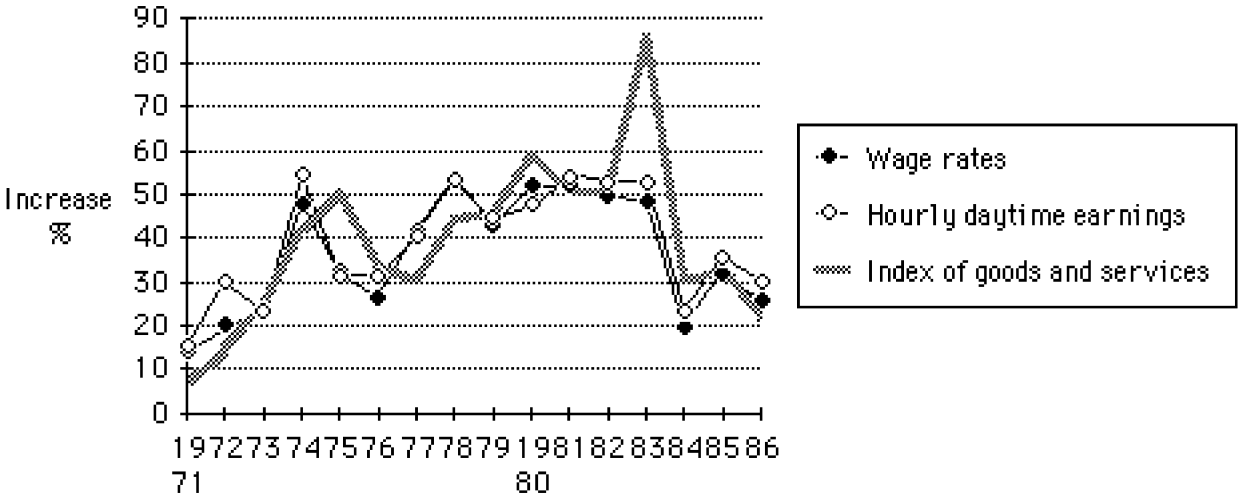
Figure 6.10.
Real Average Interest Rates of Deposit Banks 1960-1986



Source: The Economic Institute 1988a.

As we saw earlier, the accumulation strategy of the government was unsuccessful in dealing with the problem of inflation and the development of wages became increasingly critical for the coops and private capital at the same time as the labour movement came under serious attacks for the index linking of wages. Figure 6.11 highlights the development of wages and inflation 1971-1986.

Figure 6.11.
Inflation and Wages of Skilled and Unskilled Workers 1971-1986



Source: The Economic Institute 1988a.

The economic and political problems of the government culminated into a crisis of the government. The government had only a narrow majority from the start, but in 1974 one of the MPs of the ALL joined the PP so that the government lost its majority and parliamentary elections took place in 1974. The PrP faced internal crisis as well and before the elections the left wing of the PrP splitted the party and joined the ALL (see Gudmundsson 1987: 164).

The IP and PrP established a government after the elections that lasted until 1978. The government based its 'national popular project' on a policy of extending the territorial waters from 50 miles to 200 miles. The 200 miles limit was claimed in 1975 despite the fact that the Court of Haag had come to the conclusion that the extension of the territorial waters to 50 miles had been illegal (Thorleifsson 1990: 299). This meant another 'cod-war' with the Brits and the W-Germans. But in 1977 the EEC extended its territorial waters also to 200 miles thereby ending the 'war'.

The accumulation strategy of the government marked a shift from the structuralist interventionism in the agricultural and F-sector of the former government. It decreased subsidies for agricultural products and took measures to counteract the increased production cost of the fishing sector due to the increase in oil prices. The government established the Oil

Fund in Semptember 1974, devalued the krona, limited increases in wages due to increase in the index of cost of living and increased sales tax. In February 1975, the government devalued the krona again and increased sales tax in March at the same time as it decreased income tax. In April, the government increased export taxes for the Oil Fund. During the summer, the government increased subsidies for agricultural products and introduced increased import substitution policies. It introduced special protective import tax to improve the competitiveness of domestic manufacture. Import taxes were increased again in 1976. In June 1977 the government increased again the subsidies for agricultural products and lowered income tax. In 1977 and 1978 wages began to rise faster than inflation as figure 6.11 indicates and the government responded with a law that halved the increases in wages that were to take place according to wage agreements (and the increase in the index of cost of living). At the same time, the government increased social transfers Jonsson 1991b: chapter 9).

Terms of trade developed positively during the period of the government (The Economic Institute 1988a: 16). But, the labour market was unstable and strikes frequent: In 1975, 797.4 days per 1000 wage earners and salaried employees were lost in strikes, in 1976 3716.4 days, 2259.8 days in 1977 and 591.4 days in 1978 (The Statistical Bureau of Iceland 1984: 59 and OECD 1989a). At the same time the inflation rate was relatively high 33.6% in 1976, 30.5% in 1977 and 44.2% in 1978 (cf. figure 6.11).

The power bloc of fish and trade capital behind the IP and PrP and their government lacked the support of the labour movement and left wing parties so that the social and economic unrest led to an enourmous defeat of the government parties in the parliamentary elections in June 1978, a loss of 18% of the votes.

The PA, PP and PrP established a government that lasted only for 13 months and it followed similar accumulation strategy as the former government, i.e. delinking of wages and the index of cost of living and by issuing decrees and with laws (see Jonsson 1991b: chapter 7 for detailed discussion). 'Floating exchange rates' were in practice a policy of frequent devaluations as the krona has not been appreciated since 1973. The government increased subsidies for agricultural products, social transfers and abolished sales tax of foodstuff to compensate for the delinking of wages and the index of cost of living, froze price levels, increased property taxes and taxes of high income (Fridjonsson 1984: 229-30).

Like the former government, the main political and economic problem of the government of 1978 was to deal with the dilemma of supporting and securing the profitability of the export sector via devaluation of the krona on the one side and cancelling wage increases due to inflationary effects of the devaluation policy and its negative effects on real wages on the other side. But, what was novel for this government in terms of accumulation strategies was that it introduced law that marked a break with the Keynesian monetary policies of the 1960s and 1970s of low and/or negative real interest rates as figure 6.10

highlights. According to the law, real interest rates of deposits and loans were to be positive at the same time as the reserve ratio of the commercial banks was increased (ibid.: 230). The Central Bank administered the introduction of the new interest rate regime and in practice real interest rates did not develop as prescribed by the law although the real interest rate increased in the following years. It was not until 1986 that the formation of interest rates was deregulated and the banks were allowed to decide interest rates.

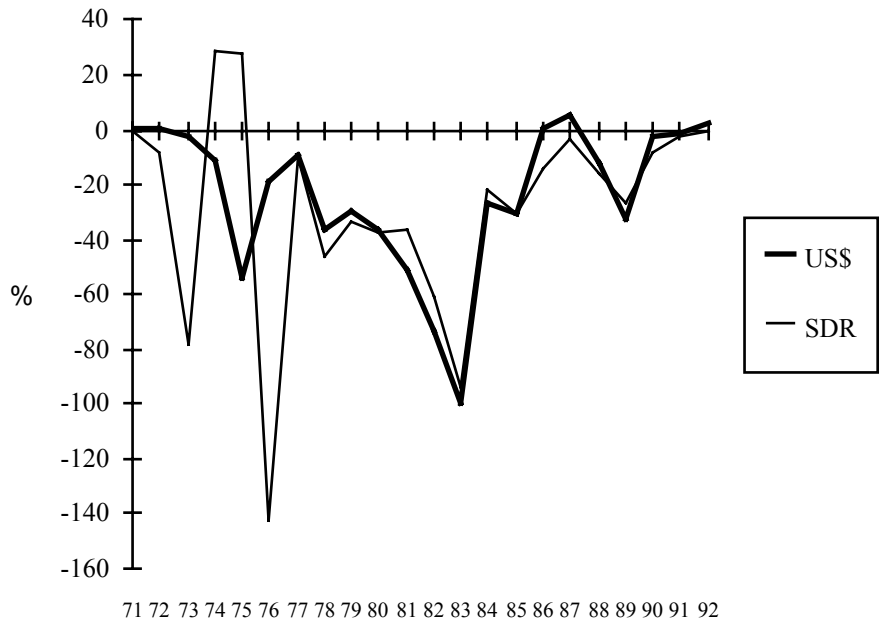
The development of the terms of trade was unfavorable for the government, mainly due to increase in oil prices in 1979 (the index of terms of trade decreased from109.4 in 1978 to 96.4 in 1979, The Central Bank of Iceland). The parliament confirmed law that linked wage increases to terms of trade so that upto 30% of reductions in terms of trade were subtracted from increases in the index of cost of living when wage increases were calculated (The Economic Institute, 1988d: 28). This was a new form of securing profitability in the export sectors which would diminish the need for devaluation of the krona and threat of increased inflation. In June 1979 the government issued a decree that banned the already started strikes and lock outs of cargo-liners (Jonsson 1991b chapter 7). This measure was opposed by the labour movement and the government faced diminishing support within the labour movement. Furthermore, the government introduced a quota production system in the agricultural sector to control the expansion of the agricultural production. This system was unpopular among farmers, although the general assembly of the General Association of Farmers ("Stettarsamband baenda") accepted the quota system. The support of the government among the associations of employees and among farmers was diminishing and the government was dissolved in October 1979.

A minority government of the PP ruled from October 1979 to February 1980 when a government of PA, PrP and a part of the IP was established (Jonsson 1991b: chapter 9). The IP was characterized by increased tensions between traditional liberal fractions and growing neo-liberal fractions in the party during the 1970s. These tensions culminated in conflicts between two of the main leaders of the IP[14], reflecting increasing problems of hegemony of capital and tensions between the interests of capital in the trade and F-sector. During the 1980, MPs of the traditional liberal fraction of the IP established a government with the PA and PrP. The IP got the post of the prime minister. The government lasted until spring 1983, despite serious problems of economic policy and unusually high levels of inflation (The Economic Institute 1988a: 79).

Figure 6.12.

[14] i.e. Gunnar Thoroddsen representing the traditional liberal fraction of the formal 'class -with-class' ideology and the leader of the party, Geir Hallgrímsson, the prime minister of the 1974-78 government, who was in the unfortunate role of compromising between a growing neo-liberal fraction of particularly young IPs and the traditional fraction. These alternative fractions reflected the different interests of trade and fish sector capital. The interests of trade capital was increasingly openly represented by the Icelandic Council of Commerce under the rubric of deregulation and privatization.

Figure 6.12.
Devaluations of the Icelandic Krona 1971-1992



Source: The Economic Institute (1994) **Sögulegt yfirlit hagtalna 1945-1992**.

Like the former government this government attempted to reduce inflation by price freeze in 1980 and again in 1981 at the same time as it cut index linked wage increases with laws passed in 1980 and decrees issued in 1982. The government increased subsidies for agricultural products during the period of the government in order to keep the index of cost of living down. But, it was particularly in the field of monetary policies that the emphasis of the accumulation strategy of the government lay. The government instructed that deposits should bear positive real interest rates from December 1980. But, deregulation of foreign exchange and more relaxed view towards foreign debt was one of the most important measures of the government. Furthermore, much greater devaluation of the krona took place during the period of this government compared with other governments ruling from 1970 to 1986. Figure 6.12 highlights the devaluation of the krona 1971 to 1992, i.e. in terms of US$ and SDR. The great devaluation during the 1981-1983 period coincided with very high level of inflation as we highlighted above.

The relaxed view of the government concerning foreign debt is reflected by the increase in long term foreign debt and debt burden as figure 6.13 highlights. As the figure shows, the government marked the beginning of a regime of heavy indebtedness. But, the indebtedness marked at the same time increasing problems of using devaluation as a mean to secure profitability of the exporting sectors. Devaluation leads to increased indebtedness and debt burden since foreign loans and burden is paid in foreign currencies. This induces a dilemma for the F-sector as investment has increasingly been financed with foreign loans.

Figure 6.13.
Long Term Foreign Debt as % of GNP and
Debt Burden as % of Export Revenues 1970-1992

Source: The Economic Institute (1994) **Sögulegt yfirlit hagtalna 1945-1992**.

As we highlighted in figure 6.11, inflation accelerated from 1978 to 1983, especially in 1983 when inflation increased much faster than wages. But, the high levels of inflation and wage increases led to fast increases in costs of production which led to increased willingness of capital in the trade and F-sector and their representative interest organizations to collaborate. This was particularly in terms of increasing consensus concerning reducing real wages and delinking indexing of wage formation. But, at the same time as consensus concerning reduction of wage increases was building up, conflicts between the interests of F-sector capital and trade capital was increasing following the oil-crisis of 1979. The reason was the nature of the financial system which is dominated by state owned banks: The oil crisis hit the fishing sector badly and increased its need for loans from the financial sector. But, as the financial sector is predominantly state owned, political steering of financial capital is the rule of the game. The F-sector has stronger position and sympathy due to its importance in exports (and the great importance of exports due to the smallness of the economy and hence its great openness). As a consequence, trade capital and its ideologues, following the policies of the IMF demanded abolition of negative real interest rates and market-led financial system (Jonsson 1989b: 58-9). The government introduced the abolition of the Keynesian interest rate regime by the late 1980 as we analysed above.

The period from 1980 to 1983 was characterized by ever growing neo-liberalism particularly among young members and among MPs of the IP as well as the Icelandic Council of Commerce. The period ended with a new power bloc that reflected the dominance of the interests of capital in trade. After the parliamentary elections in 1983, the IP and PrP established a new government that marked a new regime of accumulation strategies.

d) The regime of fixed exchange rates
and repressive forms of state interventionsim.

With detente in international relations and the withering away of the feeling of a communist threat during the 1970s and 1980s and after having extended the territorial waters to 200 miles, there has been a void concerning 'national popular projects' in Icelandic politics during the 1980s. But, the high level of inflation has in a way worked as an economic threat and attempts have been made to translate policies against high levels of inflation into 'national popular projects'. One such was the 'blitzkrieg against inflation' which neo-liberalists of the IP and the Icelandic Council of Commerce clang to by the early 1980s, i.e. a monetarist ideology of cuts in public expenditure. By the late 1980s and in 1990 it was the so called 'national conciliation' held by the main general associations of labour (ASÍ/BSRB) and capital (VSÍ), which in practice has been a consensus of the power elites of labour, capital and the state as well as the general public on decreasing real wages as a response to the threat of inflation, i.e. a popular project that generated in the context of increasingly repressive forms of wage formation and market determination of wage formation (Jonsson 1991b: chapters 7 and 9).

The accumulation strategy of the IP/PrP government of 1983 was based on three fundamental cornerstones, i.e. high interest rate policy, fixed exchange rates and freezing of wages and repression of wage increases achieved by increasingly repressive measures of the state. The Prime Minister, Hermannsson (PrP) claimed that there were two alternatives concerning economic policy, i.e. on the one side, decreasing real wages and cutting the index linking of wages to prevent unemployment or, on the other side, go the monetarist way with cuts in public expenditures that would lead to increasing unemployment (Halldorsdottir 1989: 31).

The collaboration of the representatives of interests of trade and F-sector capital in the power bloc behind the government was based on a policy of wage freeze realized with decrees and laws that banned strikes and free wage agreements (Jonsson 1991b chapter 7). This base was a precondition for capital in the F-sector to accept a regime of high interest rates[15], but great increases in marine export prices and lower real exchange rate due to the suppression of wages in 1986 and 1987, made it even easier for F-sector capital to accept the high interest rate regime[16]. The suppression of wage increases and increase in profitability in

[15] According to a law from March 1987 interest rates were decided by the commercial banks and these interest rates were the highest allowed in the economy (The Economic Institute 1988c: 99-100). In April the same year the government formally privatized the state owned Bank of the Fish Sector ("Útvegsbanki Íslands") and changed it into a joint-stock company although the largest owners of shares were state owned funds (ibid.: 101).

[16] In 1983, the index of marine export prices stood at 92, 83 in 1984, 85 in 1985, 103 in 1986 and 126 in 1987 (and projected at 129 in 1988). Real exchange rate of the krona against trade-weighted indices of 17 countries increased on the average annually in the period 1983-1987 as follows: -6.1% in 1983, 5.2% in 1984, -1.3% in 1985, 1.3% in 1986 and 9.5% in 1987 (and 9.0% projected in 1988). GDP increased (%) by -4.1, 3.5, 3.4, 6.3 and 7.0 in the respective years (0.2 projected in 1988). See OECD 1988d.

the F-sector in 1986 and 1987 due to favorable development of terms of trade for the F-sector and the decline in inflation[17] and the following relatively favorable development of costs of production, led to a situation in which claims for devaluation of the krona on behalf of the F-sector were not necessary. Furthermore, as we saw in figure 6.8 and figure 6.9, enormous investment in the fishing sector in 1985, the bulk of which was in new freezing trawlers, as well as general increase in foreign debt and debt burden made devaluation of the krona problematic for the F-sector in the long run, as well as other debt ridden sectors, whereas debt in foreign currencies increases production costs of the firms if the krona is devalued. Therefore, because of all these reasons the F-sector was satisfied with policies of fixed exchange rates as long as wages and inflation were kept down and terms of trade were favorable. In 1986, the government improved the short term operating conditions of firms in the F-sector by abolishing a part of the anti-cyclical fund system of the sector with law: In May the same year, the export tax of fish products (5.5% of f.o.b.) was abolished, but this tax funded the Catch Security Fund, The Insurance Fund of Fish Vessels, The Fund of Obsolete Vessels, The Fishing Fund and The Fund of Fish Affairs. Part of the tax had also been used to fund research and quality controls of fish products as well as contributions to the associations of fishermen and employers in the fishing sector (Sigurdsson 1986: 161). Firms in the trade sectors accepted the regime of fixed exchange rates as the devaluation in 1983 and 1984 produced great short term profits in whole sale and retailing and expansion in these sectors.

But, the debt burden was becoming increasingly critical for the firms in the F-sector due to the high foreign and domestic interest rates and a slow down in the growth of the F-sector in 1987. Bleak outlook undermined swiftly the collaboration between trade and F-sector capital and pressure from the fishing communities, among other paths through the coops, made the conflicts between trade and F-sector capital ever more apparent.

Parliamentary elections took place in the summer of 1987 and in July the PP joined the IP and PrP and established a new government. The government lasted only until September 1988 and its economic policy marked the end of the fixed exchange rate accumulation strategy. The government did not only respond to the falling profitability of the F-sector by changing short term loans into long terms loans (The Economic Institute 1988d: 106), but devalued the krona by 10% in May1988 (ibid.: 107) and cancelled wage increases until April 1989 and banned strikes and lock-outs (Jonsson 1991b: chapter 7). Figure 6.14 highlights annual devaluation of the krona against the US$ from 1980 to 1989. It appears clearly that the shift back to a regime of devaluation started in 1988 with 11.6% devaluation and 32.6% devaluation in 1989, while in 1986 devaluation was -1.0% and in 1987 it was -5.9%.

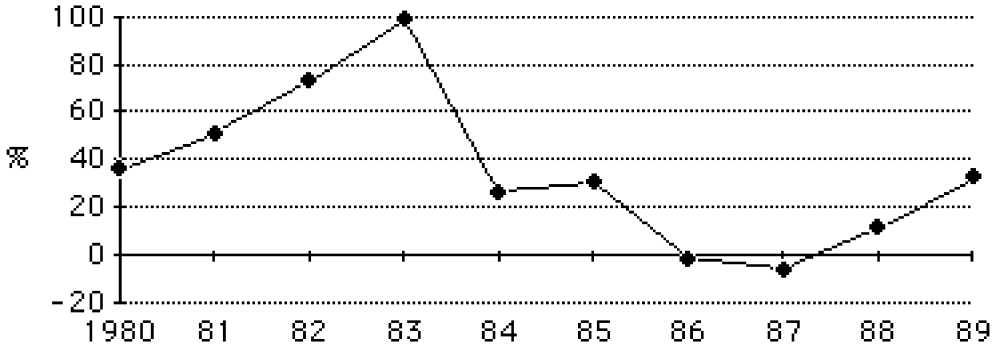
In September 1988, the government had gone its course and a new government of the

[17] Annual consumer price inflation, i.e. increase in the index of costs of living, was 84.3% in 1983, 29.2% in 1984, 32.4% in 1985, 21.3% in 1986, 18.8% in 1987, 25.4% in 1988 and 21.1% in 1989. See OECD 1988d and The Central Bank of Iceland.

PA, PP and PrP was established. The new government increased devaluation of the krona in 1989 as we saw above and it froze wages and prices until February 1989 with a decree it issued as soon as it was established (The Economic Institute 1988d: 109). The government emphasized further deregulation of the financial markets (Jonsson 1991b: chapter 7). But, it emphasized as well structuralist policies which were important part of its accumulation strategy. With the same decree it established the Unemployment Security Fund of the Exporting Sector ("Atvinnutryggingasjodur utflutningsgreina") which has the role of restructuring and modernizing exporting firms by allocating them loans if they were/are presumed to be able to increase their productivity. It has also the role of changing short term loans to long term loans. The state allocated 1000 millions of kronas to this fund (approximately 10 millions of pounds sterling in terms of 1990 exchange rates) (The Economic Istitute 1988d: 109). In 1989 the government established a fund, The Fund of Shares ("Hlutafjarsjodur") that has the role of buying shares in firms that are important because of social and regional reasons.

Despite the cancelling of index linked wage increases which it did with its first decree of September 1988, the government had a weak support of the labour movement,but managed to establish a weak tripartite wage formation of the state and the general associations of employers and employees in the private sector. However, this collaboration is only provisional as it is based on decreasing real wages and a weak notion of "national consensus' which refers to slow increases in prices of public services, interest rates and prices in the private sector. At the same time agricultural products were heavily subsidies (Jonsson 1991b: chapter 7). On these grounds inflation, in terms of the index of costs of living, has gone down from 21.2% in 1989 to 7.2% in 1990 (1st December 1989 to 1st December 1990) (Morgunbladid: 34).

Figure 6.14.
Devaluation of the Icelandic Krona against US$ 1980-1989



Source: The Economic Institute (1988) **Sögulegt yfirlit hagtalna 1945-1988** and The Central Bank of Iceland **Ársskyrslur**.

The government went further than other governments as concerns repressive forms of wage formation. It had serious conflicts with the BHMR, the general association of university

graduates in the public sector, as it issued decree in 1990 that banned increses of wages of the members of BHMR, despite the fact that a constitutional jury had come to the conclusion that such a ban was unlawful. In this case the government went further than simply breaching with human rights such as the right to free negotiation and agreement on wages as governments have increasingly done during the 1970s and 1980s: the government breached with the constitutional distribution of state power into legislative power, executive power and judicial power. The government namely subsumed judicial power under executive power.

In 1991 the IP and PP established a coalition government soon after the elections for the parliament had taken place. The accumulation strategy of this government has centred around four basic issues: 1) stopping devaluation of the Krona; 2) implementing huge cuts in the welfare state, particularly in the health sector; 3) implementing cuts in regional subsidies and; 4) secure that Iceland would join the EES (the EFTA-EU free trade agreement). The government has been successful in implementing points 2) and 4).

B. Accumulation strategies and hegemonic projects in the Faroe Islands

The economic structural basis of hegemonic politics in the Faroe Islands is similar to that of Iceland and accumulation strategies and hegemonic projects tend to be similar as well. This is particularly concerning emphasis on investment in the F-sector and export orientated structuralist strategies. As we discussed in the last chapter, the manufacturing sector is underdeveloped and the export sector is dominated by fishing and fish processing. However, there are differences between the two countries that are related to historical development and to differences in the structure of capital of the fishing sectors. The differences in accumulation strategies and hegemonic projects in these two social formations is fundamentally due to Faroe Islands relation to Denmark. On the one side, as Faroese exchange rates are determined by Danish exchange rates (the Danish krona), devaluation is ruled out as a policy tool. Hence, as Faroese exchange rates are more stable than Icelandic exchange rates, the threat of inflation is not a constituting part of the Faroese hegemonic projects. On the other side, nationalist/unionist issues affect hegemonic projects greatly as the Faroe Islands are still part of Denmark.

Recent decades have been dominated by shifting power coalitions of different capital of the following sectors of the Faroese economy: 1) fishing firms that fish in foreign waters (FFW); 2) fishing firms that fish in domestic waters (FDW); 3) fish processing firms (FP); 4) firms in the manufacturing industry that produce capital goods for domestic firms (MDF) and; 5) firms in the manufacturing industry that produce goods for private consumption (MPC) (Dali and Mörkere, 122-3). To this pattern of different capitals of production we can add capital in the trading sector. Each sector has different interests from the others and these

different interests provide basis for different coalition strategies and accumulation strategies.

Four fundmental contradictions of capital interests may be analysed that consitute the basis of different accumulation strategies in recent economic history of the Faroe Islands: 1) fishing firms that fish in foreign waters have interests that oppose interests of fishing firms that fish in domestic waters in that the former demand fishing quotas in foreign waters while the latter oppose that foreign fishing firms have rehears to Faroese waters; 2) fish processing firms press for low fish prices while fishing firms fishing in domestic waters press for higher fish prices. This contradiction is somewhat eased to the extent that fish processing firms buy fish from their own vessels; 3) manufacturing firms that produce for the homemarket press for higher import taxes, while firms fishing in domestic waters and fish processing firms prefer lower import taxes and; 4) especially fish processing firms, shipyards and the fishing equipment industries press for lower wages, while manufacturing firms that produce for private consumption and wholesalers and retailers in the homemarket would prefer higher wages and increased general demand (ibid., 123-4).

The predominant accumulation strategy in the 1960s and 1970s was an extensive model of accumulation that emphasized investment in the fish processing sector and in trawlers fishing in foreign waters (ibid., 125), i.e. an export orientated structurlist strategy. This Accumulation strategy came into crisis in the late 1970s when the 200 miles fishing zones became the general rule in international waters and the trawlers fishing in foreign waters lost their access to important fishing areas. This situation culminated into a structural crisis in the Faroese economy as fishing capacity of the Faroese fishing fleet far extended the reasonable amount available to fishing in domestic waters. The structural crisis resulted in overfishing in domestic waters causing a permanent institutional crisis as the Faroese administration was neither able to control fishing in terms of preservation of stocks nor was it able to reduce overinvestment in the fishing sector (J.H. Toftum 1992b, 52-3)[18].

Overinvestment appeared in a very high level of investment in the economy. Like in Iceland the rate of investment tends to be very high by international standards in the Faroe Islands. In the 1970s the rate of investment was over 30% of GNP in the Faroe Islands, while the OECD average was around 22%. This trend continued into the 1980s as the rate was around 40% some years (ibid., 6). As table 6.3 shows, the investments in fishing vessels and passanger and cargo liners has been considerable in the 1980s. This high investment rate has to a considerable extent been funded by foreign loans. Foreign indebtedness has increased greatly following the high investment rate such that in 1990 foreign loans accounted for 120% of GNP. Comparable figure for Denmark, Iceland and Norway was 35%, 60% and 25% respectively (ibid., 7).

[18] Indeed, the production capacity of the fishing fleet is considered by specialists to be 1/3 to large in terms of biological and preservational reasons, see J. Eliasen, 10).

Table 6.3.
Fixed Capital Formation 1980, 1985-1988
Millions of kronas

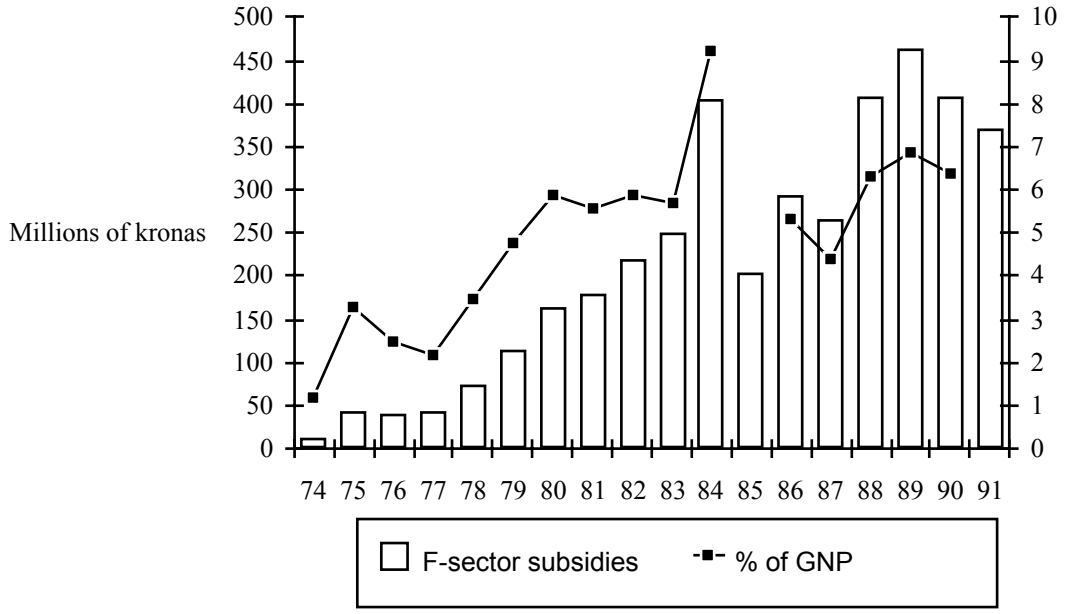
	1980	1985	1986	1987	1988
Fishing vessels	63	405	439	841	410
Fish processing	69	132	194	162	124
Passanger- and cargo ships	37	338	40	-378	40
Other industry	187	384	467	398	366
Residential construction	135	224	293	300	320
Private investments total	491	1483	1433	1323	1260
Public investments total	306	518	644	698	945
Toal investments	797	2001	2077	2021	2205

Source: J.H. Toftum 1992b, 7.

The high indeptness reflects the structural crisis as well as the crisis in accumulation strategies. Declining profitability of the fishing sector led, on the one side, to great emphasis on restructuring of and investment in the fish processing industry in order to increase the rate of value added and to increase the quality of fish products. On the other side, the emphasis was on investment in pisciculture. As a consequence, partly in order to match unemployment, great number of fish processing plants were established around the Faroe Islands during the 1970s and 1980s. This policy of decentralization of the fish processing industry was part of the regional policies during the 1970s and 1980s. These policies resulted in great number of relatively small plants and required increased investment in the transport infrastucture, roads and harbours in the Faroe Islands (J. Eliasen, 10). In addition to this investment intensive accumulation strategy, the fishing sector became increasingly subsidized, partly as a consequence of diminising rate of profit due to the structural crisis and partly because of preservational reasons as the Fresh Fish Fund (Råfiskfinden) subsidized fishing of species that were not overfished in order to preserve threatened species such as cod. The great investment in the fishing sector was also caused by international factors. As L. Lyck has highlighted, the fishing policy of the EU in the North-Atlantic has led to greatly increased capital intensification in the F-sector with great financial support of investment in trawlers and fish processing plants, nationlisation of fishing areas and quotasystems for fishing. This policy has led to overfishing and reduction in catches. Furthermore, production costs have increased greatly following the process of capital intensification and the regime of high interest rates in the 1980s. Finally the high interest rate regime of the 1980s made the need for investment capital even greater due to increased investment costs (L. Lyck 1993).

As Figure 6.15 shows, subsidies for the fishing and fish processing sectors (the F-sector) increased greatly in the 1980s. In 1974 the F-sector received 14 millions of kronas in different forms of subsidies, which equalled 1.2% of GNP. In 1990 it received 408 millions or 6.4% of GNP.

Figure 6.15.
Government subsidies for the F-sector



Source: J. H. Toftum (1992) **Institutioner i fiskeomsetningen på Færøyene**, Norges Fiskerihøgskole, Universitetet i Tromsö. Columns refer to millions of kronas while the line refers to % of GNP.

The subsidy regime had gone its course and crashed in 1989 following the slump in cod fishing. The dialectics of the rise and fall of the accumulation model of the 1970s and 1980s reflects both historical development and the balance of power of socio-economic forces. As J. Mørkøre (1993) has analysed, in the 1950 and 1960s the rate of profit was higher in the fish processing sector and in fishing in foreign waters than in fishing in domestic waters. In this era, the big firms invested in the two first mentioned sectors of high rates of profit. Capital in these two sectors became the most concentrated and centralized capital in the Faroese economy. In practice, real conglomerates of firms developed that extented their capital relations both into the Føroya Fiskasøla, the firm that monopolizes sales of fish exports, and into the bank sector. Føroya Fiskasøla is a joint stock company, but it is unusual as such in that its profits are not reallocated to its owners, but asccumulated and invested. Within the conglomerates, Føroya Fiskasøla has a strategic position and rules over it. Furthermore, Føroya Fiskasøla owned until the crash in 1992 1/3 of the stocks in the far biggest private bank in the Faroese economy, the Sjóvinnubanken. Føroya Fiskasøla is dominated by the big firms in the F-sector as representatives of small fish processing plants, usually owned by local trade unions, boat owners unions and/or communes, are underrepresented on the board of Føroya Fiskasøla. This network of big capital in the F-sector has been the basis of a very strong power position of the conglomerates in the Faroese economy and society. This very strong power position is the key element of the development and the crisis of the accumulation model of the 1970s and 1980s.

Before the 200 miles fishing zone became the main principle of international maritime law in the late 1970s it suited perfectly the interests of the conglomerates that the domestic fishing firms would grow as that would increase supply of fish for the fish processing plants. As the basis of fishing in foreign waters collapsed, conflicts increased between the conglomerates and the small fishing firms that fish in domestic waters. The conglomerates changed their accumulation strategy in this situation and started investing heavily in fish processing plants and buying existing trawlers that fished in domestic waters or changing trawlers into such trawlers. The balance of power of these different capitals led to a compromise which consisted of great investment in regional firms in the F-sector and heavy subsidies of the fish price as we analysed above. A neo-corporatist system of subsidized fish price formation was institutionalized when the Fund for Fresh Fish Prices ("Råfiskefinden") was established in 1975 to secure minimum prices of fish. Its ruling committee had representatives from the main organization of fish buyers ("Ráfiskakeyparafélagid"), two from fish suppliers (1 from the fishermmen's organization, the "Føroya Fiskimannafelag", 1 from the organization of boatowners in domestic waters, the "Meginfélag Útródrarmanna") and two from the local government. These 6 representatives elected one more member to be the chairman (Mørkøre, 78-9)[19]. It became the role of this fund, not only to subsidize fish prices, but to steer fishing into different stock through pricing policies. However, as we highlighted above, this system failed as a preserver of fish stocks.

The F-sector capital/subsidies intensive accumulation strategy of the 1970s and 1980s was based on hegemonic projects that were grounded in the 1950s and 1960s, i.e. on the one side on the idea of expanding the welfare state in line with the Scandinavian welfare states and on the other side an export orientated structurlist idea that emphasized that the fishing fleet should be renewed. The Social-Democratic Party was the primus motor of the former project, while the reformist Republican Party agitated for the latter project. These predominating hegemonic projects fundamentally legitimized the accumulation strategies of big capital and secured the support of labour (Dali and Mørkøre, 116). As conflicts between small and big capital in the F-sector grew in the 1970s and 1980s the capital renewal project was extended to include the renewal of capital in the fish processing sector as well. This project suited the regional interests, but led to serious problems of overinvestment in the F-sector.

In the present context of structural and institutional crisis there appears to be fundamentally two conflicting accumulation strategies. On the one side is the strategy of small capital in the fishing sector whose fishing is limited to domestic waters and fish processing capital that would attempt to secure the 200 mile fishing zone, negotiate special agreements with EU and renew fish processing in a way that would increase the level of

[19] Before this system was established, a committee of three representatives of fishermen, fish buyers and the local government diseded minimum fish prices. This committee was established in 1964, before that , there had been 'free' fish price formation (Mørkøre, 78-9).

value added of the products. On the other side is the strategy of owners of big trawlers that are able to 'compete' in distant waters and sell fish to near market fish processing plants. Their strategic interest is to join the EU to be able to fish in its waters. These two different strategies require two different hegemonic projects. The former strategy requires a nationalist hegemonic project while the latter requires unionist project. The support of a nationalist project appears however to be facrumbling among the general public. Results of oppinion surveys show that the number of those opposed to joining the EU has decreased from 77% in 1984 to 45% in 1992, while the number of those in favour has increased from 5% to 27%. It is particularly in the capital area of Tórshaven that the support for EU membership has increased, i.e. were the bulk administration and big capital is located (Mørkøre 1993, 88).

C. Accumulation strategies and hegemonic projects in Greenland.

Structural condition of accumulation strategies and hegemonic projects in Greenland are very different from those of the Faroe Islands and Iceland. The main difference is the large public sector in Greenland and the leading role state owned firms play in the economy as we analysed briefly in the last chapter.

Accumulation strategies in Greenland have shifted every decennium in the post war era. The 1950s began with policies that marked a new era in Greenlands history as the country was opened to foreign trade in 1950 and the status of Greenland vis-á-vis Denmark was changed from that of a colony to that of being "a part of Denmark with the same status as other parts" on the 5th of June 1953.

Table 6.4.
State Investment in Infrastructure and
Export Production in Greenland 1951-75.
Millions of Danish Kronas. Five Year Summs in Prices of Each Year.

	Export sector industrial plants etc	Fishing vessels	Shipyards	Power supply	Roads, water and sewerage	Comm-ercial harbours	Fishing harbours	Transport and communi-cation	Housing
1951-55	6,2	0,1	3,1	5,8	13,5	7,7	1,1	5,1	44,9
1956-60	15,0		0,4	17,0	10,3	6,5	2,1	34,8	69,1
1961-65	40,2	6,8	1,2	27,0	38,9	25,8	5,1	39,4	186,4
1966-70	35,8	37,9	17,4	71,6	92,5	47,1	33,5	96,5	504,2
1971-75	57,0	66,1	31,9	172,1	172,2	44,8	36,6	148,9	645,8
1976-78	16,3	12,7	71,4	100,3	109,8	36,7	6,5	274,3	416,9

Source: Grönlands Hjemmestyre **Grønland, Kalaallit Nunaat** (various years).

The Danish government implemented a new accumulation strategy in 1950 which concentrated on investments in the infrastructure as the precondition for capital accumulation in the economy and for inflow of Danish capital by Danish firms. The long term aim was to improve living statndards that where much lower in Greenland than in other parts of

Denmark as well as to create the conditions for Greenlanders to be economically self-sufficient (J. Viemose, 84-5). This accumulation strategy, often called G-50, failed as the expected inflow of capital and investments by Danish firms did not take place (ibid., 88).

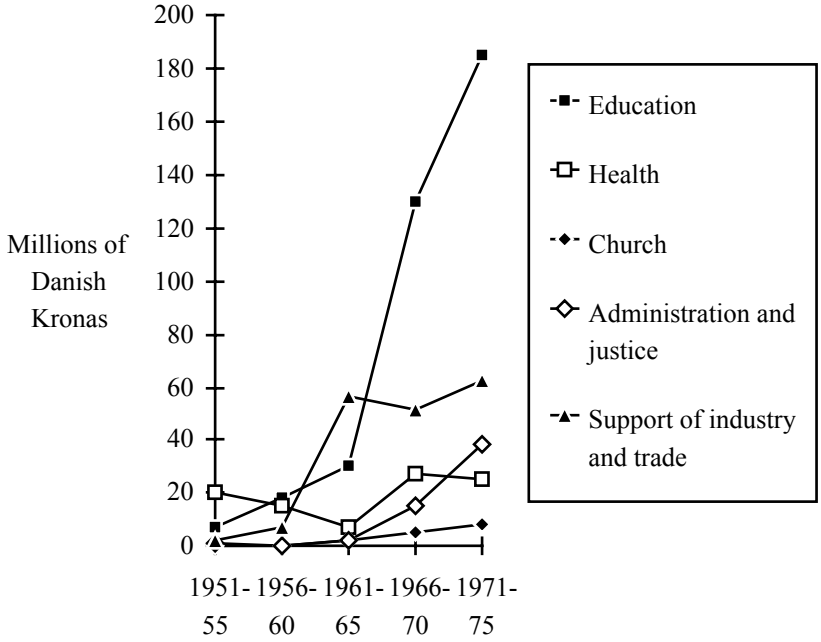
The investments of the Danish state in infrastructure and industrial plants, i.e. fish processing plants, increased fast during the 1950s as table 6.4 indicates. The 1960s marked a real "take-off" in investments. As the G-50 strategy failed, industrial leaders, particularly the leadership of the state owned KGH (the forerunner of Royal Greenland A/S, the KNI A/Ss and many other major firms in the Greenlandic economy) advocated a new strategy in 1957-8 according to which the state was urged to implemet a structuralist policy that would lead to large investments in industrial production, plants and trawlers besides increasing its investments in infrastructure (J. Viemose, 88). A committee was established in 1960 to develop a development plan for Greenland. It contained representatives from the Ministry of finance, KGH, the chamber of Commerce, unions of fishermen and labourers, MPs from the political parties in the Danish Parliament and the two Greenlandic MPs in that parliament. The resulting plan of the committee appeared in 1964 as "Betænkning fra Grønlandsudvalget af 1960". This plan, the G-60, emphasised the need for a large increase in investment in technology and production. Among other things G-60 emphasized great concentration of capital and demographic concentration leading to migration from small communities to industrial sites (ibid., 96). G-60 was as a consequence both a long term plan of industrialization and a societal development plan which emphasized huge long term investment in health, education, the judicial system, technological conditions and housing (ibid., 105).

It is particularly in the second part of the 1960s that expenditure in education and heatlth increases greatly (see Figure 6.16). There was at the same time a great increase in support of industry and trade which adds to the jump in investment in fishing that table 6.4 highlights. The policy of demographic concentration was the one field of the G-60 plan that required most investment as table 6.4 indicates. Investment in housing peaked in the 1971-75 period amounting to 647 millions of Danish Kronas.

The 1960s marked the introduction of massive statist strategies in economic restructuring that took place largely through the activities of the KGH. The emphasis was on the F-sector. This strategy continued through the 1970s. The Greenlandic Homerule government, established in 1979, continued and intensified the F-sector statist strategy during the 1980s. At the same time interests in foreign investment in exploitation of minerals and possible resources diminshed as a consequence of the nationalist tide following the independence struggle for homerule in the 1970s. Table 6.5 and Figure 6.17 highlight the great emphasis on investment in the F-sector which ended with overinvestment and great problems of budget deficit of the Homerule government in the late 1980s. This situation led to the formation of a new accumulation strategy in the early 1990s which is still being

moulded. As the figure indicates, after the introduction of the Greenlandic Homerule in 1979, the number of vessels over 500 BTR increased fast as well as the number of ships larger than 50 BRT.

Figure 6.16.
State Investment in Social Restructuring in Greenland 1951-75
Millions of Danish Kronas. Five Year Summs in Prices of Each Year.



Source: Grönlands Hjemmestyre **Grønland, Kalaallit Nunaat** (various years).

New orientation from the extensive, F-sector accumulation strategy observed above towards knowledge based accumulation developed in the early 1990s (Schwedler, 152-9) as we mentioned above. This shift in orientation followed the economic slump in the late 1980s. The new orientation was partly organizational as it aimed at decentralization of the state owned firms such as Royal Greenland A/S, the KNI A/Ss and many other firms that became a limited company in 1990. The main owner of stocks is the Hjemmestyre as we observed in the former chapter. This strategy has culminated in a new form of centralization, i.e. 'organic centralization' of relatively autonomous state firms as opposed to the former 'commando centralization' with direct political control of the firms (Jonsson 1995a and 1995b). However, before these decentralization measures took place the Greenlandic Homerule government launched a new industrial policy in 1989 that attempted to stimulate mineral resource research and exploitation, new industries and to encourage tourism (Larsen, 215). The Homerule government has spent 20-30 millions of Danish kronas annually repectively on oil and mineral search since 1989. A law implemented in 1991 made it more attractive for foreign firms to search for these resources. The discovery of oil in the Nuussuaq island and in the area 90 miles west of the capital Nuuk is likely to strengthen the emphasis on oil

exploitation. As for the development of industry and services, the Grennlandic Parliament, the Landsting, decided to establish a development company in 1993 with a starting capital of 37.8 million Danish kronas. The main aim of this development company, the Erhvervsudviklingsselskapet, is to provide technical and expertise consultation and finance for medium and small firms as well as to finance high risk development projects (Homerule Ministry of Finance, 25-8). There are no plans of establishing a technological institute that would serve firms with know-how that are willing to or are working on R&D. Nor are there any plans to establish a technological university that would produce technically educated persons for future R&D and growth industries. Greenland is still totally dependent on Denmark and foreign countries in this respect (Jonsson 1995a and 1995b). However, it is to early at this stage to measure the extent and effects of the new accumulation strategy.

Table 6.5.
The Greenlandic Fishing Fleet 1971-1975
Number of Vessels by size (BRT)

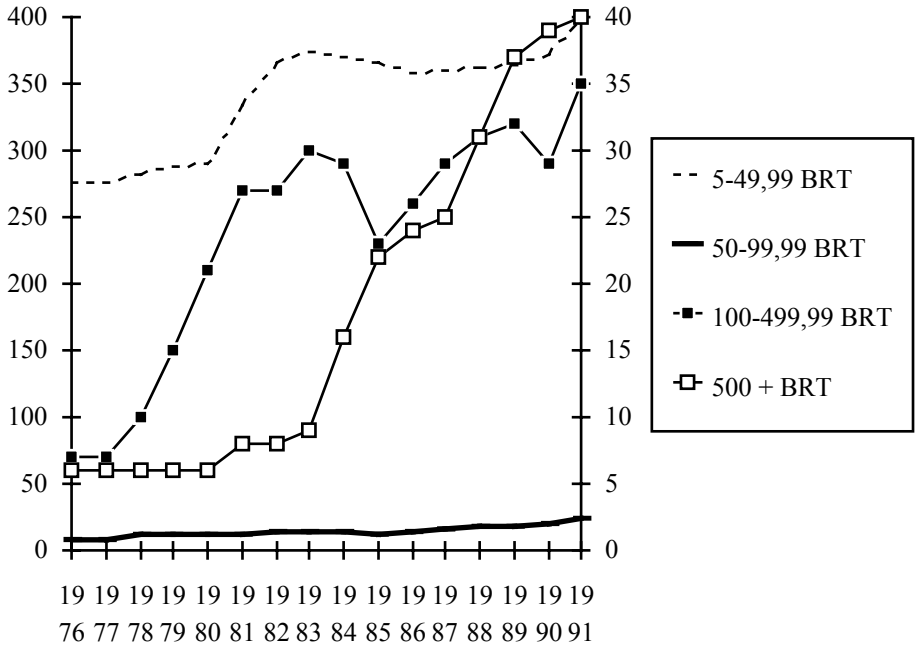
	5-49,99 BRT	50-99,99 BRT	100 + BRT	500 + BRT
1971	223	7	7	
1972	232	7	9	
	5-39,99 BRT	40-99,99 BRT	100-499,99 BRT	500 + BRT
1973	270	11	7	6
1974	276	12	7	6
1975	275	12	7	6

Source: Grönlands Hjemmestyre **Grønland, Kalaallit Nunaat** (various years).

It appears that the accumulation strategy in Greenland is predominantly export orientated structuralism in the sense that the state steers investment into the export sector. However, the policies lean strongly on liberal theories[20] in so far as the emphasis is on 'comparative advantage' in the form of natural resources (fish, minerals and tourism). The accumulation strategies are becoming ever more liberal in recent years as doors for foreign investment have been opened and decentralisation of the state sector reflect stronger market orientation. If one adds to this scenario the strong emphasis the Greenlandic governments have placed on flat rate income tax and their rejection of a progressive tax-system - i.e. a policy which is in line with the idea of liberal/modernist theories of development that presume that increased savings and investments are the precondition of development and increased income of the capitalist/entrepreneurial class is the precondition of such increased savings and investment - one may conclude that the accumulation strategies are becoming ever more 'neo-modernist' (J.C. Alexander 1995) with the consequent increase in stratification and class divisions in the Greenlandic society.

[20] Concerning liberal theories, see the discussion on modernist theories of development in chapter 1 above.

Figure 6.17.
The Greenlandic Fishing Fleet 1976-1991
Number of Vessels by size (BRT)



The left hand value axis refers to the number of vessels in the size categories 5-49,99 BRT and 50-99,99 BRT. The right hand value axis refers to the number of vessels in the size categories 100-499,99 BRT and 500 + BRT.
Source: Grönlands Hjemmestyre **Grønland, Kalaallit Nunaat** (various years).

Hegemonic projects since the Second World War in Greenland and mechanisms of legitimation of the different accumulation strategies have roughly developed from projects that attempted to incorporate the Greenlandic people and their economic resources into Danish capitalism with Danocentric ideas of social welfare and justice, to projects moulded by Greenlandic nationalism and nation building.

As J. Viemose has highlighted and the tables and figures above demonstate, the industrialization of the 1960s was already on course before and while the work on G-60 was being carried out. The role of G-60 was to legitimate the industrialization in such a way that it appeared to be in the good will of the Greenlandic people (J. Viemose, 111). However, having incorporated Greenland, the state had to legitimate its role by improving the living standards of its citizens in Greenland and pull the living standards to the same level as in other parts of Denmark. Danish social-democratic ideas of the welfare state and equality where important in this respect. But, they were not realized. As late as the early 1980s income per capita in Greenland was only 77% of income per capita in Denmark (L. Lyck 1986, 43) and while Danes working in Greenland accounted for 1/4 of the labour force, they received 1/2 the total income. The reason was/is that they tend to occupy upper and top level jobs in the administration and the technical expertise was/is Danish. Finally most of the Danes live in Nuuk where the administration is concentrated and they accounted for almost half the

population there as late as in the 1970s. These socio-spatial contradictions generated incrreasing conflicts between Danes and Greenlanders in the 1970s which culminated in the establishment of an independence movement by particularly young Greenlanders.

The independence struggle during the 1970s and increasing nationalism and growth of Inuit identity or both followed the threat of foreign exploitation of Greenland's possible oil reserves and exploitation of her fish stocks. Between 1969 and 1972 around 30 firms drilled for oil off the West Coast of Greenland and firms where allocated areas for drilling by the Danish government. This situation arouse strong opposition among the Greenlanders. Furthermore, when Denmark joined the EEC in 1972, 70% of the votes in Greenland in the EEC-referendum were against membership. Danish EEC membership undermined Greenlandic interests of exploiting the fish stocks as it made the stocks vulnerable to exploitation by EEC-firms. This demonstrated that Danish and Greenlandic interests were becoming more and more contradictory and incommencurable (J. Viemose, 158-9).

The hegemonic project of the 1980s was based on the Inuit-identity/nationalism that culminated into the establishment of the Homerule in 1979. The idea was self-sufficiency on the basis of the expansion of the F-sector. At the same time foreign investment and multinational firms were kept out. In the early 1990s windows are being opened for foreign investment and the orientation is shifting to the West, i.e. towards more trade and joint ventures with Canadian firms and US firms. Apparently, the nationalism of the 1970s and 1980s is giving way to Inuit-identity and Inuit ideology which will legitimate the West-orientation and possibly the strengthening of liberal or right-wing ideology and neo-modernism which again in the long run are likely to undermine Inuit-nationalism and Inuit solidarity due to deepening social conflicts and class divisions. Such a development would be serious indeed because the social situation in Greenland appears to be critical indeed today. The following table shows rough indicators that point at the state of 'anomie' (cf E. Durkheim) or 'alienation (cf. K. Marx) in Greenlandic society today. The table highlights the frequency of homocide, suiciddes and assults as well as rates of unemployment and income distribution (top 20% of income earners) in the East- and West-Nordic countries. Although the figures are not strictly comparable they indicate that the situation in Greenland is worse than in the other Nordic countries. Recent study of 'living conditions' in Greenland shows that in 1994 the income distribution of households in Greenland was very unfavorable for Greenlanders compared to the Danish minority group in Greenland. According to the study, 47% of Danish households had 400000 Danish kronas or more as yearly income while only 9% of Greenlandic households reach the same income level. At the other end of the income distribution scale 30% of Greenlandic households have 99000 Danish kronas or less as yearly income while only 3% of Danish households have (The Statistixal Bureau of Greenland 1995).

Table 6.6.
Indicators of Anomie, rates of unemployment and income distribution in the East- and West-Nordic Countries

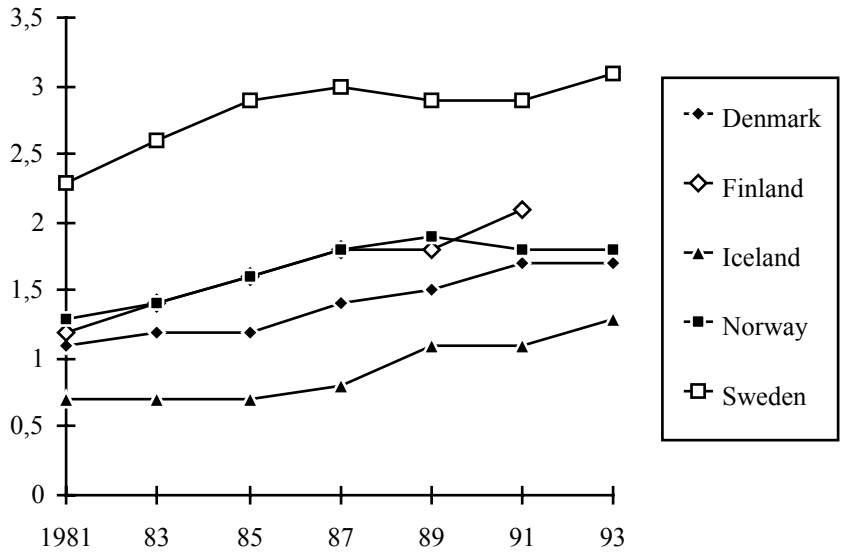
	Denmark	Faroe Islands	Finland	Greenland	Iceland	Norway	Sweden
Homocide and other injury per 100000 inhabitants 1993	1,2		3,3	14,4 (1992)	0,4	1,1 (1992)	1,4 (1992)
Suicides per 100000 inhabitants 1993	22,3	8,7 (1992)	27,6	88,2 (1992)	9,9	14,3 (1992)	15,6 (1992)
Assult 1993 per 100000 inhabitants aged 15-67	256		528	1198 (aged 15-69)		353	875
Unemployment rate 1993	10,7	19,1	13,1	9,7	5,3	6,0	8,1
Income distribution 1993. Top 20% of income earners' share of pre-tax total income	43,2	>51,8* (1991)	41,1	>47,0** (1992)	45,4	44,4	39,3

* Top 17,7% of income earners. ** Top 17,5% of income earners
Sources:Hagstova Føroya: **Árbók fyri Føroyar 1992**; Nordic Council of Ministers: **Yearbook of Nordic Statistics 1995** and The Statistical Bureau of Greenland: **Grønland 1994, Kalaallit Nunaat, Statistisk Årbog**.

D. The national systems of innovation in the West-Nordic countries and their relations to accumulation strategies.

The accumulation strategies in the West-Nordic countries are predominantly export orientated, structuralist strategies. Increase in productivity is based on extensive accumulation and imported technology. Due to the small size of Faroese and Icelandic firms that predominantly are family firms and due to the weak administration in terms of long term policy formation in all of the West-Nordic countries, there is little emphasis on research and development (R&D) as a fundamental factor of international competitiveness. The national systems of innovation (i.e. the organization and expenditure on R&D) are underdeveloped compared to other OECD countries. Expenditure on R&D in the Faroe Islands is estimated by specialists to be less than 0,5% of GDP. This is a rough estimate as there is no data collected on R&D activity in the Faroe Islands (Kristiansen). R&D expenditure in Iceland is also scant, less than 1% of GDP in the 1970s and 1980s and slightly over 1% in the 1990s. Industrial R&D in Greenland is also scant as we will analyse below. In short, accumulation strategies in the West-Nordic countries are extremely underdeveloped in terms of the neo-structuralist strategies we analysed in chapter 4. The predominant development paradigm in these countries is based on neoclassical or 'liberal' ideas of 'comparative advantage.

Figure 6.18.
R&D expenditure in the Nordic countries as % of GDP 1981-1993



Source: **Yearbook of Nordic Statistics 1995**.

The innovation system in Greenland appears to be much smaller than even its Icelandic counterpart if we take R&D-activity in terms of person years spent on R&D as a rough indicator of innovation activity. According to one estimate (Jonsson 1995a and 1995b), the total person years per 1000 inhabitants spent on R&D was 1,9 in Greenland in 1994 or 105 person years spent on R&D, while the figure for Iceland (1991) was 4,6[21]. However, if we presume that there were also 105 person years spent on R&D in 1991 in Greenland as was the case in 1994 (1991 is the year of the latest reliable figures on R&D-costs in Denmark) and the cost per R&D person year in Greenland is similar to the cost of Danish R&D-person year, this estimate leads us to the conclusion that Greenlanders spend around 0,6% of their disposable national income (GDP plus the subsidies from the Danish state) on R&D. R&D activity in Greenland is on nearer to the level of R&D activity in Iceland according to this calculation. The difference between the conclusions of these comparisons of R&D-activity in Greenland and Iceland is to be explained by the fact that wages and other costs per R&D person year in Iceland are much lower than in Greenland (presuming that per R&D person year costs 547445,3 Danish kronas in Denmark/Greenland, while the figure for Iceland was 342345,2 Danish kronas (Nordic Council of Ministers 1995 and Greenland Bureau of Statistics 1994)).

Furthermore, if we look at the future resources of R&D in terms of future researchers

[21] According to this estimate there where approximately 105 person years (PY) spent on R&D in Greenland in 1994, i.e. 19 PY spent in the University of Greenland, research institutes and museums; 26 PY in the administration and health sector and; 60 PY in the enterprise sector (state and private firms). The estimate of R&D activity in the last mentioned sector is estimated on the basis Icelandic statistics and it is presumed that the level of activity of is similar as the structure of the economy is similar.

and compare the number of students studying on post-gymnasium level, it appears that the situation in Greenland is much worse than even in Iceland that lags behind the other Nordic countries (see the followiing table). The number of Greenlandic students per 1000 inhabitants studying on post-gymnasium level in 1993 was only 6,3 while the figure for Iceland was 22,8.

Table 6.7.
Number of R&D Person Years 1991 and Number of Students Studying on Post-Gymnasium Level (ISCED 5-7) in 1993 in the East- and West-Nordic Countries
Per 1000 Inhabitants

	Denmark*	Finland	Greenland	Iceland	Norway	Sweden
R&D personn years	4,4	5,9	1,9**	4,6	4,7	6,2
Students	30,3	38,9	6,3	22,8	40,9	26,9
Students per 1000 inhabitants aged 20-34	133,2	186,7	21,3	94,9	177,8	124,8

*1992; ** 1994.
Sources:Nordic Council of Ministers: **Yearbook of Nordic Statistics 1995** and The Statistical Bureau of Greenland: **Grønland 1994, Kalaallit Nunaat, Statistisk Årbog**.

The low level of students studying on post-gymnasium level is reflected in a low level of persons with university degrees in the labour force of Greenland. As the table below shows, there are very few such persons on the labour market in Greenland, particularly if one considers the number of persons born in Greenland (i.e. when foreign, mostly danish, workers are excluded). The situation is serious in terms of strategies of development, because the situation is not only characterized by very low level of university educated persons, but high level of 'brain-drain' as well. According an official report written by high rank bureaucrats from all the ministeries of the Greenalndic Homerule, around 40% of graduated Greenlandic university students get jobs in Denmark after their studies (referring to the 53 students that graduated during the period 1.1.1992 - 23.11.1994. See Direktoriatet for Kultur, Uddannelse og Forskning, 6). The situation requires special person-power strategy that on the one side makes students obliged to turn back to Greenland after their studies and on the other side stimulates 'on-the-job-training' so that the need for importing foreign, highly educated and extremely expensive work force is diminished. Such a strategy would require social innovation that would implement new management strategies that would brake down the predominantly taylorist, hierarchical management structures in firms and the administration in Greenland and introduce rotation of the work force and 'on-the-job-training' in the economy. Such a strategy is not unrealistic, keeping in mind that the technological level of the Greenlandic economy relatively low in terms of the technological content of her products (as goes for the other West-Nordic economies). Furthermore, the number of persons with further education, but not university degree (ISCED 3 and 5) is relatively high in Greenland

compared to the other Nordic countries. The figures for Denmark, Finlanf, Norway and Sweden in 1992 were 45,6%, 47,8%, 56.3% and 57,0% respectively (referring to age group 25-64 years (Nordic Council of Ministers 1995)). The figure for Iceland in 1993 was 40,7% (persons 16-74 years (The Statistical Bureau of Iceland 1994), while the figure for Greenland 1994 was 35% (referring to persons 18-60+ years of age and born in Greenland (The Statistical Bureau of Greenland 1995)).

Table 6.8.
Persons with university degrees (ISCED 6-7) in the East-Nordic countries, Greenland and Iceland.
Percantage of age groups

Years	Denmark 1992	Finland 1992	Greenland 1994 Persons born in Greenland	Greenland 1994 All persons	Iceland 1993***	Norway 1992	Sweden 1992
Total	13,4	10,3	n.a.	1,8	11,6	13,4	11,5
25-29	12,0	9,2	- *	0,4*		16,4	7,0
30-39	15,5	12,6	0,4	2,2		16,4	12,3
40-49	15,1	11,7	-	2,2		14,0	14,8
50-59	11,2	7,8	2,2	2,2		9,5	1,07
60-64	8,5	4,5	- **	- **		5,2	7,6

* 18-29 years; ** 60 + years; *** 16-74 years. Note that the figures for Greenland refer to "long theoretical education" (lang boglig, e.g. economists, advacates, arcitects, engineers, theologians etc.).
Sources:Nordic Council of Ministers: **Yearbook of Nordic Statistics 1995** and; The Statistical Bureau of Greenland: **Kalaallit Nunaanni Inooriaaseq; Levelvilkår i Grønland**, Nuuk 1995; The Statistical Bureau of Iceland **Landshagir 1994**, Reykjavik 1994.

It appears from the analysis in this chapter that accumulation strategies in Iceland have been preoccupied with short term economic measures. This fact has led to little emphasis on research and development (R&D) and innovation policies that would increase productivity in the long run. Indeed the Icelandic system of innovation is characterized by low expenditure on research and development by OECD-standards and very fluctuating allocations (Jonsson 1991b: chapter 7). Indeed, export is characterized by low-tech products and economic growth has primarily been based on imported technology, easy access to natural resources, i.e. fish and extensive accumulation of capital (see Appendix). As a consequence, research policies and the innovation system has played insignificant role in the accumulation strategies.

The very first steps in the formation of research and innovation policy were taken in Greenland in 1994 when a post was established in the Ministry of Education and Culture (KIIP) that will concentrate on research policy. Furthermore, the idea of establishing a

research council has been discussed on government level. But, the road ahead is long. I the Faroe Islands the policy formation in the field of industrial research and development is in practice in the hands of the Menningarstova, but as we mentioned above, R&D activity is very low, namely less than 0ö,5% of GDP according to the Menningarstova.

Scientific research is a modern phenomenon in Iceland. Scientific research can hardly be said to have taken place until the turn of this century if one excludes some surveys of scientific nature which were undertaken by Danish scientific societies in Iceland during the 18th and 19th centuries. Experiments in agriculture and the first chemical laboratory was established shortly after the turn of this century and at that time the Danish government undertook oceanographic research in Iceland (Hermannsson 1975: 9).

It was not until 1935 that the foundation of the contemporary system of industry related research in the public sector, was established in Iceland. This happened when the research institute at the University of Iceland was established with three divisions: of fisheries, industry and agriculture. In 1940, the University Research Laboratories were separated from the University of Iceland and placed directly under the National Research Council which was established the same year. Among the listed objectives of the Council in the Act of Natural Research of 1940 were: strengthening of research of the country's nature, assisting the government in the administration of research activities and undertaking or supervising such research as the governments might choose and funds were allocated for in the budget (ibid.: 9-10). The present organization of public industry related research was brought about in 1965 with the Act on Applied Research, according to which the National Research Council is primarily an advisory body responsible for the formulation of the country's science policy (ibid.: 11). Research and development (R&D) in the public sector is, besides the three existing universities in Iceland and their research institutes, primarily executed in the industry related institutes that today are 10.

The National Research Council has still mainly only advisory role, although it was empowered with limited funds to finance research independently in 1987 when the Research Fund was established to fund industry related and fundamentally applied research. At the same time, the Science Fund was formally added to the Science Council which funds research in arts and human sciences (Ludvíksson 1988: 8). But, the power of the National Research Council is not only limited in terms of its small funds to finance research, its independence from political power centers is also limited by the fact that the heads of the research institutes and the council itself are constituted by the minister of education. Political steering is therefore great and we would presume that the Icelandic system of innovation suffers from the same problem as that of e.g. Finland, where there is no independent body that evaluates and influences science policy in these countries (see OECD 1987d: 121).

It is the public sector which has from the start been the prime motor of R&D activities in Iceland. This appears if we observe R&D activities in terms of R&D person years by

performers: In 1985, 12.0% of total person-years were performed by business enterprises, while 81.4% were performed by the public sector, i.e. 26.7% by applied R&D institutes, 20.7% by other public institutes and 34.0% by higher education institutes. Around 6.6% were performed by private non-profit institutes (The National Research Institute 1988: 37). The share of business enterprises has increased since 1979 when it was 9.3% and the share of public institues decreased from 86.4% in 1979 (The National Research Institute, 1982: 26). The share of business enterprises is low by international standards as table 6.9 indicates: In 1983, 62% of total researchers of the OECD were in the business enterprise sector, 66% in the major OECD countries (USA, Japan, W-Germany, France, Italy, UK and Canada) and 46% in the Nordic countries.

Table 6.9.
R&D Resources by Sector of Performance 1983
As Percentage of Total for Each Area

Researchers 1983[a]

	Business enterprise	Higher education	Government non-profit	Private
OECD Total	62.0	24.0	12.0	2.0
USA	73.4	14.2	8.6	3.9
Japan	64.4	25.3	8.3	2.0
EEC	46.0	36.0	17.0	1.0
Other countries[b]	37.0	39.0	23.0	1.0
7 major countries	66.0	21.0	11.0	3.0
Nordic countries	46.0	36.0	17.0	1.0

[a] Excluding New-Zealand and the UK;
[b] Data partly estimated by the Secretariat of the OECD;
Source: OECD b 1989, 26.

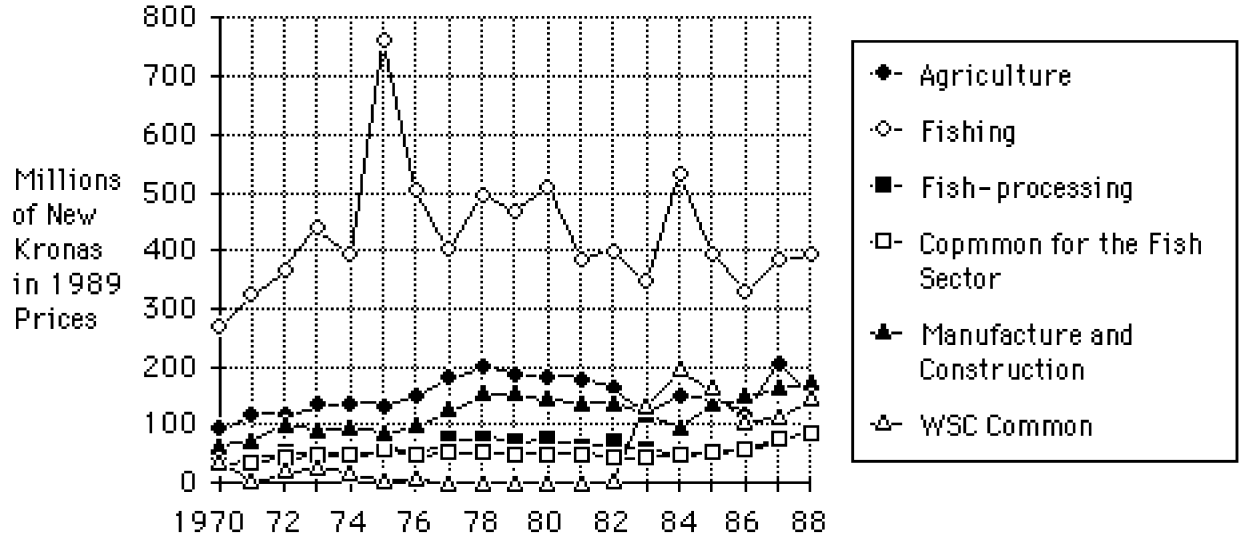
The reason for the low level of R&D performance of business enterprises is the small size of the firms and low level of value added (Jonsson 1991b: chapter 7). Furthermore, besides this weakness, the instability in the political system is reflected in great instability of R&D allocations by the central state as figure 6.18 shows.[22]

The fluctuations and instability in R&D activities in Iceland is a feature that reflects one of the fundamental characteristics of the Icelandic system of innovation, i.e. the lack of economic and political stability and material conditions for the formation and realization of long term science policy. The parliament (in 1979) and the government (in 1980) required that the National Research Council developed a long term plan for R&D in Iceland. In 1982, after a detailed study of developmental trends of the different branches of industry of the

[22] Note that the figures refer to total amount of allocations to R&D institutions and projects and are not completely comparable to standard OECD R&D data.

economy, the National Research Council presented a plan of applied research for the period 1982 to 1987 (The National Research Council, 1982: 11 and 1984: 11). The National Research Council developed as well a special plan for engineering and natural sciences over the period 1984-1989 (ibid.: 1988, 16). But, the growth of R&D institutes and activities has been far from according to the plan. Indeed, some research institutes have faced contraction as e.g. in the case of research related to energy production (ibid.: 16).

Figure 6.19.
R&D Allocations of the WSC to the Different Branches of Industry 1970-1988



Source: Jonsson 1991b: chapter 9.

The Scandinavian countries have been successful in developing frontier technology related to their primary sectors. These are sectors that exploit the specific natural resources of the countries and accumulated local knowhow whether in industrial production or public services (such as e.g. in health and welfare services. See e.g. Freeman and Lundvall 1988). This appears to be the case concerning the Icelandic innovation system as we observe from table 6.10. which highlights R&D expenditure by socio-economic objectives and nature of products. It appears that R&D in the field of fishing has the greatest share of total R&D expenditure outside general advancement of knowledge, i.e. 16.1% in 1985, but up to 50% of the R&D expenditure in this field may be due to funding of ships for oceanographic research and search for fish to catch for the fishing fleet. The second largest field of R&D is energy production and distribution with 11.6% (Jonsson 1991b chapter 9). Roughly 50% of energy production is bought by the MNC sector (see the Central Bank of Iceland). Agriculture is the third largest field with 11.0%, while the share of fish-processing is 9.1% and the share of manufacture is 8.3%[23] (Jonsson 1991b chapter 9).

[23] We should mention here that, - as we learnt when we collected the total data on R&D in Icleand in 1983 for the National Research Institute and which its report for 1983 is based on - the Icelandic figures are characterized by great shortcomings in terms of OECD comparison: The sample of firms and institutions that answer that standardized OCED survey on R&D is not based on statistical methods of random sampling, but on a list of

Table 6.10.
R&D Expenditure by Socio-Economic Objetives and Sectoral Nature of Product 1985
Thousands of Kronas

	Business Enterprises	**Public Sector R&D Activities** Applied R&D Institutes	Other Publ Institutes	Higher Education	**Private Non- profit Institutes**	**Total**	**% of Total R&Din Iceland**
Agriculture	2857	66643	17054	11054	600	98208	10,97
Fishing	7694	127996		5256	3410	144356	16.12
Fish processing	58073	19775			3571	81419	9.09
Manufacture	52323	17939	3647	790		74699	8.34
Construction	3785	13846	7294			24925	2,78
Energy production and distribution	2028	737	98763	2400		103928	11,61
Transportation and telecommunication	3128	3129				6257	0.70
Pollution and environmental protection	4627	3085	4263	4856	80	16911	1.89
Health	2650	1987		22908	33311	60856	6,80
Social conditions				1018		1018	0.11
Culture, mass media and leisure				19683		19683	2.20
Education				6630		6630	0.74
Working conditions			1403			1403	0.16
Economic planning and public administration				1614		1614	0.18
Exploration and exploitation of earth and atmosphere	80	2058	3272	400		5810	0.65
General advancement of knowledge	397	13740	37079	180339	14785	246340	27.52
Natural science	13740	18874	79945	6982		119541	13.35
Technology			5487	10002		15489	1.73
Medicine			6239	38790	748	45777	5.11
Agriculture	397			9479	880	10756	1.20
Social Science				15029	3070	18099	2.02
Humanities			6479	27094	3105	36678	4.10
Interdisciplinary							
Aerospace				1200		1200	0.13
Total in thousands of kronas	137642	265819	166950	268299	56547	895257	100.00
%	15.37	29.69	18.65	29.97	6.32	100,00	

Source: The National Research Council 1988: 37.

We may presume that the 'local knowhow niche' of the Icelandic economy is in fishing and fish-processing, where local knowhow is likely to be able to accumulate in a productive way through close user-producer relations of those who use and those who produce technology in these sectors (on the concept of user-producer relations see Andersen and Lundvall 1988). According to table 6.10 and the reservations above concerning R&D in

firms and institutes that the staff of the National Research Council presume to be a complete list of firms and institutes that perform R&D activities.

fishing, it appears that approximately 17% to 25% of the total R&D expenditure in Iceland is related to this 'local knowhow niche', i.e. between 0.13% and 0.19% of GDP as total R%D expenditure in 1985 amounted to 0.75% of GDP. But, R&D expenditure fluctuates greatly between years in Iceland as we highlighted above, so that these are only rough estimates. Despite these reservations concerning the data, we can claim that the 'local knowhow niche' in Iceland can be considered to be a relatively new and unexploited resource of economic growth.

As already discussed, the Research Fund of the National Research Council was formally established in 1987. But already in 1985 the Council was allocated 50 millions of kronas to support industrial applied R&D jointly financed by the Research Fund and firms. This measure indicated increased emphasis on industrial R&D as a part of governmental accumulation strategy. In 1986, the Council participated in joint industrial research projects that amounted to 61 millions of kronas and over 50% of this sum was spent on pisciculture and biological and biochemical technology and 11.7% on information and computer technology as table 6.11 indicates.

Table 6.11.
Allocation of the Research Fund
1986 and 1987

Field of technology	% 1986	% 1987
Construction	2.8	2.0
Pisciculture	20.2	23.3
Improvement of quality and productivity	11.8	3.0
Biological and biochemical technology	30.7	38.0
Alimentary technology	11.7	2.6
Energy- and material technology	4.2	6.4
Information and computer technology	11.7	19.6
Various	6.9	4.8

Source: The National Research Institute, 1988, 17.

In 1987, the Research Fund spent 13,667 millions of kronas, or 48.6% of a budget of 28,108 millions of kronas on industrial R&D in the field of the F-sector, i.e. fishing and fish-processing. As a consequence the F-sector and 'local knowhow niche' related to it appears to be among primary targets of the R&D policy of the Research Fund, although these are very small sums: approximately 281 thousand pounds sterling in terms of 1990 exchange rate. This emphasis on F-sector related R&D reflects both its importance for exports and as well the fact that some small firms that produce technology for this sector have proved to be very internationally competitive. These are firms that have developed computer technology

intensive products such as weights for fish-processing plants and equipment for fishing. These firms are however few, their number ranges from 10 to 20, and they export mainly to Canada, USSR and Europe.

Despite the success of these firms, there is no long term R&D plan in this field as concerns the state or governments, indeed no systematic survey has been done to measure the activities of these firms or potential growth in this field. Furthermore, there are no plans or strategies to develop 'innovation networks of firms' that would do as a starting point for the development of technological milieus. The innovation activity in Iceland remains on the level of 'single product strategies' rather then network startegies. This is to be expected due to the weakness and instability of the Icelandic innovation system.

E. Conclusion.

In this chapter we have analysed the main features of accumulation strategies in the West-Nordic countries in recent decades and observed them with reference to shifts in the different power blocs that advocate different accumulation strategies. It appears that the leading struggle in Iceland, as concerns the struggle of playing the hegemonic role, has been between two fractions of capital and their political and ideological representatives, i.e. between capital in the F-sector and trade sector. The labour movement and its allies in the party system has played a secondary role in this respect as the relative underdevelopment of the welfare system of households indicates. The interests of manufacturing capital and accumulation in that sector have never dominated accumulation strategies of governments. The leading struggle in the Faroe Islands appears to have been between big capital in fishing in foreign waters and fish processing sectors on the one side and small firms fishing in domestic waters on the other side. In Greenland KGH/Royal Greenland A/S and F-sector companies in close cooperation with the state elite have played the hegemonic role even more clearly than in the other two West-Nordic countries.

In all three societies, export orientated accumulation strategies have dominated economic policies. This is due to the small size of the economies and importance of export revenues for the high level of openness of the economy and importance of imports due to the smallness of the domestic market and problems of exploiting economies of scale. But, particularly in the case of Iceland, within the overall framework of export orientation, there have been shifting periods of structuralist regimes and regimes of devaluation. The structuralist regimes in Iceland attempted to direct investment into the F-sector as to adjust to world market competition on fish markets by importing new technology for this sector. This has happened with long intervals (cf. 1944-7, 1971-4 and 1988-?). Between the structuralist regimes there were regimes dominated by devaluation policies with complicated exchange rate systems during the 1950s and increasingly deregulated systems in the following decades.

Import substitution policies with protective import taxes disappeared gradually and the post 1960 period was characterized by a phase of internationalization of the economy, first in terms of imports during the 1960s, the EFTA entry in 1970 and special contract with EEC in 1972, foreign investment of MNCs during the 1960s and 1970s as well as deregulation of financial markets by the late 1980s.

It appears from the analysis of the accumulation strategies that Keynesianism has never dominated accumulation strategies in Iceland. We would claim that Keynesian policies concentrate on fiscal measures to establish funds and build up welfare state in order to stabilize economic fluctuations and control aggregate demand as to minimize unemployent in periods of contraction and over expansion in periods of upswing. Anti-cyclical fiscal policy and funds have not been the sole anti-cyclical measure, but devaluations have instead been used to secure the profitability of the export sectors. The welfare state has also not been a stabilizing force as the growth of the public sector has been slow and pro-cyclical compared to e.g. the Nordic countries. This is due to the weak power position of the labour movement and left wing parties (Jonsson 1991b: chapter 9). It was only in terms of low interest rates that Keynesian policies characterized accumulation strategies. It was only by the late 1980s that a regime of high real interest rates was established (real interest rates of loans ranged from 8% to over 10% during the period 1988-1990. See the Central Bank of Iceland). As for the Faroe Islands, Keynesian policies have been more at work there than in Iceland due to the access of the Faroese people to the Danish welfare state.

Parallel with the dominance of devaluation in Iceland as a means to secure profitability of the export sector, governments have frequently and systematically used laws and decrees to cancel or lower real wages. The main feature of the dynamic of devaluation and state control of the development of real wages has been a long run vicious circle which appears in an extensive regime of capital accumulation characterized by declining growth of productivity (Jonsson 1991b: chapter 7) and a weak national system of industrial innovation as analysed in the last part of this chapter. The situation has been very different in the Faroe Islands and Greenland in this respect as the stable exchange rate regime and Danish subsidies for the welfare state have created more economic and political stability than in Iceland.

It appears from the discussion in this chapter that the dominant accumulation strategies in the West-Nordic countries are extensive and tend to be export orientated structuralist startegies. At the same time the political, social and economic basis for knowledge intensive, neo-structuralist strategies hardly exist .

.

Chapter 7

Concluding Remarks
From Structural Crisis to Globalization

Sofar, we have concentrated on structural and conjunctural development of the West-Nordic countries in the past. This final chapter is future orientated at the same time as it deals with the present structural and institutional crisis of these microsocieties.

Theoretical discussion of the development of Western societies and the long term development of capitalism, has been preoccupied with the societal impact of the growth of international trade, information technology, automation in production and the process of globalization of culture and society on the institutions of modernity in advanced capitalist countries. By some, this development is seen as a phenomena of a break in capitalist development leading to postmodern or postindustrial society. Others see the development as merely a phase of flexible accumulation in the development of monopoly capitalism. The center of attention has been the development of the world capitalist system and/or the emerging global system which presume that concepts such as the nation economy, nation state and national society have largely become obsolete in economic and sociological analysis. In this chapter we will discuss the relevance of the debate on flexible accumulation, postmodernity and the process of globalization for microsocieties such as the West-Nordic countries and their present structural and institutional crisis.

a) Modernity

We criticized theories of modernization in the introductory chapter to this book. We highlighted that criticism of modernization theory appears to be especially relevant as concerns the West-Nordic countries. Firstly, although the process of social differentiation has resulted in the distinction of the spheres in which economic, political and social functions take place, this does only tell half the story. Firms are predominantly family firms and/or they are owned by trade unions and/or communes. This economic structural condition breads powerful networks of family and friendship ties that result in powerful nepotist structures in economic, political and social life that counteract the prescribed patterns of social differentiation as modernization theory would have it. Furthermore, although surveys in Iceland show that Icelanders are characterized by innovative values in so far as they are open to new technology (OECD 1992), they are at the same time very superstitious in terms of their beliefs in supernatural forces (Erlendsson). As concerns the development of

representative democracy in the West-Nordic countries, it has to be kept in mind that the political system is very unlike the one modernization theory presumes for two reasons. On the one hand representative democracy is undermined by the problem of nepotism in these countries. On the other hand, because of the very small size of the population of these countries it is extremely difficult to implement a neutral administration in line with the 'Westminster model' of clear hierarchical and departmental structures (Jonsson 1991 and 1992 and Heinesen). Secondly, it is crucial to analyse class relations in order to understand the mechanisms of economic stagnation and hindrances to development due to the role nepotism plays in political and social life in these countries, the weak position of the state vis-a-vis socioeconomic forces in policy formation (Jonsson 1991) and the predominance of small family firms makes. Indeed, the nepotist determination of the recruitment of owners and managers of family firms and the ruling class as a whole, is to be considered to be one of the most important factor in the mechanisms of social and economic stagnation which is becoming ever more apparent in the face of the crisis of the regimes of accumulation in these countries today.

b) The process of globalization

The West-Nordic countries are going through a similar process of adjusting to structural change that is taking place in world markets as other countries. They are also facing similar external pressure from increasing globalization of social and economic life. How they will adjust depends on their particular socioeconomic structural conditions as well as their geographical position in the world market. Before we will discuss the dialectics of the particular problems of adjustment that characterize the West-Nordic countries, we will first analyse the general features of the process of globalization.

Briefly, in static terms we can highlight the main elements of the process of globalization as: The world capitalist economy and globalisation of investment, production and services; the worldwide diffusion of modern technology, 'systemofacture' and the international division of labour; the nation-state system; the emergence of 'world military order'; culture and social identity. The changing global interrelationship between these elements should be analyzed in dynamic terms as a process of globalisation. The process of globalisation is to be analyzed in terms of trends of development towards post-Fordism or flexible accumulation and postmodernity (Harvey). Let's discuss this trend of development briefly.

Industrialized Western countries were during the present century characterized by the diffusion of assembly line technology, mass production and taylorist organization of production. Particularly in the post war era these countries were characterized by the diffusion of mass consumption and governmental measures to secure effective general demand for products through the growth of the warfare and welfare states and peak level adjustment of wage increases to productivity increases by organized interests and the state.

As we discussed above, this post world war regime of accumulation has been called Fordism. Fordism faced its social, political and techno-economic crisis in the l970s in different forms in different countries (for a detailed discussion see Jonsson 1989).

Since the 1980s Western societies have experienced many experiments in different countries that aim at putting capital accumulation on course again. These attempts are what we refer to as post-Fordism. Post-fordist development briefly refers to:

1) Systemofacture and just-in-time technology. Systemofacture is based on global integration of design, production and marketing through automation and information technology while just-in-time technology refers to webs of sub-contractors working for big companies often on global scale (see eg. Kaplinsky 1984, Hoffman and Kaplinsky, Reich and Jonsson 1989). This development has made structural flexibility more feasible than before (Curry, 106);

2) Global investment patterns and global subcontracting. In some industrial sectors such as the electronics and automobile industries, firms have located investment in different countries, partly through mergers on global scale, and organized production as well on global scale via webs of subcontracting (Hoffman and Kaplinsky and Reich). At the same time as foreign direct investment (FDI) has increased fast since the 1980s as figure 7.1 highlights, FDI has moved from less developed countries to the advanced capitalist countries according to a 'near market strategy' of investment (Kaplinsky 1985). Two features are particular to this new phase of FDI compared to investment strategies before the war and those in the post war era. On the one side the service sector is becoming more global following increased FDI and on the other side small and medium sized firms are more active in FDI than before (Julius, 23 and 31-4);

3) Global organization of design, production, marketing and services has diffused at the same time as labour markets have become more segmented/flexible and labour movements have become more fragmented. This development undermines at least temporarily neo-corporatist structures of interest mediation on national state level (Greenwood, Grote and Ronit);

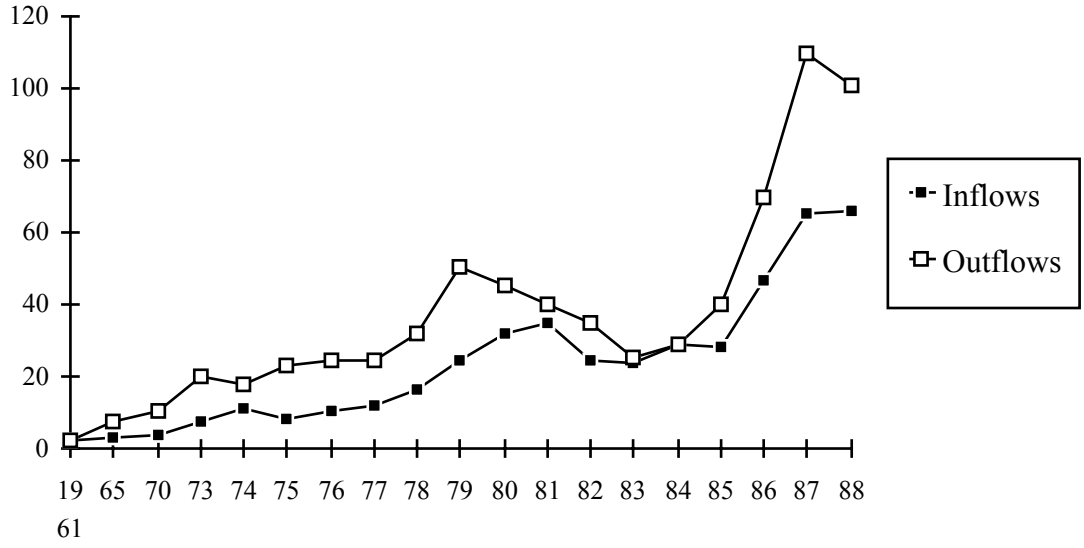
4) Populist politics, authoritarian forms of the state and increasing emphasis on the strategic role of the state in industrial development ('Japanisation' of the state) has followed the crisis of Fordism (Hirsch and Roth and Reich).

Besides these post-Fordist developmental trends the process of globalization is characterized by development towards postmodernity (Robertson, 175-6 and Smart, 135-145). Postmodernity is part of late-capitalist development and refers to:

1) Diffusion of global communications technology and global cultural production which appears particularly in the form of (Western) transnational media. At the same time as transnational media boosts global homogenization of culture it generates counteracting processes of heterogenization through the increased organization of ethno/regional cultural activity (Robertson);

2) Decline in class based political parties and growth of new social movements and civil issue groups;
3) Increased power of supranational institutions at the same time as the powers of nation states diminish;
4) The developmental trends highlighted as items 1-3 above lead to changing social identity undermining national identity while ethno/regional identity and cosmopolitan identity increases.

Figure 7.1
Aggregate outflows/inflows of FDI by the G-5 (US $ bn)



G-5 refers to France, Germany, Japan, UK and USA.
Source: Julius, 21.

c) The crisis of the regimes of accumulation in the West-Nordic countries

Analysis of the meaning of the process of globalization for West-Nordic societies requires concrete analysis that takes into account on the one side the particular constraints of adjustment that characterize these societies as microsocieties and on the other side the present crisis of their regimes of accumulation.

As for the present crisis one has to keep in mind that the crisis is both structural and institutional. The structural crisis of the West-Nordic economies results from overinvestment in fishing and fish processing (the F-sector) and lack of investment opportunities in new sectors. Overinvestment in fishing in Iceland is estimated to be around 30% (Arnason, Gudmundsson and Jonsson, 207) while in the Faroe Islands it is considered to be over 30% (Eliasen, 10) and Greenland's trawler fleet is now considered to be to large for the shrimp resources as it increased five fold in the 1980s (Friis 1992a, 84). Investment opportunities in new sectors are bleak because of the underdevelopment of the national systems of innovation in the West-Nordic economies. Expenditure on research and development (R&D) is among

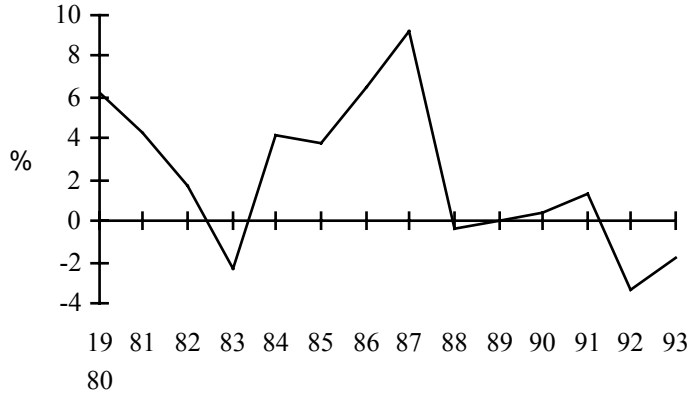
the lowest in the OECD era in these economies. The Faroese people spend less than 0.5% of their GDP on R&D (Kristiansen) while Icelanders tend to spend little over 1% (Jonsson 1991). Greenland has no effective national system of innovation as the bulk of R&D related to Greenlandic firms and society is located in Denmark (Friis 1992a, 116).

The institutional crisis of the West-Nordic societies results in overfishing and inability to rationalize fishing and preserve fish stocks. It furthermore leads to impotence to restructure the economy in the face of long term stagnation. This institutional crisis results from extremely small administration which is incapable of developing and realize long term accumulation strategies and play the role of a 'collective entrepreneur' as we discussed above (Jonsson 1993a). This crisis is also due to strong power position of capital, i.e. firms and their political representatives. As the bulk of firms are typically small family owned firms, economic and developmental policies are characterized by short term, ad hoc, conjunctural measures rather than long term strategies of (re)structuring (Jonsson 1991b for analysis of the case of Iceland) Finally, this institutional crisis is reproduced by powerful networks of nepotism and corruption (often legitimized with unrealistic 'regional policies'). As a consequence, part of the problem is the short sighted and corrupt ruling class in these countries (in the case of Greenland the problem may however be more due to the impotence of Danish technocracy and its lack knowledge of Greenlands specific conditions than the endogenous ruling class).

The present slump in the West-Nordic economies appears in decreased GDP since the late 1980s and contraction in fishing (Nordic Council of Ministers 1992, table 10). However, due to country specific conditions, the slump has led to the most serious situation in the Faroe Islands and culminated into an unusually severe institutional crisis. Growth of real GDP has been unusually low in Iceland in the 1990s as figure 7.2 shows.

Figure 7.2.

Growth of Real GDP in Iceland 1980-1993



Source: OECD 1993 **Economic Outlook.**

Economic growth in terms of GNP has been negative in the Faroe Islands in the 1990s. In 1989 it was 0.0%, 1990 -0.7%, 1991 -4.7%, 1992 -9.3% and 1993 -19.4% (Lyck 1993). It is particularly the faltering cod catches that culminate into this recessional phase. But the picture is more complicated in the Faroe Islands than Iceland. The financial system in the Faroe Islands has collapsed and the Danish "Den Danske Bank" controls in practice the Faroese bank sector with 30% ownership of the shares respectively in the main banks, the Sjovinnubanken and the Föroyabanken (Lyck 1993, 9). The roots of the present crisis have been analyzed as follows (ibid, 6-7): Firstly, there are three *international factors* that helped to promote the crisis: a) the fishing policy of the EU in the North-Atlantic has led to greatly increased capital intensification in the F-sector with great financial support of investment in trawlers and fish processing plants, nationlisation of fishing areas and quota systems for fishing. This policy has led to overfishing and reduction in catches; b) production costs have increased greatly following the process of capital intensification and the regime of high interest rates in the 1980s; c) lower fish prices due to imports of cheap fish from East-European nations; Secondly, there are *Danish-Faroese factors* such as the fact that Faroese exchange rates of the krona is bound to Danish exchange rates. The Danish krona has been appreciated by 5% since September 1992 which undermines greatly the competitive position of Faroese exporting firms; Thirdly, there are particular *Faroese factors* such as huge governmental subsidies for investment in trawlers and fish processing plants and investment in related infrastructure as we discussed above (Eliasen, 10). As a consequence, the Faroese economy is extremely indebted, indeed in 1990 foreign loans amounted to 120% of GNP (Toftum 1992b, 7). This high level of indebtedness reduced greatly the range of anti-cyclical measures the local government could take in the present crisis. Although the slump in Iceland has forced the banks, particularly the Landsbankinn which has the closest links with the F-sector, to depreciate substantial part of F-sector loans, the slump has not led to a collapse of the financial system in Iceland (the high interest rates in Iceland which are due to oligopoly in the bank sector keep the banks on the save side). Devaluation of the krona and cuts in the public sector have sofar kept the economy going although on a declining track, resulting in creeping unemployment (expected to be around 7% in 1994 by OECD). As a part of an IMF inspired process of adjustment, the Faroese have seen decreases in wages and cuts in the public sector, takeover in practice of their banking system by the Danish and unemployment rate of over 25%.

Greenland has also suffered from the international factors and from being part of the Danish monetary system. But, it was particularly the sever reductions in cod catches in the early 1990s that generated a great economic slump which jet not over. Catches of cod by Greenlanders declined from 48800 tons in 1989 to 26900 tons 1990 and to 10300 tons in 1991 (the total of fishing og cod by Greenlanders and foreign firms declined from 89900 tons to 42500 tons and to 20300 tons in the respective years). The tolal of fish catches in

Greenalndic waters declined from 199500 tons in 1990 to 135000 tons in 1992. At the same time the growth of GNP was zero in 1989 and between 1990 and 1991 GNP declined on si+xth in real terms (Greenland Bureau of Statistics 1994).

The present recession in these economies makes them particularly vulnerable to the process of globalization. Besides the structural and conjunctural conditions mentioned above, their particular characteristics as microsocieties will affect that process. These are characteristics such as: Remoteness from markets; very small homemarket; difficulties in exploiting economies of scale; weak national systems of innovation and high level of technology dependency; weak bourgeoisie and state elite in terms of long term accumulation strategy formation; weak administration and strong nepotist tendencies; unstable political system due to great economic fluctuations; unstable labour relations; homogeneous culture; strong nationalist sentiments and; underdeveloped class consciousness and class politics (Jonsson 1991b and 1993b). Let's now analyse the interaction between these structural, conjunctural and microsociety specific conditions and the process of globalization that we highlighted above.

d) The process of globalization and the West-Nordic countries

As we observed above, the process of globalization unfolds in a twofold fashion, i.e. as post-Fordist development and as post-modernist development.

A. Post-Fordist development in the West-Nordic area.

Post-Fordist development in the West-Nordic area can be expected to be influenced by country specific conditions: Firstly, as concerns systemofacture and just-in-time technology, the development towards automation and integration of fishing, fish-processing and marketing with information technology is fast. The key factor in the integration of fishing and fish processing is the investment in freezing trawlers and automated fish processing lines on board that are capable of producing relatively specialized products for flexible markets. Incremental innovations on the managerial level are simultaneously taking place that enable quicker adjustment to market demand through integration of land based fish processing and the fishing of older types of vessels. This process of integration takes place relatively smoothly, due to the high level of concentration and centralization of capital in the fishing and fish processing sectors as the bulk of establishments in these two sectors are owned by the same firms or families. Three factors may counteract the technological paradigm shift: Firstly, workers may oppose the introduction of the new technology as Dagsbrún, the largest trade union of unskilled workers in Iceland has already done; secondly, high interest rates, the collapse of the Faroese bank system and the present slump may delay the process and; thirdly,

fish prices may fall dramatically in the near future due to imports of cheap fish from East-European countries (Lyck 1993). In that case investment in the new technology may become irrational for the time being and be reallocated in the longer run into production of final products for flexible markets, particularly following the new GATT agreement from January 1994.

Secondly, as concerns the impact of global investment patterns and global subcontracting on the West-Nordic countries, two problems are of particular importance. On the one side, the fast process of concentration and centralization on global scale of fish retailing weakens the position of producers of fish products who may become more and more mere sub-contractors of chains of retailing firms. On the other side, the present pattern of inward and outward FDI in the West-Nordic countries is vulnerable to change.

As concerns the first point, the West-Nordic countries suffer from remoteness from the principal markets of their fish export products. They export semi-processed and fresh/iced fish. The European fish processing plants located on or near market have competitive advantage in terms of nearness to the market as well as in terms of exploitation of just-in-time technology. By importing fish on global scale from the North-Atlantic area, Alaska, South-America etc., they are able to gain competitive advantage by decreasing production costs due to seasonal frictions in supply (Friis 1992b, 72). This development may either press West-Nordic producers to concentrate more on export of fresh fish or invest in near market plants and/or merge with such companies. However, as consumer demand on the fish markets appear to become more flexible and specialized, investment in flexible technology to produce more specialized and differentiated products than before ('flexible specialization' if you like) may prove both more profitable and serve the interests of those working in the fish processing sectors in the West-Nordic countries. Product differentiation in fish processing refers here to production such as specialized cuts of bonefree fish in different packages, breaded products for final fish dishes with different fish contents. The problems of this strategy are however great. On the one side it is difficult to be a newcomer on a market for fish were retailers are in the middle of a fast process of concentration and centralization of capital. It is even harder to enter the market as the largest retailing chains in Europe are organizing their cooperation in buying fish and food from food producers. According to one report (ibid, 74), today there exist 15 such organizations in Euorpe and some of them represent the interests of largest retailers in Europe, eg. AMS (Associated Marketing Services AG) in Switzerland that represents 10 mega retailers in 10 European countries.

Two scenarios may strengthen the position of the West-Nordic producers in this context. On the one side, with forceful innovative activity they might be able to stay on the frontier of the development and gain from developing and/or exploiting frontier technology in this field. However, as their national systems of innovation are underdeveloped, it is unlikely that they will lead on the technological frontier. On the other side, cooperation between

(West-Nordic) producers may strengthen their position vis-á-vis the mega retailers. Such a long term strategic train of thought has not characterized the ruling classes of the West-Nordic countries in the past and is unlikely to fall from heaven as a cognitive manna.

As concerns the second point of problems of FDI, inward FDI has traditionally been little in the West-Nordic countries in terms of international comparison. Foreign investment in Greenland has been concentrated in the mining industry and oil searching, while in the Faroe Islands it has been concentrated in the oil trade sector and Danish capital poured into the building sector in the boom era (Dali and Mørkøre). Inward FDI is limited as well in Iceland, estimated to be less than 2% of wages in the Icelandic economy, the bulk of which is concentrated in the aluminium and ferro-silicon industries (Jonsson 1991b).

Outward FDI from the West-Nordic countries has traditionally been insignificant, but there are some signs that the structure of inward and outward FDI may be changing. Some of the largest Icelandic fish and fish processing firms (eg. Grandi hf and Útgerdarfélag Akureyringa) have invested in fishing and fish processing firms in Chile and (East-) Germany. As investment opportunities are scarce in a stagnated and declining economy such as the Icelandic and innovation activity is too underdeveloped to promise future growth sectors, the firms have few other options than to "escape". To some extent this development is an adjustment to the process of globalization of fish markets we mentioned above. When the present crisis is over in the Faroe Islands firms are likely to experiment with outward FDI like their Icelandic counterparts. As the bulk of capital in the F-sector in Greenland is socialized this process is likely to be much slower there. Due to the inability of endogenous bourgeoisie in the West-Nordic countries to develop long term successful accumulation strategies that would reallocate investment into future, knowledge intensive growth sectors, the future accumulation strategies in these countries are likely to emphasize inward FDI. However, due to remoteness from markets and low level of value added of most industries outside the F-sector, the inward FDI is likely to be limited. Energy and natural resources are the carrots that may tempt foreign firms. Abundance of cheap science educated labour, particularly in Iceland, may tempt foreign investors as well, but the underdevelopment of the national systems of innovation of these countries undermines the chances of "exporting" that resource (particularly so as even cheaper scientists and better research facilities are being offered in Russia and East-Europe, see eg. Reich). In short the structure of inward FDI is not likely to change much.

Thirdly, as concerns the development towards segmentation of labour markets and labour movements, it has to be kept in mind that numerical flexibility has always been the cornerstone of the extensive regimes of accumulation in the West-Nordic countries (see Jonsson 1991b, 1992 and 1993a). Numerical flexibility has even been institutionlized in great migration of labour between regions in the countries and to and from abroad. The labour market has therefore to high degree been characterized by pre-Fordist features. Particularly in

Iceland, but also in the Faroe Islands, the labour movement has always been highly fragmented and neo-corporatist structures of interest mediation have only developed in the F-sector. However, Icelanders abandoned the neo-corporatist system of fish price formation in 1991 as market forces are now allowed to determine prices to much greater extent than before. With further stagnation of the F-sector and decline of the Icelandic economy, rising unemployment will strengthen the trend towards further fragmentation of labour markets and labour movements.

Fourthly, as concerns the development of politics and forms of the state, the development in Iceland in the 1980s has been more in line with post-Fordist development than in the other two West-Nordic countries. Strikes were frequently banned with decrees and laws and populist politics predominated. Politics in the other West-Nordic evolved around different cleavage-axis as independence politics made the picture more complicated (Mørkøre 1993). However, the present crisis in the Faroe Islands has pushed them into a fervour of public sector cuts in the 1990s as Icelanders spent the 1980s on. The West-Nordic countries have not developed long term structuralist policies or transformed the state in a structuralist way ('Japanization' of the state) and are unlikely to do so because of the weakness of the state and smallness of firms as we discussed above. However, due to the statist regime of accumulation in Greenland and the high level of centralization of the state firms, the Greenlandic case appears to have greater chance of realizing progressive neo-structuralist strategies then the Faroe Islands and Iceland.

B. Post-modernist trends and the West-Nordic countries.

Post-modernist development in the West-Nordic area can be expected to be influenced by country specific conditions: Firstly, as concerns diffusion of global communications technology and global cultural production and the dialogical process of global homogenization and local heterogenization of culture, we would expect that more emphasis will be on regional cultural production. Due to the independence struggle and importance of nationalism in the political life of the West-Nordic countries the emphasis on regional cultural production is likely to be even greater than in larger societies. Table 7.1 hints at such a conclusion. In terms of broadcasting time of own television production Iceland and Greenland broadcast much more than the other Nordic nations. West-Nordic countries broadcast much more of radio programs as well and presumably therefore much more of own production as well.

The picture is similar when we look at publication of books (the rate of fiction/non-fiction in brackets). The number of book titles per 1000 inhabitants was in 1990 as follows: Denmark 2,2 (0,3), Faroe Islands 3,4 (1,0); Finland 2,0 (0,2); Greenland 1,3 (0,5) (Atuakkiorfik, Det grønlandske Forlag only); Iceland 5,9 (0,4); Norway 0,9 (0,5) and Sweden

1,4 (0,4) (Nordic Council of Ministers 1992 and Namminersornerullutik Oquartussat/Grønlands Hjemmestyre). The rate of fiction/non-fiction (in brackets) is even more in line with the argument as the Faroese people and Icelanders publish both more books per 1000 inhabitants and relatively more fiction then the other Nordic countries.

Finally, as concerns publication of daily newspapers it appears that Icelanders publish similar amount as the other Nordic countries, i.e. over 500 daily copies per 1000 inhabitants (Nordic Council of Ministers 1992 and Karlsson 1987).

Table 7.1.
Broadcasting time in hours

	Plot year	Radio	Per 1000 inhabi-tants	In native langauage	Per 1000 inhabi-tants	Tele-vision	Per 1000 inhabi-tants	Own product-ion	Per 1000 inhabi-tants
Denmark	1990	16718	3,3			3104	0,6	1882	0,4
Faroe Islands	1991	3997	85						
Finland	1990/91	21664[b]	4,3			5200	1	2704	0,5
Greenland	1990	5075	90,6	2494[a]	44,5	2091	14,9	140[c]	2,5
Iceland	1989	50398	197			6980	27,3	1352	5,3
Norway	1990	13760	3,2			3162	0,7	1768	0,4
Sweden	1990	23297	2,7			7145	0,8	3796	0,4

[a] Non-musical programs; [b] In Swedish excluded; [c] In native language.
Sources: Hagstova Føroya: **Árbók fyri Føroyar 1992**; Hagstofa Íslands: **Landshagir 1992**; Nordic Council of Ministers: **Yearbook of Nordic Statistics 1992**; Grønlands Hjemmestyre: **Grønland 1990 - Statistisk Årbog**.

The figures above suggest that cultural production is strong in the West-Nordic countries in the face of the process of globalization. However, economic decline and cuts in the public sector may undermine this strong position.

Secondly, according to theories of post-modernity the class base of political parties crumbles and new social movements grow as a consequence of the growth of the service sector in industrialized countries (Lash and Urry 1987). Although these theories tend to exaggerate the decline of class politics (Eder) they are right insofar as they reflect that the relationship between class and politics is becoming more complex than before. Political life in the West-Nordic countries has been different from that of most advanced capitalist countries in the Fordist era as independence struggle, the impact of nationalism, greater economic boom than in most countries and very high level of social mobility has reduced the importance of class as a political cleavage axis. Post-modernist development in the West-Nordic countries is likely to be characterized by a contradictory development of greater impact of new social movements and inter-generational conflicts (the boom generation versus

the post-boom generation), at the same time as economic decline will put class more to the agenda of politics than before.

Thirdly, due to their homogenous economic structure and the particular interest of the F-sector in the West-Nordic countries, and due to their independence struggle and the strong ethno/nationalist sentiment of their peoples, they have showned great opposition towards the process of internationalization as it appears in the development of the EU and its growing supranational powers in terms of legislative and juridical powers. Indeed, all of them are outside the EU. Iceland's participation in EEA, indicates however that their adjustment to the process of internationalization is more conflict ridden and takes more time than is typical for the larger European countries. With special agreements, due to the particular structural characteristics of their economies and societies, the form of adjustment may be different, but they will not be able to avoid the process of internationalization. The reason is in the final analysis that increased globalization of capital accumulation requires global organization of interest mediation and hence political structures (Greenwood, Grote and Ronit).

Fourthly, one can expect that factors 1-3 above will lead to the growth of ethno/regional and cosmopolitian identity and undermining of national identity in the West-Nordic countries as in the larger advanced capitalist countries. The same factors are at play in both cases although the process may be more time consuming in the West-Nordic countries.

e) Concluding remarks

In this final chapter we have highlighted some of the difficulties in analysing microsocieties such as the West-Nordic countries in terms of abstract concepts like modernization, globalization and post-modernity. We have argued that due to country specific conditions there will not be great changes in the pattern of FDI in the West-Nordic countries in the face of the process of globalization. However, outward FDI is likely to increase due to the stagnant nature of their economies. The greatest difficulty for these countries is in the sphere of their relationship with mega chains of fish and food retailers as fish producers. The fast growing centralization and concentration of capital in food retailing undermines the market position of producers vis-á-vis retailers. The process of globalization is unlikely to change much the structure of labour markets, labour relations and labour movements as they are already very fragmented. Finally, the West-Nordic countries appear to have strong position as concerns cultural production in the face of the contradictory process of homogenisation and heterogenization of culture in post-modern developement.

Appendix

A Comparison of Microeconomies and Large Economies: Main Social Indicators, Average Size of Manufacturing Firm and Export Structure in Terms of SITC Categorization

1. Microeconomies and large economies: Main social indicators

Country	Population (in thousands)	GDP per capita US Dollars	Public health expenditure (as % of GDP)	Social security benefits Expenditure as % of (GDP)	Public expenditure on education (as % of GNP)	Manufacturing ISIC 3Average size of establishments /enterprises	Number of Establish-ments /enterprises	Average number of persons/ employees engaged
	1988	1988	1986	1980	1986			
Microeconomies								
Antigua and Barbuda	84	3279			2,5			
Bahamas	249	8649		0,5	6,2			
Bahrain	481	6980			5,4			
Barbados	254	6057		0,9	5,9	47,2	180	8494
Cape Verde	352	748			2,9			
Comoros	515	402			6,5			
Cyprus	687	2973		2,3	3,6	6,6	7087	46937
Dominica	86	1629			5,6			
Faroe Islands	44							
Fiji	738	1457		0,6	4,7	19,4	702	13641
Greenland	56							
Grenada	117	1423			6,9			
Iceland	248	23851	(total health exp) 7,8		3,7	10,3	2487	25589
Luxembourg	371	18203	(total health exp) 7,5	18,8	2,8	186,7	178	33224
Maldives	199							
Malta	349	5246		0	3,6	19,3	1487	28699
Mauritius	1057	1843	1,9		3,1	110,4	1041	114958
Saint Lucia	132	1835			7,5			
Saint Vincent ((+ Grenadines)	109		1246		6,3			
Sao Tome and Principe	115	548			8			
Seychelles	84	3511		1,7	8,5			
Solomon Islands	301	585			5,3			
St. Christopher and Nevis	49	2315						
Vanuatu	151	603			7,5			
Western Samoa	167	680						
Late developed countries								
Cuba	10396		3,2	7,1	6,2			
Dominican Republic	6868		1,4	0,5	1,6			
Haiti	6263	399	0,9		1,2	32,5	822	26690
Jamaica	2398	1425	2,8	0,3	5,6			
Trinidad and Tobago	1240	3452	3	0,3	5,8	50,4	585	29500
Sri Lanka	16774		1,7	0,3	2,4	75,7	2895	219278
Small European countries			**Total health expenditure 1987**		**Total educ. exp.as % of GDP**			
Austria	7573	16733	8,4	16	(publ. exp.) 6	68,5	9141	625800
Belgium	9850	15320	7,2	19,8	(publ. exp.) 5,4	30,3	24822	753000
Denmark	5135	20948	6	18,7	7,3	55,6	7049	391700
Finland	4946	21343	7,4	12,3	5,7	70,6	6315	445600
Ireland	3653	8959	7,4	16,5	6,2	40,0	4630	185100
Norway	4188	21356	7,5	16,9	6,7	42,5	6506	276500
Sweden	8406	21627	9	23,3	(publ. exp.) 7,5	84,2	9005	758100
Switzerland	6553	27990	7,7	10,9	5,2	84,5	7906	668300
Large developed countries								
France	55751	17141	8,6	18,6	6,6			
Germany, Fed. Rep. of	61204	19636	8,2	18,3	4,5	162,0	42642	6910000
Italy	57093	14572	6,9	13,1	(publ. exp.) 3,9	96,4	30108	2903000
Japan	122411	23273	6,8	6	6,5	26,0	421776	10962000
UK	56989	14631	6,1	10,6	(publ. exp.) 5	33,6	147083	4945000
USA	245248	19609	11,2	7	6,8	50,8	347000	17631000

Sources: Handbook of International Trade and Development Statistics 1990, United Nations 1990
Human Develpment Report 1991, United Nations Develpment Programme 1991
and Industrial Statistics Yearbook 1989, United Nations 1991

2. Export by main SITC categories. As % of total export

Country	Plot year	All food items 0, 1, 22, 4	Agricultural raw materials 2 – 22, 27 +28)	Fuels 3	Ores and metals 27, 28, 68	Manu-factured goods 5 - 8 , 68	Of which: Chemical products	Of which: Other Manu-factured goods 6, 8 , 68	Of which: Machinery and equipment 7	Of which: Unallocated
Microeconomies										
Antigua and Barbuda										
Bahamas	1987	2,2	0,1	85	0,6	11,3	10,4	0,4	0,6	0,7
Bahrain	1988	0,4		76	11,2	12,3	3,9	4,9	3,5	0,2
Barbados	1988	26,9	0,7	16	0,5	53,4	11,9	23,5	18,1	2,6
Cape Verde	1988	83,3								
Comoros	1987	45,7	2,6	21	17,2	12,1	12,1			1,7
Cyprus	1989	37,7	0,9	1,8	0,7	59	7,6	47	4,4	
Dominica	1989	65,8	0,7			33,5	27,7	5,7	0,1	
Faroe Islands	1989	90,9	2,3		0,1	6,7		0,1	6,6	
Fiji	1988	49,1	4,3		0,1	8,2	0,7	7,4	0,1	38,3
Greenland	1989	78	0,2	0,9	18,6	1,4		0,7	0,8	0,9
Grenada	1988	73,5	0,4		0,4	25,4	1,4	18,6	5,4	0,4
Iceland	1989	74,7	1,1		13,6	10,1		7,4	2,7	0,5
Maldives										
Malta	1989	2,6	0,2		2,2	94,9	1,1	43,7	50,1	0,1
Mauritius	1988	36,7	0,3		0,1	62,5	0,8	60,9	0,8	0,3
Saint Lucia	1986	74,3	0,7			24,8	1,1	15	8,7	0,2
Saint Vincent	1987	87,5	0,3			12,2	1,8	6,4	4,1	
Sao Tome and Principe										
Seychelles	1988	31,5	43,5		43,2					13,3
Solomon Islands	1988	37,9	24,5		2,1					5,5
St. Christopher and Nevis										
Vanuatu										
Western Samoa	(Samoa) 1988	87,8	2							10,2
Late developed countries										
Cuba	1987	82,4	0,1	9,9	5,9	1,6	0,3	1	0,3	
Dominican Republic	1986	39,8	0,5		0,9	45,4	1	42	2,4	13,4
Haiti	1986	20,9	1,1		1,2	72,8	1,7	54,2	16,9	4,1
Jamaica	1988	25,4	0,5	2,3	13,4	58,4	41	16,8	0,6	
Trinidad and Tobago	1989	6,6		61	0,7	31,5	18,3	11,9	1,3	0,2
Sri Lanka	1988	9	6,4	1,8	47,1	1	44,9	1,1	0,3	
Small European countries										
Austria	1989	3,7	4,5	1,3	3,9	86,5	9	43,4	34,1	0,1
Belgium and Luxemnbourg	1989	9,7	1,8	3,4	5,3	75,6	13,8	36,6	25,2	4,2
Denmark	1989	27,6	4,1	3	1,4	58,7	8,5	25,2	25	5,1
Finland	1989	2	11,4	0,9	4,3	81,3	6,2	46	29	
Ireland	1989	24,1	1,8	0,5	1,3	68,3	15,3	20,8	32,2	3,9
Norway	1989	6,8	2,8	43	13,7	33,8	7,2	13,2	13,4	0,4
Sweden	1989	1,9	7,8	2,7	3,6	81,8	7,3	31,6	42,9	2,1
Switzerland	1989	2,8	0,8	0,1	3,1	92,5	21	39,7	31,7	0,7
Large developed countries										
France	1989	16,3	2,1	2,2	3,3	75,8	13,8	26,5	35,4	0,3
Germany, Fed. Rep. of	1989	4,9	1,1	1,3	2,9	88,7	12,7	27,2	48,7	1,1
Italy	1989	6,3	1,1	1,7	1,6	89	7,4	44,8	36,8	0,3
Japan	1989	0,6	0,6	0,4	0,9	96,1	5,3	25,5	65,3	1,4
UK	1989	7,2	1,2	6,2	3,3	78	12,7	25,4	40	4,1
USA	1989	11,8	4,5	2,8	3,2	68,8	10,6	14,8	43,4	8,9

Source: United Nations: Handbook of International Trade and Development Statistics 1990, New York 1991.

Bibliography

Aglietta, M. (1979) **A Theory of Capitalist Regulation; The US Experience**, London: New Left Books.

Aglietta, M. (1982) 'World Capitalism in the Eighties' in **New Left Review**, 136, pp. 25-35.

Alxander, J. C. (1995) 'Modern, Anti, Post, Neo' in **New Left Review**, no. 210, London: NLR.

Althingi: **Althingistidindi** (Reviews of the Parliament); various years; The Parliament; Reykjavik.

Althingi: **Althingistidindi, umraedur** (The Parliament: Reviews of the Parliament, Discussions); various years; The Parliament; Reykjavik.

Althusser, L. (1970) **For Marx**, New York: Vintage Books.

Althusser, L. and Balibar, B. (1977) **Reading Capital**, London: New Left Books.

Andersen, E. S. and Lundvall, B-Å (1988) 'Small National Systems of Innovation Facing Technological Revolutions: An Analytical Framework' in Freeman, C. and Lundvall, B.-Å. eds, **Small Countries Facing the Technological Revolution**, London: Pinter Publishers.

Armstrong, P., Glyn, A., Harrison, J. (1984) **Capitalism Since World War II; The Making and Breakup of the Great Boom**, London: Fontana.

Arnason, R., Gudmundsson, S. and Jonsson, Ö.D. (1992) 'Den Islandske fiskerisektor' in Nordic Council of Ministers (1992a)

Arnold, E. (1986) **Policies for Electronics, Computing and the Infromation Technologies in four smaller OECD-economies: Belgium, Canada, The Netherlands and Switzerland; A report to the National Swedish Board for Technical Development**, Sussex, Science Policy Research Unit: University of Sussex.

Bandalag haskolamenntadra rikisstarfsmanna (1988) **Handbok rikisstarfsmanna i BHMR**, Reykjavik: BHMR.

Barrett, G. (1993) 'Flexible Specialization and Rural Community Development: The case of Nova Scotia' in **North Atlantic Studies**, Vol. 3., No. 2., Århus: SNAI-North Atlantic Publications.

Benko, G. and Dunford, M. (1991) 'Structural change and the spatial organisation of the productive system: an introduction', in Benko, G.and Dunford, M, eds. **Industrial Change and Regional Development**, London: Belhaven Press.

Benko, G.and Dunford, M (1991), eds. **Industrial Change and Regional Development**, London: Belhaven Press.

Björnsson, Ó (1964) **Thjodarbuskapur Islendinga**, Reykjavik: Hladbud.

Blau, P.M. (1973) **The Dynamics of Bureaucracy; A Study of Interpersonal Relations in two Government Agencies**, London: The University of Chicago Press.

Bollason, B. Th. (1984) 'Launakjor a Islandi og odrum Nordurlondum' in Fridjonsson **Islensk hagl_sing; greinar um islensk efnahagsmal**, Reykjavik: AB.
Boltho, A., ed. (1985) **The European Economy; Growth and Crisis**, Oxford: Oxford University Press.

Boyer, R. (1985) 'The Influence of Keynes on French Economic Policy; Past and Present', in H.L. Wattel, ed. **The Policy Consequnces of John Maynard Keynes**, New York: M.E. Sharpe.

Boyer, R. (1986) **Technical Change and the Theory of "Regulation"**: CEPREMAP - CNRS - E.H.E.S.S.

Braudel, F. (1979) **The Wheels of Commerce**, New York: Harper and Row.

Brett, E. A. (1983) **International Money and Capitalist Crisis**, London: Heinemann.

Brett, E. A. (1985) **The World Economy since the War**, London: Heinemann.

Brown, E. and Polt, W. (1988) 'High Technologyand Competitiveness: An Austrian Perspective' in Freeman, C. and Lundvall, B.-Å., eds, **Small Countries Facing the Technological Revolution**, London: Pinter Publishers.

Burton, J. (1990) 'Single Market changed Swedish priorities' in' The Financial Times Survey; The Nordic Countries in a Changing Europe' in **Financial Times**, February 21.

Campell, D., et. al. (1964) **The American Voter**, New York: John Wiley & Sons Inc.

Cantwell, J. (1987) 'The Reorganization of European Industries After Integration: Selected Evidence on the Role of Multinational Enterprise Activities' in **Journal of Common Market Studies**, XXVI (2), Oxford: Basil Blackwell.

Casson, M. (1982) **The Entrepreneur: An Economic Theory**, Oxford: Basil Blackwell.

Central Bank of Iceland (1986) **Fjarmalatidindi**, 3; Reykjavik: The Central Bank of Iceland.

Central Bank of Iceland (1990) **Hagtölur mánadarins**, Reykjavik: Central Bank of Iceland.

Central Bank of Iceland **Hagtölur mánadarins**, various years.

Central Bank of Iceland: **Annual Report**, various years, Reykjavik: Central Bank of Iceland.

Central Bank of Iceland: **Economic Statistics, Monthly**, various issues, Reykjavik: The Central Bank of Iceland.

Chesnai, F, (1988) 'Multinational enterprises and the international diffusion of technology' in G. Dosi et. al. (1988).

Christenson, R.M., et. al. (1972) **Ideologies and Modern Politics**, London: Thomas Nelson and Sons Ltd.

Colman, D. and Nixson, F. (1986) **Economics of Change in Less Developed Countries,** Oxford: Philip Allan Publishers.

Committee on Technology Policy Options in a Global Economy (1993) **Mastering a New Role; Shaping Technology Policy for National Economic Performance**, Washington: National Academy Press.

Cornwall, J. (1983) **The Conditions for Economic Recovery**, Oxford: Martin Robertson.

Cotton, J. (1992) 'Understanding the state in South Korea´in **Comparative Political Studies** Vol. 24, No. 4: SAGE Publications.

Craib, I. (1976) **Existentialism and Sociology**, London: Cambridge University Press.

Curry, J. (1993) 'The Flexibility Fetish: A review essay on flexible specialisation' in **Capital & Class** no. 50: Conference of Socialist Economists, London.

Dahl, R.A. (1970) **Modern Political Analysis**, Englewood Cliffs, New Jersey: Prentice-Hall.

Dahlstrom, E. (1980) **Samhällsvetenskap och praktik; studier i samhällelig kunskapsutveckling**, Stockholm: Publica.

Dali, T. and Mørkøre, J. (1983) **Stat og småborgerligt fiskeri i den Færøske samfundsformation**, Insitut for Samfundsfag, University of Copenhagen.

Danmarks statistik (1987) **Statistisk Årbog**, Copenhagen: Danmarks statistik.

Dansk Arbejdsgiverforening et al. (1989) **Statistisk Oversigt 1989; Det Permanente Udvalg**, August, Copenhagen: Dansk Arbejdsgiverforening.

Davis, R.D. and Ward, D.W. 'The Entrepreneurial State; Evidence from Taiwan' in **Comparative Political Studies**, Vol. 23 No. 3 1990: SAGE Publications.

Direktoriatet for Kultur, Uddannelse og Forskning (1995) **Rapport om nyuddannede grønlandske akademikeres beskæftigelsessituation**, Nuuk: KIIP

Dobb, M (1975) **Studies in the Development of Capitalism**, London: Routledge & Kegan Paul.

Doeringer, P.B. and Terkla, D.G. (1990) 'How Intangible Factors Contribute to Economic Development; Lessons from a Mature Local Economy' in **World Development**, 8 (9).

Dolman, A.J. (1985) 'Paradise Lost? The Past Performance and Future Prospects of Small Island Developing Countries' in Dommen, E. and Hein, P., eds **States, Microstates and Islands**, London: Croom Helm, pp. 40-69.

Dommen, E. (1985) 'What is a Microstate' in Dommen, E. and Hein, P., eds **States, Microstates and Islands**, London: Croom Helm, pp. 1-15.

Dommen, E. and Hein, P., eds (1985) **States, Microstates and Islands**, London: Croom Helm.

Dommen, E.C. and Hein, P.L. (1985) 'Foreign Trade in Goods and Services: The Dominant Activity of Small Island Economies' in Dommen, E. and Hein, P., eds **States, Microstates and Islands**, London: Croom Helm, pp. 152-184.

Dosi, G., Freeman, C., Nelson R., Silverberg, G. and Soete L., eds., (1988) **Technical Change and Economic Theory**, London: Pinter Publishers.

Duijn, J.J. van (1983) **The Long Wave in Economic Life**, London: George Allen & Unwin.

Dunford, M (1990) 'Theories of regulation', **Environment and Planning D: Society and Space**, vol. 8, pp. 297-321.

Durkheim, E. (1972) **Suicide; A study in sociology**, London; Routledge and Kegan Paul Ltd.

Eatwell, J. and Milgate, M., eds. (1983) **Keynes's Economics and the Theory of Value and Distribution**, London: Duckworth.

Economic Institute (1973) **Sjávarútvegur 1969-1973**, Reykjavik: The Economic Institute.

Economic Institute (1977) **Sjávarútvegur 1972-1977**, Reykjavik: The Economic Institute.

Economic Institute (1983) **Atvinnuvegask_rslur 1979**, Reykjavik: The Economic Institute.

Economic Institute (1984) **Atvinnuvegask_rslur 1980-81**, Reykjavik: The Economic Institute.

Economic Institute (1985a) **Sjávarútvegur 1976-1983**, Reykjavik: The Economic Institute.

Economic Institute (1985b) **Atvinnuvegaskyrslur 1982**, Reykjavik: The Economic Institute.

Economic Institute (1986a) **Atvinnuvegaskyrslur 1983**, Reykjavik: The Economic Institute.

Economic Institute (1986b) **Atvinnuvegaskyrslur 1984**, Reykjavik: The Economic Institute.

Economic Institute (1987a) **Sjávarútvegur 1980-1985**, Reykjavik: The Economic Institute.

Economic Institute (1987b) **Atvinnuvegaskyrslur 1985**, Reykjavik: The Economic Institute.

Economic Institute (1988a) **Thjódarbúskapurinn; sögulegt yfirlit hagtalna 1945-1986**, Reykjavik: The Economic Institute.

Economic Institute (1988b) **Atvinnuvegaskyrslur 1986**, Reykjavik: The Economic Institute.

Economic Institute (1988c) **Thjódarbúskapurinn; annáll efnahagsmála 1977-1988**, Reykjavik: The Economic Institute.

Economic Institute (1989a) **Atvinnuvegaskyrslur 1987**, Reykjavik: The Economic Institute.

Economic Institute (1989b) **Tekjur karla og kvenna**, Reykjavik: The Economic Institute.

Economic Institute (1990) **Sjavarutvegur 1986-1987**, Reykjavik: The Economic Institute.

Economic Institute (1991) **Búskapur hins opinbera 1980-1989**, Reykjavik: The Economic Institute.

Economic Institute (various years) **Atvinnuvegaskyrslur**, Reykjavik: The Economic Institute.

Economic Institute (1994) **Sögulegt yfirlit hagtalna 1945-1992**, Reykjavik: The Economic Institute.

Eder, K. (1993) **The New Politics of Class; Social Movements and Cultural Dynanics in Advanced Societies**, SAGE: London.

Eiriksson, H. H. (1927) 'Agrip af sogu Idnskolans i Reykjavik' in **Timarit Idnadarmanna I. argangur 1927**, Reykjavik: Stjorn Idnadarmannafjelagsins i Reykjavik.

Eliasen, J. (1991) **Beskæftigelsesudvikling på Færøerne og det færøske finansielle system**, AUC, cand. oecon-uddannelsen.

Engels, F. and Marx, K. (1968) 'Kommunistaavarpid' in **Úrvalsrit**, 1, Reykjavik: Heimskringla.

Engels, F. and Marx, K. (1976) **German Ideology**, Students Edition, London: Lawrence & Wishart.

Fagerberg, J. (1988) 'Why Growth Rates Differ' in Dosi, G., Freeman, C., Nelson, R., Silverberg, G., and Soete, L.(1988).

Fagerberg, J. (1988) 'International Competitiveness' in **The Economic Journal; The Quarterly Journal of the Royal Economic Society**, 98, The Royal Economic Society, Cambridge: Cambridge University Press.

Feyerabend, P. (1979) **Against Method**, London: Verso.

Fjarmalatidindi (1956) 'Útflutningsbaetur' in **Fjármálatídindi**, January-April, Reykjavik: The Central Bank of Iceland.

Freeman, C. (1987) **Technology Policy and Economic Performance; Lessons from Japan**, London: Pinter Publishers.

Freeman, C. and Lundvall, B.-Å. eds, (1988) **Small Countries Facing the Technological Revolution**, London: Pinter Publishers.

Freeman, C. and Perez, C. (1986) **The Diffusion of Technical Innovations and Changes of Techno-economic Paradigm; Paper prepared for the Venice Conference, March 1986**, Sussex: SPRU University of Sussex.

Freeman, C. and Perez, C. (1988) 'Structural crises of adjustment: business cycles and investment behaviour' in Dosi, G., Freeman, C., Nelson R., Silverberg, G. and Soete L., eds. **Technical Change and Economic Theory**, London: Pinter Publishers.

Freeman, C., Clark, J. and Soete, L. (1982) **Unemployment and Technical Innovation; A Study of Long Waves and Economic Development,** London: Frances Pinter.

Fridjonsson, Th. (1984) **Íslensk haglysing; greinar um islensk efnahagsmál**, Reykjavik: AB.

Friis, P. (1992a) 'Den grønlandske fiskerisektor' in Nordic Council of Ministers (1992a)

Friis, P. (1992b) 'Ændringstendenser i rammebetingelserne for nordisk eksport af fisk og fiskerprodukter' in Nordic Council of Ministers 1992c.

Friis, P. (1994a) **Some Outlines for the Future European Fishing Industry**, EC/AIR Programme Workshop, Brussels 5-6 May 1994.

Friis, P. (1994b) **The Internationalization Process and the Arctic**, Ålborg: NARF/Ålborg University Press.

Gadamer, H.G. (1977) **Philosophical Hermeneutics**, London: Cambridge University Press.

Galbraith, J.K., (1967) **The New Industrial State**, London: Penguin Books.

Garegnani, P. (1983) 'Notes on consumption, investment and effective demand' in Eatwell, J. and Milgate, M., eds. **Keynes's Economics and the Theory of Value and Distribution**, London: Duckworth.

Gerlach, M.L. (1992) **Alliance Capitalism; The Social Organization of Japanese Business**, Oxford: University of California Press.

Gerth, H.H. and Mills, C.W. eds. (1978) **From Max Weber; Essays in Sociology**, New York: Oxford University Press.

Gorz, G. (1978) **The Division of Labour**, Sussex :The Harvester Press Ltd.

Gramsci, A. (1978) **Selections from Prison Notebooks**, London: Lawrence and Wishart.

Greenland Bureau of Statistics (1994) **Greenland Kalaallit Nunaat 1994**, Nuuk: GSK.

Greenland Bureau of Statistics (1995) **Kalaallit Nunaanni Inooriaaseq; Levelvilkår i Grønland**, Nuuk: GSK.

Greenwood, J., Grote, J.R. and Ronit, K. (Eds.) (1992) **Organized Interests and the European Community**, SAGE, London.

Greifenberg, T. (ed.) (1993) **Sustainable Development in the Arctic**, NARF/Ålborg University Press, Ålborg.

Grimsson, Ó. R. (1977) **The Icelandic Coalition System**, Reykjavik: Faculty of Social Sciences, University of Iceland.

GrØnlands Hjemmestyre (1990) **Grønland 1990 - Statistisk Årbog**, Nuuk.

GrØnlands Hjemmestyre (1991) **Grønland Kallaalit Nunaat 1990**, Nuuk.

GrØnlands Hjemmestyre (1993) **Grønland 1992/93 - Statistisk Årbog**, Nuuk.

GrØnlands Hjemmestyre (1994) **Grønland Kallaalit Nunaat 1994**, Nuuk.

Gudmundsdottir, E. (1987) **Letter** dated 15th of September (Gudmundsdottir is a clerk at the Budget Institute).

Gudmundsson, A. (1976) 'Nazismi a Islandi. Saga Thjodernishreyfingar Islendinga og Flokks thjodernissinna' in Sogufelag (1976) **Saga; tímarit sögufélagsins**, xiv, Reykjavik: Sogufelag.

Gudmundsson, B. and Karlssson, G. (1988) **Uppruni nútímans; kennslubók i Íslandsssögu eftir 1830**, Reykjavik: Mal og Menning.

Gudmundsson, Ó (1987) **Althydubandalagid; átakasaga**, Reykjavik: Svart a hvitu.

Habermas, J. (1971) 'Science as Ideology' in **Towards a Rational Society**, London: Heineman.

Habermas, J. (1976) **Legitimation Crisis**, London: Heineman.

Hagdeildin (1980) **Thjódarbúskapur Føroya 1980**, Tórshavn: Hagdeildin.

Hagstofa Íslands (1992) **Landshagir 1992**, Reykjavik.

Hagstofa Íslands (1992) **Landshagir 1992**: Reykjavík.

Hagstova FØroya (1992) **Árbók fyri Føroyar 1992**, Tórshavn: Hagstova FØroya

Halldorsdottir, A. B. (1989) **Lagalegar íhlutanir stjórnvalda í kjaramál 1978-1989; yfirlit**; unpublished paper written for the ASI, Reykjavik.

Haraldsson, E. (1976) **Synir á dánarbedi**, Idunn, Reykjavik.

Harvey, D. **The Condition of Postmodernity**, Oxford: Basil Blackwell.

Hein, P. (1985) 'The Study of Microstates' in Dommen, E. and Hein, P., eds **States, Microstates and Islands**, London: Croom Helm, pp. 16-29.

Heinesen, E. (1992) **En komparativ analyse af Færøernes og Grønlands centraladministrations opbygning og beslutningsproces**, Vestnordensamarbejdet.

Hermannsson, S. (1975) **The Organization of Scientific Research in Iceland**, Reykjavik: The National Research Council.

Hermannsson, S. (1990) 'Sk_rsla forsaetisradherra um fjarfestingu erlendra adila i atvinnurekstri a Islandi, samkvaemt beidni' in **Althingistidindi, thingskjal 866**, Reykjavik:Althingi. (A report given in the parliament by the prime minister on foreign investment in Iceland).

Hirsch, J. and Roth, R. (1986) **Das Neue Gesicht des Kapitalismus; Vom Fordismus zum Post-Fordismus**, Hamburg: VSA-Verlag.

Hodgson, G.M. (1988) **Economics and Institutions; A Manifesto for a Modern Institutional Economics**, London: Politiy Press.

Hoffman, K. and Kaplinsky, R. (1988) **Driving Force; The Global Restructuring of Technology, Labor, and Investment in the Automobil and Components Industries**, London: Westview Press/A UNCTC Study.

Holloway, J. and Picciotto, S., eds. (1979) **State and Capital; A Marxist Debate**, London: Edward Arnold.

Holton, R.J. (1992) **Economy and Society**, London: Routledge.

Homerule Ministry of Finance (1994) **Politisk-økonomisk redegørelse**, Nuuk.

Huang, C. (1989) 'The state and foreign investment; the case of Taiwan and Singapore' in **Comparative Political Studies** Vol. 22, No. 1: SAGE Publications.

Huntington, S.P. (1968) **Political order in changing societies**, New Haven, Conn: Yale University Press.

ILO (1987) **Yearbook of Labour Statistics 1987**, Geneve: International Labour Office.

IMF (1988) **International Financial Statistics; September 1988**, Washington.

Israel, J. (1980) **Språkets dialektik och dialektikens språk**, Lund: Esselte Studium.

Jessop, B. (1982) **The Capitalist State; Marxist Theories and Methods**, Oxford: Martin Robertson.

Jessop, B. (1983a) 'The Capitalist State and the Rule of Capital: Problems in the Analysis of Business Associations' in **West European Politics**, 1, pp. 139-62.

Jessop, B. (1983b) Accumulation Strategies, State Forms and Hegemonic Projects in **Kapitalistat**, 10, pp. 89-111

Jessop, B. (1990) **State Theory**, Cambridge: Polity Press.

Jessop, B., Bonnett, K., Bromley, S. and Ling, T. (1988) **Thatcherism; A Tale of Two Nations**, Cambridge Polity: Press;.

Johnston, J. (1984) **Econometric Methods**, Singapore: Mcgraw-Hill Book Company.

Jonsson, A. K. (1969) **Stjórnarrád Íslands 1904-64**, Reykjavik: Sogufelagid.

Jonsson, F. and Jonsson, I. (1992) **Innri hringurinn og íslensk fyrirtæki**, Reykjavík: Félags- og hagvísindastofnun Íslands.

Jonsson, I. (1980) **Vestrænn marxismi og kapitalísk vinnuferli; um undirokun vinnunnar i kapitalísku samfélagi**, B.A.-Dissertation, Reykjavik: Department of Social Sciences University of Iceland.

Jonsson, I. (1984) **Contemporary Theories of Neo-Corporatism; A Thematic Discussion of Paradigms**, M.A.-Dissertation, Essex: University of Essex.

Jonsson, I. (1986) 'Thatcherisminn og efnahagskreppan- n_frjalshyggjan, audvaldskreppan og hin n_ja taekni' in **Réttur**, 3 and 4, Reykjavik: Rettur.

Jonsson, I. (1987) 'Keynesisminn ur kreppu i kreppu' in **Réttur**, 2, Reykjavik: Rettur.

Jonsson, I. (1988) TÆknithróun og samkeppnisstada - sámáriki og n_ja tÆknin, ReykjavÌk: Félags- og hagvísindastofnun Íslands.

Jonsson, I. (1989) Hegemonic Politics and Capitalist Restructuring í **Thjódmál, árbók um samfélagsmál**, Reykjavík: The National Institute of Social and Economic Research.

Jonsson, I. (1989a) Hegemonic Politics and Capitalist Restructuring in **Thjódmál; árbók um samfélagsmál**, Reykjavik: The National Institute of Social and Economic Research.

Jonsson, I. (1989b) 'Felagsleg eignarform gegn einkavaedingu' in **Thjódmál; árbók um samfélagsmál**, Reykjavik: The National Institute of Social and Economic Research.

Jonsson, I. (1990) **Local Markets in Iceland**, vol. 1-3, Reykjavik: The National Institute of Social and Economic Research.

Jonsson, I. (1991a) 'Keynes's General Theory and Structural Competitiveness', **Thjódmál, árbók um samfélagsmál 1990/91**, Reykjavík, The National Institute of Social and Economic Research.

Jonsson, I. (1991b) **Hegemonic Politics and Accumulation Strategies in Iceland 1944-1990; Long Waves in the World Economy, Regimes of Accumulation and Uneven Development. Small States, Microstates and Problems of World Market Adjustment**, Phil.D.-Dissertation, Social Implication of Technical Change: University of Sussex

Jonsson, I. (1991c) 'Velferdarkerfi heimila og fyrirtaekja a Islandi i ljosi valdavaegis samfelagslegra afla', **Thjódmál, árbók um samfélagsmál 1990/91**, Reykjavík, The National Institute of Social and Economic Research.

Jonsson, I. (1992) Microeconomies and Regimes of Accumulation; A Analytical Framework in L. Lyck (1992) **Nordic Arctic Research on Contemporary Arctic Problems**; Aalborg University Press, Aalborg.

Jonsson, I. (1993a) Regimes of Accumulation, Microeconomies and Hegemonic Politcs í **Capital & Class** nr. 50; CSE, London.

Jonsson, I. (1993b) 'Collective Entrepreneurship and Microeconomies' in Greifenberg, T. **Sustainable Development in the Arctic**, NARF/Ålborg University Press, Ålborg.

Jonsson , I. (1994a) 'The Process of Globalization and Microsocieties - the Case of the West-Nordic Countries' in Friis, P. (1994b).

Jonsson, I. (1994b) 'Neo-Structuralism and Collective Entrepreneurship - From National to Global Systems of Innovation - The Case of the West-Nordic Countries' in Johansen, S. (1994) **Nordiske Fiskersamfund i fremtiden; BÆredygtige innovationer eller marginalisering?**, Copenhagen: Nordic Council of Ministers.

Jonsson, I. (1995a) 'Det grØnlandske innovationssystem frem til år 2010', paper presented at the conference **INU-TEK 95**, organized by the Greenlandic Technological Society (GrØnlands Teknologiske Selskab, GTS) in Nuuk in April 1995. This paper will be published in 1995 with other papers from the conference by the Greenlandic Technological Society, Nuuk: GTS

Jonsson, I. (1995b) 'Creating an Innovation System; Greenland's Challenge', paper presented at the IASSA conference in Rovaniemi, Finland 24th May - 4th June 1995.

Jonsson, T. (1984) *Æviskrár samtídarmanna*, Reykjavik: Skuggsjá.

Julius, D. (1990) **Global Companies and Public Policy**, Pinter Publishers, London.

Kaplinsky, R. (1984) **Automation: The Technology and Society**, Longmans, Harlow.

Kaplinsky, R. (1985) 'Changing Patterns of Industrial Locations and International Competition; the Role of TNCs and the IMpact of Microelectronics' in **EADI Bulletin** 1, 85.

Karlsson, R. (1987) **Forrædi blada. Thættir úr félags- og hagsögu Íslenskrar bladaútgáfu**, B.A.-Dissertation in Sociology, Reykjavik: The Faculty of Social Sciences, University of Iceland.

Katzenstein, P. J. (1986) **Small States in World Markets; Industrial Policy in Europe**, Ithaca: Cornell University Press.

Keynes, J. M. (1983) **The General Theory of Employment, Interest and Money**, London: Macmillan.

Kjararannsoknarnefnd (1981) **Fréttabréf**, 57, Reykjavik: Kjararannsoknarnefnd.

Kjararannsoknarnefnd (1987) **Fréttabréf**, 74, Reykjavik: Kjararannsoknarnefnd.

Kjararannsoknarnefnd (1990) **Fréttabréf**, 87, Reykjavik: Kjararannsoknarnefnd.

KOS (1989) **Fréttarit**, 4, Reykjavik: KOS.

Kristensen, P. and Stankiewicz, R. (1982) **Technology Policy and Industrial Development in Scandinavia**, Lund: Research Policy Institute.

Kristgeirsson, H. (1974) 'Thrjú myndrit' in **Réttur,** 3, Reykjavik: Réttur.
Kristiansen, K. (1993) **Interview** at Menningarstovan, The faroese Development Office in Tórshavn, the Faroe Islands.

Kuhn, T. S. (1970) **The Structure of Scientific Revolutions**, Chicaco: The University of Chicaco Press.

Laclau, E. and Mouffe, C. (1985) **Hegemony and Socialist Strategy; Towards a Radical Democratic Politics**, London: Verso.

Larsen, F.B. (1992) 'The quiet life of a revolution: Greenlandic Home Rule 1979-92' in **Etudes/Inuit/Studies** Vol. 16 (1-2).

Lash, S. and Urry, J. (1987) **The End of Organized Capitalism**, Cambridge: Polity Press.

Lash, S. and Urry (1994) **Economies of Signs and Space**, London: SAGE.

Leborgne, D. and Lipietz, A. (1987) **New Technologies, New Modes of Regulation; Some Spatial Implications**, Paris: CEPREMAP.

Lehmbruch, J. and Schmitter, P.C. (1982) **Patterns of Corporatist Policy Making**, Beverly Hills, California: SAGE.

Levinson, S. (1987) 'Old pay structures 'being broken down'' in **The Independent** 5th March.

Lipietz, A. (1984) 'Ackumulering och kriser. Några metodologiska reflektioner angående begreppet "regulering" in **Nordisk Tidskrift for Politisk Ekonomi**, 17, Oslo: Selskapet for Studier i Politisk Ekonomi.

Lipietz, A. (1986) 'New tendencies in the international division of labour: regimes of accumulation and modes of regulation' in Scott, A.J. and Storper, M. **Production, Work, Territory; The geographical anatomy of industrial capitalism**,London: Allen & Unwin.

Lipietz, A. (1987) **Mirages and Miracles; The Crisis of Global Fordism**, London: Verso.

Lúdvíksson, V. (1988) 'N_skipan rannsóknamála' in the National Research Council **Arssk_rsla Visindarads og Rannsoknarads rikisins 1986 og 1987; Rannsoknir a Islandi**, Reykjavik: The National Research Council.

Lukacs, G. (1971) **History and Class Consciousness**, London: Merlin Press.

Lyck, L. (1986) **Grønlands økonomi - og relationerne til Danmark**, Copenhagen: Akademisk Forlag.

Lyck, L. (1993) 'Færøernes Økonomiske krise' in **Samfundsøkonoen**, September 1993:5, DJØF, Copenhagen.

Lyck, L. (Ed.) (1992) **Nordic Arctic Research on Contemporary Arctic Problems**; Aalborg University Press, Aalborg.

Lyck, L. (1993) 'FÆröernes Økonomiske krise' in SamfundsØkonomen, September 1993:5, DJØF: Copenhagen.

Macpherson, C. B. (1979) **The Life and Times of Liberal Democracy**, Oxford: Oxford University Press.

Magnússon, G. (1984) 'Skilyrdi hagvaxtar' in Fridjonsson, Th., ed. **Islensk haglysing; greinar um islensk efnahagsmal**, Reykjavik: AB.

Mandel, E. (1976) **Late Capitalism**, London: New Left Books.

Mandel, E. (1980) **Long Waves of Capitalist Development**, Cambridge: Cambridge University Press.

Marlies, M., ed. (1980) **Heimspeki félagsvísinda**, Reykjavik: Felagsvisindadeild Haskola Islands.

Marx, K. (1971) **A Contribution to the Critique of Political Economy**, London: Lawrence and Wishart.

Marx, K. (1973) **Surveys from Exile**, Harmondswoth: Penguin Books Ltd.

Marx, K. (1974a) **The First International and After**, Harmondsworth: Penguin Books.

Marx, K. (1974b) **Grundrisse**, Harmondsworth: Penguin Books.

Marx, K. (1975) **Early Writings**, Harmondsworth: Penguin Books.

Marx, K. (1976) **Capital**, Volume 1, Harmondsworth: Penguin Books.

Marx, K. (1981) **Capital**,Volume 3, Harmondsworth: Penguin Books.

Massey, D., Quintas, P. and Wield, D. (1992) **High-Tech Fantasies; Science Parks in Society, Science and Space**, London: Routledge.

Mazier, J. (1985) 'Growth and Crisis - a Marxist Interpretation' in A. Boltho **The European Economy; Growth and Crisis**, Oxford: Oxford University Press.

Mendner, J. (1975) **Technologische Entwiklung und Arbeitsprozess**, Frankfurt am Main: Fischer Taschenbuch Verlag GmbH.

Menningar of fraedslusamband alth_du (1989) **Handbok vinnustadarins**, Reykjavik: MFA.

Ministry of Finance (1975, 1980, 1984 and 1985) **Starfsmannaskra rikisins**, Reykjavik: Ministry of Finance.

Ministry of Social Affairs (1942) **Felagsmal a Islandi**, Reykjavik: The Ministry of Social Affairs.

MjØset, L., ed. (1986) **Norden dagen derpå; de nordiske økonomisk politiske modellene og deres problemer på 70- og 80-tallet**, Oslo: Universitetsforalget.

Morgunbladid (1990) **Morgunbladid** 19th of December, Reykjavik: Arvakur.

Mósesdóttir, L. (1990) 'Hagfrædikenningar um konur á vinnumarkadi' in **Thjódmaál, árbók um samfélagsmál 1990/91**, Reykjavik, The National Institute of Social and Economic Research.

Mosesdottir, L. (1994) **Regimes of Gender Relations and the State. A Comparative Framework**, Working Paper No. 9407, Manchester School of Management, University of Manchester Institute of Science and Technology.

Mosesdottir, L. (1995) 'The State and the Egalitarian, Ecclesiastic and Liberal Regimes of Gender Relations' in **British Journal of Sociology**, December 1995.

Murray, D.J. (1985) 'Public Administration in the Microstates of the Pacific' in Dommen, E. and Hein, P., eds **States, Microstates and Islands**, London: Croom Helm, pp. 185-203.

Mørkøre, J. (1991) 'Class interests and nationalism in Faroese politics in **North Atlantic Studies**, Vol. 3, no. 1, Århus University Press.

Mørkøre, J. (1993) **Interessegruppe og strategier inden for det Færøske fiskerierhverv - økonomiske og politiske implikationer**, Fródskaparsetur FØroya.

Namminersornerullutik Oquartussat/GrØnlands Hjemmestyre (1990) **Grønland 1990 - Statistisk Årbog**, Nuuk.

National Research Council (1982) **Arsskyrsla Rannsoknarads rikisins 1980 og 1981; Rannsoknastarfsemi a Islandi**, Reykjavik: The National Research Council.

National Research Council (1984) **Ársskyrsla Rannsóknaráds ríkisins 1982 og 1983; Rannsoknastarfsemi a Islandi**, Reykjavik: The National Research Council.

National Research Council (1986) **Ársskyrsla Rannsóknaráds ríkisins 1984 og 1985; Rannsoknastarfsemi a Islandi**, Reykjavik: The National Research Council.

National Research Council (1988) **Ársskyrsla Visindaráds og Rannsóknaráds ríkisins 1986 og 1987; Rannsóknir á Íslandi**, Reykjavik: The National Research Council.

Nelson, R.R. (1988) 'Insitutions supporting technical change inthe United States' in Dosi, G. et. al. (1988).

Nelson, R.R., (1993) **National Systems of Innovation. A Comparative Analysis**, Oxford: Oxford University Press.

Nelson, R.R., and Winter, S.G. (1982) **An Evolutionary Theory of Economic Change**, The Belknap Press of Harward University Press: Cambridge, Massachusetts.

Nordic Council of Ministers (1987) **Yearbook of Nordic Statistics 1986**, Copenhagen: Nordic Council of Ministers.

Nordic Council of Ministers (1988) **Yearbook of Nordic Statistics 1987**, Copenhagen: Nordic Council of Ministers.

Nordic Council of Ministers (1989) **Yearbook of Nordic Statistics 1988**, Copenhagen: Nordic Council of Ministers.

Nordic Council of Ministers (1992a) **FiskerinÆringens hovedtrekk - landsanalyser**, Nord 1992:30, Nordic Council of Ministers: Copenhagen.

Nordic Council of Ministers (1992b) **Yearbook of Nordic Statistics 1992**, Nordic Council of Ministers: Copenhagen.

Nordic Council of Ministers (1992c) **Fiskemarkedet i Europa - rapport fra konference om EF's marked for fisk of fiskeprodukter, Roskilde 3.-5. juni 1992**, Nordiske Seminar- og Arbejdsrapporter, 1992:559, Nordic Council of Ministers: Copenhagen.

Nordic Council of Ministers (1994) **Yearbook of Nordic Statistics 1994**, Nordic Council of Ministers: Copenhagen.

Nordic Council of Ministers (1995) **Yearbook of Nordic Statistics 1995**, Nordic Council of Ministers: Copenhagen.

Nordic Council of Ministers (various years) **Yearbook of Nordic Statistics**, Nordic Council of Ministers: Copenhagen.

OECD (1984) **OECD Science and Technology Indicators; Resources Devoted to R&D**, Paris: OECD.

OECD (1985a) **Social Expenditure 1960-1990; Problems of Growth and Control**, Paris: OECD.

OECD (1985b) **Science and Technology Indicators; Recent Results, 1981-86**, Paris: OECD.

OECD (1985c) **OECD Economic Studies 4/1985; Special Issue: The Role of the Public Sector; Causes and Consequences of the Growth of Government**, Paris: OECD.

OECD (1987b) **STI Review**, 1 1986, Paris: OECD.

OECD (1987c) **Structural Adjustment and Economic Performance**, Paris: OECD.

OECD (1987d) **Reviews of National Science and Technology Policy; Finland**, Paris: OECD.

OECD (1988a) **National Accounts 1960-1986 Vol. I**, Paris: OECD.

OECD (1988b) **Historical Statistics 1960-1986**, Paris: OECD.

OECD (1988c) **National Accounts 1974-1986 Vol. II**, Paris: OECD.

OECD (1988d) **OECD Economic Surveys; Iceland**, Paris: OECD.

OECD (1989a) **Labour Force Statistics 1967-1987**, Paris: OECD.

OECD (1989b) **OECD Science and Technology Indicators, Report No 3; R&D, Production and Diffusion of Technology**, Paris: OECD.

OECD (1989c) **OECD Employment Outlook**, Paris: OECD.

OECD (1990) **Revenue Statistics of OECD Member Countries 1965-1989**, Paris: OECD.

OECD (1992) **Review of National Science, Technology and Innovation Policy; Iceland**, DSTI/STP (92)13, OECD, París.

OECD (1992) **Historical Statistics 1960-1990**, Paris: OECD.

OECD (1993a) **Economic Outlook**, June, OECD, Paris.

OECD (1993b) **DAC Report 1993; Development Co-operation; Aid in Transition**, Paris: OECD.

OECD (1994) **Main Science and Technology Indicators**, Paris: OECD.

OECD (various years) **Economic Outlook**, Paris: OECD.

Ólafsson, S. (1984) **Íslenska velferdarkerfid; lífskjör og stjórnmál**, Reykjavik: Published by the author.

Packard, V. (1975) **The Waste Makers**, New York: Pocket Books.

Paldam, M. (1994) **Grønlands økonomiske udvikling; Hvad skal der til for at lukke gabet?**Aarhus: Aarhus Universitetsforlag.

Palmer, J. (1987) **Europe without America?; The Crisis in Atlantic Relations**, Oxford: Oxford University Press.

Panitch, L. (1981) 'Trade Unions and the State' in **New Left Review**, 125, London: New Left Review.

Perez, C. (1983) 'Structural Change and Assimilation of new Technologies in the Economic and Social Systems' in **Futures**, 15 (5).

Polanyi, K. (1944) **The Great Transformation**, Boston: Beacon Press.

Poulantzas, N. (1975) **Political Power and Social Classes**, London: New Left Books.

Poulantzas, N. (1978) **State, Power, Socialism**, London: New Left Books.

Ragnarsdóttir, A. G. et.al. (1989) **Haskolamenntun**, Reykjavik: Felagsvisindadeild Haskola Islands.

Rannsoknarád ríkisins (1988) **Ársskyrsla Visindaráds of rannsóknaráds ríkisins 1986 og 1987; Rannsoknir a Islandi**, Reykjavik: Rannsoknarad rikisins.

Reich, R. B. (1992) **The Work of Nations; Preparing Ourselfs for the 21st Century**, Vintage Books, New York.

Reichelt, H. (1978) **Kapitalbegrebets logiske struktur hos Karl Marx**, Viborg: Forlaget Medusa.

Ríkisbókhald (1970 - 1988) **Rikisreikningar** (State Accounts), Reykjavik: Ríkisbókhald.

Robertson, R. (1992) **Globalization, Social Theory and Global Culture**, SAGE, London.

Rosdolsky, R. (1975) **Kapitalens tilblivelseshistorie**, bind 1 og 2, Århus: Modtryk.

Rostow, W.W. (1960) **The Stages of Economic Growth**, Cambridge University Press: London.

Rothwell, R. and Zegveld, W. (1981) **Industrial Innovation and Public Policy; Preparing for the 1980s and the 1990s**, London: Frances Pinter Ltd.

Samkeppnisstofnun (1995) **Frettatilkynning 3. april 1995**, Reykjavik: Verdlagsstofnun.

Schmitter, P.C. and Lehmbruch, J. (1979) **Trends Towards Corporatist Interest-Mediation**, Beverly Hills, California: SAGE.

Schumpeter, J.A. (1981) **Capitalism, Socialism and Democracy**, London: George Allen & Unwin.

Schück, J. (1994) 'Investeringar tar nya vagar' in **Dagens Nyheter** August 31.

Schwedler, M. (1993) 'Fra bureaukratisk planøkonomi til forhandlingsøkonomi i Grønland?' i **Grønlandsk kultur -og samfunds forskning 93**; Nuuk: Ilisimatusarfik.

Scott, J. (1986) **Capitalist Proprty and Financial Power. A Comparative Study of Britain, the United States and Japan**, Brighton: Wheatsheaf Books.

Scott, J. (1991) **Who Rules Britain?**, London: Polity Press.

Scriven, M. (1980) 'Truisms as the Grounds for Historical Explanation' in Marlies **Heimspeki félagsvísinda**, Reykjavik: Felagsvisindadeild Haskola Islands.

Sigurdsson, J. (1986) 'Hagur sjavarutvegs, tekjur sjomanna og afnam sjodakerfisins' in The Central Bank of Iceland **Fjármálatídindi**, 3; Reykjavik: The Central Bank of Iceland.

Sigurjonsson, B. B. (1984) 'Den islänska modellen' in **Nordisk tidskrift for politisk ekonomi,** 15/16, Oslo: Selskapet for Studier i Politisk Ekonomi.

SIK (Sulinermik Inuutissarsiutequartut Kattuffiat) (memo) (1994) **Sulinermik Inuutissarsiutequartut Kattuffiat, Greenland Workers' Union - SIK, What is it?**, Nuuk: SIK).

Sklair, L. (1990) **Sociology of the Global System**, London: Harvester/Wheatsheaf.

Skrifstofa Althingis (1978) **Althingismannatal 1845-1975** (Members of Parliament 1845-1975), Reykjavik: Skrifstofa Althingis.

Smart, B. (1993) **Postmodernity, Key Ideas**, London: Routledge.

Stankiewicz, R. (1982) 'The Place of Basic Technologies in the R&D Policies of the Small Industrialized Countries' in Kristensen, P. and Stankiewicz, R. **Technology Policy and Industrial Development in Scandinavia**, Lund: Research Policy Institute.

Statistical Bureau of Greenland (1995) **Kalaallit Nunaanni Inooriaaseq; Levelvilkår i Grønland**, Nuuk: GSK.

Statistical Bureau of Iceland (1967) **Tölfrædihandbók**, Reykjavik: The Statistical Bureau of Iceland.

Statistical Bureau of Iceland (1974) **Tölfrædihandbók 1974**, Reykjavik: The Statistical Bureau of Iceland.

Statistical Bureau of Iceland (1984) **Tölfrædihandbók 1984**, Reykjavik: The Statistical Bureau of Iceland.

Statistical Bureau of Iceland (1988) **Kosningaskyrslur, annad bindi 1949-1987**, Reykjavik: The Statistical Bureau of Iceland.

Statistical Bureau of Iceland (1990) **Frettatilkynning nr.4/1990**, Reykjavik: The Statistical Bureau of Iceland.

Statistical Bureau of Iceland (1991) **Landshagir 1991**, Reykjavik: The Statistical Bureau of Iceland.

Statistical Bureau of Iceland **Hagtídindi**; various issues, Reykjavik: The Statistical Bureau of Iceland.

Stopford, J. M. and Dunning, J. H. (1983) **Multinationals; Company Preformance and Globval Trends**, London: Macmillan Publishers.

Storper, M. and Walker, R. (1989) **The Capitalist Imperative; Territory, Technology, and Industrial Growth**, Oxford: Basil Blackwell.

Teague, P. (1985) 'The Alternative Economic Strategy ...' in **Capital and Class**, 26, London: Conference of Socialist Economists.

Thorleifsson, H. (1990) **Frá einveldi til lydveldis; Íslandssaga eftir 1830**, Reykjavik: Bokaverzlun Sigfusar Einarssonar.

Tobin, J. (1985) 'Keynes's Policies in Theory and Practice' in Wattel, H.L., ed. **The Policy Consequences of John Maynard Keynes**, New York: M.E. Sharpe Inc.

Toftum, J. H. (1992a) **Institutioner i fiskeomsetningen på Færøyene**, Norges FiskerihØgskole, Universitetet i Tromsö.

Toftum, J. H. (1992b) 'Færoysk fiskerinæring' in Nordic Council of Ministers 1992a.

Tornerbohm, H. (1981a) **Ämnesbeskrivning for vetenskapsteori**, Gothenbourg: University of Gothenbourg.

Tornerbohm, H. (1981b) **Hvad er vart at veta**, Gothenbourg: University of Gothenbourg.

Toulmin, S. (1978) **Foresight and Understanding**, London: Hutchinson.

Turner, T.S. (Ed.) (1992) **Theories of Modernity and Postmodernity**, SAGE, London.

United Nations (1989) **Classification by Broad Economic Categories; Defined in terms of SITC, Rev. 3**, New York: UN.

Verdbólgunefnd (1978) **Verdbólguvandinn**, Reykjavik: Verdbolgunefnd.

Vickery, G. (1987) 'International Flows of Technology - Recent Trends and Developments' in OECD **STI Review**, 1 1986, Paris: OECD.

Vidreisnarstjornin (1960) **Vidreisn; Greinargerd um tillogur rikisstjornarinnar i efnahagsmalum**, Reykjavik: Vidreisnarstjornin.

Viemose, J. (1977) **Dansk kolonipolitik i GrØnland**, Viborg: Demos.

Vísindarád og Rannsóknarád ríkisins (1992) **Ársskyrsla Vísindaráds og Rannsóknaráds ríkisins 1990 og 1992**; Rannsóknir á Íslandi, Reykjavík.

Vitter, J.S. (1985) 'Random Sampling with a Reservoir' in **ACM Transactions on Mathematical Software**, 11 (1).

von Mises, L. (1983) **Nation, state and economy: contributions to the politics and history of our times**, Mass: Harvard University Press.

Walsh, V. (1986) **Technology, Competitiveness and the Special Problems of Small Countries**, DSTI/SPR/86.11, Paris: OECD.

Walsh, V. (1988) 'Technology and Compettiveness of Small Countries: A Review' in Freeman, C. and Lundvall, B.-Å. eds **Small Countries Facing the Technological Revolution**, London: Pinter Publishers.

Watson, T.J. (1987) **Sociology, Work & Industry**, London: Routledge & Kegan Paul.

Wattel, H.L., ed. (1985) **The Policy Consequences of John Maynard Keynes**, New York: M.E. Sharpe Inc.

Weber, M. (1958) **The Protestant Ethic and the Spirit of Capitalism**, New York: Scribner's.

Weber, M. (1978) in Gerth, H.H. and Mills, C.W. eds. **From Max Weber; Essays in Sociology**, New York: Oxford University Press.

White, G. (ed.) (1988) **Developmental States in East Asia**, London: The Macmillan Press Ltd.

Yarrow, G.K. (1985) 'Welfare losses in oligopoly and monopolistic competition' in **The Journal of Industrial Economics** Vol. XXXIII, June, Oxford.