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PART

III. Adjustment Processes, Assistance Policies, and Political Response: Some Empirical Realities

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11 Adjustment in Process: A Lancashire Town

Ronald P. Dore

This paper is an interim report from a field study. It concerns the structure of industry in the former textile town of Blackburn: how, why, and in what manner are textiles going downhill? What is going uphill, and why?

The focus of the research is on one particular kind of adjustment problem—that arising from the dynamics of trade between the NICs (and subsequent generations of NICs) and OICs. The assumptions, positive and normative, on which the investigation is based are as follows:

1. As in the Bhagwati paper (chapter 6), which takes the same focus, there are assumed to be in the OICs (*A*) one set of (manufacturing) industries which are losing domestic markets to imports because the NICs' potential comparative advantage from differential wage rates is being increasingly realized as the NICs learn by doing (*and* by studying); these are industries well advanced in the product cycle, where learning by doing and studying is easier; (*B*) another "Schumpeterian" set (mostly manufacturing, some services) at an earlier stage of the product cycle in which the OICs retain comparative advantage in international trade *and* where productivity growth is more rapid and hence from whose expansion the OICs have most to gain in terms of growth in per capita national income (NI); as well as (*C*) an intermediate range of industries not clearly in either category, including, of course, poodle clipping and discos and retailing and emergency wards which provide non-internationally traded goods and services.

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Much of the information in this paper was collected by the author's collaborators, Geoffrey Shepherd, Gillian McHugh, and Jill Eaton, though they deserve the usual absolution from any responsibility for any use of it.

2. It is assumed that the sort of dynamic change which would take place in the OICs in the absence of any market distortions except trade union protection of wage levels would be roughly: Increasing import penetration in the domestic markets of *A* industries leads to the following: (*a*) employment declines (wages do not drop) in OIC *A* industries; (*b*) a consumer surplus is generated in OICs from the purchase of cheaper imports; (*c*) demand in the exporting NICs increases for imports of the OICs' *B* industries; (*d*) the consumer surplus and the NIC demand both stimulate expansion in *B* and *C* industries, which absorb the labor released from the *A* industries; (*e*) the increased exports of OIC *B* industries to NICs balances the external accounts to pay for increased imports.

3. Some such outcome is assumed to be desirable. More specifically, for all the reasons about shared interests in world stability and prosperity set out in the Brandt (1980) report, we assume that the policy objectives of OIC governments should *also* give very positive weighting to the welfare gains accruing to the NICs from this process.

4. But to ask that, in order to achieve this desirable outcome, market forces should be let rip is to ask for the moon. Most modern societies do not work like that. In Europe at least, in Japan, and increasingly in the United States, the political clout of the interest groups who lose in the process of writing off the *A* industries is too great to let it happen.

5. The only way to move toward this desirable outcome therefore is to buy off the opposition.

6. One can also (Diamond's debate, beginning in section 5.5) find arguments from justice for doing so on the following lines: Current world norms concerning what citizens have a right to demand of governments have come to include the right to the protection of jobs against import competition. The entrepreneur who goes bankrupt or the worker who loses his job because the government fails to offer such protection has, on this argument, a claim to more consideration than someone who reaches the same plight through his own inefficiency.

7. But how best to provide the compensation? How will such compensation best (*a*) provide an inducement not to resist the run-down of the *A* industries, (*b*) produce the least frictional hurt from that run-down, with (*c*) the most just graduation of hurt to compensation and (*d*) at the same time optimizing distribution of the incremental flow of capital and labor, respectively, as between the *B* and *C* industries? The best way to work toward an answer to those questions, we thought, was by talking to people currently affected by the process. Our specific questions are:

—When a textile entrepreneur is faced (not just because of import competition but because of any noncyclical secular change) with a declining market and the prospect of nonviability, what factors enter into his choice between closing down, rationalizing to cut costs and stay competitive with the same products, or changing his product mix? In particular, how far do his relations with his workers and with his workers' unions constrain those decisions?

—Assuming that he would see any one of those three alternatives as inferior to getting government protection through the exercise of "voice," what systematic factors affect his likely success in doing so?

—Some enterprises retain their market shares and remain profitable even in the face of import competition; what are the specific products, or processes, or managing or marketing styles, which differentiate these firms from those that go under?

—What are the differences between the small family firm and the large corporation in these various respects?

—Who suffers from an industry's decline, and in what way and how much? How easily are people's skills and capital assets redeployed? What material and psychic costs do people incur in getting new jobs and perhaps homes? What are the secondary effects on commerce and services in towns where a contracting industry is concentrated?

—What are the new enterprises that expand employment as the *A* industry contracts? Are there any observable "phoenix" micromechanisms whereby the new firms arise directly from the ashes of the old, directly utilizing resources released by the decline of the old (which might give clues as to useful types of state intervention)?

For a variety of reasons fairly obvious from the nature of the questions (including, apropos of entrepreneurs' decision making, the hypothesis that local factors, not just the state of national markets, probably enter into their calculations) the study concentrates on the weaving industry in a single town, Blackburn.

11.1 Recent Trends

Textiles in Blackburn have been in steady decline since the days, at the beginning of the century, when Lancashire supplied the home market before breakfast and spent the rest of the day clothing the remainder of the empire. In the town itself the 140 weaving mills of the early 1930s have contracted to a mere dozen, with another dozen in the outskirts, but in the same travel-to-work area. Textiles, having accounted for more than half of total employment half a century ago, made up 12 percent of total employment and 23 percent of employment in manufacturing in 1973 (Blackburn travel-to-work area as a whole), 10 percent and 20 percent, respectively, in 1976, and doubtless even less today. Close to 15 percent of the jobs remaining in weaving in November 1979 were lost in the following eight months, and the number of unemployed former textile workers rose from 225 to 824. This acceleration of decline was brought about not by competition from Third World countries (which is held steady by the MFA) but by the general recession sharply exacerbated by a combination of overvalued pound, high interest rates, and stronger competition from the European periphery (Rumania, Turkey, Greece, Portugal) less restrained by quota restrictions and aided by taste changes. (Foreign producers responded more rapidly to the growing demand for denims and corduroys: new competitors snatch new markets more easily than they erode old ones.)

Firms which have recently closed or undergone major, reduced-scale reorganization include the following:

1. A velvet manufacturer (155 employees, branch of a French, medium-sized enterprise) producing 90 cm widths, losing its markets to German competitors producing the 150 cm widths preferred by garment makers. Is marking time with one-day-a-week working pending decisions about reequipment.

2. A plant (430 employees) of large corporation *A* specializing in woven mattress ticking made on Jacquard looms. Progressively lost markets to products of a newer, cheaper, stitch-bonded process. Has reequipped to produce polyester-cotton sheeting for markets now rapidly being invaded by United States imports.

3. A family firm (200 employees) weaving cotton-synthetic mixes for outer garments in what is claimed to be temporary trouble because of (*a*) some reduction of orders due to recession and (*b*) some delayed purchases due to converters' unwillingness to hold stocks at a time of high interest rates. But the owners have recently floated a new merchanting enterprise to import cloth for sale to converters and garment makers.

4. A plant (850 employees) of large corporation *A* specializing in crease-resistent cotton-synthetic mixes for garments with their own brand-named cloth. In trouble for five or six years because of fashion switch to denims, and imports of ready-made suitings chiefly from Portugal, Rumania, and the United States. A reconstruction plan undertaken in 1978 involving reequipment and new ventures in women's wear foundered in 1979. Factory closed.

5. A former family firm (130 employees) taken over in 1963 by large corporation *B*, but run as an independent unit by former owner. Specialized in curtain fabrics woven on Jacquard looms. Like 2 above, faced with gradually narrowing markets as a result of competition from stitch-bonded prints. Closed and remaining business transferred to sister mill in Yorkshire, 1980.

6. A former family firm (80 employees) acquired some time ago by a medium-sized Manchester firm of converters and garment makers. Wove a variety of cloth, mainly industrial, on 1890-vintage Lancashire looms driven on direct drive by an even older steam engine. Had barely survived in recent years, in spite of import competition driving down prices, by virtue of lower than average wages, refusal to countenance any major repair and upkeep expenditure, and assistance from government tempo-

rary employment subsidy. Ending of the subsidy and imminent need for several major items of capital expenditure (new pirn winders, major repair to steam engine) precipitated closure 1979.

What have we so far learned from our interviews concerning the determinants of the choice between rationalizing, diversifying, or closing?

11.2 The Rationalizing Option: General

For the family firms, the time for choice between the "hanging-on" option 6 above and the "fight-back" option 3 is long since past. No one would now put large infusions of capital into Mill 6: it could survive as long as it did only because all its fixed assets had long been written down to zero and it had to cover only (day shift) wages, material costs, and interest on working capital. Mill 3 started reequipping with modern shuttleless looms, exploited by three-shift working, in the 1960s when prospects were better: it has been able to reequip with later vintages every four or five years (*a*) because it had good secondhand machines to sell and (*b*) because of the liberal capital depreciation allowance system available to British firms generally (for machinery, not buildings), which permits the entrepreneur to choose his own pattern of depreciation—even 100 percent allowances in the first year with any resulting loss making it possible to claim tax refunds on any profits of the preceeding three years.

Other ingredients of Mill 3's survival strategy were:

a) Improved marketing, concentrating on flexibly picking up (albeit small) orders for new or difficult types of cloth of the kind it is not worth ordering, or not possible to order, from a distant foreign producer; capitalizing also, where possible, on converters' and garment makers' buy-British patriotism (one major retail chain uses its buy-British patriotism as an element in its advertising), and on their prudent concern to keep some local suppliers available in case the Suez Canal blows up.

b) Improved labor productivity—most recently in the case of Mill 3 by the importation of a Pakistani-Swiss production engineer (borrowed from the machine suppliers) who by a combination of machine debugging, work reorganization, and task analysis provided the rationale for reduced manning (which still, according to the management's not disinterested calculations, leaves them 15 to 30 percent overmanned as far as overlookers were concerned as compared with European firms using identical machines). This was accepted after much bargaining between the workers, union, and management in return for increases in wages (partly in the form of a productivity bonus) and a compromise settlement over the management's demand, apropos of the skilled men, that it, rather than the unions and workers, should decide which workers might stay and which go. This made Mill 3's wages the highest in the district—for knotters, for example, 36 percent above the wages of the lowest-wage firm among the thirty-seven in the district covered by the relevant union branch (£94.71 and £69.40 per week).

In inflationary periods, of course, wage leaders which become wage leaders in order to get their work force to accept changes they would otherwise resist are able to slip back in succeeding years by lesser increases, though Mill 3's management believes that its ability to select efficient workers and to demand efficient performance depends on its reputation as a high-wage mill.

11.3 The Rationalization Option: Wage Cuts

Actual money wage cuts seem never to be part of a rationalization policy (except that in the case of Mill 1, when the mill went onto one-day-a-week short time, laying off the manual workers at 75 percent of regular wages paid for by a government short-time working subsidy, skilled workers, employed under guaranteed-salary staff conditions, agreed to take a 10 percent cut). Real wages can be eroded over time, however, by failure to compensate fully for inflation. The norm-setting wage agreement between the national (in effect Lancashire) Federation and the Textile Employers Association (and the similar agreement between the Employers' Association and the Overlookers who preserve their superior craft standing by remaining outside the Federation) provides for general increases. The agreement for a 14 percent increase in the 1980 round (at a time when consumer price inflation was approaching 20 percent) seems to have been generally implemented. But this represented an increase on wage structures which have come to vary from mill to mill as a result of ad hoc bargains negotiated by the district secretaries (full-time union men and women) of the respective craft unions—the Weavers, the Overlookers, the Knotters, the Tapers, and the Warehousemen. Even for the craft skills with fixed time payments, the high-wage firms may pay 40 percent more than the lowest, and for weavers in particular the complexities of the piecework systems used, weighting a basic "*x* pence per 1,000 picks" principle by a variety of adjustments for types of cloth, do not allow an easy *ex ante* comparison of wages when rates are fixed—hence the even greater variety of *ex post* wage packets.

The scope for cutting real wages, however, is limited. Mills 4 and 6, especially the "hanging-on" Mill 6, have been low-wage firms in recent years. Both were in small outlying communities on the town's outskirts with no alternative employers nearby, and they were able to retain such workers as they did retain thanks to a strong walk-to-work preference, and in the case of Mill 6 in part by the persistence of noncontractual managerial-discretionary elements in the wage. As the former manager explained:

> Some of the cloth would be slower weaving—coarse counts, say, with a lot of changes of pirn, so you'd go to the weaver and you'd say: "Do this one for me love, and I'll see you right at the end of the week." And she'd say: "Oh, you will, will you. How much you going to give me, then?" And I'd say, "Oh threppence!". "I'll see you dead first," she'd say, but she'd do it and then, say, you'd slip an extra three quid into the wage at the end of the week.

The jocular exchange serves as a substitute for contractual bargaining, preserving the manager's discretionary authority, but making allowance—at the verbal level—for the worker's egalitarian pride. It also inhibits exchange of information by workers about their wage levels and reduces wage predictability.

The low-wage firms did, however, suffer from a shortage of skilled workers. The inability to fill overlooker vacancies meant that Mill 6 was operating only 140 of its 288 working looms for its final half year. (Several Blackburn overlookers left the industry for engineering in that period: four, from Mill 4, to work in textiles in Sudan.) Managers at Mill 4, the other low-wage firm (larger and with much more rationalized, impersonal wage systems), also complained that the Overlookers' Union would not help them to fill vacancies, and complained further of the low quality of their weaver labor and of high turnover (47 percent in the twelve months preceding closure) and high absenteesim (12 percent). This they ascribed largely to the fact that the sickly smell of impending doom has attended the textile industry for so long that few young people have been attracted into it except reluctantly through family connections, because of next-door convenience, or because they could not find better jobs. In the larger mills there were frequent complaints of sloppy work, bad timekeeping, absenteeism, "leaving as soon as we've finally got them trained to a reasonable standard," losing orders because "we just couldn't meet the Swedish quality requirements for the aircraft blinds: you can't get workers to take that much trouble." In the smaller mills, where such complaints gave way to praise for "a fine lot of workers," the average age was relatively high. (Of the total 454 ex-textile workers unemployed in the Blackburn area in February 1980, 40 percent were over forty.)

11.4 The Rationalization Option: Immigrants

The "Bhagwati option"—survival by importing immigrant labor—is not necessary for Blackburn employers since the immigrants are already there. A good many, from Pakistan, India, and Bangladesh, have been there for twenty years. They do not seem to represent a low-wage alternative work force since they are paid union rates and there are no segregated jobs—i.e., no job rates which apply only to Asians let alone to all Asians. However, in marginal matters of interpretations of rates, willingness to accept cuts in conventionalized overtime working, etc., their vulnerability may make them a cost advantage. (As a community relations official put it, "They are a very accepting community—not looking for trouble: easily satisfied with the treatment dished out to them.") And they do clearly represent a low-wage alternative in one respect. They predominate on the (permanent) night shift of many factories, and it is generally agreed that even with current (7 percent) unemployment levels in Blackburn it would be impossible to man the night shift without them. This is spoken of as if it were not a question of wages, but of work attitudes: native born are "not that desperate for money that they are willing to work nights." More realistically one might say that the night shift premium (currently 25 to 30 percent depending on the factory) would have had to have been bid up to some considerable degree to attract suitable workers from other industries, certainly five years ago when unemployment rates were 2 to 3 percent, and perhaps even now when they are much higher.

The proportion of Asian workers varies widely between factories for reasons which seem wholly idiosyncratic and largely to have to do with the levels of racial prejudice of managers or key white workers, the success of early Asian employees in establishing rapport with supervisors and bringing in friends, etc. No systematic correlation with any economic parameters has been discerned.

11.5 The Rationalization Option: Labor Flexibility

Differences between types of looms, of yarn used, and of type of weave so much affect the volume and structure of minimally necessary tasks that it is difficult to compare manning ratios from mill to mill, but it is our impression that there exists a considerable difference between the most tightly and the most loosely manned firms. Tight manning seems often to be the result of improvisation to cover unfilled vacancies rather than of deliberate rationalization. Production planning to avoid peak bunching of some key tasks ("gating" new beams, knotting the ends, etc.) on several looms at once is technically difficult to do effectively, and the alternative of comfortable staffing to take care of peaks even though some workers are often less than fully employed has obvious attractions.

Other limits to the ease with which productivity levels can be raised by reducing manning include (*a*) indivisibilities and (*b*) skill demarcations. As for the first, the number of looms per weaver is difficult to increase marginally because of physical layout. Where the looms are banked in rows of ten, it is possible to go from ten per weaver to fifteen per weaver (if a change in the type of loom use could justify such a large jump), but to go from ten to twelve or thirteen causes problems. In Mill 2 with the switch from Jacquard multicolor weaving to simpler sheeting materials which justified a shift from ten to eighteen looms per weaver, the whole factory layout had to be altered.

Skill demarcations are described as less of a problem than they used to be. The trades with traditional apprenticeship schemes—overlookers, beamers, tapers, and sizers—were traditionally jealously protective of their status as skilled "time-served" men. Their unions would not allow managers to promote, for example, weavers to such jobs even though they had informally acquired adequate competence. This is now largely a thing of the past: the sense of a shared interest in keeping ailing firms afloat—and the sense that most *are* ailing—combined with the steady increase in the number of skilled men who prefer exit to voice, has much reduced these difficulties.

Nevertheless, in a very traditional industry, even small measures of work intensification—in one instance expecting weavers to do their own creeling (linking up the cones of thread to feed the automatic pirn-winders)—meet with disgruntled resistance, and compliance usually has to be "bought." When Mill 2 went over to sheeting with eighteen looms per weaver, groups of workers were sent to another of the firm's mills where the system was already in operation to observe its working. A number of meetings were held, culminating in a mass meeting addressed by the group managing director. The workers finally agreed to a six-month trial period during which they were guaranteed as a minimum their average earnings of the previous six months.

"Negotiation costs" thus remain a not negligible factor in entrepreneurial decision making, but they need not be too high for managers with the right approach. One mill in the outskirts had achieved an effective piece of rationalization not yet found elsewhere. A single group of workers rotated (both within and between shifts) between weaving and cloth-inspecting jobs. The mill was, significantly, part of a larger group with a profit-sharing scheme and an intricate system of councils which ensured a form of managerial accountability to the rank-and-file "partners"—the firm's employees—and this gave a special character to manager-worker relations. For example, one possible problem of the new work arrangement—that weavers might subsequently have to inspect their own cloth—was solved by the "moral incentive" device of getting them to sign the tickets which accompanied the cloth out of the factory. As the recession deepened in the summer of 1980 this was one of the few mills still working at capacity, though how far this can be attributed to its "high trust" labor management policy, how much to its vertical integration with a chain of department stores or to the strength of its relatively up-market product lines, we were unable to judge.

11.6 The Rationalization Option: The Multiplant Corporation

In appearance and ethos, there was more than a half-century jump from Mill 6 with its mid-nineteenth-century steam engine, leaky water lodge, and 1890s looms in tumbledown premises, to multinational *A*'s Mill 4 with its carpeted reception area complete with pretty receptionist, tropical fish tank, leather armchairs, and coffee table magazines—*and* its expensive reequipment program only a year ahead of its decision to close. The differences are particularly important, given the high degree of ownership concentration in the United Kingdom textile industry.[1] The ability to concentrate financial resources at strategic points, probably also access to finance on favorable terms (and the security of knowing that British governments in the 1970s do not allow firms with 30,000 workers to go bankrupt), makes for a relatively bold approach to capital investment schemes—with a little bit left over for a fish tank to emphasize the break with Protestant ethic-type penny-pinching asceticism.

The large corporations can also take closure decisions with greater ruthlessness and at an earlier stage in the decline process than in the case of a family firm. The board which takes the decision (and which may well do so against the strenuous pleadings of the mill manager) does not have its financial vision much obscured by ties of local sentiment. Second, the remaining business and much of the still valuable equipment—those grounds of tenuous optimism which prompt the family firm owner to hold on in hopes of something turning up—can be transferred to another plant of the same firm. This happened with both Mills 4 and 5, each of which had counterparts within their respective grousp. Courtaulds, the group which owned Mill 5, indeed, was reported in July 1980 to have closed 50 of its 350 plants and made 12,000 workers redundant in the preceding year. Its chairman declared his intention to give full priority to the development of nontextile interests (including paint, plastics, packaging, etc.), to concentrate resources on the strongest businesses, rather than to "squander them in areas of long-term weakness" (*Guardian*, 25 July 1980).

Hearsay explanations of why Mills 4 and 5 were closed rather than other plants within the group did not suggest that rigorous performance analyses played a major role. In one case the counterpart had been acquired by the group only two years before for a considerable sum, and "the shareholders would have started asking awkward questions if we closed that down, although it was probably the less efficient of the two." In the other case, the two main factors were said to be, first, that the closed mill was in a newer, more marketable building; second, that the survivor mill to which most of its business was transferred was fairly close to another mill of the group and so could share certain management services.

11.7 The Rationalization Option: Management Quality

One does not get the impression that managers either of the smaller firms or of the plants owned by multinationals are much given to the techniques of scientific management. Professional competences appear to be narrow and practical, and not much accompanied by an analytical grasp of the state of the industry or the economy as a whole. If these impressions are correct, the explanation is fairly obvious. The declining star of the textile industry has not for several decades held much glitter for the high flyer. University graduates are rare in textile management. Perhaps the major exception as a route for talent into the industry has been some of the top management of the larger groups who have come into the industry via chemicals and synthetics, but even in those groups a large proportion of middle management entered the industry via family firms which were subsequently taken over.

11.8 The Diversification Option

Courtaulds is exceptional in its shift of emphasis away from textiles. Almost universally among textile managers mention of Kanebō, the Japanese textile firm that has diversified into cosmetics, and the question, Is that possible here? produces dismissive answers. A senior manager of another of the big three groups:

> We've never regarded ourselves as being anything but experts in textiles. From time to time we've acquired other businesses incidentally, as part of takeovers—an animal feed stuffs business recently—but we've always sold it off.

The manager of the curtain-weaving mill now losing out to the new stitch-bonded process:

> No. We never thought of going into the stitch-bonded business ourselves. You say we'd have the advantage of knowing the markets, having the connections. But its not our trade to be doing that sort of thing. We'd have to turn ourselves into converters. It's like asking Wedgewoods to make plastic cups. That's ICI's job.

A parochial traditionalism is as responsible for this lack of hubris—or down-with-the-ship captain's pride—as a realistic appraisal of their own capacities. "See that row of houses over there! My great-great grandfather built those in the 1850s—with inside bathroom too." And as for parochialism, hear the same man's eloquence about the hopeless peripherality of Blackburn: to be sure he can get up at six and be in Frankfurt by ten, but that's not the same as being *in* the German heartland of Europe where everything is happening.

Only two cases of diversification out of weaving have come our way in Blackburn. Mill 1 established a small knitting business in the later 1960s when it seemed that knitters were taking markets away from the looms. Another firm's machine room developed a capacity for producing plastic extruders, and the firm has gone over to making fine-mesh plastic net by methods which won it a recent prize for innovation.

Even within weaving, specialization was traditionally extreme: "A firm that did cloth for men's trousers would never touch the women's trousers business." Now, however, most firms have had to accept that degree of versatility to survive. The converters are said also to have become more sharply contractual in their business attitudes, more willing to drop a regular supplier in favor of a new one if the price is right. (But this is the first round of hearsay, not yet cross-checked into a coherent story.)

11.9 The Closure Option: Labor Relations

We have not met a single person in Lancashire who does not think that it is wicked of the governments of Britain and the European Community (EC) to deny textile firms protection and so force them into closure. Everyone concerned will always lobby for protection rather than face closure. We have seen, however, some of the reasons why the preference gap between the two alternatives—the degree of desperation with which closure would be evaded—is likely to be different, for example, as between a family firm and a large corporation. It is a matter of some interest—in view of what is generally considered to be a major source of rigidities in the OIC economies—to ask how far the determination to avoid closure is enhanced by humane concern for the workers employed, as against the psychic or monetary cost of dealing with attack from workers threatened with redundancy or their unions, as against the cost of the consequent effects on the morale of the workers left behind.

As for sentiment, it is probably stronger in this industry than in many others precisely because of the characteristics of managers mentioned above: a good many of those in managerial positions began as office boys at fourteen or apprentices at sixteen, or were the heirs of family firms sent to serve their time as apprentices with some of the men whose masters they were destined to become. It is doubtful, however, if such sentiments play anything but a fleeting marginal role in decisions about closure.

But what about the prospect of public uproar, of having the mill invaded by angry workers determined to sit in until the closure decision is reversed, the prospect of bad publicity, much nervous strain, possibly damage to assets, or the cost of legal action?

Such events are commonly reported in the press from other industries, but there is little evidence that concern about worker or union reactions of this type enters even marginally into calculations about closure in the textile industry. Militancy is not the textile unions' style. "It's not a question of them and us, really. It's how we can keep the industry alive," said one union official. "The employers do their best, and they're very good really, though we have our little tiffs with them from time to time. But by and large we've the best of relations with the Employers Association"—a view that is generally echoed on the other side. When Mill 4 was closed, the unions succeeded in extracting from the firm an additional *ex gratia* payment to redundant workers of half a week's salary per year of service (on top of the statutory entitlement of half to one and a half week's pay per year of service—depending on age—up to a maximum of thirty weeks' pay). This was spoken of by the unions as markedly generous, but the resultant sum—in total, say, £2,500 for a fifty-year-old weaver with twenty years' service—is far below the sums demanded and received by the militant unions in shipbuilding and steel. A number of reasons explain this quiescence.

1. The generally small size of plant. Five thousand workers with 12,000 votes have a much bigger chance of attracting government intervention, even than the 850 workers of Mill 4.

2. The nature of the union membership—older, more female, more immigrant.

3. The fatalism induced by long years of steady decline. There is a great deal of bitterness about the treatment given to textile workers in comparison with others. "Take steel workers or car workers. Why is it they get £5,000—even £15,000—whereas for us the absolute top limit's under £3,000. They've been kicking textiles in the teeth ever since I've been in it. But if the textile unions behaved the same way as the car unions, they'd just shut the whole industry down. How much British industry is there invested in Hong Kong, for instance? British titled people, too. All Tories of course."

4. Textile workers have lived with the prospect of redundancy so long that redundancy has become part of their accepted scheme of things, and the redundancy payment has been incorporated into their life-planning process. For many people who have lived frugal lives on weekly incomes, a lump-sum payment though not a large one in comparison with other industries—three times, say, the cost of a holiday on the Costa Brava that you save up for for a whole year—is not negligible. Women in their fifties with a long record of hard work and dependability have not been too afraid of being unable to find something to fill in the few years till their pension starts, and may even begin to fear that they will be "cheated of their redundancy" if the firm fails to collapse before they reach sixty.

5. Long years of cooperation between unions and employers in their shared common interest of lobbying for protection have created a steady

pattern of cooperation. Employers were particularly willing to make accommodations in order to secure that cooperation during the periods of Labour Party rule when the voice of the unions carried more weight.

6. One consequence of cooperation between unions and management is the automatic check off of union dues. This eliminates the weekly due-collecting need for contact between union member and official and thus reduces information flow and the sort of reverberatory process whereby grievances articulated become magnified.

7. With steadily declining membership the (very very modest) salaries and expenses of full-time officials are less and less covered by current subscriptions, more and more dependent on interest from the funds accumulated in the days when membership was much larger. A strike which ran down those funds would mean the end of some of the smaller unions.

11.10 Who Suffers How Much?

Our interviews with former textile employees are not yet extensive enough to support any very meaningful generalizations; only a few tentative ones are possible.

First, some samples of the individual cases:

1. Fifty-year-old widow, weaver, and lately warper (making up warp beams). Altogether she has had fourteen jobs, from four of which she has been made redundant (the last at Mill 5), mostly as a weaver or warper, but with occasional spells as a machinist outside textiles and two spells at home during the infancy of her two children. After thirteen weeks of unemployment she is waiting for a response to a job application (via the government Job Centre) to the local Ordnance Factory—which would pay her more than her previous job. Through personal connections she has had two opportunities to work as a warper in surviving mills. In one the pay was not good enough. The other was a mill she "didn't fancy": it had a bad reputation.

2. Former general manager of Mill 6. Started as an office boy, then chief clerk in a weaving firm which offered him the chance to do (practical) management training—part-time study for textile diploma plus varied work experience including a spell with a machinery manufacturer. In his subsequent career has had six mills collapse under him. Lives in a modest terraced house, talks with enormous enthusiasm about the technicalities of his job (dashes to the kitchen to snip a square from his wife's kitchen towel to help explain the construction of terry toweling) as of the steam engine, the running of which he had to combine with his general managership for the last six months of the mill's life, the driver having been incapacitated by illness. Had heard of a weaving manager's job going in the Philippines, but could not leave aged parent. After thirty

weeks of job hunting sought refuge from a growing sense of uselessness in a job as hospital orderly.

3. Fifty-five-year-old widow, weaver. Has had only two jobs, each for twenty years; the last in Mill 6. No easy substitute available for that last job since she was allowed to come home during the day (a stone's throw from the mill) to care for her bedridden mother and (only recently died) bedridden husband. Regrets losing the lively life of the mill, but has decided not to work: her widow's pension, her mother's old-age pension, a disabled person's attendant allowance and rate rebate provide enough to live on.

4. Twenty-six-year-old Pakistan-born, English-educated male weaver, made redundant at a Blackburn mill. Applied for a job at a local electronics firms early in the sixty-day-notice period and was finally offered one by the firm in the second week of unemployment.

5. Forty-eight-year-old former creeler—her ninth job interspersed with intervals for bearing four children. Earlier jobs had included that of machinist at the local Ordnance Factory: she applied to return (after a ten-year interval) and was taken on as an inspector after six weeks' unemployment.

6. Sixty-one-year-old works manager of a mill on the outskirts of Blackburn which closed early in 1979. In the ensuing six months he was privately offered one mill managing job but refused it because it involved working the two to ten shift at an ordinary day rate. He applied for another advertised job without success and finally, after six months, was offered via the government Employment Agency the job of deputy manager at a skill training center for "difficult" youths. Has been developing a small private brush-making workshop as a sideline.

7. Thirty-year-old man, started career as glassworks boy at age fifteen, became an overlooker's apprentice, and after qualifying as a skilled man (supervisor, setter, and maintainer of looms) continued through a series of five part-time-study technical diplomas and a series of promotions to a works manager position, his fourth job in the textile industry. After some years of desultory and steadily more intensive "looking around" for prospects of getting out of an obviously declining industry, he was offered, largely through sports club associations, a job as a brewery salesman. He now has less responsibility, fewer and more gentlemanly hours for more money, and a company car. The mill he left has not yet closed.

How much can one generalize?

First, we need not grieve too much for the owners of capital who at the very worst have reasonably valuable land to sell, possibly a useful mill site, and machinery (though one admittedly manager rather than owner claimed that he would rather take £40 a ton for scrap than add to the capacity of Third World producers).

Second, the managers of firms within the larger groups are also reasonably well cared for. One of the group's management services division was said to have 322 executives at the end of 1979 whom it was trying to place within the group on the assumption that they would—with considerable financial assistance—be prepared to move to another part of the country. A high proportion of these were expected, in fact, to move out of the company, leaving only those the group proposed to promote in order to keep and (probably a larger number of) those who had so few alternatives that they were prepared eventually to accept a sideways or downward shuffle.

Many managers and skilled supervisory staff of the smaller companies, however, just lose their jobs—and often have considerable difficulty in finding alternatives. The alternatives they do find tend to give little satisfaction and to utilize not their very considerable technical or marketing skills, but only their "leadership" ability to give orders with some confidence that they will be obeyed.

The few younger skilled workers—e.g., overlookers—still in the industry have hitherto had little difficulty in finding other jobs, which often give them higher incomes—some in engineering by virtue of the intelligence and responsible work attitudes which got them their apprenticeship in the first place and were reinforced by their subsequent skilled-man status. The deepening of the recession in mid-1980 was clearly reducing opportunities, however.

Weavers and other nonapprenticeship ("semiskilled") workers probably have had and continue to have the greatest difficulty in finding work, particularly in recent months, though a few years ago at unemployment levels of three percent or less they seem soon to have been absorbed. Older workers are not at a particular disadvantage in this market; the general opinion of employers is that they are more dependable. (Erosion of the work ethic? More family ties than younger people? Later cohorts of semiskilled workers recruited from further down some putative general ability range?) A proportion of the women workers are marginal to the labor force: they work for supplementary family income and are noncontributors to unemployment insurance, not averse to taking several weeks holiday between jobs, and reliant on the grapevine for news of alternative employment. The Job Centre—the state employment agency—registers all claimants of unemployment insurance plus nonclaimant job seekers who bother to turn to it for advice and news of vacancies (or retraining schemes of job search schemes—travel subsidies to follow up vacancies in other districts. etc.). In November 1979, the ex-textile workers on the books were 225 men and 49 women; in February 1980, 384 men and 104 women. In the latest employment census available (June 1976; the June 1977 figures were not to be available until May 1980!) women made up 35 percent of the textile labor force. On the assumption that their proportion among actual job losers was similar they were greatly underrepresented in the Job Centre–registered unemployed. They should have been 121 not 49 in November, 207 not 104 in February.

Asians among the latter group face particular difficulties in seeking jobs, from prejudice, from actual communications difficulty in environments where they may not have learned the particular vocabulary, and from diffidence about trying to break into occupations or firms in which Asians have not yet established a foothold. Their unemployment rate in a 1977 survey, at a time when the general unemployment rate was 6.5 percent, was 26 percent among heads of households and 21 percent for the whole labor force. A certain amount of outwork by their wives for the garment industry somewhat eases their families' financial situation.

So also, of course, does the availability of unemployment benefit and supplementary benefit, as well as drawings from the earnings-related contributory scheme, ease their load. The financial plight of the unemployed is very different from that documented for Blackburn by the Pilgrim Trust in the 1930s (Pilgrim Trust 1938). Whether that also mitigates the psychological effects is less certain. One overlooker describing his five weeks' unemployment (which ended in his getting another overlooker's job) spoke of his loss of confidence, his growing sense that nobody would want him anymore. But he found some consolation, at least, in the fact that he had enough money to do some photography and print his own color enlargements.

Job-search areas are usually very narrow for the Blackburn born. Moving house is considered an extreme measure, and a journey to work of more than a mile and a half is frequently seen as a great hardship. The immigrants are a good deal more mobile, but depend on their community grapevine rather than the government information service. A number of Asians were said, for instance, to have gone to work in Danish hotels through personal connections.

11.11 Secondary Losers

With only 10 percent of the labor force in textiles, the contribution of the loss of jobs in that industry to the increase in total Blackburn unemployment (the monthly rate rose from 1.8 to 2.3 percent in 1974 to 6.1–6.8 percent in 1979) has been relatively small. There is consequently little awareness any longer of textile decline as *the* central problem of the Blackburn economy. The local community relations officers (particularly concerned with the hard-hit Asian community) and a borough councillor or two will join the textile employers and unions in delegations to the Department of Trade to demand protection, but the plight of the textile industry is not a dominant theme of borough council meetings, nor do changes in the consumer market stemming from textile fluctuations appear to have entered into the calculations, e.g., of the chain store which recently opened a new up-market department store in the redeveloped city center.

11.12 The Lobby for Protection

The actual pattern of losses to individuals described above does not seem very directly to affect the strength of the protectionist lobby. Lobbies, petitions, protests are organized chiefly by the Textile Employers Association and the unions. In terms of personal motivation, they are threatened not by any immediate loss of job (such as might be made up for by compensation schemes) but by a *slow dwindling* of their raison d'être and resource base. The Employers Association may have to dispense with a part-time secretary as a quid pro quo for getting its remaining members to pay increased dues. The knotter's secretary hardly feels he can ask his hard-pressed committee to increase his £2 a week car allowance in line with inflation. Only the unions whose investments cover a large part of current outgoings are free from such pressure.

11.13 Whither Do Resources Move?

Former mills still provide (£2–3 per square foot) factory space, and its availability has been a decisive factor in inducing the start-up of some of the small enterprises that have begun business in the last five years, though almost equally cheap (subsidized) sites on industrial estates have been an available alternative for a large number.

Another example of direct transfers: a nest of four firms (manufacturing fine-tolerance deep-drawn pressings, electronic machine utilization recorders, prototype printed circuits, and importing and customizing visual display units) was started out of capital gained by selling a family textile firm to one of the large groups, out of managerial experience gained within that same group, and partly out of a market for automatic loom-monitoring equipment, knowledge of which had come from that experience.

Such examples are rare, however. Our sample of new or expanded firms is as yet small and unsystematic, permitting few generalizations, since information about the total population (and hence about the representativeness of the firms we have found on a street-by-street research basis) is hard to come by. Three of the fourteen new firms are utilizing relatively new technologies (the pressings, monitoring equipment, and printed circuit firms just quoted). Three adapt imports from technologically superior foreign sources for the British market (computer visual displays, municipal service and heavy agricultural vehicles—some of the latter from a domestically produced base, and a furniture foam cutter).

One, a carpet tufter, is in an industry of which there is an expanding concentration in Blackburn—carpet making and tufting machine manufacture—serving a market with higher income elasticities than textiles. Two—a larger do-it-yourself supermarket and a furniture wholesale-retail business—were specifically attracted by large, cheap areas of space in old mills. Others—a jobbing steel fabricator, a department store, a firm making small electric motors and transformers, one making parts for commercial vehicle air brakes, and one making plastic blow mouldings—might have been located anywhere and owe their location to a variety of personal and idiosyncratic factors.

As for overall shifts in employment, recent figures are not yet available, but the 1973–76 figures reflect the familiar story of the deindustrialisation of Britain. Employment as a whole fell from 98 to 93 percent of a roughly constant labor force, but the decline in manufacturing employment was 9 percent rather than 5 percent. Increases took place in services (both "miscellaneous" and "professional and scientific" services, but with distribution stable and government services falling slightly in absolute numbers—though not in percentage of the employed) and in a small number of minor manufacturing branches: paper, printing, and publishing; timber and furniture; food, drink, and tobacco.

Nearly all these firms have benefited from one or other of the following:

—Twenty percent grants toward capital equipment by virtue of the fact that Blackburn was an Intermediate Development Area.

—A regional employment premium, partial subsidization of new workers for an initial period (until 1977 only).

—Small industries employment premium, a similar scheme for small businesses only (after 1977).

—Assistance in finding, or improving, premises or rent subsidies, from the local authority, the regional Development Association, or the Industrial Estates Corporation whose brand new industrial estate premises are rented at not very much more per square foot than old mills.

—An equity contribution from the National Research Development Corporation (in the case of the electronics firm).

None of them, however, was prepared to ascribe a very large role in their scheme of things to such assistance. One claimed to have refused to bother with the £600 he would have been entitled to as employment premium for his five-worker establishment on the grounds that it was not worth the paperwork and the dealing with intrusive officials.

11.14 Adjustment Assistance

The British cotton textile industry has once had a comprehensive reorganization scheme (1959) which involved incentives for scrapping and exit—but combined them with subsidies for reequipment and process and product innovation. The result, as documented by Miles (1968) and summarized by Wolf (1979), was that the reequipment substantially compensated for the scrapping, the productivity increases and product innovation were insufficient to restore competitiveness, and the taste for protection grew on what had fed it. Import restrictions grew and have become a permanent feature. Few in Lancashire really expect the MFA to be allowed to lapse in accordance with the promises at its signing.

Recently the textile industry has benefited from two additional forms of protective subsidy, both general measures not specifically aimed at textiles. The Temporary Employment Subsidy was a measure for firms facing unprofitability owing to temporary trading conditions. They could claim a wage subsidy for a limited—but renewable—period. This gave firms every incentive to sustain production levels and compete by cutting prices, an effect which brought strong complaints of unfair subsidization from Europe. Overmanning was also encouraged, which conventionalized labor practices that had to be "bought out" when business started again in earnest. In April 1979, as a result of criticism, the scheme was replaced by the Short Time Working Subsidy, which paid up to 75 percent of wages for days not worked by firms which cut back production by moving to short-time working if it could be shown that the alternative was large-scale redundancy. This was free of some of the disadvantages of the earlier scheme.

The industry's own demands for "adjustment" are, of course, at best for "temporary" protection while it restores competitive profitability, at worst for permanent support.

The political effectiveness of these demands is there for all to see. The question is whether less undesirable adjustment measures (undesirable from the value assumptions taken in this paper) would reduce the strength and political effectiveness of the demand for the existing type of measures.

Wolf (1979) discusses the effect of genuinely temporary protection in inducing greater capital intensiveness which may restore competitiveness, thereby maintaining production levels but with considerably reduced employment—an outcome which he disapproves of on normative assumptions similar to those adopted here; i.e., it leads neither to the preservation of OIC jobs nor to the increase in NIC exports. If, however, it genuinely does lead to very considerable productivity increases through product and process innovation and so restores competitiveness—if, that is to say in terms of our earlier classification, an *A* industry is transformed by a new round of innovation into a *B* industry—it is hard to object to the process. (Though one might wonder what the NICs would do if all the *A* industries could be rescued for the *B* category in this way.) In practice, however, although something of this kind may well have happened in parts of the Japanese and German textile industries, and in isolated firms even in Britain, the evidence that it has been or could be a general phenomenon is lacking. The loss of jobs through increased capital intensiveness is easy to document; the actual restoration of competitive profitability much less so since protection measures for a fixed term have generally turned out to be anything but nonrenewable.

A form of temporary protection for an import-threatened industry which might have better results is a degressive tariff tapering to zero in a fixed term of years, the revenue proceeds of which are used only to pay for scrapping and exit compensation—for the same product lines as the tariff applies to—not for reequipment of firms which elect to stay in the business. With a degressive tariff, the slide gets established at levels at which it still holds off imports. By the time it ceases to do so and the threat increases, the degressive slide has an established legitimacy and it is hard for protesters to choose any rational point at which to cry halt. If the compensation amounts—perhaps with guaranteed minima backed by government revenue—were to vary with tariff revenue income, this would encourage early exit and create an interest group directly concerned with maximizing imports. One of the principles implicit in such a measure is already embodied in the MFA's provisions for an annual increase in quotas from Third World producers.

Most of the adjustment measures discussed above are aimed at firms or workers. We have seen that the real losers whom nobody thinks of compensating (the full-time paid organizers of the successful lobbies!) are the officials of the textile associations and unions. Why should these associations and unions not also be compensated for lost membership fees?

How much of the compensation should go to the owners of capital, how much to the workers? Take first the political argument: which is it more necessary to bribe? In the British textile industry, as we have seen, worker resistance to closure is not a significant factor in affecting managerial closure decisions, and union officials have their own reasons, not just (perhaps not primarily) their members' reasons for wholehearted lobbying for protection. The conclusion would seem to be that for textiles (not perhaps for steel or shipbuilding with more militant unions) the employers need sweetening the more. In equity terms, the case for providing either party with compensation over and above that which is afforded by the country's economic institutions to those made redundant or going into liquidation from any other industry depends on one's assessment of how far, given prevailing standards of the levels of security and comfort governments ought to guarantee their citizens, owners and workers in import-threatened industries can be deemed to have a presumptive "right" to expect protection.

Supposing compensation is to be paid to the losers, are there any devices which might increase the likelihood that the compensation paid is used to stimulate the growth of employment capacity in the *B* and *C* industries and export capacity in the *B* industries? (Again, there is no reason in equity why the measures—in Britain the considerable array of measures, see those listed above for firms, plus retraining schemes, job-search travel schemes, home removal schemes for workers—which are generally available to promote these purposes should be available only to, or preferentially to, those coming out of import-threatened industries. The proposition is: supposing considerable sums are going to be paid in compensation anyway, can they also be diverted to this purpose without losing their compensating ([bribery] function?)

Two possible devices exist. First, if exit compensation is paid to a firm which gets out of a threatened industry, an additional premium could be paid if, instead of closing, it retains the firm's identity and premises and at least some of its work force and switches to production of a new product. If the society concerned is one like Japan where there is a belief in the ability of government officials to pick winners, the premiums might be graduated to the desirability of the industry entered.

Second, redundant workers might be given a reemployment voucher. They give this to anyone who offers them a job, and their new employer can use each voucher as collateral for a capital equipment loan of £x. If the employee is still with the same outfit after, say, twelve months, the voucher can then be cashed in, by the employer for y percent of £x. The worker's compensation is in the form of enhanced reemployment chances, but he might also be given a delayed cash compensation at the end of twelve months, if only to deter him from trying to profit directly from his ability to confer financial benefits on an employer by claiming his "cut." Doubtless there are innumerable snags in this process, over and above the difficulties of administrative verification. One obvious one is in terms of the distinction between the *B* category, technological frontier, "Schumpeterian" industries and the *C* category, service, transport, construction, etc., industries. The reemployment voucher scheme attaches fixed sums of capital to workers, whereas it is to more capital-intensive *B* industries that one would wish to direct more capital, and more labor-intensive *C* industries more labor.

11.15 Conclusions

The conclusions of what is primarily an attempt to describe the state of a declining industry over one six-month period cannot do much more than arbitrarily single out a few points for emphasis.

A matured decline such as that of the British textile industry (steadily downhill for five decades) has certain particular features of its own in terms of the nature of its recruits, the degree of ingrained pessimism, etc., which distinguish it from greener candidates for decline. The large corporation does seem to respond more rapidly to signals betraying long-term trends than do family firms. An industry as tradition-bound as textiles does find diversification extremely difficult and uncongenial. It is hard to identify any factors which would enable some of the more innovative textile firms to stay internationally competitive without government protection, except converters' and industrial users' preference for a reserve of fallback local supplies, ability to produce certain specialized lines, and, in a few cases, art design superiority. (The possibility that the British industry is more "hopeless" in these respects than the industry of other OICs—and the implications this has for intra-OECD adjustment policies—will be one focus of the Britain-Japan-France comparison that we hope to develop at a later stage of our research.) Particular closure decisions are not much affected by worker resistance, though unions are important elements in the organization of protectionist lobbies, and in any schemes for adjustment compensation the separate claims of unions and employers' associations should be considered. There is room for experiment in linking compensation on one hand with degressive tariffs and on the other with the promotion of a better industrial structure through the channeling of investments and employment creation.

Notes

1. Two-fifths of textile employment was in the three largest firms and nearly two-thirds in the largest ten (24 percent and 32 percent in France, which had the next highest degree of concentration) (Shepherd 1980).

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Comment J. David Richardson

This is a refreshing and transparent paper, full of apt anecdotes that should suggest new themes for analytical and empirical research, and instruct policy historians and reformers. The virtue of a survey-based, representatively anecdotal approach is that it avoids the fallacy of *de*composition—generalizing from the aggregative to the particular—that tempts us so often as economists. The disadvantage of such an approach is that its domain of application may be quite narrow. To illustrate by one caveat: the textile industry in Blackburn, Lancashire, seems to have passed beyond decline into a moribund state; the United States textile industry, by contrast, is more accurately described as "threatened," and parts of it are positively healthy. Certain features of the British industry might not therefore be generally characteristic of other nations' counterparts—among others, its muted political activism and its resigned, fatalistic employees.

A number of findings in Professor Dore's paper deserve highlighting and comment. The first is the remarkable length of the adjustment process. The Blackburn industry has been losing out to foreign competition for roughly fifty years. This is "too long" by any sensible normative measure I can imagine because it spans several generations of workers, most of whom would have taken their first job in a clearly declining industry with their eyes open to its state. This raises the question of how other members of a society (or the government) should weigh their demands for compensation—did not they have adequate warning? Or would not adjustment costs have been fairly small for a government program that *dis*couraged new investment and new hires in such an industry (especially of the young)? Dore is attracted to government programs like this that promote exit and scrapping, and I would subscribe to his opinion.

Such programs can presumably be made politically feasible by liberal employment of carrots (exit bribes) rather than sticks (entry barriers). A degressive tariff with revenues earmarked for exit carrots in the same industry is an appealing illustration suggested by Dore, an illustration bolstered by several examples of Blackburn people whose impending redundancy payments affected their labor market behavior in a desirable way.

This discussion raises a generalization that is implicit in many of Dore's cases. Compensation schemes have their own efficiency and equity effects—effects that do not generally restore the allocation and distribution that existed before the initial shock. Some of these are favorable on

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standard economic grounds: Dore's degressive tariff is an equity-motivated bribe that also aids the adjustment process. Others are not so favorable: do not the losers from the effects of compensation schemes have a right to compensation?...and then by precedent the losers from the compensation scheme to compensate the losers from the compensation scheme?...and then...and then...in an endless and inefficient sequence of resource diversion away from production and toward suing-for-injury.

Several other thought-provoking findings concern differences in motivation and personality of textile workers and managers. The most dynamic of the group seemed to be those in Romania, Turkey, Greece, and Portugal who, to illustrate, "responded more rapidly to the growing demand for denims and corduroys." Presumably they were among the most ambitious and skilled workers in their society, and were attracted by a share of the rents being generated in the rapidly growing textile industries of the European periphery. Least dynamic were the workers and managers who remained in Blackburn and who worked for smaller, family-run companies. They had the most severe burdens of adjustment, but they also had strong family ties to the area, a pronounced "walk-to-work preference," and an aversion to working the night shift. One cynically wonders to what degree they may have been chronic underachievers, less deserving of compensation than in need of exhortation, counseling, and willingness to be reconciled with the consequences of their own nonpecuniary choices. In between these extremes fall British workers and managers of larger, publicly owned, multiplant companies who seemed ready to move both geographically and with respect to the type of job taken. Their adjustment burdens seemed relatively minor, and hence also their need for compensation and government assistance in adjusting. Verifying and explaining such behavioral differences strikes me as a fruitful area for careful sociological and economic research. So does doing the same for family-owned versus publicly owned firms, small versus large, multiplant versus single-plant, etc.

Professor Dore's behavioral differences reinforced my own predilection that multiplant, multidivisional firms have the institutional potential to arrange efficient intrafirm adjustment and generous compensation for their own displaced employees. That no such "private-insurance adjustment assistance" is practiced on any large scale to my knowledge I ascribe to the relatively recent advent of government programs along such lines. As experience with official programs sours, I predict increased employee demands for firm-level adjustment assistance provisions in negotiated contracts, and increasing corporate willingness to oblige as long as parallel contract provisions alleviate moral hazard problems that may develop.

I would differ with Dore in a few places, for example, with his implicit approval of government programs to encourage diversification by firms being pressured by imports. Diversification in this paper denotes shifting of a firm's efforts toward new product lines. The problem with this is that it can indenture workers and managers to an institutional shell that was revealed by the market already to be comparatively unsuccessful. (If it had been a successful firm, diversification would presumably have been profitable for it without government encouragement.) There seem to be few economic reasons for preserving institutions, especially unsuccessful ones, in contrast to preserving the skills and well-being of individuals. So it is arguably more efficient on economic grounds to allow firms to die rather than to diversify, after which diversification does take place, but individual-by-individual diversification by employees of the dead firm—into new skills, new responsibilities, and relatively more successful institutional shells (firms). The upshot of this argument is of course to cast doubt on the wisdom of all government programs aimed at the survival of firms rather than their exit. It also forces me to demur at Dore's (tongue-in-cheek?) suggestion that textile associations and unions need institution-preserving compensation, too.

Finally, I was surprised at how easy was the typical adjustment of most individuals and firms profiled—even in the absence of government assistance. Many workers switched industries and acquired new skills without official assistance or protracted periods of unemployment, even those who seemed least ambitious, skilled, and mobile. Some workers even switched countries, moving to comparable or better positions in the Sudanese and Philippine textile industries. And while firms took advantage of government assistance when offered, "None of them... was prepared to ascribe a very large role in their scheme of things to such assistance." Indeed, it does only a little violence to this excellent paper to characterize it as documenting a history of gradually successful private adjustment and questionably successful official efforts to ease that adjustment.