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General Introduction

Attempts to execute employment contracts constantly come up against problems of interpretation. To express the difficulty in concrete terms, when an employer gives an employee an instruction, how is the latter to comply with that instruction? With what level of commitment? How are employees to interpret the injunction to work diligently if, as Marsden (1999: 155) notes, ‘Diligence concerns partly how hard people work and the care they take on their jobs, but also their time-keeping, attendance and general reliability’? In the 19th century, factory rules, in France and elsewhere in Europe, stipulated that workers guilty of ‘negligence in the execution of their work’ would be fined, but how was negligence to be defined? Similarly, how do employers go about controlling work and, in particular, how do they measure work intensity? Companies in the English-speaking world go even further by formulating strategies likely to help them obtain the maximum ‘discretionary effort’ from their employees. Employers in Continental Europe, who tend to reduce this problem to one of work intensity, still largely ignore it. In general terms, how do employers and employees decide to trust each other in the absence of any guarantee about the other’s intentions and of any means of obtaining such a guarantee, since it can never be known whether a guarantee of intent (such as a written IOU given to a friend) is merely an intent to guarantee (that is, a promise designed to reassure the friend, who will not be reimbursed)?¹ These questions reflect the specificity of the wage relationship, which Marx (*Capital*, Volume 1: 502, note 1) described in the following terms: ‘If you call labour a commodity, it is not like a

commodity which is first produced in order to exchange, and then brought to market where it must exchange with other commodities according to the respective quantities of each which there may be in the market at the time; labour is created the moment it is brought to market; nay, it is brought to market before it is created.² Marx is expressing here what modern economists call 'the incompleteness of the labour contract'.³ This incompleteness makes it necessary to refer to current uses and existing rules in order to clarify the various aspects of the wage relationship.

Although there are many economists who take the view that prices are not the only tools of coordination and that rules or control exerted through a management hierarchy are necessary, there is little research that explains how rules fulfil their function in such a way that they can be said to facilitate exchange and hence coordination.

After all, in the standard model, individuals are intent primarily on following their own interests, which perhaps involves following rules.⁴ But what do we mean when we say that those individuals are following the rules? In effect, they are complying with a constraint on their utility maximization plan. Such a constraint helps to make the rule compatible with individual interests. Moreover, the rules are regarded as instruments that can bring the particular interests of the members of the same organization into line with each other. Such rules complete employment contracts, since theorists assume that they are applied mechanically. Incentive theory is undoubtedly the approach that has most explicitly developed this notion of rules (Holmström, 1979; Grossman and Hart, 1986). However, such a technical and instrumental view of economic rules ignores the fact that these rules are also social, in the sense that they are applied in a real world and not in the imaginary world constructed by theoreticians to satisfy their scholarly requirements.

However, other schools of thought, which are very diverse in their approaches but can be said to share a common reference point in the notion of convention developed by the philosopher David Lewis (1969), attempt to explain collective dynamics at the macro- or micro-economic levels on the basis of rules, conventions or norms.⁵ A by no means exhaustive list of these schools of thought would include evolutionary theory (Dosi *et al.*, 1988; Egidi, 1992; Young, 1993, 1996), theories of complementarity and institutional hierar-

chy (Aoki, 2001), the economics of conventions (Dupuy *et al.*, 1989, Orléan, 1994) and theorists of the firm, such as Leibenstein (1982). However, all these non-market forms of coordination are totally abstract. The evolutionary approach that draws on genetic algorithms has imported the notion of rules from artificial intelligence: rules rigorously define the action that will be triggered when certain conditions are fulfilled (Cohen *et al.*, 1996: 45, Dosi *et al.*, 1997). The logical expression corresponding to this notion is 'If X, then Y'. Individuals internalize the same rules, which eliminate any question about how those rules operate (Egidi, in Cohen *et al.*, 1996: 45). For the other evolutionary approach, which draws on game theory (Young, 1993, 1996), coordination denotes the selection of one state of equilibrium from among several possible ones. Leibenstein investigates how the wage relationship can function when the employment contract is incomplete and effort is a discretionary variable. The solution is to agree implicitly on an 'effort convention' determined by the average effort level in the group (Leibenstein, 1982: 94): 'Entrants to the firm observe the average effort level, and set their own effort approximately at or fairly close to the observed average.' The difficulty with this type of solution is linked to its self-referential nature, to use the term adopted by Orléan (1988). In other words, individuals adapt to a norm that they are in the process of establishing. Finally, advocates of the conventionalist approach perceive rules as 'collective cognitive mechanisms'. What are the empirical arguments underpinning the notion that rules fulfil their functions by virtue of their cognitive dimension? How can the cognitive dimension, in and of itself, facilitate coordination in the real world?

In reality, economists have not tackled the question of how rules act, perhaps because it is too concrete an issue to be of concern to them, one better left, in their view, to sociologists. Economists prefer to approach what they regard as 'too concrete' by adopting the concept of rational behaviour and decision-making. From this point of view, there is no point in examining the consequences of a solution since it is, by definition, optimal. Thus decision theorists stop at the threshold of a theory of action. The rational behaviour paradigm has many cleavages. The greatest modern economists, such as Sen and Simon, both Nobel prize winners, have criticized the assumption that individuals always seek to maximize their own

interests: 'The main issue is the acceptability of the assumption of the invariable pursuit of self-interest in each act' (Sen, 1979: 109) and criticized the paradigm for its inability to account for the reality of routine behaviours. Although these criticisms have given rise to a number of studies, the question is enormous in its scope and the way in which rules function remains largely unexplored. It is organizational theorists who have tended to focus most on these questions (March and Simon, 1958; Cyert and March, 1963). The book by March *et al.*, (2000) on changes to written rules in organizations shows, once again, that advances in the understanding of rules are still coming from this school of thought. Nevertheless, their research does not really deal with the question of how rules operate. As for macro-economists, whether of a neo-classical, Keynesian or Marxist stripe, the highly aggregated level at which they conduct their analyses does not allow them to take account of rules.

When they have not simply ignored the question of rules, economists can be said to have developed a theory of how to resolve a theoretical problem (namely, how do rules operate?) by adopting a theoretical and abstract point of view. If we accept the criticisms levelled by Simon, Sen or Leibenstein, what needs to be done now is to develop a theory of how practically to resolve this very practical problem.

Rules are generally considered as resources to be drawn on in the execution of employment contracts; however, they do not eliminate the uncertainties of the wage relationship. The basic explanation for this is not, as most economists suggest, to be found in the notion of 'bounded rationality', which is a tautology, but rather in a fundamental property of rules, namely their distance from the solution. On this point, the present book draws heavily on Wittgenstein's contribution to the understanding of rules and attempts to use his insights in a creative way that takes account of the way in which rules operate, the blind spot of economists whose concepts of rules are so underdeveloped that they leave us incapable of analysing any reality at all. In the world as seen by economists, rules operate in the same way as 'rails compelling a locomotive', to use a metaphor cherished by Wittgenstein (BGM,⁶ I § 116). For him, rules are not an external description of a procedure that has to be internalized in order to produce a particular behaviour. They have no meaning outside of their practical application. Indeed, it is their practical

application that gives meaning to rules. From this point of view, the idea that the signatories to an employment contract mobilize rules, which seems so simple to economists, turns out in reality to be extremely complex. What does the mobilization of rules involve in practice? What does it mean to apply and follow a rule? The economic sphere does not escape Wittgenstein's questioning, and there is no reason why it should be otherwise. Wittgenstein does not abandon us to what Kripke (1982) called 'Wittgenstein's sceptical paradox' (PU, § 201), which does not in any case reflect Wittgenstein's position on rules: 'No course of action could be determined by a rule, because every course of action can be made out to accord with the rule'. In *Philosophical Investigations* and *Remarks on the Foundations of Mathematics* in particular, as well as in some passages in *Dictées*, he develops a non-causal approach to rules, which far from being abstract, is absolutely in touch with reality.

The idea of the interpretation of rules is also found in the work of certain legal experts for whom the act of interpretation lies at the very heart of their thinking and practice (Atias, 1982; Jeammaud and Lyon-Caen; 1982; Serverin, 2000). The marks left by past interpretations of legal rules are visible in case law, which itself evolves out of competing future interpretations. Although legal experts are generally less reluctant than economists to accept the interpretative nature of rules, strong resistance is sometimes encountered since rules are frequently confused with laws, which are by definition obligatory in nature and sometimes accompanied by sanctions or punishments, which in many instances gives rise to the perception of rules as mere constraints.

In general terms, rules can be said to be explicit, public statements that trigger an action with a certain degree of predictability but do not determine it (except in the extreme case of a constraining rule). They are both general and abstract. If this is an observation that has to be made, despite its being shared by the legal community,⁷ we do so in order to draw a conclusion that is perhaps less banal: the distance between rule and solution is a fundamental property of rules, since it explains why a rule has always to be interpreted. Rules do indeed make it possible to find a solution to a problem, but they do not provide that solution in any detail (Atias, 1982: 216): 'If the content of the rule corresponded exactly to the actual hypothesis,

the prescription would be valid only for the very limited number of hypotheses expressly considered. Even the slightest difference in circumstances would make it impossible to infer the solution from the rule.' Otherwise, there would have to be as many rules as there are problems to be solved, which would destroy the specificity of individual rules. We would then be dealing with another category, which in law, is known as a decision: 'It uses up its effect in an instant even though its consequences may be lasting. In contrast to norms (or rules), which can be applied in a limitless number of cases through the effect of a single edict, decisions exert their effects only step by step' (Jeammaud and Lyon-Caen, 1982: 57). Interpretation is coextensive with the notion of rule. The indeterminacy of rules is the term used to denote this property.

The need for interpretation is reinforced by the fact that rules do not operate in isolation but as part of a system of rules and that, in order to apply a rule, reference frequently has to be made to another rule. In Continental European law, a legal rule is by its very nature incomplete, incapable of application or interpretation in isolation; among all the elements that have to be taken into account, there are the practices and case law created by past interpretations of the rules.

While it is obvious that the obligatory nature of rules, when they have that quality, is a powerful lever for the transmission of their effects, it is far from being the only one. Some rules fail to achieve the objective assigned to them despite being obligatory. Other rules produce a diversity of results despite the fact that, by definition, they have a single objective. Such differences suggest that rules draw their strengths and their limitations from the fact of being rooted in the social world. From this perspective, it would seem important to establish, despite the indeterminacy of intentions and rules, how the latter operate and how they acquire their specific powers. Such knowledge is an economic question because, at worst, it helps us to avoid any involvement with rules that are doomed to failure and, at best, to play a part in creating efficient rules, in the sense that they achieve the desired objective. This book is given over to that very question and naturally draws on practice rather than theory.

It is based on the observation and analysis of the introduction between 1993 and 2001 of a new rule – a team productivity bonus – in the Electronic Equipment Maintenance Workshop of the Paris

Métro and of its effects on the equilibrium of the rule system in force at the time, on the relationship between operatives and the entire set of operating rules, on the strategies the teams adopted in order to maximize their bonuses and, finally, on labour productivity in the workshop. Eight years have elapsed since the introduction of this team bonus, sufficient time to be able to examine with some degree of detachment the ways in which rules operate.

Chapter 1 examines the conditions under which trust is established within the wage relationship when the intentions of the signatories to the contract are not known. It is shown that rules and commitments that are not declared but reflected in action make it possible to remove the uncertainty as to whether each party is going to trust the other.

The focus of our analysis is on the interpretative aspect of rules, and we turn next to the question of whether economists and governments are still 'in control'. What resources can they draw on in order to recommend rules that might be understood and followed by social actors? Chapter 2 examines the case of wage disindexation in France from 1983 onwards in order to show that it is possible to link the interpretative dimension of rules with the need to make them operating rules.

Chapters 3, 4 and 5 pursue this investigation into the way in which rules operate, drawing on our observations in the Paris Métro.

The hypothesis advanced in Chapter 3 is that the way in which rules are established determines their credibility to a large extent. The model of rule formation we highlight is based on a 'lock-in' strategy, the main feature of which is the use of intermediate rules whose margin for interpretation shifts as the negotiations advance. The term 'lock-in' expresses the idea of a loss of freedom on the part of the actors, since reaching agreement on an intermediate rule makes it virtually impossible to go back (in business negotiations, this is called a 'funnel strategy').

Our observation of the modes of work organization and coordination among the engineering workers in the workshop gives the expression 'following the rules' a precise meaning, namely the implementation of routines (Chapter 4). According to the Weberian analysis of rules put forward by Serverin (2000: 221), 'actions that serve to implement a rule' are to be distinguished from 'actions guided by rules', and it is these latter that are the subject of

Chapter 5. The object of investigation here is the strategies adopted by operatives for dealing with the rules. The result is a surprising one for those economists who believe that rules are like 'rails laid invisibly to infinity', to use Wittgenstein's expression (PU, § 218). The same rule produces different effects in different but comparable teams. These differences are attributed, on the one hand, to *habitus*, that is, following Bourdieu, the aptitudes or dispositions of individuals to adopt certain practices⁸ and, on the other, to the style of individual teams. Chapter 6 brings together all the lessons of the empirical analysis in order to develop a practical theory of the way in which rules operate, a theory based in essence on the notion that a meaning of a rule lies in its uses; while uses reflect what it is normal to do, practices depend on individuals' *habitus* and dispositions to implement routines, which are nothing other than rules that have already been interpreted.

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