

# Competitive Party Democracy and the Keynesian Welfare State: Factors of Stability and Disorganization\*

CLAUS OFFE

*Department of Sociology, University of Bielefeld, Postfach 8640, D-4800 Bielefeld 1, F.R.G.*

---

## ABSTRACT

This article addresses the question of what makes democratic political organization and capitalist economic organization mutually compatible on the macro-sociological level, and what has, more specifically, led to the absence of manifest tension between those two organizing principles in the post-World War II era in Western Europe. A hypothetical answer is provided, namely that the organization of mass participation through a *competitive party* system makes democracy safe for capitalism and that *Keynesianism* and the *welfare state* makes capitalism safe for democracy. The question of the extent to which one can expect the continuity of those arrangements under the conditions of political and economic crisis is then explored on a theoretical level. As a skeptical answer to this question, a number of factors are systematically discussed which seem to subvert both party competition as the dominant mode of mass participation and welfare-Keynesianism as the prevalent mode of economic policy.

---

## I. Introduction

If we compare 19th century liberal political theory on the one side and classical Marxism on the other, we see that there is one major point of agreement of the two. Both Marx and his liberal contemporaries, such as J.S. Mill or de Tocqueville, are

---

\* Paper presented at the XIIth World Congress of the International Political Science Association, Rio de Janeiro, August 1982; the present version went through a number of earlier stages, each of which has cumulatively benefited from the critique and helpful suggestions from colleagues in Brisbane/Australia, Italy, and the United States. The author wants to express special thanks to David Abraham, Princeton University, not only for making helpful criticisms, but also for helping in editing the original text.

convinced that, in their contemporary societies, capitalism and full democracy (based on equal and universal suffrage) do not mix. Obviously, this analytical convergence was arrived at from diametrically opposed points of view: the classical liberal writers believed that freedom and liberty were the most valuable accomplishments of societal development which deserved to be protected, under all circumstances, from the egalitarian threats of mass society and democratic mass politics, which, in their view, would lead, by necessity, to tyranny and “class legislation” by the propertyless as well as uneducated majority [1]. Marx, on the other side, analyzed the French democratic constitution of 1848 as a political form that would exacerbate societal contradictions by withdrawing political guarantees from the holder of social power while giving political power to subordinate classes; consequently, he argued, democratic conditions could bring the proletarian class to victory and put into question the foundations of bourgeois society [2].

From the 20th century experience of capitalist societies, there is a lot of evidence against this 19th century hypothesis concerning the incompatibility of mass democracy (defined as universal and equal suffrage plus parliamentary or presidential form of government) and bourgeois freedom (defined as production based on private property and “free” wage labor). The coexistence of the two is known as *liberal democracy*. To be sure, the emergence of fascist regimes in some of the core capitalist countries testifies to the continued existence of tensions and contradictions that prevail between the two models of economic organization and political organization, and to the possibility of the outbreak of such tensions under the impact of economic crises. But it is also true that most advanced capitalist countries have also been liberal democratic states throughout most of the 20th century and that “all major advanced bourgeois states are today democracies” [3]. In view of this evidence and experience, ours is in some way a *problematique* that is the reverse of what the classical writers of both liberalism and Marxism concerned themselves with. While they *prognosticized* the incompatibility, we have to *explain* the *coexistence* of the two partial principles of societal organization. More precisely, we want to know (a) which institutional arrangements and mechanisms can be held responsible for the pattern of coexistence that proved to be solid beyond all 19th century expectations and (b) what, if any, the limits of such arrangements are. These limits, or failures of the working of mediating mechanisms, would be defined analytically as those points at which either capitalist societies turn non-democratic or democratic regimes turn non-capitalist. It is these two questions with which I will be concerned in this article. To put it schematically, the course of the argument starts from the problem of how we *explain* the compatibility [4] of the structural components of “mass polity” and “market economy,” and then goes on to focus, on the level of each of these two structures, on the factors *contributing to* as well as those putting into question such compatibility. This is done in the sequence of boxes (1)–(4) of the following schema:

	Factors maintaining stability	Factors paralyzing stability
Mode of democratic mass participation	(1)	(2)
Mode of economic steering (KWS)	(3)	(4)

To pose these questions at all is to presuppose, in accordance with both Marx and Mill, that there *is* some real tension between the two respective organizing principles of social power and political power, market society and political democracy, a tension that must be (and possibly cannot indefinitely be) bridged, mediated and stabilized. This is by no means an undisputed assumption. For instance, Lenin and the Leninist tradition deny that there is such tension. They assume, instead, that there is a prestabilized harmony of the rule of capital and bourgeois democratic forms, the latter mainly serving as a means of deception of the masses. Consequently, it does not make sense whatsoever to ask the question of what makes democracy compatible with capitalism and what the limits of such compatibility might be, because democracy is simply seen to be the most effective and reliable arrangement of capitalist class dominance. “What is central to Lenin’s position is the claim that the very organizational form of the parliamentary democratic state is essentially inimical to the interests of the working class,” as one recent commentator has succinctly stated [5]. Plausible and convincing as this view can be taken to be if based on the constitutional practise of Russia between 1905 and 1917, its generalization to the present would have, among other and still worse political consequences, the effect of grossly distorting and obscuring the very problematique which we want to discuss [6].

The reciprocal distortion is the one promulgated by some ideologists of pluralist–elitist democratic theory. They claim (or, more precisely, they used to claim in the fifties and early sixties) that the tension between the principles governing capitalist market society and political democratic forms had finally been eliminated in the American political system. According to this doctrine, the class struggle on the level of bourgeois society has been replaced by what Lipset calls “the democratic class struggle” which is seen to make all social arrangements, including the mode of production and the distribution of economic resources, contingent upon the outcomes of democratic mass politics. The underlying logic of this analysis can be summarized in an argument like this: “If people actually wanted things to be different, they simply would elect someone other into office. The fact that they don’t, consequently, is proof that people are satisfied with the socio-political order as it exists.” Hence, we get something like the inverse of the Leninist doctrine: democracy is not tied to capitalism, but capitalism to democracy. Both of these perspectives deny major tensions or incompatibilities between mass democracy and the market economy.

Thus, both the Leninist and the pluralist–elitist conceptions of democracy are missing the point that interests us here. The one dogmatically postulates total *dependence* of democratic forms and procedures upon class power, while the other equally

dogmatically postulates total *independence* of class and democratically constituted political power. The question that is at the same time more modest and more promising in leading to insights of both intellectual and practical significance is, however, this: which institutions and mechanism regulate the *extent* to which the two can become incongruent in a given society, and what are the *limits* of such potential incongruity, – limits, that is, which would constrain the range of potential variance of class power and democratically constituted political authority?

### **Marketization of Politics and Politicization of the Private Economy**

In what follows, I will argue that the continued compatibility of capitalism and democracy that was so inconceivable to both classical liberalism and classical Marxism (including Kautsky and the Second International) has historically emerged due to the appearance and gradual developments of two mediating principles, (a) political mass parties and party competition and (b) the Keynesian welfare state (KWS). In other words, it is a *specific version* of democracy, political equality and mass participation that is compatible with the capitalist market economy. And, correspondingly, it is a *specific type* of capitalism that is able to coexist with democracy. What interests us here are those specificities of the political and economic structures, the way in which their mutual “fit” is to be explained by the functions each of them performs, and furthermore the strains and tensions that affect those conditions of “fit.”

Historically, each of those two structural components of “democratic capitalism” has largely taken shape in Europe either during or in the aftermath of the two World Wars; democracy through party competition after World War I and the Keynesian welfare state after World War II. Each of these two principles follow a pattern of “mixing” the logic of authority and the logic of the market, of “voice” and “exit” in Hirschman’s terminology. This is quite obvious in the case of the Keynesian welfare state for which the term “mixed economy” is often used as a synonym. But it is no less true for the political sphere of capitalist society which could well be described as a “mixed polity” and the dynamics of which are often, and to a certain extent appropriately, described as the “oligopolistic competition” of political elites or political “entrepreneurs” providing public “goods” [7]. The logic of capitalist democracy is one of mutual contamination: authority is infused into the economy by global demand management, transfers and regulations so that it loses more and more of its spontaneous and self-regulatory character; and market contingency is introduced into the state, thus compromising any notion of absolute authority or the absolute good. Neither the Smithean conception of the market nor the Rousseauan conception of politics have much of a counterpart in social reality. Thus, one of the ways in which compatibility is accomplished appears to be the infusion of some of the logic of one realm into the other, i.e., the notion of “competition” into politics and the idea of “authoritative allocation of values” into the economy.

Let us now consider each of the two links, or mediating mechanisms, between state

and civil society in turn. Following the problematique developed before, we will ask two questions in each case. First, in what way and by virtue of which structural characteristics do political parties and the Keynesian welfare state *contribute to the compatibility* of capitalism and democratic mass politics. Second, which observable trends and changes occur within the institutional framework of both the “mixed economy” and the “mixed polity” that *threaten the viability* of the coexistence of capitalism and democracy?

## II. Stabilization through Competitive Party Democracy

The widespread fear of the German bourgeoisie during the first decade of this century was that once the full and equal franchise was introduced together with parliamentary government, the class power of the working class would, due to the numerical strength of this class, directly translate into a revolutionary transformation of the state. It was the same analysis, of course, that inspired the hopes and the political strategies of the leaders of the Second International. Max Weber had nothing but sarcastic contempt for both these neurotic anxieties and naïve hopes. He was (together with Rosa Luxemburg and Robert Michels who conducted the same analysis with their own specific accents) among the first social theorists who understood (and welcomed) the fact that the transformation of class politics into competitive party politics implies not only a change of form, but a decisive change of content. In 1917, he stated that “amongst us, organizations like the trade unions, but also like the social democratic party, are a very important counterweight against the typically real and irrational power of street mobs in purely plebiscitary nations” [8]. He expected that the bureaucratized political party together with the charismatic and demagogic political leader at its top would form a reliable bulwark to contain what he described as “blind mass rage” or “syndicalist insurrectionary tendencies.”

Rosa Luxemburg’s account of the dynamic of political mass organization differs only in its inverse evaluative perspective, not its analytical content. In 1906, she observed the tendency of working class organizations (i.e., unions and the party) to follow specialized strategies according to a tacit division of labor and of the organizations’ leadership to dominate rather than serve the masses of the constituency. The tendency of the organizations’ bureaucratic staff consists, according to Luxemburg, in a “great trend of rendering itself independent”, “of specializing their methods of struggle and professional activity”, “of overestimating the organization which becomes transformed into an end in itself and the highest good”, “a need for rest”, “a loss of general view of the overall situation,” while at the same time “the mass of comrades are being degraded into a mass which is incapable of forming a judgment” [9]. Biographically, politically and intellectually, Robert Michels absorbs and integrates the ideas of both Luxemburg and Weber by formulating, in 1911, his famous “iron law of oligarchy” in which the observation of empirical tendencies of organizations is transformed in the proclamation of an inexorable historical necessity [10].

It is probably not too much to say that the 20th century theory of political organization has been formed on the basis of the experience and the theoretical interpretation of these three authors who, interestingly enough, arrived at widely divergent political positions at the end of their lives: Luxemburg died in 1919 as a revolutionary democratic socialist and victim of police murder, Weber in the same year as a "liberal in despair," and Michels in 1936 as an ardent admirer and ideological defender of Mussolini and Italian fascism. In spite of the extreme diversity of their political views and positions, there is a strong common element in their analysis. This element can be summarized in the following way: as soon as political mass participation is organized through large scale bureaucratic organization (a type of organization, that is, which is presupposed and required by the model of electoral party competition and institutionalized collective bargaining), the very dynamic of this organizational form contains, perverts, and obstructs class interest and class politics in ways that are described as leading to opportunism (Luxemburg), oligarchy (Michels) and the inescapable plebiscitarian submission of the masses to the irrational impulses of the charismatic leader and his demagogic use of the bureaucratic party "machine" (Weber).

According to the common insight underlying this analysis, as soon as the will of the people is expressed through the instrumentality of the competitive party striving for government office, what *is* expressed *ceases* to be the will of the people and is instead transformed into an artefact of the form itself and the dynamics put into motion by the imperatives of political competition.

More specifically, these dynamics have three major effects. First, the deradicalization of the ideology of the party: to be successful in elections and in its striving for government office, the party must orient its programmatic stance towards the expediencies of the political market [11]. This means two things: first, to maximize votes by appealing to the greatest possible number of voters and consequently to minimize those programmatic elements that could create antagonistic cleavages within the electorate. Second, vis-à-vis other parties, to be prepared to enter coalitions and to restrict the range of substantive policy proposals to those demands which can be expected to be negotiable to potential coalition partners. The combined effect of these two considerations is to dissolve any coherent political concept or aim into a "gradualist" temporal structure or sequence, giving priority to what can be implemented at any given point in time and with the presently available resources, while postponing and displacing presently unrealistic and pragmatically unfeasible demands and projects. Also, the fully developed competitive party is forced by the imperatives of competition to equip itself with a highly bureaucratized and centralized organizational structure. The objective of this organization is to be present continuously on the political market, just as the success of a business firm depends in part upon the size and continued presence of its marketing and sales organization. The bureaucratic organization of the modern political party performs the tasks of (a) collecting material and human resources (membership dues, other contributions and donations, members, candi-

dates), (b) disseminating propaganda and information concerning the party's position on a great number of diverse political issues and (c) exploring the political market, identifying new issues and monitoring public opinion and (d) managing internal conflict. All of these activities are normally executed by a professional staff of party officials who develop a corporate interest in the growth and stability of the apparatus that provides them with status and careers. This pattern of internal bureaucratization that can be found in parties of the right and the left alike, has two important traits. First, the social composition (as measured by class background, formal education, sex, occupation, age, etc.) of the party leadership, its officials, members of parliament, and government becomes more and more at variance both with the social composition of the population in general and the party's electoral base in particular. And second, the professionalization of party politics leads to the political dominance of professional and managerial party personnel who typically come, by their training and professional experience, from such backgrounds as business administration, public administration, education, the media, or interest organizations.

A second major consequence of this bureaucratic-professional pattern of political organization is the deactivation of ordinary members. The more the organization is geared toward the exploration of and adaptation to the external *environment* of the political market in what can be described as a virtually permanent electoral campaign, the less room remains for the determination of party policies by *internal* processes of democratic debate and conflict within the organization. The appearance of internal unanimity and consensus is what any competitive party must try to cultivate in order to become or remain attractive to voters, as a consequence of which internal division, factionalism and organized conflict of opinion and strategy are not only not encouraged, but rather kept under tight control or at least kept out of sight of the public in a constant effort to streamline the party's image and, as it were, to standardize its product. (It is tempting to compare, in this respect, the *practise* of some social democratic parties to the *theory* of the Leninist party, and I suspect we would find some ironic similarities.) The highly unequal importance of external and internal environments frequently becomes evident when the results of public opinion surveys, which today are routinely commissioned by the party leadership, suggest positions and strategies which are in conflict with declared intentions of party members who then, in the interest of "winning the next elections," are called upon to yield to political "reality."

The third characteristic of what Kirchheimer has called the modern "catch-all-party" is the increasing structural and cultural heterogeneity of its supporters. This heterogeneity results from the fact that the modern political party relies on the principle of "product diversification" in the sense that it tries to appeal to a multitude of diverse demands and concerns. This is most obvious in the case of social democratic and communist parties who have often successfully tried to expand their base beyond the working class and to attract elements of the old and new middle classes, the intelligentsia and voters with strong religious affiliations. The advantage of this

strategy is quite obvious, but so is its effect of dissolving a sense of collective identity which, in the early states of both socialist and Catholic parties, was based on a cultural milieu of shared values and meaning.

It is easy to see why and how the three consequences of the organizational form of the competitive political party that I have discussed so far – ideological deradicalization, deactivation of members, erosion of collective identity – contribute to the compatibility of capitalism and democracy. Each of these three outcomes helps to contain and limit the range of political aims and struggles, and thus provides a virtual guarantee that the structure of political power will not deviate so far from the structure of socio-economic power as to make the two distributions of power incompatible with each other. “The party system has been the means of reconciling universal equal franchise with the maintenance of an unequal society,” McPherson has remarked [12]. The inherent dynamic of the party as an organizational form which develops under and for political competition generates those constraints and imposes those “non-decisions” upon the political process which together make democracy safe for capitalism. Such “non-decisions” affect both the *content* of politics (i.e., what kinds of issues, claims, and demands are allowed to be put on the agenda) as well as the *means* by which political conflicts are carried out. The constraints imposed upon the possible content of politics are all the more effective since they are non-explicit, i.e., not based on formal mechanisms of *exclusion* (such as limitations of voting rights, or authoritarian bans on certain actors or issues), but rather constituted as artefacts and by-products of the organizational forms of universal political *inclusion*. This conclusion, of course, is strongly supported by the fact that no competitive party system so far has ever resulted in a distribution of political power that would have been able to alter the logic of capital and the pattern of socio-economic power *it* generates.

To avoid misunderstanding, I should emphasize that what I intend here is not a *normative* critique of the organizational form of the political party which would lead to the suggestion of an alternative form of political organization. Rather than speculating about the comparative desirability of anarchist, syndicalist, council-democratic, or Leninist models of either non-party or non-competitive party organization, let us now look at the future viability of this organizational form itself – its potential to construct and mediate, as it did in the post-war era, a type of political authority that does not interfere with the institutional premises of the capitalist economy. The question is, in other words, whether the institutional link that in most advanced capitalist countries has allowed capitalism and political democracy to coexist for most of the last 60 years is likely to continue to do so in the future. How solid and viable are the organizational forms that bring the “iron law” to bear upon the process of politics?

One way to answer this question in the negative would be to expect political parties to emerge which would be capable of abolishing the above-mentioned restrictions and constraints, thus leading to a challenge of class power through politically constituted power. I do not think that there are, in spite of Eurocommunist doctrines and strategies that have emerged in the Latin-European countries in the mid-seventies, and



in spite of the recently elected socialist/communist government in France, many promising indicators of such a development. The other possibility would be a *disintegration of the political party as the dominant form of democratic mass participation* and its gradual replacement by other forms which possibly are less likely than party competition to lead to “congruent” uses of state power. As we are concerned with the prospects of competitive party democracy in the eighties, it might be worthwhile to explore this possibility a little further.

#### **Causes of the Decline of the Party System as the Dominant Form of Mass Participation**

It is well possible today to argue that the form of mass participation in politics that is channeled through the party system (i.e., according to the principles of territorial representation, party competition and parliamentary representation) has exhausted much of its usefulness for reconciling capitalism and mass politics. This appears to be so because the political form of the party is increasingly bypassed and displaced by other practices and procedures of political participation and representation. It is highly doubtful, however, whether those new and additional practices that can be observed in operation in quite a number of capitalist states will exhibit the same potential of reconciling political legitimation with the imperatives of capital accumulation that has been, at least for a certain period, the accomplishment of the competitive party system. Again, three points – referring in an highly schematic fashion to new social movements, corporatism and repression as phenomena – tend to bypass, restrict, and subvert the party system and its political practices and their reconciling potential.

First, in many capitalist countries, the new social movements which have emerged during the seventies are, for a number of reasons, very hard to absorb into the practices of competitive party politics. Such movements include ethnic and regionalist movements, various urban movements, ecological movements, feminist movements, peace movements, and youth movements. To a large extent, all of them share two characteristics. First, their projects and demands are based not on a collective contractual position on either goods or labor markets, as was the case, for instance, with traditional class parties and movements. Instead, their common denominator of organization and action is some sense of collective identity (often underlined by ascriptive and “naturalistic” conceptions of the collective “self” in terms of age, gender, “nation” or “mankind”). Closely connected with this is a second characteristic: they do not demand representation (by which their market status could be improved or protected) but, autonomy. In short, the underlying logic of these movements is the struggle for the defense of a physical and/or moral “territory,” the integrity of which is fundamentally non-negotiable to the activists of these movements. For the purpose of this defense, political representation and parliamentary politics are often considered unnecessary (because what is requested of the state, as can be illustrated in the issues of abortion or nuclear energy, is not to “do something” but to “stay out”), or even

dangerous, because the state is suspected of attempting to demobilize and disorganize the movement. To the extent such movements attract the attention and the political energies of people, not only individual political parties, but the traditional competitive party system as a whole will lose in function and credibility because it simply does not provide the arena within which such issues and concerns can possibly be processed. These “new social movements” are not concerned with what is to be created or accomplished through the use of politics and state power, but what should be saved from and defended against the state, and the considerations governing the conduct of public policy. The three most obvious cases of such movements, the peace movement, the environmental movement and various movements centered on human rights (e.g., of women, of prisoners, of minorities, of tenants) all illustrate a “negative” conception of politics trying to protect a sphere of life against the intervention of state (or state-sanctioned) policy. What dominates the thought and action of these movements is not a “progressive” utopia of what desirable social arrangements must be achieved, but a conservative utopia of what non-negotiable essentials must not be threatened and sacrificed in the name of “progress.”

Second, many observers in a number of capitalist states have analyzed an ongoing process of deparliamentarization of public policy and the concomitant displacement of territorial forms of representation through functional ones. This is most evident in “corporatist” arrangements which combine the function of interest representation of collective actors with policy implementation vis-à-vis their respective constituencies [13]. The functional superiority of such corporatist arrangements, compared to both parliamentary-competitive forms of representation and bureaucratic methods of implementation, resides in their informal, inconspicuous, and non-public procedures and the “voluntary” character of compliance that they are said to be able to mobilize. Although the dynamics and limits of corporatist forms of public policymaking, especially in the areas of economic and social policies, are not of interest to us here, what seems to be clear is that there has been a trend toward such arrangements, most of all in countries with strong social democratic parties (such as in Europe, Sweden, the UK, Austria, and Germany) which has worked at the expense of parliament and the competitive party system. A number of Marxist and non-Marxist political scientists have even argued that “parliamentary representation on the basis of residence no longer adequately reflects the problems of economic management in a worldwide capitalist system,” and that “a system of functional representation is more suited to securing the conditions of accumulation” [14].

Third, a constant alternative to free party competition is political repression and the gradual transformation of democracy into some form of authoritarianism. In an analytical sense, what we mean by repression is exclusion from representation. Citizens are denied their civil liberties and freedoms, such as the right to organize, demonstrate, and express certain opinions in speech and writing. They are denied access to occupations in the public sector, and the like. The expansion of police apparatuses and the practice of virtually universal monitoring and surveillance of the

activities of citizens that we observe in many countries are indications of the growing reliance of the state apparatus upon the means of preventive and corrective repression. More importantly, in our context of discussing the limits of competitive party democracy, is one other aspect of the exclusion from representation. It is the *de facto* and/or formal limitation of competitiveness within the party system: be it by strengthening of intra-party discipline and the sanctions applied against dissenters; be it in the election campaigns from which substantive alternatives concerning the conduct and programmatic content of public policy often seem to be absent; be it finally on the level of parliament and parliamentary government where the identity of individual (and only nominally “competing”) parties more and more often disappears behind what occasionally is called the “great coalition of the enlightened,” inspired by some vague “solidarity of all democratic forces.” Referring back to the economic metaphor used before, such phenomena and developments could well be described as the “cartelization” of political supply and the closure of market access.

If I am correct in assuming that the displacement of the role and political function of the competitive party system, as indicated by the emergence of new social movements, increasing reliance on corporatist arrangements, and self-limitation of the competitiveness of party systems is a real process that could be illustrated by many examples in numerous advanced (and not so advanced) capitalist states; and if I am also correct in assuming that the organizational form of the competitive political party plays a crucial role in making democratic mass participation compatible with capitalism, then the decline of the party system is likely to lead to the rise of less constrained and regulated practices of political participation and conflict, the outcomes of which may then have the potential of effectively challenging and transcending the institutional premises of the capitalist form of social and economic organization.

I have so far focused only on those limits of the “reconciling functions” of the organizational forms of mass democracy which consists in the weakening and more or less gradual displacement of the dominant role of political parties as mediators between the people and state power. But the picture remains incomplete and unbalanced as long as we concentrate exclusively on cases in which the “channel” of political participation that consists of party competition, elections and parliamentary representation is bypassed (and reduced in its legitimacy and credibility) by the protest politics of social movements or corporatist negotiations among powerful strategic actors, or where this channel is altogether reduced in significance by “repressive” mechanisms of exclusion.

The other alternative, alluded to before, consists not in a process of displacement and loss of relevance of the organizational form of political parties, but in the successful strategy of “self-transcendence” of the party moving from “political” to “economic” democracy. All models and strategies of *economic* democratization (beginning in the mid-twenties in Austria and Germany and continuing through the current Swedish concepts of wage earner funds and the Meidner plan [15]) rely on the notion that the tension between the democratic principle of equal mass participation

and the economic principle of unequal and private decisionmaking power could be put to use by instituting, by the means of electoral success and parliamentary legislation, democratic bodies on the level of enterprises, sectors of industry, regions, cities, and so on. The central assumption that inspires such strategies is that “democracy would explode capitalism (and) that the democratic state, because it could be made to represent the people, would compel entrepreneurs to proceed according to principles inimical to their own survival . . . The working class, as the spokesmen for the great, non-capitalist majority, would enforce the primacy of politics throughout the economy, as well as in politics per se” [16].

Although this alternative course of suspending the compatibility of democracy and capitalism is part of the programmatic objectives of almost all social democratic/socialist (and, increasingly, communist) parties in Europe (and even of some forces in North America), it has nowhere been carried out to the point where the private character of decisions concerning the volume, kind, point in time and location of investment decisions would have effectively been transformed into a matter of democratic control. In the early eighties, the European Left seems rather to be divided as to the strategic alternatives of trying to overcome the constraints of political democracy and its oligarchic organizational dynamics, either by supporting those “new social movements” and engaging in their politics of autonomy and protest, or to stick to the older model of economic democratization. Both tendencies, however, provide sufficient reason to expect a weakening of these organizational and political characteristics which so far have made democratic mass participation safe for capitalism. The extent, however, to which it becomes likely that competitive party democracy is either displaced by social and political movements and corporatist arrangements or is complemented by “economic democracy” will probably depend on the stability, growth and prosperity the economy is able to provide. Let us, therefore, now turn to the question of the organization of production and distribution and the changes that have occurred since Andrew Shonfield’s classic *Modern Capitalism* came out in 1965 [17].

### III. The Keynesian Welfare State and Its Demise

Let me now try to apply the analogous argument, in an even more generalized and schematic fashion, to the second pillar upon which, according to my initial proposition, the coexistence of capitalism and democracy rests, namely the Keynesian welfare state (KWS). The bundle of state institutions and practices to which this concept refers has been developed in western capitalism since the Second World War. Until the decisive change of circumstances that occurred after the mid-seventies and that was marked by OPEC price policies, the end of *détente*, and the coming to power of Thatcher in the UK and Reagan in the US (to mention just a few indicators of this change), the KWS has been adopted as the basic conception of the state and state practice in almost all western countries, irrespective of parties in government, and with

only minor modifications and time lags. Most observers agree that its effect has been (a) an unprecedented and extended economic boom favoring all advanced capitalist economies and (b) the transformation of the pattern of industrial and class conflict in ways that increasingly depart from political and even revolutionary radicalism and lead to more economistic, distribution-centered and increasingly institutionalized class conflict. Underlying this development (that constitutes a formidable change if compared to the dynamics of the capitalist world system during the twenties and thirties) is a politically instituted class compromise or “accord” that Bowles has described as follows:

[The accord] represented, on the part of labor, the acceptance of the logic of profitability and markets as the guiding principles of resource allocation, international exchange, technological change, product development, and industrial location, in return for an assurance that minimal living standards, trade union rights, and liberal democratic rights would be protected, massive unemployment avoided, and real incomes would rise approximately in line with labor productivity, all through the intervention of the state, if necessary [18].

It is easy to see why and how the existence of this compact has contributed to the compatibility of capitalism and democracy. First, by accepting the terms of the accord, working class organizations (unions and political parties) reduced their demands and projects to a program that sharply differs from anything on the agenda of both the Third and the Second Internationals. After the physical, moral and organizational devastations the Second World War had left behind, and after the discredit the development of the Soviet Union had earned for communism, this change of perspective is not entirely incomprehensible. Moreover, the accord itself worked amazingly well, thus reinforcing a deeply depoliticized trust in what one leading German Social Democrat much later came arrogantly to call the “German Model” (*Modell Deutschland*) [19]: the mutual stimulation of economic growth and peaceful class relations. What was at issue in class conflicts was no longer the mode of production, but the volume of distribution, not control but growth, and this type of conflict was particularly suited for being processed on the political plane through party competition, because it does not involve “either/or” questions, but questions of a “more or less” or “sooner or later” nature. Overarching this limited type of conflict, there was a consensus concerning basic priorities, desirabilities and values of the political economy, namely economic growth and social (as well as military) security. This interclass, growth–security alliance does in fact have a theoretical basis in Keynes’ economic theory. As applied to practical purposes of economic policymaking, it teaches each class to “take the role of the other.” The capitalist economy, this is the lesson to be learnt from Keynesianism, is a positive-sum game. Therefore, playing like one would in a zero-sum game is against one’s own interest. That is to say, each class has to take the interests of the other class into consideration: the workers profitability, because only a sufficient level of profits and investment will secure future employment and income increases; and the

capitalists wages and welfare state expenditures, because these will secure effective demand and a healthy, well-trained, and well-housed working class.

The welfare state is defined as a set of legal entitlements providing citizens with claims to transfer payments from compulsory social security schemes as well as to state organized services (such as health and education) for a wide variety of defined cases of need and contingencies. The means by which the welfare state intervenes are thus bureaucratic rules and legal regulations, monetary transfers and professional expertise of teachers, doctors, and social workers. Its ideological origins are highly mixed and heterogeneous, ranging from socialist to Catholic-conservative sources; its character of resulting from ideological, political and economic inter-class compromises is something the welfare state shares with the logic of Keynesian economic policymaking. In both cases, there is no fast and easy answer to the zero-sum question of who wins and who loses. For, although the primary function of the welfare state is to cover those risks and uncertainties to which wage workers and their families are exposed in capitalist society, there are some indirect effects which serve the capitalist class, too.

This becomes evident if we look at what would be likely to happen in the absence of welfare state arrangements in a capitalist society. We would probably agree that the answer to this hypothetical question is this: first, there would be a much higher level of industrial conflict and a stronger tendency among the proletariat to avoid becoming wage workers. Thus, the welfare state can be said to partially dispell motives and reasons for social conflict and to make the existence of wage labor more acceptable by eliminating parts of the risk that result from the imposition of the commodity form upon labor. [20] Second, this conflict would be much more costly in economic terms by its disruption of the increasingly complex and capital-intensive process of industrial production. Therefore, the welfare state performs the crucial function of taking part of the needs of the working class out of the class struggle and industrial conflict arenas, of providing the means to fulfill their needs more collectively and hence more efficiently, of making production more regular and predictable by relieving it of important issues and conflicts, and of providing, in addition, a built-in stabilizer for the economy by partly uncoupling changes in effective demand from changes in employment. So, as in the case of Keynesian doctrines of economic policy, the welfare state, too, can be seen to provide a measure of mutuality of interest between classes that virtually leaves no room for fundamental issues and conflicts over the nature of the political economy.

The functional links between Keynesian economic policy, economic growth and the welfare state are fairly obvious and agreed upon by all “partners” and parties involved. An “active” economic policy stimulates and regularizes economic growth; the “tax dividend” resulting from that growth allows for the extension of welfare state programs; at the same time, continued economic growth limits the extent to which welfare state provisions (such as unemployment benefits) are actually claimed. And the issues and conflicts that remain to be resolved within the

realm of formal politics (party competition and parliament) are of such a fragmented, non-polarizing, and non-fundamental nature (at least in the areas of economic and social policy) that they can be settled by the inconspicuous mechanisms of marginal adjustments, compromise and coalition-building.

If all of this were still true, today's ubiquitous critiques and political attacks directed at Keynesianism, the welfare state and, most of all, the combination of these two most successful political innovations of the post-war era, would be plainly incomprehensible. They are not. As in the case of competitive political parties, these innovations and their healthy effects seem to have reached their limits today. While the integrative functions of the party system have partly been displaced by alternative and less institutionalized forms of political participation, the Keynesian welfare state has come under attack by virtue of some of its less desirable side effects and its failure to correct some of the ills of an economic environment that has radically changed, compared to the conditions that prevailed prior to the mid-seventies. Let us look at some of the reasons why there are very few people remaining – be they in academia or politics, on the Left or the Right – who believe that the Keynesian welfare state continues to be a viable peace formula for democratic capitalism.

My thesis, in brief, is this: while the KWS is an excellent and uniquely effective device to manage and control some socioeconomic and political problems of advanced capitalist societies, it does not solve all those problems. And the problems that can be successfully solved through the institutional means of the welfare state no longer constitute the most dominant and pressing ones. Moreover, this shift of *the socio-economic problematic* is in part an unintended consequence of the operation of the KWS itself. The two types of problems to which I refer are the production/exploitation problem and the effective demand/realization problem. Between the two, a trade-off exists: the more effectively one of the two is solved, the more dominant and pressing the other one becomes. The KWS has indeed been able to solve, to a remarkable extent, the problem of macroeconomic demand stabilization. But, at the same time, it has also interfered with the ability of the capitalist economy to adapt to the production/exploitation problem as it has emerged ever more urgently since the mid-seventies. The KWS, so to speak, has operated on the basis of the false theory that the problems it is able to deal with are the only problems of the capitalist political economy, or at least the permanently dominant ones. This erroneous confidence is now in the politically and economically, equally painful process of being falsified and corrected.

To the extent the demand problem is being solved, the supply problem becomes wide open. The economic situation has changed in a way that lends strong support to conservative and neo-laissez-faire economic theory. Far from stimulating production any longer, the governmental practice of deficit spending to combat unemployment contributes to even higher rates of unemployment, by driving up interest rates and making money capital scarce and costly. Also (and possibly even worse), the welfare

state amounts to a partial disincentive to work. Its compulsory insurance schemes and legal entitlements provide such a strong institutional protection to the material interest of wage workers that labor becomes less prepared and/or can be less easily forced to adjust to the contingencies of structural, technological, locational, vocational and other changes of the economy. Not only wages are “sticky” and “downwardly inflexible,” but, in addition, the provisions of the welfare state have partly “decommodified” the interests of workers, replacing “status” for “contract,” or “citizen rights” for “property rights.” This change of industrial relations that the KWS has brought about has not only helped to increase and stabilize effective demand (as it was intended to), but it also has made employment more costly and more rigid. Again, the central problem on the labor market is the supply problem, how to hire and fire the right people at the right place with the right skills and, most important, the right motivation and the right wage demand. Concerning this problem, the welfare state is justifiably seen by business not to be part of the solution, but part of the problem.

As capital (small as well as big) has come to depend and rely on the stimulating and regularizing effects of interventionist policies executed on both the demand and supply sides, and as labor depends and relies on the welfare state, the parameters of incentives, motivations, and expectations of investors and workers alike have been affected in ways that alter and undermine the dynamics of economic growth. For capital and labor alike, pressures to adjust to changing market forces have been reduced due to the availability of state-provided resources that either help to avoid or delay adaptation or due to the expectation that a large part of the costs of adaptation must be subsidized by the state. Growth industries such as defense, civilian aircraft, nuclear energy, and telecommunications typically depend as much on markets created by the state (and often capital provided by the state) as stagnant industries (such as steel, textiles, and, increasingly, electronics) depend on state protection and subsidized market shelters. Economic growth, where it occurs at all, has become a matter of political design rather than a matter of spontaneous market forces.

The increasing claims that are made on the state budget both by labor and capital, and both by the growing and the stagnant sectors of the economy, cannot but lead to unprecedented levels of public debt and to constant efforts of governments to terminate or reduce welfare state programs. But economic growth does not only become more costly in terms of budgetary inputs that are required to promote it, it also becomes more costly in terms of political legitimation. The more economic growth becomes “growth by political design,” and the more it is perceived to be the result of explicit political decisions and strategies of an increasingly “disaggregated” nature (i.e., specified by product, industry, and location), the more governments and political parties are held accountable for the physical quality of products, processes and environmental effects resulting from such industrial policies. The widespread and apparently increasing concern with the physical quality of products and production, and the various “anti-productivist” and environmentalist political motives and demands that are spreading in many capitalist countries have so far mostly been



interpreted in the social science literature either in objectivist terms (“environmental disruption”) or in subjectivist categories (“changing values and sensitivities”). In addition, I suggest, these phenomena must be analyzed in terms of the apparent political manageability of the physical shape and impact of industrial production and growth, a perceived area of political decision- and non-decisionmaking that gives rise to a new arena of “politics of production.” The outcomes of the conflicts in this arena, in turn, tend to cause additional impediments to industrial growth.

The strategic intention of Keynesian economic policy is to promote growth and full employment, the strategic intention of the welfare state to protect those affected by the risks and contingencies of industrial society and to create a measure of social equality. The latter strategy becomes feasible only to the extent the first is successful, thus providing the resources necessary for welfare policies and limiting the extent to which claims are made on these resources.

The combined effect of the two strategies, however, has been high rates of unemployment *and* inflation. At least, economic and social policies have not been able to check the simultaneous occurrence of unemployment and inflation. But one can safely say more than that. Plausible causal links between the KWS and today’s condition of “the worst of both worlds” are suggested not only by conservative economic policy ideologues advocating a return to some type of monetarist steering of a pure market economy. They are equally, if reluctantly, accepted by the practice and partly by the theories of the Left. The relevant arguments are:

- (1) The Keynesian welfare state is a victim of its success. By (partly) eliminating and smoothening crises, it has inhibited the positive function that crises used to perform in the capitalist process of “creative destruction.”
- (2) The Keynesian welfare state involves the unintended but undeniable consequence of undermining both the incentives to invest and the incentives to work.
- (3) There is no equilibrating mechanism or “stop-rule” that would allow us to adjust the extension of social policy so as to eliminate its self-contradictory consequences; the logic of democratic party competition and the social democratic alliance with unions remains undisciplined by “economic reason.”

While the latter argument is probably still exclusively to be found in the writings of liberal-conservative authors [21], the other two can hardly be contested by the Left. Let me quote just one example of an author who clearly thinks of himself as a social democratic theoretician:

It is unfortunate that those wish to defend the welfare state . . . spend their energies persuading the public that the welfare state does not erode incentives, savings, authority or efficiency . . . What the Right has recognized much better than the Left is that the principles of the welfare state are directly incompatible with a capitalistic market system. . . . The welfare state eats the very hand that feeds it. The main contradiction of the welfare state is the . . . tension between the market and social policy [22].

It must not concern us here whether such blames and charges that today are ever more frequently directed against the KWS are entirely “true,” or, in addition, partly the result of paranoid exaggerations or a conscious tactical misrepresentation of reality on the part of capital and its political organizations. For what applies in this context is a special version of a law known to sociologists as the “Thomas theorem”: what is real in the minds and perceptions of people will be real in its consequences. The structural power position of the owners and managers and associational representatives of capital in a capitalist society is exactly their power to define reality in a highly consequential way, so that what is perceived as “real” by them is likely to have very real impacts for other classes and political actors.

Without entering too far into the professional realm of the economist, let me suggest two aspects of a potentially useful (if partial) interpretation of this change. One is the idea that the Keynesian welfare state is a “victim of its success,” as one author has put it [23]: the side-effects of its successful practice of solving one type of macro-economic problems have led to the emergence of an entirely different problematique which is beyond the steering capacity of the KWS. The familiar arguments that favor and demand a shift of economic and social policymaking toward what has been named “supply-side economics” are these: the nonproductive public sector has become an intolerable burden upon the private sector, leading to a chronic shortage of investment capital; the work ethic is in the process of being undermined, and the independent middle class is being economically suffocated by high rates of taxation and inflation.

The other set of arguments maintains that, even in the absence of those economic side effects, the political paradigm of the KWS presently is in the process of definitive exhaustion due to inherent causes. The relevant arguments, in brief, are two. First, state intervention works only as long as it is not expected by economic actors to be applied as a matter of routine, and therefore does not enter their rational calculations. As soon as this happens, however, investors will postpone investment because they can be reasonably sure that the state, if only they wait long enough, will intervene by special tax exemptions, depreciation allowances or demand measures. The spread of such (“rational”) expectations is fatal to Keynesianism, for to the extent it enters the calculations of economic actors, their strategic behavior will increase the problem load to which the state has to respond or at least will not contribute, in the way it had been naïvely anticipated, to resolving the unemployment (and state budget) problem. This pathology of expectations, of course, is itself known to (and expected by) actors in the state apparatus. It forces them to react either by ever higher doses of intervention or, failing that possibility for fiscal reasons, to give up the interventionist practice that breeds those very problems that it was supposed to solve. This would lead us to conclude that state intervention is effective only to the extent it occurs as a “surprise” and exception, rather than as a matter of routine.

A further inherent weakness of the KWS resides in the limits of the legal-bureaucratic, monetarized and professional mode of intervention. These limits become particularly clear in the areas of personal services, or “people processing organiza-

tions,” such as schools, hospitals, universities, prisons and social work agencies. Again, the mode of intervention generates the problems it is supposed to deal with. The explanation of this paradox is well-known: the clients’ capacity for self-help – and, more generally, the system of knowledge and meaning generating such capacity – are subverted by the mode of intervention, and the suppliers of such services, especially professionals and higher level bureaucrats (who are in neo-conservative circles referred to as the “new class”), take a material interest in the persistence (rather than the solution) and in the continuous expansion and redefinition of the problems with which they are supposed to deal [24].

Thus, for reasons that have to do both with its external economic effects and the paradoxes of its internal model of operation, the KWS seems to have exhausted its potential and viability to a large extent. Moreover, this exhaustion is unlikely to turn out to be a conjunctural phenomenon that disappears with the next boom of economic growth. For this boom itself is far from certain. Why is this so? First, because it cannot be expected to occur as the spontaneous result of market forces and the dynamics of technological innovation. Second, it apparently cannot be generated and manipulated either by the traditional tools of Keynesianism nor by its “monetarist” counterpart. Third, even to the extent it does occur either as an effect of spontaneous forces or state intervention, the question is whether it will be considered desirable and worthwhile in terms of the side-effects it inevitably will have for the “quality of life” in general and the ecology in particular. This question of the desirability of continued economic growth is also accentuated by what Fred Hirsch has called the “social limits to growth” and by which he means the decreasing desirability and “satisficing potential” of industrial output, the use-value of which declines in proportion to the number of people who consume it.

#### IV. Conclusion

We have seen that the two institutional mechanisms on which the compatibility of the private economy and political mass participation rests – namely the mechanism of competitive party democracy and the paradigm of the Keynesian welfare state – have come under stress and strain, the order of magnitude of which is unprecedented in the post-war era. Limitations of space do not allow me to explore in any detail the interactive and possibly mutually reinforcing dynamics that take place between the two structural developments that I have sketched here.

One plausible hypothesis is that, as the political economy turns from a growth economy into a “zero-sum society” [25], the institutional arrangements of conflict resolution will suffer from strains and tensions. These tensions are probably best described, using the conceptual paradigm of “organized capitalism” as a referent [26], as threats of *disorganization*. Such threats are likely to occur on two levels: (a) on the level of interorganizational “rules of the game” and (b) on the level of the organization of collective actors. Under positive-sum conditions, it is not only a matter of legal

obligation or traditional mutual recognition, but of the evident self-interest of each participant to stick to the established rules of interaction and negotiation. As long as one participates, one can be at least sure not to lose, to receive future rewards for present concessions, and to have one's claims respected as legitimate, since the process of growth itself provides the resources necessary for such compensation. Stagnation, and even more recession or expected no-growth conditions, destroy the basis for cooperative relations among collective actors; confidence, mutual respect, and reciprocity are put in question, and coalitions, alliances, and routinized networks of cooperation tend to be seen as problematic and in need of revision by the organizational elites involved. Crucial as these "social contracts" – i.e., subtle "quasi-constitutional" relations of trust, loyalty, and recognition of the mutual spheres of interest and competence are in a complex political economy [27] – the interorganizational relations that are required for the management of economic growth tend to break down under the impact of continued stagnation. This is illustrated by growing strains within party coalitions, between unions and parties, employers' associations and governments, states and federal governments, all of which find the principle of "*sich auf die eigene Kraft verlassen*" (i.e., to engage in uncooperative strategies either because nothing appears to be gained from sticking to the rules and/or because relevant others are anticipated to do the same) increasingly attractive in a number of Western European political systems, including the European Community itself.

The second type of disorganization that follows from stagnation has to do with intraorganizational relations within collective actors such as trade unions, employers associations, and parties. Such organizations depend on the assumption shared by their members that gains achieved by collective action will be achieved at the expense of *third* parties, not at the expense of groups of members and in favor of other groups of members. As soon as this solidaristic expectation is frustrated, the representativeness of the organization is rendered questionable, and "syndicalist," "corporativist" or otherwise particularistic modes of collective action suggest themselves. The consequences of this internal disorganization of collective actors include either increasing "factionalism" of political and economic interests within the organization and/or a shrinking of the social, temporal, and substantive range of representation the organization is able to maintain [28]. The political and economic variants of the interclass accord that have gradually developed in all advanced capitalist states since the First World War and that have helped to make capitalism and democracy compatible with each other are clearly disintegrating under the impact of these developments and paradoxes.

Does that mean that we are back in a situation that supports the convergent views of Marx and Mill concerning the antagonism of political mass participation and (economic) freedom? Yes and no. Yes, because we have numerous reasons to expect an increase of institutionally unmediated social and political conflict, the expression of which is not channelled through parties or other devices of representation, and the sources of which are no longer dried up by effective social and economic policies of the state. But no, because there are strict limits to the analogy between the dynamics of "late" and "early" capitalism. One important limit derives from the fact that the forces

involved in such conflicts are extremely heterogeneous, both concerning their causes and socioeconomic composition. This pattern is remarkably different from a bipolar “class conflict” situation which involves two highly inclusive collective actors who are defined by the two sides of the labor market. But, in spite of this highly fragmented nature of modern political conflict, its outcomes may well involve fundamental changes of either the economic or the political sphere of society, changes that have, for just a limited and short period of time, been inconceivable under the unchallenged reign of competitive party democracy and the Keynesian welfare state.

### Notes

- 1 For instance, J. S. Mill's argument on the necessary limits of the extension of *equal* voting rights as developed in Ch. 8 of his *Considerations of Representative Government*. Oxford: Oxford Univ. Press.
- 2 This idea is stated in all three of Marx' major political writings on France, namely *Die Klassenkämpfe in Frankreich von 1848–1850* (1850), *Der achtzehnte Brumaire des Louis Bonaparte* (1852) und *Der Bürgerkrieg in Frankreich* (1871).
- 3 G. Therborn (1977). “The rule of capital and the rise of democracy,” *New Left Review* 103: 28.
- 4 This procedure is followed on the basis of the rather trivial, if not uncontroversial, idea that compatibility, stability, continuity or “self-reproductiveness” of any social system is not sufficiently accounted for in terms of its “inertia” or its presupposed “adaptive capacity,” but can and must be explained as a *process* of reproduction in which integrative tendencies outweigh those of change or disruption. Cf. C. S. Maier (1981). “The two postwar eras and the conditions for stability in twentieth century Western Europe,” *The American Historical Review* 86: 327–352.
- 5 B. Hindess (1980). “Marxism and parliamentary democracy,” in A. Hunt (ed.), *Marxism and Democracy*, London: Lawrence and Wishart.
- 6 Lenin writes in *State and Revolution*: “The democratic republic is the best possible political shell for capitalism, and therefore capital, once in possession . . . of this very best shell, establishes its power so securely, so firmly, that *no* change of persons, of institutions, or of parties in the bourgeois democratic republic can shake it.” Having in mind the Leninist tradition of thinking of the state as a mere reflection of socioeconomic power structures – and the corresponding theorem of the eventual withering away of the state after the revolution – the Italian political theorist Norberto Bobbio has rightly asked the question whether there is at all something like a “Marxist theory of the state” which would be conceptually equipped to grasp the “specificity of the political.” Cf. N. Bobbio's contributions to *Il Marxismo e lo Stato*, Mondo Operaio Edizioni Avanti, Roma 1976; quoted after the German translation *Sozialisten, Kommunisten und der Staat*, Hamburg: VSA (1977), pp. 15–61.
- 7 It is only on the basis of *real* assimilation of the practices of political parties to market behavior that the “economic paradigm” in democratic theory (as formulated in the famous works of Schumpeter, Downs and Olsen) could become so plausible and influential.
- 8 Max Weber (1958). *Gesammelte politische Schriften*. Tübingen: Mohr, p. 392.
- 9 R. Luxemburg (1924). *Massenstreik, Partei und Gewerkschaften*, *Gesammelte Werke* Vol. II, 163–165, Berlin: Dietz.
- 10 Cf. R. Michels (1925). *Soziologie des Parteiwesens*, Stuttgart: W. J. Mommsen (1981). “Max Weber and Robert Michels,” *Arch. Eur. Soc.* 22: 100–116; D. Beetham (1977). “From socialism to fascism: the relation between theory and practice in the work of Robert Michels,” *Political Studies*, 25: 3–24, 161–181.
- 11 See the brilliant analysis of this problem by A. Przeworski (1980) “Social democracy as a historical phenomenon,” *New Left Review* 122.
- 12 C. V. McPherson (1977). *The Life and Times of Liberal Democracy*. London: Oxford University Press, p. 69.
- 13 The most comprehensive account of recent theorizing and discussion on “corporatism” is P. C. Schmitter and G. Lehmbruch (eds.) (1979). *Trends Toward Corporatist Intermediation*, London: Sage.

- 14 B. Jessop (1980). "The transformation of the state in post-war Britain," in R. Scase (ed.) *The State in Western Europe*. London: Croom Helm, pp. 23–93.
- 15 Cf. for a detailed account of current Swedish debates on these plans and the debates surrounding them; U. Himmelstrand et al. (1981). *Beyond Welfare Capitalism?* London: Heinemann, esp. pp. 255–310.
- 16 D. Abraham (1982). "'Economic Democracy' as a Labor Alternative to the 'Growth Strategy' in the Weimar Republic." Unpublished manuscript, Princeton, 16 ff.
- 17 A. Shonfield (1965). *Modern Capitalism: The Changing Balance of Public and Private Power*. London: Oxford University Press.
- 18 S. Bowles (1981). "The Keynesian Welfare State and the Post-Keynesian Political Containment of the Working Class." Unpublished manuscript, Paris, 12ff.
- 19 This slogan has since become a technical term, in comparative politics; c.f. A. Markovits (ed.) (1982). *The Political Economy of West Germany. Modell Deutschland*. New York: Praeger.
- 20 For a detailed formulation of this argument see G. Lenhardt, and C. Offe (1977). "Staatstheorie und sozialpolitik – politisch-soziologische erklärungsansätze für funktionen und innovationsprozesse der sozialpolitik," in: C. v. Ferber/F. X. Kaufmann (Hrsg.) Sonderheft 19, der *Kölner Zeitschrift für Soziologie und Sozialpsychologie*: pp. 98–127.
- 21 See N. Luhmann (1981). *Politische Theorie im Wohlfahrtsstaat*. München: S. Huntington (1975). "The United States," in M. Crozier et al., *The Crisis of Democracy*, New York: NYU Press, pp. 59–118; B. Cazes (1981). "The welfare state: A double bind," in OECD, pp. 151–173. See also the powerful critique of the *The Welfare State in Crisis*, Paris: OECD, "economic reason vs. political irrationality" argument by J. Goldthorpe (1978). "The current inflation: Towards a sociological account," in F. Hirsch, and J. Goldthorpe (eds.). *The Political Economy of Inflation*. London: Martin Robertson.
- 22 Quoted from a paper by G. Esping-Anderson, "The incompatibilities of the welfare state," *Working Papers for a New Society*, Jan. 1982.
- 23 See J. Logue (1979). "The welfare state – victim of its success," *Daedalus* 108 (4): 69–87; also R. Klein (1980). "The welfare state – a self-inflicted crisis?" *Political Quarterly* 51: 24–34.
- 24 On this problem of the new "service class" and its (partially converging) critique from the Left and the Right, see I. Illich (ed.) (1977). *Disabling Professions*. London: Marion Boyars; a penetrating and influential economic analysis of the rise of "unproductive" service labor is R. Bacon and W. Eltis (1976). *Britain's Economic Problem: Too Few Producers*. London: Macmillan.
- 25 See L. Thurow (1980). *The Zero-Sum Society. Distribution and the Possibilities for Economic Change*. New York: Basic Books.
- 26 See J. Kocka, "Organisierter kapitalismus oder staatsmonopolistischer kapitalismus. Begriffliche vorberemerkungen," in H. A. Winkler (ed.), (1974). *Organisierter Kapitalismus*. Göttingen: Vandenhoeck.
- 27 Cf. E. W. Böckenförde (1976). "Die politische funktion wirtschaftlich-sozialer verbände," *Der Staat* 15: 457–483.
- 28 See, for the case of German and Italian unions, R. G. Heinze et al. (1981). "Einheitsprobleme der einheitsgewerkschaft (1982)," in: *Soziale Welt* 32: 19–38; and M. Regini (1982). "Repräsentationskrise und klassenpolitik der gewerkschaften," *Leviathan* 10 (in press).