

power in Swedish civil society put production politics back on to the immediate political agenda. The growth of white-collar labour organisation and the release of non-manual employees from the hegemony of capital brought first employee power in the enterprise and, ultimately, collective ownership to the centre of the labour movement's programme. Though the question of collective ownership is yet to be decided, we think we have established conclusively that the transition to socialism has not and will not be prevented by the absorption of the Social Democratic labour movement into the capitalist system. The inability of Social Democracy in Sweden to move forward on production politics in earlier times was the result of a deadlock with capital, not a sell-out. Even if the 1979 election does not bring the Social Democrats to power, the future of socialism in Sweden will not be decided. The events of the last few years show that some immediate problems of the Swedish labour movement require a socialist solution, thus the issue is likely to be raised again. Furthermore, the renewal of socialism in Sweden shows that it is at least possible for other reformist socialist parties to bring socialism back on the agenda given the right conditions.

The transition to socialism depends not only on what the labour movement does but also on what capital does. Will the introduction of employee capital funds spark capital exit and investment stops by domestic capital? And will international capital perceive the Swedish model as a threat and orchestrate some kind of censure? Any assessment of these future problems involves speculation which we leave to the conclusion.

## Conclusion

Marx's faulty predictions on the questions of the development of the class structure and consciousness formation led him to think that the transition from capitalism to socialism would occur much more rapidly than it has. The development of the new middle class and the more gradual decline in the petty bourgeois sector, particularly the rural portion, has meant that even under the best of conditions the development of labour organisation and class consciousness has proceeded at a much slower rate than the early Marxists imagined. They also underestimated the strength of religious, ethnic and linguistic ties and, like virtually all academics to date, failed to recognise the substantial differences in the economic structure of various countries. Because of variation in ethnic and linguistic diversity, the strength of religious ties and economic centralisation, Western capitalist countries vary substantially in the level of labour organisation and the strength of the socialist parties. Consequently, the political economies of various countries vary considerably. Countries where labour and the left are weak are moving toward a corporate collectivist pattern. Where labour and the left are strong, the political economies are transitional forms between capitalism and socialism.

Despite the fact that the Western labour movement has not yet fulfilled the historic role assigned to it by Marx, there is no denying that its achievements have been substantial. In almost every country, the working class has been a major actor in the struggle for political democracy. Though the introduction of democracy did not lead to socialism, it did ultimately lead to a compromise on the part of the bourgeoisie, albeit after an authoritarian interlude in some cases. The welfare state was the essential element of that compromise.

The expansion of the welfare state was a post-Second World War

phenomenon, but in every country that experienced even medium welfare state build-up, plans were laid before the end of the war and the alignment of political forces destined to be instrumental in welfare state expansion was already determined. In every case except the United Kingdom, the welfare statist coalition contained the organised industrial working class in coalition with urban or rural petty bourgeois elements.<sup>1</sup> In the 1930s, the Danish and Swedish Social Democrats formed a stable coalition government with a petty bourgeois party. The Norwegian Social Democrats followed a similar pattern though without formal cabinet collaboration. The Social Democrats in Belgium had already entered a coalition with the Catholics in the 1920s, a pattern which was followed much later by the Dutch. In Scandinavia, the Netherlands, Belgium, and to some extent the United Kingdom, the growing strength of organised labour also necessitated significant concessions from employers.

The French situation, as we have seen, was somewhat different. A coalition between working-class and petty bourgeois forces did initiate welfare state development. But the decentralised nature of the French economy and the resultant paternalism on the part of employers and the erratic character of French unionism impeded any compromise in the industrial sector. In the long run, these factors, particularly trade union character, undermined the strength of the French left.

Similarly, the defeat of fascism and the discrediting of the old ruling coalitions in those countries brought compromises between the labour movement and the formerly intransigent bourgeoisie. The most dramatic case of compromise was Austria, where Catholic conservative forces that had eliminated democracy rather than compromise with the labour movement, now agreed to rule in an uneasy coalition with their former enemies. This coalition, which dominated Austrian politics until the Social Democrats won a majority in the 1970s, was responsible for very substantial expansion of the welfare state.

The point of this historical sketch is to reinforce several points made throughout this book. First, the class structure and the weakness of labour organisations prevented the socialist movement from pushing through its more radical programmes in the inter-war period. The coalition with petty bourgeois elements forced socialisation off the immediate programme during the inter-war period

and the 1940s and early 1950s. The cold war contributed to keeping the issue in the background. Second, the social and economic rights associated with the welfare state are products of class struggle. After their attempt to limit the gains of the working-class movement to mere political rights failed, the bourgeoisie either compromised or aided the downfall of democracy. When the latter strategy was discredited by military defeat and the holocaust, the bourgeoisie everywhere settled for a compromise.

But the terms of the compromise varied substantially according to the strength of organised labour and the socialist parties. Moreover, the variation among capitalist countries increased in the whole post-war period. Immediately after the Second World War all countries stood at the beginning of welfare state development and the levels of expenditure were similar. By 1970, the differences were striking with some countries spending less than a quarter of GDP on non-military public goods and services and other countries spending almost one-half. Differences can be seen in the variation in control patterns in the economy, too, as our discussion of pensions in the United Kingdom, the United States and Sweden showed. Furthermore, as Table 4.8 showed, the variation in labour organisation indicates that the underlying distribution of power in capitalist democracies is increasingly different from country to country. Thus the character of the political economies has diverged too, some countries moving towards a corporate collectivist pattern, others, towards democratic socialism.

The inability of the left to move beyond the welfare state has been due to its weakness more than anything. There is a certain amount of truth to the Downsian model of democracy: parties do compete for the middle-of-the-road voter. But what determines where the middle of the road is – where the mean opinion lies – is the distribution of power in civil society. Yet even accepting the prevailing distribution of opinion, the electoral record of socialist parties has been poor. Looking back at Table 4.9, one can see that only in Scandinavia does the socialist period of incumbency exceed that of the centre and right in the period 1945–70. Given this, it is not surprising that only a few countries have moved much beyond the welfare state. Taking the Swedish case as a model, we would expect the labour movement to bring production politics to the centre of its programme when (1) the political necessity of a coalition with petty bourgeois forces is ended; (2) white-collar employees are

thoroughly organised; and (3) the socialists have experienced a substantial period alone in the government. The only other country which fits these three criteria is Norway. Even Denmark does not qualify, because, as Esping-Andersen (1978) shows, continuation of the coalition with the petty bourgeoisie has prevented the Social Democrats from going beyond welfare statism.

This is not to say that the reintroduction of socialism to the centre of the left's programme in the future is limited by the same three conditions. There is no reason to think that past incumbency *per se* should limit future possibilities to that extent. And most structural trends favour the labour movement. Religious divisions in the working class are declining because of the reorientation of the Catholic Church in the wake of Vatican II, the jettisoning of militant secularism by the socialist parties and the general process of secularisation. Where it is not supported through subsidisation for political reasons as in France and Italy, the petty bourgeoisie, particularly in the rural sector, is declining rapidly. And capital centralisation is increasing everywhere. On the other hand, the cases of Belgium and Canada show that ethnic and linguistic divisions are still strong bases for group loyalty.

This brings up a topic which we can only touch on here. It has often been claimed that a number of ongoing changes in the class structure, the most important of which is the relative decline in the proportion of manual industrial occupations, will undermine the social bases of support for socialist parties. Our own research on the Swedish and UK cases as well as that of a number of other authors on other countries show that this argument received little support when tested empirically.<sup>2</sup> For one thing, forced mobility into the non-manual ranks created by changes in the class structure increases the number of non-manuals from socialist backgrounds and thus, given the strong intergenerational correlations in party preference, the proportion of non-manuals voting socialist tends to increase. Furthermore, the universalisation of secondary education is reducing the educational differences between lower non-manuals and workers and thus decreasing closure of mobility between the manual and non-manual working class. The emergent social division, as both our work and Hamilton's show, is between the upper middle class and the working classes as defined in Chapter 2. The decline in status consciousness, an essentially pre-capitalist element of class relations, contributes to this process. In Sweden the decline

in closure has been furthered by an equalisation of consumption levels and class desegregation of living patterns. This has contributed to the decline in class voting. The socialists have lost some support in the working class and gained substantially among non-manuals. Consequently, the expansion of non-manual ranks is not likely to weaken the socialists' electoral base.

The increasing labour force participation of women also favours the left. The expansion of the white-collar ranks in the post-war period led to an inflow of women into active economic life. This is the material base on which the women's liberation movement grew. The increase in sexual equality, the greater contact with work life and thus the labour movement, and the general process of secularisation has eliminated sex differences in voting in Sweden and promises to do so elsewhere. In the Swedish case, the growth of sexual equality has already made crucial electoral contributions to the cause of socialism: the Social Democrats would certainly have lost the 1973 election and probably the 1970 election had the small sex differences in voting that characterised the country in the 1940s not been eliminated by the mid-1960s.

With these trends as a background, it seems at least possible that the left in the other 'corporatist' democracies could follow the Swedish pattern and bring socialism back on the immediate agenda. In Norway and Austria, there are no obstacles to doing this. In the Netherlands, the limited white-collar organisation is a problem, but the recent ideological renewal of the Labour Party and the break-up of the politics of accommodation are encouraging signs in the other direction. In fact, the Labour Party has shown some interest in instituting collective funds along the lines of the Swedish plan. Given the co-operation between the Social Democrats and the People's Democratic Union (the Communists) and the continued decline in the agricultural population, the Finnish left's future prospects look good. The Danish Social Democrats have the support of a fairly strong labour movement, but the severe economic problems combined with political fragmentation of the left's support make the future of Danish Social Democracy hard to predict. The Danes are discussing the introduction of a collective ownership scheme similar to the Swedish plan with the exception that it is to be developed through a payroll tax (Lykketoft 1977).

Among the other small democracies, the possibility of ideological renewal comes into question only in the cases of New Zealand and

Foreign-Invested Firms controls labor organization, collective bargaining, and strikes more strictly than in domestic firms to accelerate the influx of foreign capital.

72. Naomi Katz and J. Kemnitzer, "Join the Future Now! Women in the Electronics Industry: Sexism, Structure and Profit," in *Women, Men and the International Division of Labor*, ed. June Nash and Maria Patricia Fernandez-Kelly (Albany: State University of New York Press, 1983): 332-45.

73. See Robert Thomas, "Citizenship and Gender in Work Organization: Some Considerations for Theories of the Labor Process," in *Marxist Inquiries*, ed. Michael Burawoy and Theda Skocpol (Chicago: University of Chicago Press, 1981); and Alejandro Portes and John Walton, *Labor, Class and the International System* (New York: Academic Press, 1981).

74. W. Skinner, "Wanted: Managers for the Factory of the Future," *Annals of the American Academy of Political and Social Science*, Special Issue on *Robotics: Future Factories and Future Workers*, 1983, 102-14.

75. Dankbaar, "Maturity and Relocation," 243.

76. Rudy Maex, *Employment and Multinationals in Asian Export Processing Zones*, Multinational Enterprise Programme Working Paper no. 26 (Bangkok: ILO Asian Regional Team for Employment Promotion, 1983), 30.

77. For the case of the auto industry, see Dankbaar, "Maturity and Relocation"; and Sanjaya Lall, "Prospects for Automotive Transnationals in the Third World," *National Westminster Bank Quarterly Review*, February 1983, 13-21.

78. David O'Connor, "Changing Patterns of International Production in the Semiconductor Industry: The Role of Transnational Corporations" (Paper presented at the Conference on Microelectronics in Transition, University of California, Santa Cruz, March 12-25, 1983).

79. McLean, *Technical Change and Economic Policy*, 65; UNIDO, *Restructuring World Industry*; and Maex, *Employment and Multinationals*.

80. Fred Block, "The Myth of Reindustrialization," *Socialist Review* 14, no. 1 (January-February 1984), 64-65.

81. Maex, *Employment and Multinationals*, 33.

*Politics & Society* 14, no. 2 (1985): 185-222.

## Power and Distributional Regimes

GÖSTA ESPING-ANDERSEN

THIS essay presents an analysis of the relationship between political-power structures and variations in welfare-state regimes within eighteen advanced capitalist democracies. The leading question is whether, and under what conditions, the mobilization of working-class political-power resources affects the distributional and institutional characteristics of welfare-state development. In comparison to most studies in the literature, this one attempts to reconceptualize both the concept of power and the characteristics of welfare states to be examined.

The general hypothesis is that the degree of power mobilization genuinely affects distributional outcomes.<sup>1</sup> Trade-union organization and the strength of left parliamentary-cum-cabinet control serve as the basic power resources in affecting state policies. Yet, it is important to recognize that the relationship cannot be strictly linear. Similar levels of power mobilization may yield widely different outcomes given the structure of power. We must, in other words, locate working-class power within a broader power matrix that minimally takes into account long-standing divisions within either the right or the left, and that is sensitive to the patterns of class-alliance building. It is hypothesized that the effectiveness of working-class power resources depends on: the extent to which the nonsocialist parties are mutually divided; and the conditions open to working-class parties to forge alliances with other social classes. The lack of political unity among nonsocialist parties

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permits working-class parties greater scope for asserting their objectives against rightist resistance.<sup>2</sup> And the working class's ability to forge alliances with other social classes helps to pre-empt the establishment of a unified bourgeois block and, in any case, to increase its chances of success, because a majority based solely on traditional working-class vote is unlikely to occur and equally unlikely to be stable.

This study takes an unusual approach to the study of welfare-state variations in that the welfare state is viewed as an articulation of distributional conflicts, in particular, a conflict between market principles and political-allocation principles. Furthermore, the decisive distributive nature of the welfare state cannot be grasped with conventional indicators such as level of social expenditure. Rather, historical conflicts have centered around the institutional arrangements of social policy. This includes, for one, the capacity of social policy to decommodify wage earners, that is, to endow individuals with a relative independence of the cash nexus and work compulsion. It also includes the stratification attributes of social policy—does it cultivate universal solidarity, status segmentation, or individualism? And it includes the degree to which guaranteed employment is institutionalized. Examined as institutional arrangements of distribution, it is difficult to examine welfare states as simply arranged on a scale of “more or less”; instead, there emerge among our nations distinct clusters distinguished by unique types of welfare-state regimes. As will be discussed below, it is possible to identify an essentially “social democratic” welfare state regime. The question of power and distribution may accordingly be rephrased as the relationship between power mobilization and the “social democratization of capitalism.”

Since welfare-state activities presumably grant entitlements outside market relations, institutionalize collective political responsibilities for individuals' living standards, redistribute income and resources, and provide goods and services outside the cash nexus, they are likely to be resisted by the privileged classes. This is not merely because they infringe on the prerogatives of private-property ownership, but also because they hold the potential of altering the balance of class power in favor of the disadvantaged. This was the central point in Michael Kalecki's and in Edward Heimann's analyses.<sup>3</sup> To both, social reforms and full employment would push the boundaries of “socialism” forward and weaken the market and the authority of the employer.

Kalecki and Heimann are sophisticated representatives of prewar social democratic thought. Social reformism is not regarded as merely futile amelioration but as a strategic objective of political struggles: social citizenship may alleviate pressing needs, but it also provides a

means of “social democratizing” capitalist society. A theoretical focus on working-class politics in welfare-state evolution is therefore warranted.

Even a cursory review of the dominant empirical studies on the question suggests a severe mismatch between theoretical intent and research practice. Virtually all studies examine the welfare state from the point of view of social-expenditure levels or its redistributive egalitarian effects.<sup>4</sup> However, spending levels and redistributive effects are, as such, not especially fruitful for theoretical verification. Granted, an advanced welfare state will absorb a good deal of the Gross Domestic Product (GDP), and it may also promote a modicum of income equalization. Still, huge expenditures can also reflect a preponderance of unsolved social problems, such as unemployment—something that an effective “social democratization” of capitalism presumably would eradicate. And, more importantly, expenditures mask basic institutional differences in how social policy is applied: social transfers may be disproportionately targeted to privileged civil servants; they may be granted only when accompanied by more or less stigmatizing means tests, they may require lengthy individual contributions that typically exclude the weaker groups from participation; or, to the contrary, they may be granted on a universal basis to all as a citizen right. They may further status cleavages or they may engender solidarity. Measures such as spending easily obscure the presence of distinctly different welfare-state regimes.

Any historian of social policy will tell us that the early social reform initiatives were spearheaded by representatives of the ruling classes. On the European continent, welfare-state foundations were erected by arch-conservative, statist, and paternalistic reformers such as Eduard, Count Taaffe in Austria, Otto Bismarck in Germany, and J. B. Estrup in Denmark. These pioneers were quite prepared to build extensive schemes for social protection as a means to arrest class conflicts and subordinate workers to the state. Organized working-class participation in this era of welfare-state formulation was, at best, marginal; often it was oppositional. But liberals, too, played a pioneering role, although their primary efforts were dedicated to the establishment of social programs that strengthened the market mechanism, such as voluntary contributory insurance and occupational contractual plans.<sup>5</sup>

With few exceptions the working classes were objects rather than subjects of social legislation until the 1930s. And the design of welfare programs typically reflected this. Thus, in Germany and Austria, where levels of social expenditures, compared to that of other countries, were very high in the 1930s, welfare-state schemes certainly did not conform

to labor's wishes; they were deliberately designed to fragment wage earners into status-distinct corporative identities with visibly different financial responsibilities and benefit privileges.

To put the problem in different words, we cannot assume that social-expenditure levels alone can capture theoretically relevant variations in welfare-state activities. Welfare-state regimes with only marginal advances in the direction of social rights may be comparatively high spenders, as was the case with the United States during the 1930s. Different nations may spend approximately the same, but what they spend on may be more important, or, still more important, the institutional properties of their programs may differ significantly. No political actors have, historically, struggled over spending levels as such. To test theories of working-class power and welfare-state development we need first to specify concretely what were the working-class objectives for which power mobilization was instrumentally important.

The literature is marred by an additional problem. Its conceptualization of the relationship between explanatory variables, such as left power or economic development and distributional outcomes, such as spending, is almost invariably linear: the more power, the more redistribution, the more economic development, the more spending. This shows a disregard for the sociological meaning of a term such as power.

Power must be explained as a relational phenomenon. The effects of similar levels of working-class mobilization—percent trade unionism, parliamentary strength of labor parties—depends greatly on the overall power matrix: the chance of producing radical change is much greater if the bourgeois forces are split and incapable of mobilizing a unified counterforce. For example, the basic power resources of Austrian labor (trade-union organization and party strength) are closely similar to that of Scandinavian labor. Yet, in Austria, the bourgeois block is consolidated into the *Österreichisches Volkspartei* (OVP); in Scandinavia the various bourgeois parties have a long history of mutual opposition, which, in turn, opened opportunities for cross-class political alliances. A powerful labor movement is easier to oust into marginality if the right can muster effective majorities.

The problem of power is additionally complicated by the constellation of parties in the social structure. Harold Wilensky, among others, has brought attention to the central role played by Christian, and especially Catholic, parties in social reform.<sup>6</sup> Catholic movements are required to appeal to their frequently large working-class constituencies; historically they have also been dedicated to humanitarian social amelioration and have resisted, together with traditional conservative forces, the consolidation of a purely cash-nexus-based form of social

organization. In nations where Christian movements predominate, the working-class organizations are likely to be split along professional lines, and their social reformist goals are more likely to be thwarted by the early institutionalization of Catholic-conservative legislation.

Generally speaking, the translation of power resources into political outcomes must depend on two decisive conditions. First, a high level of power mobilization is likely to be effective only if it is durable. A brief stint of left government, preceded and then followed by conservative cabinets, is unlikely to produce lasting institutional changes. Second, Eduard Bernstein's predictions concerning class structural development have largely proven correct: few labor movements have ever been able to count on working-class electoral majorities alone. The translation of labor-party votes into power will almost invariably require the formation of cross-class alliances: in two-party systems through incorporation and in multi-party systems through, more likely, governing coalitions. The conditions under which working-class parties have been capable of forging alliances have varied sharply among nations, and this has indisputably affected their fate as long-term governing parties.<sup>7</sup>

To summarize, we must pay attention to what specifically are working-class objectives in social policy, and we must be capable of identifying the structural conditions under which power mobilization is likely to affect social policy. As will be briefly argued next, we must be able to recognize qualitatively distinct social policy regimes and power matrices.

#### THE SOCIAL DEMOCRATIZATION OF CAPITALISM

Any meaningful analysis of working-class power and welfare-state outcomes must begin with a specification of what, concretely, workers demand and can be mobilized to struggle for. The "welfare state" is one particular outcome of demands that logically flow from the position in which wage earners find themselves; it is, as I shall argue, the most likely outcome where wage-earner demands are given a collective, political expression. To the individual wage earner, social policy may primarily be a means of relief, a source of immunity from the wicked whip of the market. For labor movements, social policy has always been viewed as a means for cultivating class unity and collective solidarity in the struggle against competitive market atomization and narrow corporate loyalties. Be they union funds or benevolent societies, their purpose went beyond the immediate cry for relief; they were institutions for building collective communities, often presented as islands of socialist solidarity.

The exercise of solidarity requires not only communal organization, but also resources. Social policy emerges as an important instrument to uplift the working classes, to distribute resources more equally among them, and to grant individuals the strength and capacity for communal action. Social policy is therefore integral to the labor movements' process of class formation. It is a means through which the balance of class power can be shifted in favor of labor, as viewed by Kalecki and Heinmann.

Social policy, therefore, becomes an arena for the accumulation of working class power resources; the overriding principle is to substitute market exchange with social distribution and property rights with social rights. The "social democratization" of capitalism implies that social policy involves a four-pronged agenda: the decommmodification of wage earners and of consumption, a restratification of society along solidaristic principles; redistributive corrections of market-induced inequalities; and, above all, the institutionalization of sustained full employment.

#### *Decommmodification*

As individuals and collectivities, wage earners will logically strive to decommmodify their status.<sup>8</sup> For the individual, the issue is primarily one of securing adequate means of sustenance that are independent of market chances. For the labor movement, the strength and solidarity of the collectivity depend on its capacity to provide workers with an acceptable exit from the cash nexus. The problem group was mainly the weakest workers, the migrant rural workers, the lumpen proletariat, and the unemployed are the most compelled and tempted to underbid wages, to take the place of striking workers, or to flood the labor market, thereby provoking bitter rivalries and antagonisms within the working classes. The social wage that decommmodification connotes is therefore paramount for labor-movement formation. The degree of decommmodification is a function of the extent to which citizen rights supplant market distribution.

#### *Solidarity*

In principle, decommmodification need not require state social legislation but can be provided, as it often has been, through union funds or fraternal societies or in the form of negotiated fringe benefits. However, for reasons of solidarity and class formation, unions and working-class parties gradually came to understand that social wages and social services would have to be universalistic in scope and coverage. They would, as experience showed during the recurrent economic

slumps, create new dualisms among wage earners by failing to come to the aid of those not organized, who indeed are likely to be those most in need of protection and aid. Universalist social policies help resolve other obstacles to solidarity and unity. Guild and craft-worker traditions of mutual aid are a powerful impediment to broad solidarity. And, more importantly, labor movements have always had to battle the segmentation caused by classical liberalism's stigmatizing poor-relief practices, the individualization caused by private insurance, and the corporative divisiveness caused by conservatives' status-segregated social-insurance legislation. Social policy is not just a battle over money and rights but also over principles of social stratification. The social democratization of society will inevitably demand that labor movements supplant targeted or corporative social-protection schemes with a universalism that promotes solidarity, as evident in the Scandinavians' "Peoples Home" model, the German and Austrian socialists' call for *Volksversicherung*, and the Italian Communists' demand for "unificazione."<sup>9</sup>

Decommmodification and universalism in social policy require: that financial burdens be socialized; that status differences are eliminated with respect to conditions of entitlement and benefits; that rights and benefit distribution are divorced from initial inequalities or performance; and that entitlements be basically conditionless. An advanced level of decommmodification means that individuals can uphold normal standards of living without the compulsion to work; a high degree of universalism stipulates that all citizens recognize themselves to be "in the same boat."

#### *Redistribution*

Income equality was rarely a prominent theme in socialist social-policy thinking. As a goal in its own right, it would have to await the final socialization. In postwar social democracy, C.A.R. Crosland's view became prominent: that capitalist evolution itself—backed by progressive taxation and social transfers—would resolve most of the lingering problems of inequality.<sup>10</sup> Certainly, it is to be expected that universalistic social wages and services, financed solidaristically, would have redistributive dividends. But social democracy is severely constrained on the issue. For one, its necessary reliance on political class alliances with (once) the farmers and (now) the new middle strata prohibits an aggressive pursuit of income redistribution. For another, its reliance on private entrepreneurship to furnish investments stipulates a tolerance for high profits. Finally, its reliance on a very large, comprehensive, and hence costly, welfare state requires heavy taxation. This

places a natural limit on the tax system's redistributive potential. In other words, substantial redistribution requires extraordinarily high levels of power mobilization.

### *Full Employment*

The goal of guaranteed employment appears to contradict the ideal of decommodification—both from the point of view of socialism, because it confirms the individual's position as wage earner in the market, and from the point of view of liberalism and economic orthodoxy, because welfare creates disincentives.

For the individual as well as workers as a collectivity, full employment is of obvious importance. It strengthens the bargaining position of both, unemployment clearly being a basic impediment to unity. Full employment is also a fundamental precondition for the viability of social-democratic strategy. It constitutes the basic financial underpinnings for decommodification and solidarity and enhances the chances for radical income redistribution in general. And to echo Kalecki again, it is the chief means by which the labor movement can shift the balance of class power in its favor.

Full employment on a sustained basis depends on effective power mobilization, especially where it jeopardizes price stability, profits, and international competitiveness. This means that the labor movement must be powerful enough to override the priority for price stability, but it must also be sufficiently unified that wage earners can be made to sacrifice individual wage gains for the good of the collectivity. The labor movement must be able to persuade wage earners to help shoulder the financial responsibilities for maintaining full employment, especially when the going gets tough.

Not only is full employment in practice (if not in theory) a deeply contested issue, but the means by which it can be upheld are relatively few in a privately controlled economy.

### DISTRIBUTIONAL REGIMES

The variety of contemporary welfare states cannot be viewed as a simple question of more or less "social democratization." This is so for two reasons. First, the "social democratic" model of a welfare state is, ideally at least, characterized as integrative, comprehensive, and societal in scope. In contrast to the narrower, or marginalist, approach, typical in the liberal tradition, it recognizes no boundaries for social policy. In Richard Titmuss's formulation, it conforms to the institutional welfare state model.<sup>11</sup> Second, as Gaston Rimlinger has shown, the nature of welfare-state evolution has varied considerably depending on political

context.<sup>12</sup> It is possible to recognize two kinds of welfare-state regimes that are categorically at variance with the social democratic model. Indeed, a major historical impediment to postwar social democratic reformism is the degree to which alternatives were institutionalized at an early date. The two models—conservative and liberal—that contend with social democracy cannot be identified so much in levels of social expenditure as in their distinct institutional properties.

### *The Conservative Model*

The conservative welfare-state regime, prominent in continental European nations such as Germany, Austria, France, and Italy, has its roots in a blend of statist, paternalistic reformism and in social Catholic influence. The principles, as expressed in Bismarck's and Taaffe's early legislation and in the key Papal Encyclicals (*Rerum Novarum* and *Quadragesimo Anno*) were not so much guided by desires to establish market hegemony and rugged individual self-reliance as they were by the goal of arresting the onward march of socialism and capitalism. To this effect, Bismarckian initiatives favored an active interventionist state that promoted individual subordination and loyalty to the state. He wanted "Soldaten der Arbeit," not atomized commodities.<sup>13</sup> Catholicism, in turn, favored a traditional corporatist social policy that promoted occupational- or status-exclusive schemes. Both favored an organization in which the employer occupies a paternalistic guiding role.

As their early socialist critics were quick to point out, conservative policies were "class politics." By explicitly targeting legislation to workers and by promoting sharp status distinctions, the political aim was to build and consolidate status cleavages among the wage-earner population. The strategy, in other words, was to thwart broader class formation.

The legacy of conservative social policy came to haunt social democracy when, subsequently, the labor movements attempted to reform social insurance. In Austria and Germany, both the trade unions and the social democratic parties attempted after the war to substitute hierarchical and corporative (*Berufsständiche*) organization with Scandinavian-style universalist "Volksversicherung." Of particular importance was the status equalization between salaried and manual wage earners with respect to financial obligations, eligibility conditions, and benefits. In both nations, the socialists were only partially successful in overriding their conservative adversaries. Against OVP objections, the Austrian Sozialistische Partei Österreichs (SPO) managed in the 1955 reform to reduce the number of existing separate insurance bodies



considerably, and a common legislative frame was imposed on both worker and salaried pension schemes. The German Sozialdemokratische Partei Deutschlands (SPD) had some success too, along similar lines, but in neither case was anything close to Volkversicherung accomplished—an obvious reason being that the privileged salaried employees and other status groups had gained, over many decades, a vested interest in retaining corporative exclusiveness. Over the postwar era, some of the greatest battles, and also victories, of German and Austrian social democracy occurred in the context of “Lohnfortzahlung” legislation, the reform to equalize conditions for full and automatic sick pay.

Conservatism shares with liberalism a concern for actuarialism; however, it is a corporative rather than individualistic actuarialism. This has been another of the major points of conflict in both Germany and Austria. Although the socialists have had some success in establishing closer financial integration among separate insurance schemes, they have by and large failed to override conservative vetoes against general government financing or subsidization.

In summary, “conservative” welfare-state regimes differ from the social democratic variety not so much in their willingness to grant social rights, as in their corporative structure. It is, however, a structure where rights and duties are attached to occupation and status, not to citizenship.

#### *The Liberal Model*

In its ideal-typical form, classical liberal social policy is designed to maximize the commodity status of the individual wage earner.<sup>14</sup> The concept of “Less Eligibility” that underpinned the liberals’ poor relief schemes served to eliminate exit opportunities from the market and to punish those who could, or would, not make do with the pure cash nexus. Liberalism, in contrast to conservatism, has maintained a powerful attachment to means-tested, targeted forms of social policy. The traditional practice of ruthless deterrence has, perhaps, vanished, but the principle is sustained as a means of securing optimal help at minimum cost or as a means of selecting the deserving from the nondeserving poor. Liberal social policy is residual in that it establishes narrow boundaries for government intervention but maximum scope for markets in the distribution of welfare.

For liberalism, the market place is the obvious site of distribution, and its enthusiasm for private contractual insurance and fringe benefits is therefore logical. This model of “welfare capitalism” has been especially dominant in the United States, but also in Australia, Canada, and in Switzerland. And, as several studies suggest, trade unions

occasionally not only sanctioned but even favored private, occupational welfare to state insurance.<sup>15</sup> On this score, liberalism stands in sharp contrast to both conservatism and socialism. But, an unusually strong market logic is also apparent where liberalism adopted and sponsored state insurance. Liberal social insurance emphasizes voluntary membership, individualistic actuarialism with benefits closely connected to previous contribution and performance, and comparatively meager public benefits and standards so as to encourage private insurance alternatives. By stipulating long contribution requirements, social insurance may actually help encourage individual market participation. It is also easy to see liberalism’s commitment to market hegemony in its typical insistence on substantial waiting periods for benefit eligibility, as well as on brief benefit-duration periods.

In short, the hallmarks of liberalism, in juxtaposition to the two other contending regime types, are its residualism, its stress on private market provision, the conspicuous role played by targeted means testing, and its self-reliant individualism. Albeit promoted in different forms, liberalism does, however, share with socialists a principled preference for universalistic ideas; of course, it tends to be a universalism of equal opportunity rather than equal rewards.

The industrialized capitalist democracies may rank on a smooth, linear continuum in terms of social expenditures, taxation, unemployment levels, and other aggregate indices of welfare-state performance. But they clearly do not in terms of regime characteristics. Indeed, a fairly distinct clustering is immediately evident. By and large, the conservative model is pre-eminent in nations where the church played a powerful role in social reform and in nations where absolutism was strong and slow to give way—in nations, therefore, where the bourgeois revolution was weak, incomplete, or absent, such as in Austria, Germany, France, Italy, Japan, and Belgium. By contrast, there seems to be a surprising synonymity between liberalistic social-policy regimes and Anglo-Saxon “New World” nations, where the bourgeois impulse was especially powerful, such as Britain, the United States, Canada, and Australia. The ideal-typical features of socialist, liberal, and conservative distribution regimes are depicted in table 1.

The capacity of labor movements to substitute “social democracy” for either liberalism or conservatism is obviously related to their historical position of power. If labor movements can affect fundamental change through participation in parliamentary democracy, we would expect to find a positive relation between levels of working-class political mobilization and the degree of “social democratization” on welfare-state performance indicators. Where labor is politically strong,

both liberalistic and conservative welfare-state regime features would thus be comparatively weak.<sup>16</sup>

#### THE BALANCE OF CLASS POWER AND DEGREE OF SOCIAL DEMOCRATIZATION

Although trade unions, business organizations, and farmers play fundamental roles in defining the relative power resources of the major social classes in modern capitalism, the proper focus for a "parliamentary hypothesis" is obviously the balance of electoral, legislative, and executive power among political parties. Some studies employ, as a measure of working-class political strength, an index of percent left votes. However, electoral rules often do not allocate parliamentary seats in proportion to votes. Many studies also make do with an index of percent left votes, or seats, in one particular year. This risks being further confused by a "Mitterand effect," where a left government may recently have taken office only to be (probably) ousted shortly thereafter. It is unlikely that the dominance, let alone hegemony, of conservatism or social democracy will occur unless backed by long-term and durable power. It is equally unlikely that such a dominance can be established unless a party, or a coalition, controls cabinets and parliament over long periods. Consequently, the appropriate measure of power is to weight share of parliamentary seats with share of cabinet posts averaged over a relevant time span.<sup>17</sup>

Until the 1930s, and generally not until after World War II, it was exceedingly rare that working-class political parties held office or even participated actively in the formulation of social policy. As in Austria and Germany between the wars, or in France in the mid-1930s, socialist cabinets were shortlived, embattled, and usually in a minority position. The breakthrough of social democracy as a stable and strong expression of working-class politics occurred basically after World War II, spearheaded in the 1930s and 1940s by the Labour party in Australia and Scandinavia, followed by the Labour party in Britain and by the socialist parties in Austria, Belgium, and elsewhere.

With that in mind, it is highly unlikely that left parties would have made any major imprint on social policy until after World War II. Since it is also evident that the variance of left party power increased among our eighteen nations after the war, the parliamentary hypothesis would lead us to believe that the nations' social-policy performance was more homogenous and convergent before the war, and increasingly divergent thereafter. In other words, the process of social democratization is primarily a postwar phenomenon, and we would expect it to vary considerably depending on the long-term influence of left parties over

government policy. Finally, as a general rule, we would expect that the degree of left party power is especially important on issues that are divisive, that is, where labor movements seek to push the boundaries of markets back decisively. The scope of nonmarket, collective consumption or the maintenance of full employment during the very severe recessions of the 1970s ought therefore to require especially strong left party power, compared to less "threatening" issues such as levels of social expenditure.

In the following, we present a series of statistical analyses of the relation between left weighted cabinet share (LCS) and indices of welfare-state performance that should reflect important advances in the direction of a social democratization of capitalism.<sup>18</sup>

#### *The Social Wage*

In contrast to what is often claimed, patterns of social expenditure are not becoming more convergent among the leading eighteen capitalist democracies. The growing divergence, moreover, cannot be ascribed to factors such as economic development or the logic of bureaucratic incrementalism.<sup>19</sup> The long-run trends in social-wage expansion require a political or social structural explanation.

Table 2 indicates that working-class mobilization had no influence on pre-war social-wage levels. This is even true for 1950, although at this point the left parties' electoral share—a more indirect source of influence—had some impact. It is, as we would expect, only in the post-war era that left cabinet control affects the size of the social wage. This seems to contradict the commonly held view that the postwar welfare state expansion was a politically consensual issue.<sup>20</sup>

If we disaggregate the historical trends, we see better why a nation's ranking on social spending camouflages institutional divergences. Although the 1933 data exclude some of the eighteen countries, it is clear that the ranking at that time has little to do with the situation in the 1970s, and it tells us very little about a nation's progress toward effective social citizenship. In 1933, the leaders were Germany, Britain, and Austria; the laggards were Finland, Holland, and Italy. The United States, even if at that time it had introduced virtually no social-rights programs, would still have ranked in the middle. Means-tested poor relief, civil-service benefits, and patronage-flavored veterans' pensions dominated.

While social-wage expansion in the postwar era is closely related to left cabinet power, the relationship, as Lec Rainwater shows, varied by program type.<sup>21</sup> As we shall see shortly, left power is especially important in accounting for the growth of collective services, medical

services in particular. A Catholic/conservative-social-democratic convergence on the social wage is evident for the postwar decades, showing these kinds of nations now to be the leaders and the "liberalistic" and residualistic Anglo-Saxon nations to be the laggards.

#### *Social Rights or Poor Relief?*

The size of the social wage may indirectly capture the level of decommodification; another measure is the extent to which citizens command basic entitlements as opposed to being dependent on various kinds of means-tested and socially stigmatizing relief programs. The relative scope of poor relief in total social-wage expenditure also offers a way of identifying the stratifying properties of a welfare state. Not surprisingly, one of the labor movements' foremost priorities has historically been to supplant means-tested relief with rights programs. This was the first and foremost goal of the SPD in the Weimar Republic, and it was the most pressing reform task of the Nordic social democrats when they came to power in the 1930s. In short, the social democratization of capitalism means assigning poor relief very low priority.<sup>22</sup>

As we know, a great proportion of total social expenditures in the 1930s and even as late as 1950, consisted of means-tested benefits. The major rights programs in Scandinavia, for example, were really only legislated by the social democrats in the period 1945-1955. Table 2 indicates that, for 1950, there was a substantial correlation between total expenditures and the scope of poor relief; that relationship disappears by the 1970s. The table also shows that there is no significant impact of left power on the scope of poor relief in 1950. But its impact is decisive in explaining poor relief in 1974. Among the eighteen countries, poor relief has been most effectively eliminated in the social democratically dominated nations, especially in Scandinavia, whereas it plays the greatest role in nations where the left is weakest: the United States, Canada, and France. The "Catholic" nations occupy a position in the middle.

#### *Decommodified Consumption*

Because collective goods and services threaten to displace the market mechanism with respect to pricing, and private enterprise with respect to production, collective consumption is likely to be resisted and to generate intense political conflict. The extension of decommodified consumption is, accordingly, a distributional battle that may assume substantial left power mobilization.

An index of decommodified consumption must exclude government military and defense outlays. This can be done for all eighteen

cases in 1950, but for only fifteen in the late 1970s. Generally speaking, collective consumption has grown at a less spectacular pace than has the social wage, but cross-national differences are clearly greater in 1979 than they were in 1950. At one extreme lie Denmark and Sweden, with more than 20 percent of Gross Domestic Product (GDP) devoted to nondefense, public consumption; at the other end lie Japan and Switzerland. Again, the strength of working-class parties has no bearing on collective consumption in 1950. But left power is decisive in explaining both the expansion between 1950 and 1979, and the overall situation in 1979. A full 66.2 percent of the variance in 1979 can be accounted for by LCS. See table 4.

#### *The Public-Private Mix*

For reasons of both solidarity and decommodification, the social democratization of capitalism will have to supplant private and contractual welfare distribution with universalistic and adequate social rights. Private insurance has, for many reasons, been an historical enemy of labor movements and a favored solution among employers, private insurance and financial enterprises, and bourgeois parties. Private insurance as well as occupational, fringe-benefit programs strengthen the wage earner's attachment to the market and the employer and therefore help consolidate the individual's status as a commodity. They also replicate and possibly strengthen existing inequalities and differentials among wage earners and tend to favor the strongest and exclude the weakest. They may even undermine solidarity toward the welfare state, since those groups who command a privileged position in the private market are less likely to support, and identify with, social programs.

The relative share of private pensions and health care to total pension and health-care outlays constitutes a good measure of the private-public mix, because these two programs, taken together, account for the lion's share of social expenditures in all nations.<sup>23</sup>

The impact of working-class political mobilization on the relative scope of private pensions is less strong than one would have anticipated, and for health even weaker. See table 5. The lack of a powerful relationship may be due to the way in which the nations are distributed on the variable. There is a tendency toward a bi-modal distribution with one cluster showing very high ratios of private-to-public pensions (United States, Canada, Switzerland, and Australia), and another with low ratios (Norway, Austria, Germany, Italy, and Sweden). It is obvious that the relationship is not linear and that there are crucial statistical outliers, Denmark especially, where left power scores high together

with privatization. Here is a clear instance where the relationship between power and distribution must take interaction effects into account.<sup>24</sup>

#### *Individualism or Solidarity as Social Stratification*

Rarely are social-insurance systems strictly actuarial, even if they are outwardly promoted as such. The liberal ideal of a direct correspondence between benefits and individual contributions is therefore, at best, approximated. A key historical conflict has always surrounded the question of financial burdens, labor movements normally espousing a high—if not total—degree of financial redistribution. In contrast, a defining characteristic of liberal reformism was its insistence on individual self-reliance, actuarialism, and its veto against socializing finances. Thus, Arthur Altmeyer's basic strategy for the defense of the American social-security system against its rightist attackers was to (falsely) insist that it remain strictly actuarial. In Germany, likewise, the labor movement and the conservative forces have fought a perennial battle over the degree to which general revenue finance should be permitted to subsidize worker insurance.<sup>25</sup>

Labor movements have typically had to struggle to socialize the financial burdens of the welfare state, not only because of the forces opposed to redistribution, but also because of self-reliant actuarialism, which nurtures egoism and stalls the formation of broad social solidarity.<sup>26</sup>

A simple way to capture the extent of financial solidarity is to take the share of individual social contributions as a percent of total revenues. Prior to the "era of social democracy," in 1950, the role of individual self-finance was dominant in almost all nations except, of course, in those where means-tested programs still predominated. In the late 1970s, individualism still remained strong and had grown considerably in many nations whose social-security systems developed mainly in the postwar decades (such as Japan, the United States, the Netherlands, and Switzerland). The strongest trend toward financial solidarity is found among the Nordic social democracies. Special cases are Australia and New Zealand, where means-tested programs remained the bulwark of social protection. Since their systems are not really comparable to the rest, it seems appropriate to run separate analyses excluding them from the model. Table 6 shows the relationships between levels of working-class political mobilization and the degree of financial individualism. As with almost all our analyses, left power has no impact on the situation in 1950. There is a similar lack of statistical association in 1977 as long as the two outliers (Australia and New

Zealand) are included. The more appropriate test, however, is to discern the degree of change between 1950 and 1977. As table 6 shows, when the two outliers are omitted, left cabinet shares play a substantial role in reducing the degree of financial individualism.

#### *Corporativism as Social Stratification*

Just as the scope of private programs and the degree of individual self-finance characterize liberalistic welfare-state policies, program corporativism characterizes conservative social policy. Typically, status or occupationally exclusive programs were promoted by conservative-authoritarian and social-Christian forces not only to preserve status privileges and differences, but also to direct class loyalties away from the universalistic appeals of socialism. The latter intent was, indeed, explicit in Austria and Germany. From the Catholic point of view, corporativism was an attractive answer to the problems of anomie in industrial mass societies.

The degree of corporativism can be captured by the extent of status-distinct, separate social-insurance schemes. In nations where such prevailed early on, as in Austria, Belgium, Germany, France, and Italy, it is clear that the labor movements have fought hard, though with mixed success, to universalize. Corporativism, it may be noted, is distinctly in contradiction with the liberal ideal, as well. We would, accordingly, anticipate a negative association between levels of corporativism and levels of privatization. That is indeed the case ( $r = -.510$ ;  $T = -2.14$ ).

The measure of corporativism employed here is an average of the number of occupationally separate social-insurance schemes across three programs: pensions, unemployment, and sickness. Table 7 shows that in both 1955 and 1979, strong corporativism is associated with weak labor movements and that, in the same years, the stronger the labor movements, the more they are likely to de-corporativize social insurance in the postwar era. However, the relationships are not overwhelmingly strong.

In most nations with strong corporativism (Japan excluded), social insurance was legislated at an early date, and often under conditions of labor-movement political weakness or exclusion, such as occurred in Austria, Germany, and Italy. Left government participation in these countries, at least on a stable basis, happened only after the Second World War, meaning that the programs will have had many decades in which they would have institutionalized vested interests in their continuation. These tend, moreover, to be nations in which the Christian reformist influence has continued to dominate conservative party

politics. This presumably would help preserve the corporative tradition. In other words, we would anticipate that the degree of corporatism correlates positively with the influence of Catholic-conservative parties. This seems to be the case, as table 7 shows.

#### *Social Democracy as Full-employment Capitalism*

Kalecki's belief that sustained full employment would significantly push the balance of power in favor of the working classes, was probably shared by all labor movements. While the goal seems to acquiesce to the practice of wage labor, it is also a means by which labor movements may gain the strength to gradually reform it.

In many countries, a public commitment to full employment was proclaimed and sometimes even written into constitutions in the aftermath of World War II. However, the commitment was unevenly granted and even more unevenly applied, as a brief comparison between, on one hand, Norway and Sweden and, on the other hand, the United States and West Germany, suggests. The commitment varies from a constitutional guarantee, as in Norway, to a general Keynesian countercyclical strategy as in Germany after 1967, and to a practically passive government role as in Denmark before 1958, Germany before 1967, and the United States during the 1950s and, again, after 1970. The question is partly the extent to which labor movements control instruments with which to pursue full employment and partly the extent to which a full employment performance is secured.

Douglas Hibbs has shown that left political power favors full employment over price stability.<sup>27</sup> However, his data cover only the growth decades of the postwar era. The task of ensuring continued full employment after 1973 will probably require substantially more power mobilization. Active manpower and employment policies or industrial stimulation policies must be financed and require some degree of financial solidarity among the employed. An alternative method, widely applied over the past decade, is to diminish the labor supply via such schemes as early retirement. Obviously, the maintenance of full employment is more difficult where labor-force participation rates are high. The extension of citizenship rights to include employment is likely to involve considerably more conflicts than conventional social legislation because it infringes on managerial prerogatives, because it bypasses the market's function as the sole distributive nexus, and because it has such a high impact on the balance of class power. We would accordingly expect that variations in full-employment performance and commitments are powerfully related to left power. That this is the case, is evident in table 8.

Table 8 presents two clusters of analyses. The first consists of three analyses of the influence of left power on levels of full-employment commitment. We use three indices to capture commitment: expenditures on active manpower programs; the size of public-sector employment as a percent of total (in 1980); and the *expansion* of public employment during the recessionary 1970s. In all three cases, it is obvious that full-employment commitments are heavily dependent on left political power.<sup>28</sup>

The second cluster of analyses includes two separate measures of full-employment performance. The first, a straightforward index of average rates of unemployment between 1978 and 1983, suggests that commitments to full employment may not easily translate into actual performance; several nations with strong labor movements and considerable degrees of commitment have been incapable of averting high open unemployment rates—Denmark, especially. Concomitantly, some nations with low commitments and weak labor movements—Switzerland par excellence—have experienced virtually no unemployment. The second measure is a weighted long-term performance indicator where we take into account overall levels of labor-force participation. It should obviously make a difference whether the size of the labor force has shrunk and female participation rates have remained low (as in Germany or Holland), or whether the labor force has continued to expand (as in Sweden, Norway, Denmark, and the United States). The index thus captures not merely absence of unemployment but also performance in terms of job opportunities. The relationship to left power (and trade-union strength as well) is fairly strong although, once again, it would seem that labor movements' impact has been stronger on the commitment than on performance.<sup>29</sup>

#### *Income Redistribution*

Since equality has been the flagship of socialist ideology over the past century, and since it is repeated as a foremost goal in virtually every single party program, it is not surprising that a large literature has sought to test the relationship between left power and income equality. Whether based on pre- and post-tax Gini coefficients or on alternative indices, many authors argue a substantial connection, while others are sceptical.<sup>30</sup> The problem of verification has in part to do with the overwhelming data difficulties and in part to do with the real place of income equalization in the overall strategic behavior of labor movements. The expansion of an enormous universalistic welfare state will place limits on steep tax progressivity as well as on transfer-based redistribution.<sup>31</sup>

Attempts by labor movements to affect greater earnings equality in the market through solidaristic wage bargaining are probably more likely to occur where trade unions are very strong and centralized and where full employment prevails. In such cases, we can measure trends and variations in earnings differentials among workers (interindustry coefficients of variation). We can then estimate the long-run trend by the reduction, or increase, in differentials between the 1957-61 average and the 1976-79 average. Alternatively we can average differentials in the period 1957-79 across nations. Among the fourteen countries for which comparable data are available, differentials are very high in the U.S. and Canada and low in Holland, Scandinavia, and France.

To avoid the problems with Gini coefficients, our measure of fiscal redistribution compares the percentage difference in average taxation among high- and low-income households.<sup>32</sup> As usual, the Scandinavian countries are among the most redistributive; France, the United Kingdom, and Austria fall at the bottom.

For wage differentials, the most relevant factor would be the impact of trade-union organization; for tax redistribution, it would be the political strength of labor parties. According to table 9, trade-union strength is only somewhat related to cross-national wage differentials. Surprisingly, left cabinet power seems more decisive. Left cabinet power also seems to have had some influence on tax redistribution.

#### SOCIAL-POLICY REGIMES AND WORKING-CLASS MOBILIZATION

The foregoing analysis has sought to establish the impact of labor movements on the social democratization of postwar capitalism. Moreover, an attempt was made to isolate three distinct social-policy regimes, each with their own unique, though occasionally overlapping, characteristics.

It is, first of all, clear that social democratization has occurred unevenly across the eighteen nations examined and that it has advanced more on some dimensions than others. We noted that cross-national variations tend to increase over the years on decommodification indices such as the social wage, collective consumption, and means-tested relief. In all three cases, working-class power mobilization was an important predictor of "social democratization." The situation is less clear on our dimensions of stratification, especially the roles of private protection, corporatism, and financial individualism. On all three counts, the nations do not distribute themselves linearly but form sharply distinguishable clusters: a liberalistic cluster, where privatization and

293  
financial self-reliance are emphasized; a conservative cluster, where corporatism is emphasized; and a social democratic cluster, where relatively solidaristic finances, universalism, and only marginal privatization are emphasized. The data suggest, however, that where labor movements have faced either strongly entrenched liberalism (as in Denmark) or strongly entrenched conservatism (as in Austria and Germany), they have had extraordinary difficulties in surmounting institutionalized social-policy characteristics.

Finally, the issue of full employment seems to be the best indicator for differentiating the "social democratic" regimes and also seems to require an extraordinary level of power mobilization. The cross-national levels of performance on this indicator are closely associated with those on our previous indicators, that is, the best performance in terms of full employment tends to converge with the strongest levels of both decommodification and solidarity. This suggests that there does exist a distinct social-democratic-regime type, albeit limited to a very few nations--the same nations in which working-class power mobilization has been exceptionally strong: especially Norway and Sweden. These are, incidentally, also the nations in which the bourgeois parties have been the most divided. The analysis also suggests the presence of a semi-social-democratic cluster, a group of nations that exhibit a general tendency toward social democratization but that also exhibit exceptions to that tendency. This includes: Austria, where labor was forced to accept corporatism and very limited income redistribution; Denmark, where it had to accept privatization of pensions; and possibly also Germany, Belgium, and Holland, where, again, corporatism could not be effectively challenged. The "impurities" present in the second group suggest the limits of a simple linear analysis of labor-movement strength and social democratization, not because the labor movements there did not pursue the goals of "social democratization," which they certainly did, but because labor movements in these nations faced a qualitatively different power matrix and because they confronted a long institutionalization of conservative reformism. In Denmark, the social democrats always faced a somewhat more united right (that could govern) and from the 1960s onward faced a left-socialist challenge as well. In the remaining four countries, the right has been highly united in two (Austria and Germany) and fragmented in two (Belgium and Holland). In all four cases, the labor movements' mobilization strategies have been frustrated by the social Christian mass parties' capacity to attract large sections of the wage earners on denominational grounds. This meant barriers to left power, but it also meant that

the right was committed to a social policy of its own, one that competed effectively with social democracy.

In summary, a simple power-mobilization approach to the study of distributional outcomes helps clarify overall cross-national variations, but it is incapable of fully explaining why, in some nations, high levels of power mobilization yield modest reformist results. One explanation, certainly, could be that these labor movements simply have no ambitions to "social democratize" capitalism. This, however, has rarely been the case.<sup>33</sup>

Instead, we must seek the explanations in the structure of power, something that is difficult to quantify. In this perspective, it is clear that the Scandinavian "success-story," particularly in Norway and Sweden, was possible because very strong labor movements (both unions and parties) could originally forge populist coalitions with farmers and peasants. This helped solidify traditional divisions among the nonsocialist forces. It is notable that in Denmark and Finland, where the welfare state is less "social democratic," the left has been deeply divided over many decades.

The continental European nations tend to present another type of power matrix. In Italy, Germany, Austria, and Belgium, for example, confessional mass parties of the right pre-empted a working-class-agrarian alliance, mobilized significant sectors of the working class, and consequently established themselves as rather solid and unified bourgeois coalitions. This served to limit the terrain for labor parties to mobilize and to block their capacity to build stable governing alliances. It also ensured that postwar social-policy expansion occurred within pre-existing conservative institutional parameters.

A third power matrix is apparent in nations such as the United States, Canada, and Australia (and even the United Kingdom), where electoral-system properties combine with an overwhelming hegemony of liberal-bourgeois parties to marginalize, or outright prohibit, labor-party formation. In the "new nations," immigration patterns clearly also helped place regional and ethnic divisions at the center of political community formation. However, within this cluster the United States stand as a possibly aborted case of social democratization. The Roosevelt realignment of the 1930s was a close parallel to the Nordic worker-farmer coalition, and it was of course precisely this that gave rise to the New Deal package of social reform and agricultural subsidies, as well as to the rise of American Keynesianism. The absence of a separate labor party may also explain why the "social democratic project" was arrested in the late 1940s.

A discussion of the comparative politics of postwar social democratization cannot avoid addressing their obvious limits. The social-democratic labor parties are almost en bloc losing ground and, in many cases, are actually decomposing. They have been effectively challenged (and often ousted) by the neo-liberal right, such as in Britain, Denmark, the Netherlands, West Germany, and to a degree even in Norway and Sweden. The new right has managed to weaken the traditional welfare-state consensus and to use legal means to direct attacks on social-democratic achievements. Indeed, in several cases, the labor parties are themselves active (if perhaps unhappy) participants in the policy-reversal process. The German SPD, since about 1975, clearly resigned itself to the restrictive, procyclical platform of the Christian Democratic Union (CDU) and of its own liberal Freie Demokratische Partei (FDP) allies. The Danish social democrats have also, since the mid-1970s, participated in roll-backs of earlier achievements.

Social democracy has, concomitantly, had to face a political challenge from the "new left." The attack here is not that the politics of social democratization stifle economic efficiency but that they destroy community and implant statism. This has further impaired the labor movements' capacity to count on a broad consensus for the welfare state.

Comparatively speaking, the paradox we find is that social democracy has been *least* challenged and weakened in those nations where its accomplishments have gone furthest (Norway and Sweden) while it has been most effectively attacked in nations where the process of social democratization was only partial or marginal. On hindsight, it is now evident that Germany abandoned the social-democratic model only shortly after it was launched; the effectiveness of the new right in both Britain and Denmark cannot be explained by the circumstance that the labor movements there had been exceptionally successful in altering the political economy, but rather by the incompleteness of their accomplishments. In short, it would appear that the welfare state is not merely the outcome of political power mobilization but is, in its own right, institutionalized power.

#### APPENDIX

The data for the correlational analyses are derived from an ongoing project undertaken at the Swedish Institute for Social Research, under the direction of Walter Korpi and Gösta Esping-Andersen. It is based on

a sample of eighteen advanced capitalist democracies, examined over the period 1930-80.

- 1) Working-class mobilization is measured by taking the average level of parliamentary representation of left parties, weighted with average levels of cabinet shares, over relevant time periods (1918-32, for analyses of prewar relationships; 1950-76, for analyses of postwar relationships).
- 2) The "social wage" (SSE/GDP—social security expenditure as a percent of GDP) measures the ratio of social-security expenditures (using the International Labour Office [ILO] definition) as a percent of Gross Domestic Product. The data are primarily assembled from ILO statistical publications, supplemented with national statistical sources.
- 3) The "poor relief" variable (PA/SSE—public assistance as a percent of total social-security spending) serves to capture the degree to which welfare policy is stigmatizing. The index measures the ratio of means-tested public-assistance expenditures to total social expenditures; a high score reflects a welfare state where social rights are comparatively weak. It should be noted that the measurement of what are poor-relief-program expenditures poses considerable difficulties, since one ideally must know the rules governing the granting of assistance. Included are only expenditures for programs that are directly means tested and of a nonautomatic nature, that is, recipients must prove to relevant authorities the presence of abject need. Hence, such programs as old-age pensions in Australia or rent allowances in Scandinavia are *not* considered poor relief because they do not involve proof of abject poverty. The data are primarily collected from ILO social security statistics but have been adjusted with national statistics to assure comparability.
- 4) Public Civil Consumption (PUBCONS/GDP—public nondefense consumption expenditure as a percent of GDP) measures the scope of nonmarket consumption of goods and services. It excludes, of course, military spending. The level of decommmodified consumption is taken as the ratio of public civil consumption to Gross Domestic Product. The data are derived from the Organization for Economic Cooperation and Development (OECD) National Accounts series.
- 5) The ratio of private to public pension and health expenditures measures the relative importance of state and market allocation within the two single largest social programs. The index shows the amount of private pension and health expenditures as a percent of total public expenditures in these fields. Note that for pensions, the public share excludes civil servants' pensions, since they can be

regarded as "occupational" in nature; they have also been excluded from private pensions. The data for private and public health expenditures are derived from OECD, *The Growth of the Public Sector* (Paris: OECD, 1983), while the data on private pension expenditure (including individual and group insurance plans, as well as company and occupational plans) have been compiled from national governments directly (in most cases from the Ministry of Finance).

- 6) Financial individualism (INDFIN/SSE—share of individual contributions to total social-security finance) indicates the strength of the traditional liberal dogma of self-reliance. It is measured by the share of total social-security revenues derived from individual contributions among the insured as a percent of the total. The data derive from ILO's social-security data series.
- 7) Corporativism (CORP) in the organization of social-security schemes is measured by taking the number of separate, status-distinct programs in pensions and in unemployment and sickness insurance. Where social security is arranged in a large number of status or occupationally distinct schemes, a nation will score high on the corporativism index. The data are collected from *Social Security Programs throughout the World*, published every two years by the U.S. Social Security Administration.
- 8) The data on full-employment commitments and performance fall into two categories. The first three (MANPROG, PUBEMP, and (PUBEMP)X(LFPART)) are indices of commitment. MANPROG is expenditures on manpower programs as a percent of GDP (excluding unemployment compensation); PUBEMP is the percent of public-sector employment of the total in 1980; and (PUBEMP)X(LFPART) is the expansion or decline in public employment between 1970-80, adjusted by overall labor-force participation rates in 1970. (Obviously, public employment expansion is more impressive where overall participation is already high.) The data for these indices are primarily based on OECD National Accounts series and national statistical sources.

The second category has two indices that measure actual full-employment performance. The first is the level of unemployment (UNEMPL), standardized according to OECD convention, as a percent of labor force, averaged over the years 1978-83—the deepest postwar recession. The second is a composite performance index (explained in the note to the table itself). The data here are based on OECD sources, as above.

Note that a presentation of all the raw data would occupy too much space. Interested readers may obtain data directly from the author.



Table 1  
 Distributional Characteristics on Six Dimensions and their Relation to  
 Political Ideal Types of Socialism, Liberalism and Conservatism

|              | De-com-<br>modified<br>labor | De-com-<br>modified<br>consump-<br>tion | Fiscal<br>equali-<br>zation | Poor<br>relief | Private<br>pensions | Corpor-<br>atism | Full<br>Employ-<br>ment<br>guarantee |
|--------------|------------------------------|---|-----------------------------|----------------|---------------------|------------------|--------------------------------------|
| Socialism    | High                         | High                                    | High                        | Low            | Low                 | Low              | High                                 |
| Liberalism   | Low                          | Low                                     | Low                         | High           | High                | Low              | Low                                  |
| Conservatism | (Med?)                       | (Med?)                                  | Low                         | High           | Low                 | High             | (Low?)                               |

|  | r    | R <sup>2</sup> | T    | (n)  |
|--|------|----------------|------|------|
| SSE/GDP (1933) on LCS (1918-32)              | .275 | 0.0            | .95  | (13) |
| SSE/GDP (1950) on LCS (1918-49)              | .247 | 0.2            | 1.02 | (18) |
| SSE/GDP (1950) on LEFT VOTE<br>(1918-45)     | .588 | 30.5           | 2.91 | (18) |
| SSE/GDP (1950) on UNION (1918-45)            | .506 | 21.0           | 2.35 | (18) |
| SSE/GDP (1977) on LCS (1950-76)              | .527 | 32.3           | 2.48 | (18) |
| SSE/GDP (change 1950-77) on<br>LCS (1950-77) | .635 | 36.6           | 3.29 | (18) |

NOTE: SSE/GDP is social security expenditure as a percent of GDP, LCS is weighted left cabinet share. For 1977, left vote explains 6.4 percent of the variance of SSE/GDP, and union organization explains 8.1 percent: neither is significant at .05 or better.

Table 3  
 The Institutionalization of Social Rights. The Relative Importance of  
 Means-tested Public Assistance, 1950-1974

|                                     | r     | R <sup>2</sup> | T     | (n)  |
|-------------------------------------|-------|----------------|-------|------|
| i) PA/SSE (1950) on SSE/GDP (1950)  | -.572 | 10.8           | 1.64  | (18) |
| ii) PA/SSE (1974) on SSE/GDP (1977) | -.234 | 0.0            | -.93  | (18) |
| iii) PA/SSE (1950) on LCS (1918-49) | .177  | 0.0            | .72   | (18) |
| iv) PA/SSE (1974) on LCS (1950-76)  | -.674 | 41.8           | -3.54 | (18) |

NOTE: PA/SSE is public assistance as a percent of total social security spending. Public assistance is defined in the narrow term as relief programs, and does not include income-dependent transfers such as pension supplements or family allowances. Nor does it include expenditure on social assistance type pension or related programs, such as the Australian pensions. Since neither unionization or left votes alter the patterns of association, they have been omitted from the table.

## Public Civil Consumption Expenditure and Working Class Mobilization

|  | r     | R <sup>2</sup> | T    | (n)  |
|--|-------|----------------|------|------|
| i) PUBCONS/GDP (1950) on LCS (1918-49)                 | -.050 | 0.0            | -.20 | (18) |
| ii) PUBCONS/GDP (1979) on LCS (1950-76)                | .828  | 66.2           | 5.33 | (15) |
| iii) PUBCONS/GDP (change 1950-1979) (on LCS (1950-76)) | .745  | 52.1           | 4.03 | (15) |

NOTE: PUBCONS/GDP is public non-defense consumption expenditure as a percent of GDP. As in table 3, left votes and unionization correlations have been omitted, since they add nothing to the patterns.

Table 5  
The Mix of Market and State in the Distribution of Pensions and Health Care, mid-1970s

|  | r     | R <sup>2</sup> | T     | (n)  |
|--|-------|----------------|-------|------|
| Private pension expenditure as a percent of Public <sup>1</sup> on LCS (1950-76) | -.424 | 12.5           | -1.81 | (17) |
| Private Health Expenditure as percent of Public, on LCS (1950-76)                | -.309 | 3.5            | -1.26 | (17) |

1. Private plans include individual/group/occupational schemes. Note that public programs exclude civil servants' pensions.

NOTE: The sample is reduced to 17, since it is impossible to estimate private sector pension/health expenditures for Ireland. Left votes and unionization variables have been omitted since they add nothing to the patterns.

## Financial Individualism 1950-1977

|   | r     | R <sup>2</sup> | T     | (n)  |
|---|-------|----------------|-------|------|
| i) INDFIN/SSF (1950) on LCS (1918-49)   | .322  | 4.8            | 1.36  | (18) |
| ii) INDFIN/SSF (1977) on LCS (1950-76)  | -.267 | 1.3            | -1.11 | (18) |
| iii) INDFIN/SSF (change 1950-1977) on LCS (1950-76)   | -.196 | 0.0            | -.080 | (18) |
| iv) INDFIN/SSF (change 1950-1977) on LCS (1950-76) omitting two extreme outliers <sup>1</sup> | -.523 | 22.1           | -2.29 | (16) |

1. The two outliers are Australia and New Zealand. See text for further explanation.

NOTE: INDFIN/SSF is share of individual contributions to total social security finance. Left votes and unionization have been omitted, since they add nothing to the patterns.

Table 7  
Corporate Social Stratification in Social Insurance 1955-1979

|  | r     | R <sup>2</sup> | T     | (n)  |
|--|-------|----------------|-------|------|
| CORP (1955) on LCS (1918-49)                   | -.476 | 17.8           | -2.16 | (18) |
| CORP (1979) on LCS (1950-76)                   | -.329 | 5.2            | -1.39 | (18) |
| CORP (change 1955-79) on LCS (1950-79)         | -.393 | 10.2           | -1.71 | (18) |
| CORP (1979) on CATHOLIC (1950-79) <sup>1</sup> | .511  | 21.5           | 2.38  | (18) |

1. The influence of Catholic conservative parties is crudely measured by giving a score of 3 to nations with strong confessional voting; a score of 2 to nations with split religious voting; and a score of 1 to countries with no religion-based divisions in voting. Trade unionism and left votes are omitted due to their lack of independent association with corporatism.

Table 8  
Government Full Employment Commitment and Performance  
and Working Class Mobilization<sup>1</sup>

|  | r     | R <sup>2</sup> | T     | (n)               |
|--|-------|----------------|-------|-------------------|
| MANPROG/GDP (ca 1975) on LCS<br>(1950-76)              | .695  | 44.4           | 3.49  | (15)              |
| PUBEMP/TOTEMP (1980) on LCS<br>(1950-76)               | .710  | 47.1           | 3.90  | (17)              |
| (PUBEMP) X (LFPART) CHANGE<br>1970-80 on LCS (1950-76) | .691  | 44.5           | 3.83  | (18) <sup>2</sup> |
| UNEMPL (1978-83) on LCS<br>(1950-76)                   | -.384 | 9.4            | -1.67 | (18)              |
| PERFORMANCE INDEX (1959-83) on<br>LCS (1950-76)        | .557  | 26.7           | 2.68  | (18)              |

Key to Variable Abbreviations:

MANPROG/GDP = Expenditure on active manpower programs (excluding unemployment compensation payments) as a percent of GDP.

PUBEMP/TOTEMP = Public sector employment as a percent of total employment.

(PUBEMP) X (LFPART) CHANGE 1970-1980 = Percentage change in public employment 1970-1980, multiplied by total labor force participation as a percent of age group 15-64 (in 1970). Note here that, for two nations (Canada and U.S.) where public employment declined, a score of zero was given.

UNEMPL = level of unemployment as a percent of labor force, according to OECD definition.

PERFORMANCE INDEX = Average level of unemployment 1959-1978 plus average level of unemployment 1978-1983 multiplied with ratio of inactives (as percent of age group 15-64). Note that index has been inverted so that a positive sign indicates good performance.

1. The Commitment variables are manpower program expenditures and public employment expansion. The Performance variables are levels of unemployment, adjusted for labor force participation rates.

2. Data on public employment expansion 1970-80 for New Zealand are lacking in the OECD sources. I have given New Zealand a rough estimate of 20 percent expansion (or, similar to Australia and the U.K.).

NOTE: Left vote and trade unionism variables have been omitted, since they add nothing to the patterns.

Table 9  
Income Equality in the Market and in the State

|  | r     | R <sup>2</sup> | T     | (n)  |
|--|-------|----------------|-------|------|
| WAGEDIFF (average 1957-1979) on<br>UNION (1946-1976) | -.449 | 13.5           | -1.74 | (14) |
| WAGEDIFF (change) on UNION<br>(1946-1976)            | .034  | 0.0            | .12   | (14) |
| WAGEDIFF (average 1957-1979) on<br>LCS (1950-1976)   | -.525 | 21.5           | -2.14 | (14) |
| TAXREDISTR (1978) on LSC (1950-79)                   | .560  | 27.0           | 2.70  | (18) |

NOTE: WAGEDIFF is inter-industry wage differentials.

TAXREDISTR is a measure of the difference in tax burdens between an average worker family, and a family with twice the average worker earnings.

NOTES

1. See, e.g., Walter Korpi, *The Democratic Class Struggle* (London: Routledge & Kegan Paul, 1983); and Gösta Esping-Andersen and Walter Korpi, "Social Policy as Class Politics in Postwar Capitalism," in *Order and Conflict in Western European Capitalism*, ed. John Goldthorpe (Oxford: Oxford University Press, 1984).

2. This factor is strongly emphasized in Francis Castles, *The Social Democratic Image of Society* (London: Routledge & Kegan Paul, 1978).

3. Michael Kalecki, "Political Aspects of Full Employment" (1943), reprinted in *A Critique of Economic Theory*, ed. E. K. Hunt (London: Penguin Books, 1972); and Eduard Heimann, *Soziale Theorie des Kapitalismus* (Frankfurt: Suhrkamp, 1980; first pub. 1929).

4. For a recent critique of this research tradition, see Jens Alber, Gösta Esping-Andersen and Lee Rainwater, "Alternative Approaches to Comparative Social Policy Research," in *Comparative Public Policy Research*, ed. K Mayer (forthcoming).

5. For examinations of early social reforms, see: Gaston Rimlinger, *Welfare Policy and Industrialization in Europe, America and Russia* (New York: Wiley, 1971); Theda Skocpol and J. Ikenberry, "The Political Formation of the American Welfare State" (Unpublished manuscript, University of Chicago, Chicago, 1983); Asa Briggs, "The Welfare State in Historical Perspective," *European Journal of Sociology*, vol. 1 (1961); and P. Kohler and H. F. Zacher, *A Century of Social Insurance* (Berlin: Duncker & Humboldt, 1982).

6. See Harold Wilensky, "Leftism, Catholicism, and Democratic Corporatism," in *The Development of Welfare States in Europe and America*, ed. Peter Flora and Arnold J. Heidenheimer (New Brunswick: Transaction Press, 1981).

7. Scandinavia's virtually permanent social-democratic rule over the past forty or fifty years has not been premised on electoral advances but on a unique capacity to forge alliances. Their level of electoral support has been basically stable at the levels attained during the 1930s; their original ability to monopolize government was premised on the alliance with farmers' parties in the 1930s. In contrast, both

German and Austrian social democracy were unable to offer an alternative to the rise of fascism in the 1930s precisely because they were working-class ghetto movements, unable to coalesce with the farmers. For a detailed analysis of social democracy and class alliances, see Gösta Esping-Andersen, *Politics against Markets: The Social Democratic Road to Power* (Princeton: Princeton University Press, 1985).

8. The concept of decommodification, in reference to social policies, has previously been developed in the writings of Claus Offe; its analytical origins clearly derive from Polanyi and Marx. For a somewhat different discussion than presented here, see Claus Offe, *Contradictions in the Welfare State* (Cambridge: M.I.T. Press, 1984).

9. A detailed examination of solidaristic social policy can be found in Esping-Andersen, *Politics against Markets*.

10. C. A. R. Crossland, *The Future of Socialism* (New York: Schocken, 1967).

11. Richard Titmuss, *Social Policy* (New York: Pantheon, 1974).

12. Rimlinger, *Welfare Policy and Industrialization*.

13. Ludwig Preller, *Sozialpolitik in der Weimarer Republik* (Stuttgart: Mittelbach Verlag, 1949).

14. Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 1957).

15. See Rimlinger, *Welfare Policy and Industrialization*; and Skocpol and Ikenberry, "Political Formation of the American Welfare State."

16. We are here formulating a simple, linear relationship between power mobilization and distributional outcome that seems to contradict our basic point that welfare state regimes are categorically distinct and cannot therefore be analyzed as "more or less." Additionally, our formulation contradicts the earlier assertion that working-class power resources alone are an insufficient indicator of power, because power is relational and so requires of us an investigation of the broader power matrix. The intention at this point is to establish basic statistical relationships between levels of power mobilization and the degree of social democratization. Subsequently, we will return to the more complex patterns of power and distribution.

17. Using Korpi's data set on percent left votes and parliamentary and cabinet seats (the latter two weighted with one another), the data can be broken down into an interwar period average (1918-46) and a postwar average (1946-76). For the interwar era, the simple correlation between left votes and weighted cabinet shares is  $r = .648$ . For the same period, the correlation between trade-union membership and weighted left cabinet shares is  $r = .333$ . The postwar correlations are stronger. The former is  $r = .636$ ; the latter increases to  $r = .816$ . This suggests that, for the postwar years, one measure generally substitutes for another, but that is not the case for the pre-World War II era. Note that, among the eighteen nations included in the study, postwar trade-union strength explains 64.4 percent of the weighted cabinet share variance ( $T = 5.64$ ). In this, as in all subsequent analyses, the R-squared are adjusted for degrees of freedom. For a more detailed description of the data, consult Korpi, *Democratic Class Struggle*.

18. See the accompanying appendix for a more detailed discussion of the data and indices used in the following statistical analyses.

19. The standard deviation of social-security-expenditures/GDP is greater in 1977 than it was in 1950. Gösta Esping-Andersen and Walter Korpi, "From Poor Relief to Institutional Welfare States," in *Welfare Research and Welfare Society*, ed. R. Erikson et al. (New York: M. E. Sharpe, 1985). The zero-order correlation between social expenditures and per capita GDP was .157 in 1950 and .107 in

1974. A bureaucratic incrementalism theory would argue that past social-security performance constitutes a powerful predictor of the future. Yet, the correlation between social expenditures in 1933 and 1977 is a negative:  $-.120$ ; the correlation increases somewhat for the years 1950 to 1977. Lee Rainwater, "The Growth of Social Protection in the United States, 1929-1979" (Unpublished paper, Department of Sociology, Harvard University, Cambridge, 1982).

20. The raw data base for this analysis, and for all subsequent analyses, has been omitted from the tables for reasons of space. For any interested reader, the data can be obtained by contacting the author directly.

21. Rainwater, "Growth of Social Protection."

22. For Germany, a good discussion of SPD policy on this question can be found in F. Tennstedt, "Sozialgeschichte der Sozialversicherung," in *Handbuch der Sozialmedizin*, ed. M. Blohmke, vol. 3 (Stuttgart: Enke Verlag, 1976). See also Preller, *Sozialpolitik*; and Esping-Andersen, *Politics against Markets*.

23. So far, we have only data on private pension and health expenditure for the 1970s. The difficulties of collecting reliable estimates, especially for pensions, are immense (although the OECD furnishes fairly good data on private health expenditures). For most of the seventeen nations included in this analysis, private pension data have been furnished directly from government ministries. For a few, such as Belgium and Austria, we have been forced to make rough estimates. Note that the measures of private/public pension expenditures exclude civil-servant pensions.

24. One of Danish social democracy's greatest failures has been its repeated inability to arrest the rise of a highly inegalitarian and dualistic private-pension system and substitute it with a strong universalistic second tier, as occurred in Sweden and Norway. A somewhat similar situation has prevailed in Australia, a second outlier in the analysis. See Esping-Andersen, *Politics against Markets*, chap. 5.

25. A good general discussion of the politics of liberal actuarialism can be found in A. Ogus, "Social Insurance, Legal Development and Legal History," in *Bedingungen für die Entstehung von Sozialversicherung*, ed. H. F. Zacher (Berlin: Duncker & Humboldt, 1979). The politics of actuarialism in the United States are described in M. Derthick, *Policymaking for Social Security* (Washington, D.C.: Brookings Institute, 1979). And, for Germany, consult F. Zollner, "Germany," in *A Century of Social Insurance*, ed. P. Köhler and H. F. Zacher (Berlin: Duncker & Humboldt, 1982).

26. Note that trade unions have often struggled to maintain exclusive control over unemployment, and sometimes sickness, funds, even if this would entail a substantial element of employee self-contribution. Where unions have succeeded in this respect, as with the Ghent System of unemployment insurance in Denmark and Sweden, they have by and large managed to institutionalize heavy public subsidies.

27. Douglas Hibbs, "Political Parties and Macroeconomic Policy," *American Political Science Review*, vol. 71 (1977).

28. Separate analyses, not shown here, indicate that the strength of full-employment commitments correlates almost equally strongly with trade-union power. In a multivariate regression, entering both union and left power, the explanatory power of unions declines relative to that of the parties.

29. In terms of explaining performance on full employment during the recessionary years, 1978-83, I should perhaps not have employed a left-power measure averaged between 1950-76, but I have taken into account the weakening of many labor parties in the late 1970s, especially in nations such as Denmark, Germany,

Belgium, and the Netherlands.

30. Among the studies that argue a positive relationship are: D. Cameron, "Inequality and the State: A Political-Economic Comparison" (Paper presented at the American Political Science Association [APSA] meetings, Chicago, 1976); and C. Hewitt, "The Effects of Political Democracy and Social Democracy on Equality in Industrial Societies," *American Sociological Review*, vol. 42 (1977). However, the relationship is refuted in F. Parkin, *Class Inequality and Political Order* (New York: Praeger, 1972), as well as in R. Jackman, "Political Democracy and Social Equality," *American Sociological Review*, vol. 39 (1974).

31. A more developed analysis of this issue can be found in Gösta Esping-Andersen, "After the Welfare State," *Working Papers for a New Society*, April 1982.

32. Based on OECD's study for 1978, we take the percentage difference between highest and lowest earners among single-person households, plus the same for families with two children, divided by two. The data are derived from OECD, *The 1978 TAX/BENEFIT Position of a Typical Worker* (Paris: OECD, 1979).

33. This has also been argued above, yet there exist exceptions. It appears, for example, that the Australian labor movement has never been fully committed to the fight for universalistic rights to income maintenance, and the American Federation of Labor (AFL) trade unions were, until the 1930s, quite hesitant to sponsor or even sanction government social-security legislation. However, given the nature of American industrial relations in that epoch, AFL's stance is explicable; it was an overwhelmingly crafts-worker organization with narrow corporate loyalties and saw in direct bargaining its best chances for social protection for its clientele.

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## International Lending and the Relative Autonomy of the State: A Case Study of Twentieth-Century Peru

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THE debt crisis that has wracked Latin America since August 1982 has rekindled debate on the impact of the international economy on Third World nations. A crucial aspect of that debate focuses on the role of the state and how it is affected by the internationalization of capital. Superficially, the crisis seems to have severely undermined the power of the state as the banks and the International Monetary Fund (IMF) joined forces to demand austerity programs, and a lower level of state participation in the economy, in exchange for debt relief. The current situation thus appears at first glance to support the more extreme versions of dependency theory whereby external actors have a determining and detrimental influence on the Third World.<sup>1</sup> Probing a bit deeper, however, reveals that foreign loans had actually strengthened the state before the crisis struck and that the powerful state apparatuses that emerged are not likely to fade away.

This paper focuses on past experiences rather than future prospects.<sup>2</sup> Using Peru as a case study, I will develop an analysis of the mechanisms by which foreign capital can help expand state capacity as well as limit it. By examining a single case over a period of sixty years, I hope to contribute to a general understanding of the possible relationships between foreign capital and the state in Latin America and, by extension, in other parts of the Third World.

The autonomy, or relative autonomy, of the state will be a central concept in the analysis. This concept has been very important in the

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