

Comparing Welfare Capitalism

Social Policy and political economy in
Europe, Japan and the USA

**Edited by
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COMMENTARY:

THE POLITICS OF ELECTIVE AFFINITIES

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This volume makes an invaluable contribution to comparative political economy by highlighting elective affinities between multiple institutional domains of the economy. The contributors have devoted most of their attention to the logic of 'institutional complementarities' between different domains, and their impact on economic coordination and performance. They are less interested in the political sources of these arrangements.

This choice of emphasis is not accidental. In the wake of the economic shocks of the 1970s, when political scientists and sociologists set about developing what Goldthorpe (1984) described as a "new political economy", they were motivated to no small extent by a burning desire to demonstrate to both economists and sceptics in their own disciplines that "politics matters". With the zeal typical of this type of paradigmatic struggle, many of the protagonists lost sight of the fact that political economy is about the mutual interaction and embeddedness of politics and the economy. With the decline of Keynesian discourse and the rise of global capitalism, a new intellectual swing has occurred characterized by integration of economic models and methods, on the one hand, and on the other, greater attention to institutions—where economists and political scientists share potential common ground. I believe that it is time for a corrective, a reminder of the distinctive contribution that political sociologists and political scientists can and should make to the study of comparative political economy. Politics do matter, although there is an unsettled debate about what type of politics matter most. A second assumption guiding this commentary is that this debate

has outlived its usefulness. Multiple political forces and mechanisms shape the formation and operation of the institutions which govern the economy.

My remarks are intended to clarify and somewhat extend the accounts that are offered or hinted at in the other chapters of this book concerning the politics of elective affinities. But before doing so, I offer some preliminary observations intended to frame and recapitulate the agenda pursued by the contributors and editors of the volume.

The analytical premises of this book may be succinctly summarised. Three different facets of economic activity - production, finance and labour - are closely interrelated. They co-develop historically, in an interactive process, and one of the results is their distinct clustering across countries in a limited number of underlying configurations. Among the key institutional formations that regulate the multiple spheres of economic activity are 'industrial relations' and 'the welfare state'. An integrated view of these regulatory arrangements is essential for identifying distinct varieties of capitalism, understanding how they came to be, and assessing their strengths, weaknesses and capacities for adaptation and change.

Integration is not easy for it requires breaking down disciplinary barriers, including those that separate labour studies, social policy and institutional economics. But the moment an encompassing view is contemplated, we are forced to notice the parallels (and the differences) between typologies of 'production regimes', 'welfare regimes' and 'industrial relations systems'. We also notice that essential structures of advanced capitalism take on a wide variety of concrete national forms.

Elective affinities between labour relations and welfare states are the central concern here. These linkages have been noticed by scholars in several different ways. Observers from Continental Europe including the editors of the present volume tend to perceive them as a natural part of their home landscape, which is characterised by labour participation in social policy administration, corporatist political bargaining over linkages between economic, welfare and labour policy, and traditions of state administration and academic inquiry alike that are premised on a comprehensive understanding of 'the social'. Given the absence of these conditions, it is the liberal, Anglo-Saxon world that has had to periodically remind itself that there exists a 'social division of welfare' (Titmuss 1958) which includes market-based arrangements as well as the welfare state proper - in other words, it is possible to achieve 'social protection by other means'. That phrase was coined by Castles (1989), who pointed in the Australian context to protectionism, immigration controls and statutory wage tribunals as mechanisms of labour de-commodification that historically substituted for social rights of citizenship.

While Castles employed this insight into the Australian case in order to expose a significant weakness of Gøsta Esping-Andersen's typology of welfare state regimes, it is sometimes forgotten that *The Three Worlds of Welfare Capitalism* was not only about classifying welfare states. One of the most important contributions of Esping-Andersen's approach to social policy, developed in association with Kolberg, Rein and others, has been his insistence that social insurance and social services have momentous consequences for labour markets (Esping-Andersen 1990; Kolberg and Esping-Andersen 1993). This is precisely the type of linkage between multiple institutional spheres which is the central concern of this volume. Specifically, Esping-Andersen was inspired to no small extent by the observation that the German welfare state precludes low-wage service work and keeps potential labour at home, while the Swedish welfare state has both supply and demand-side

effects on women that have drawn them into the social service labour force (Esping-Andersen 1996). Fritz Scharpf elegantly extends this perspective on the German case in his contribution to this collection, while a recently published paper by Huber and Stephens (Huber and Stephens 2000) further develops the argument that arises from the Swedish experience.

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The mutual linkages between labour relations, welfare states and the economy have been especially transparent in research into what is variously known as employment-based social protection or 'the social policy of the firm' (Rein 1982; Rein and Wadensjö 1997; Shalev 1996). The case is especially clear for occupational pensions, which serve three different functions (von Nordheim Nielsen 1986): social protection (where they are a substitute or supplement to public income maintenance); personnel management (encouraging labour commitment and protecting firms' investments in training); and capital formation (pension accumulations often form the dominant pool of investment finance, operating variously through stock markets, financial intermediaries or state-controlled funds). The implications for labour relations are far-reaching. Highly developed systems of enterprise-based occupational pensions tend to emerge where unions are decentralised and weakly incorporated into the state; and they have the effect of further solidifying this institutional and political setting.

Many of the chapters of this book fruitfully extend this perspective. Bernhard Ebbinghaus uses it in Chapter 8 to offer a compelling explanation of cross-regime variation in the mix between early retirement and other job-shedding techniques. In the USA, as a result of Fordist production, an uncoordinated economy and 'impatient' finance capital, downturns in the business cycle have prompted major bouts of job-shedding. Given its liberal welfare state regime and highly developed, decentralised and collectively-bargained occupational pension system, the extension of this system to early retirement was a natural response. In Germany the opposite traits of diversified quality production, economic co-ordination and 'patient' capital created a need for job-shedding as a tool of structural adjustment. Given the parameters of industrial relations and the welfare state and the role of 'social partnership' in both, the response was to expand the public pension system to accommodate early retirement. In other words, *institutional complementarities* 'structure the incentives under which actors make decisions'. (They are also 'formidable obstacles to reform'.)

The same notion of complementarity also informs the treatment of linkages between pension systems and varieties of capitalism in Chapters 6 and 7. In similar fashion to Albert (1993), the authors of both chapters contrast the 'Rhine model' of capitalism (including Japan) to the liberal-market model epitomised by the US. The key contrasts proposed are the degree of short-termism of the financial system and the weight of shareholder interests in corporate governance. Interestingly, both Estevez-Abe and Jackson and Vitols go beyond the assertion of complementarity to posit a model with a distinct causal arrow that points to the role of pension arrangements in shaping the development of different modes of financing and governance of firms, different types of financial markets, and different potential roles for the state in supervising capital formation. As Estevez-Abe points out, this is a fruitful but neglected point of interface between the 'varieties of capitalism' and 'welfare state regime' literatures. Attention to the financial dimension not only makes it possible to demonstrate functional compatibilities between welfare institutions and multiple dimensions of the wider political economy, but it also elucidates why cases like Japan and the USA which are similar in some respects are different in others.

Empirically, Jackson and Vitols make a strong case for the reciprocal fit between pensions and the financial system, but because their analysis is comparative--static they cannot nail down the direction of causality.¹ Estevez-Abe's historical survey of the Japanese case is better suited to this purpose, although one need not necessarily accept her own interpretation of the findings. My own reading is that the institutional contours of old-age protection exerted little formative influence on the structuring of corporate finance in Japan. Rather, the design of the private savings and pension systems seems to have been explicitly intended to help concentrate scarce capital funds in the hands of a limited number of public and private financial institutions whose investment decisions were directly or indirectly shaped by the state.

Whether the key direction of influence is from finance to the welfare state or vice versa, in stressing the functional consequences of one institutional arena for another both of the chapters on pension finance downplay the role of purposive, self-interested collective action or 'politics'. Yet the Japanese story told by Estevez-Abe, as well as the better-known case of the Swedish ATP funds to which she briefly alludes, indicates that politicians and state managers engaged in struggle or collaboration with labour, capital, or sectoral alignments of labour and capital in forging what they saw as a desirable economic role for the state. Coalitions formed between the state and economic actors had the effect in both Sweden and Japan of privileging big business, but they generated quite different consequences for labour solidarity and the strength of the political left. Similarly, Jackson and Vitols point out that private pension systems offering yields via the capital market align the interests of the middle class with those of capital, whereas 'solidaristic' pension regimes financed by taxes or compulsory contributions promote shared interests with labour. As the literature on social democracy has long suggested, it is precisely because of these political consequences that the shaping of institutional arrangements for social protection and capital formation become objects of political struggle and have profound political consequences.²

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The integrative view proposed in this volume offers two undeniable benefits: it fruitfully stretches our conceptual field of vision, and it suggests causal relationships that are highly policy-relevant. But it also poses a theoretical dilemma. While it is undoubtedly important to perceive the interconnectedness of spheres that by discursive or scholarly convention are seemingly unconnected, we must also beware of arguments that 'everything is related to everything' and that linkages between different institutional spheres come into being in the first instance as a result of complementarities and affinities. Even if the main purpose of jointly analysing welfare states and the economy is to shed light on the consequences for economic performance or social justice, we still need to address the perennial question of what it is that binds the diverse aspects of the political economy together.

1 The Jackson-Vitols hypothesis invites a historical analysis that at the formative pole would uncover whether innovations in pension systems indeed preceded developments in the other arenas while seeking to demonstrate empirically, at the contemporary pole, that pension reforms have indeed been 'one of the driving forces changing patterns of corporate governance'.

2 These interrelationships were the subject of Esping-Andersen's dissertation (1980) and first major article (1978), and for more than two decades they have been a prominent theme in Walter Korpi's work (Korpi 1978; Korpi and Palme 1998).

Marxism and its latter-day echoes like the regulation approach (Jessop 1990) provides an answer which is not much different in principle from the economistic functionalism that sometimes tempts the 'varieties of capitalism' literature. On this sort of view the social policy of states and the rules generated by collective bargaining are there to serve economic interests. Whether these interests are defined benignly as 'the economy' or in more sinister fashion as 'the requirements of capital accumulation' is a secondary issue. Most political economists have insisted that there are 'political' or 'institutional' forces that at the very least mediate and may even moderate (buffer or alter) the impact of economic pressures and interests. This insistence has been especially loud and clear in the defensive response of most sociologists and political scientists to globalisation, much to the chagrin of those who believe in the imperative force of economic internationalism (Strange 1997).

A classic alternative to economistic approaches is the social-democratic or 'class politics' model (Shalev 1983). Inspired by the contrast between the relative organisational and political power of labour and capital in Sweden and the United States, this model suggested that both industrial relations and the welfare state are conditioned by the power of labour unions and parties. Strong unions played an important role in social democracies, both in propelling labour parties to power and subsequently engaging in corporatist political exchange with friendly governments. But the crucial factor was usually seen as long-term left party domination of the political executive (Korpi 1983; Stephens 1979; for a variation on the same theme see Castles 1978).

Whereas the notion of 'elective affinities' permits a certain vagueness about the causal forces that link regimes of social protection and industrial relations, the class politics model is very explicit on this point. The persistent ascendancy of the left was seen as altering the strategic calculations of both capitalists and labour leaders, with the result that unions no longer had to struggle for survival against hostile employers and could instead cooperate with them in raising production while using their political leverage to achieve favourable outcomes in the sphere of distribution. Hence, industrial peace and generous welfare states were part and parcel of a labour-dominated political constellation (Korpi and Shalev 1980). Labour and social policy were not merely linked by serendipity, but on the other hand there was a clear rejection of the functionalist view of multiple institutional arenas as necessarily complementing one another for the greater systemic good.

First decline and then transformation of left parties, not to mention changes in union strength, collective bargaining and union-party relations in many countries, have caused the social-democratic model to fall out of favour in comparative political economy. But even disregarding what many see as a decline in the salience of class politics, from a historical perspective it is clear that dramatic shifts in the balance of political power between labour and capital are not the only contingency that has played midwife to major reconfigurations of social protection and industrial relations. Other circumstances have included popular uprisings (Piven and Cloward 1977) and total war (Klausen 1998). Analytically, the literature suggests at least four types of politics other than the social-democratic variety.

1. State-centred theory suggests that the initiatives of professional state managers and the institutional logic of varying state structures have decisive effects on economic and social policy (Hecló 1974; Weir and Skocpol 1985).
2. Retracing the origins of social-democratic class compromise, some scholars have argued that a labour-centred view neglects the interests of employers (Fulcher 1991)

and fails to notice the role of collusive cross-class alliances in specific segments of the economy (Swenson 1991a).

3. The role of parties and government is only one possible dimension of labour participation in class politics. Extra-parliamentary modalities are diverse, they include both industrial and political contestation and institutionalised forms of co-operation between labour and capital (e.g. Works Councils and Social Security Commissions).³
4. Labour and social policy have been shaped by political forces from outside the class nexus. In some European countries conservative parties and state traditions, often linked to strong Catholic influence, cross-cut or even supersede left-right politics (Esping-Andersen and Korpi 1984; van Kersbergen 1995). Gender politics, evident for instance in the contrast between Southern Europe 'familialism' and Nordic 'de-familialisation' (Esping-Andersen 1999), also appear to operate independently of class politics (Korpi 2000).

The remainder of this chapter is devoted to drawing attention to echoes in this book of the original class politics perspective and these four additional perspectives. A convenient starting-point is Chapter 10, in which Anne Wren returns to the core claim of the social-democratic model that left/right parties favour opposed policy preferences and that these preferences impact strongly on their performance when in power (Martin 1973; Tufte 1978). Following Iversen and Wren (1998) it is argued that the exhaustion of Fordism (de-industrialisation) and the constraints of globalised financial markets (which rule out traditional Keynesianism) pose stark choices for contemporary labour market policy. The price-tag on job creation is either rising inequality (the American model) or unbearable fiscal burdens (the Swedish model); the goals of employment, equality and fiscal probity can no longer be simultaneously achieved.

Wren's central claim is that while governments now face harsher policy choices than in the past, their choices continue to differ according to the political complexion of the decision-makers. Partisanship matters in ways that are thoroughly reminiscent of the class politics literature of two decades ago, as well as contemporary practitioners like Garrett and Lange (1991), and Stephens, Huber and Ray (1999). Drawing not only on earlier cross-national research but also her own case studies of Britain, France and the Netherlands, Wren finds that governments of the left have offered more generous unemployment benefits and more public sector jobs and have been more prone to intervene directly or indirectly in aid of the low-paid.⁴

Wren's study is an example of comparative analysis that is relatively wide in coverage. Variations in multiple outcomes across numerous countries are explained by appeal to a parsimonious theoretical model. Hemerijck and Manow's chapter follows a different approach, in-depth attention to only a few cases. In Chapter 9 they seek to explain contrasting outcomes in countries that share the same general production, welfare and labour relations systems. The Continental type of welfare state is dominated by insurance-

3 There is a large but dispersed literature on extra-parliamentary labour politics, including waves of strikes and mass protest in countries like France and Italy (e.g. Franzosi 1995), labour's role in the governance of enterprises and social security in Germany (e.g. Janoski 1990), and the debate over whether the Japanese case is functionally equivalent to German-style corporatism (Shalev 1990).

4 Wren does qualify some of these generalisations. She notes that partisan effects on public employment weakened after the eighties, and that unlike other social-democratic contexts Sweden experienced dismantling of solidaristic collective bargaining.

based transfer payments financed out of wage and payroll taxes, which discourages an obvious source of job growth - female part-time work in the service sector. The authors ask why the Germans have failed and the Dutch succeeded in breaking the employment-depressing effects of 'tight coupling' between the spheres of production and protection. Their analysis shows that the broad brushstrokes that are so helpful in distinguishing between ideal-typical policy regimes are much less useful in accounting for intra-regime diversity which, as in the present instance, may be considerable. Both Dutch and German unions were driven to practice wage restraint by a combination of sectorally-centralised wage bargaining and imposed monetary discipline. But only the Dutch unions were willing (beginning with the 1982 Wassenaar Accord) to break their habit of trading wage restraint and consensual restructuring for costly schemes of social protection for their core membership.

As I read Hemerijck and Manow's account, the key difference between the two countries was the role of active and explicit state intervention. In the early eighties a determined Dutch government imposed deflationary policies that deepened ongoing trends towards rising unemployment and falling union membership. (Crouch adds in Chapter 3 that compared to Germany, the 'looming existential crisis' of Dutch union movement was also due to its lack of flagship organisations based in powerhouse manufacturing industries.) Combined with credible threats to institute state-imposed solutions, these debilitating conditions persuaded union leaders to deepen wage restraint in a negotiated pact with employers. Subsequent governments went on to impose radical welfare state reforms which overcame popular resistance by a combination of crisis construction, elite consensus and recourse to expert opinion. Under the cover of cost containment, crucial changes in the rules of the game were implemented which not only restored 'work incentives' but also privatised parts of the social security system and seem to have largely eliminated its autonomous management by the 'social partners'.

In other words, *strategic action by the state* led to fateful changes in institutional arrangements that to some extent redistributed power between the state, organised interests and the market. To put the point more generally, linked patterns of labour relations and welfare are not written in stone; they can sometimes be broken and then reconstructed in a new image. But why was the state able to stimulate change in the Netherlands but not in Germany? The capsule summary above suggests that the presence or absence of forceful leadership at the summit of the state may explain the difference. However, other political factors can also be inferred from Hemerijck and Manow's discussion, and from Wren's chapter as well.⁵

From Chapter 9 itself it appears that the structure of the political system may have played a role. Germany is a large, federally-organised country whereas the Netherlands is a small unitary state. Ultimate responsibility for wage discipline in Germany lies with the conservative central bank, whereas in the Netherlands (as in Austria) the monetarist whip came to be exercised as the result of a conscious decision by the government to link the national currency to the Deutschmark. Is this not merely a superficial institutional difference masking functionally equivalent mechanisms? Apparently not, for it runs parallel to a difference in political structure which according to Hemerijck and Manow's account turned

5 As noted, Crouch's chapter also offers an interpretation of the 'Dutch miracle'. His brief but trenchant survey emphasises the economic vulnerability of its unions, compared to Germany's, alongside their continued institutional strength. Since my ambitions here are largely pedagogical, I prefer to leave the final substantive word on the Netherlands to the experts.

out to be extremely important to the politics of reform. Whereas in Germany governments of any coloration can apparently do little to challenge the autonomy of organised labour and capital in collective bargaining and social administration, the more 'hierarchical' Dutch state is disposed to playing a proactive role, especially when favourable economic and political conditions arise.

Complementing these structural predispositions are strong hints at the role played by political agency which go beyond 'determined leadership'. Wren's version of the Dutch story draws attention to the role of shifts in the partisan composition of government. She notes that the Wassenaar Accord was reached following a significant political shift: while the Christian-Democrats retained their cabinet majority, their partnership with the socialists was replaced by an enlarged role for the liberal VVD party (Volkspartij voor Vrijheid en Democratie). Another noteworthy policy shift, the restoration of wage linkage to social benefits, followed the return of the social-democrats as coalition partners late in 1989. Consistent once again with the 'parties matter' literature, Wren also points to the politics of non-decisions. Reminiscent of other countries (notably Austria) where the left has had to coexist with powerful confessional parties, the Dutch Labour Party was not in a position to deviate from areas of policy consensus shared by both right and centre parties - notably their opposition to expanding the public sector's role as employer.

Theoretically, the appropriate conclusion seems to be that the scope of strategic intervention by governments or state officials is a function of both state structure and the political conjuncture. But as shown by Isabela Mares' contribution in Chapter 2, this does not exhaust the range of possible explanations. The subject of her chapter is also a contrast between two relatively similar settings, but the puzzle is historical rather than contemporary: the introduction of divergent systems of national unemployment insurance in France and Germany. The two countries both broke with the poor relief tradition but by adopting quite different insurance systems, each one of which embodies a different type of linkage between industrial relations and social protection and a different form of labour/capital/state interaction. Early in the century the French opted for a Ghent system in which the government subsidises union-administered unemployment assistance. More than twenty years later the Germans chose to institute a universal contributory scheme financed and administered jointly by workers and employers.

Using game-theoretic analysis, Mares argues for an underlying theoretical unity between the two cases based on the expected interests of different actors. A different analytical interpretation is also possible. In my view, Mares' study shows that *the appropriate causal model of the politics of policy innovation depends on the setting*. In France 'reform-minded policy entrepreneurs' imposed the Ghent system on the representatives of both labour and capital. They were driven by fear of union demands for radical social protection, as well as by their own political interest in devolving responsibility for depriving ineligible workers onto the unions. In Germany, large employers came to desire an insurance-based system administered in partnership with labour since this was the only way to increase their control over eligibility criteria and the generosity of benefits. A 'strategic alliance among large firms and trade-unions' was responsible for the final outcome.

In other words, whereas a state-centred explanation in the tradition of Heclo and Skocpol best fits the French case, the type of cross-class coalitions on which Swenson has focused are more suited to understanding the German case. The historical portrait sketched in Mares' chapter also seems to show that the political dynamic dominating each case depended on *historical contingencies* of a quite predictable type: cataclysmic events (for

Germany, the First World War and the depression that followed it), temporal order (new policies were made in response to the assumptions and failings of older ones) and the specific political, economic and fiscal climate prevailing at a given time.⁶ Temporal contingencies of the latter kind include, but are not limited to, the balance of class power in the political economy.

While Swenson's approach to welfare state politics plays a significant yet limited role in Mares' study, it clearly occupies centre-stage in Philip Manow's study of the origins of co-ordinated bargaining and expanded social protection in post-war Germany and Japan. Swenson (1991b, 1996) has argued that even on its home turf of Swedish social democracy, the traditional class politics model overstates labour's industrial solidarity and the importance of its political power for welfare state innovations. These innovations have rested more on the interests of employers in specific sectors in regulating labour markets than on the will of social-democratic governments, and the shared interests of labour and capital within sectors have meant that the trade unions' impact on social policy has typically been channelled through limited cross-class alliances rather than class-wide solidarity.

In Chapter 1 Manow offers a persuasive sectoral analysis of post-war innovations in German wage and social policy. Confronted with the generous Adenauer pension reform of 1957 at a time of tightening labour markets, the export-oriented metalworking industries learned to welcome welfare state expansion because of its synergy with wage restraint. As the literature on corporatist labour relations insisted nearly two decades ago (Goldthorpe 1984), such synergy rests on the mutually reinforcing motives of defending the competitiveness of export industries and compensating workers and unions for the exercise of moderation. Germany's sheltered iron and steel industries were in a different position. They, too, accepted the welfare state as the price of co-ordinated wage bargaining, but in their case its function was to combat the spectre of unregulated internal competition raised by the elimination of the old cartel system after the war. In yielding to the temptation of centralised wage-fixing, both sectors inevitably lost their earlier attachment to company-based welfare.

There is more to Manow's argument than its functionalist implication that calibrations of the systems of wage determination and social protection served the shared or paired interests of capital and organised labour in specific sectors of the economy. His historical analysis also reveals the importance in 1950s Germany and Japan of challenges to employer interests raised by waves of union militancy, on the one hand, and on the other industrialists' fears of what they viewed as 'excessive competition'. In other words, cross-class coalitions were not born fully-formed on the basis of self-evident mutual interests, but worked themselves out in conditions of experimentation and struggle. Moreover, capital did not purposively design systems of co-ordinated wage bargaining and social protection, but instead was obliged by externally-imposed constraints to discover their beneficial implications. Manow's nuanced analysis in effect brings working class mobilisation and state activism back into policy analysis through the unguarded back door of Swenson's employer-centred model of class politics.

Still, labour commitment to sectoral interests shared with capital is a variety of class politics that clearly has little in common with 'politics' as narrowly understood by the 'politics matters'

6 For example, Mares' account of the French case indicates that the ability of public officials to act autonomously vis-à-vis employers was enhanced by increases in left party strength that placed employers on the defensive.

school. In this sense the Manow/Swenson view resembles other critiques of the social-democratic model which deny that party politics and control of the political executive are the front line of the 'democratic class struggle'. A long tradition of scholarship has focused on political action that takes place in the factories or on the streets, beyond the pale of formal politics. In keeping with the tenor of the current epoch, by and large these contentious politics are peripheral to the studies collected here. However several of the contributors to this book usefully draw our attention to a different form of extra-parliamentary power, the integration of labour leaders into state or quasi-state fora responsible for the administration of social and labour policy. Anke Hassel in particular focuses attention on what she describes as the 'degree of institutional integration of organised labour into the political system'.

The puzzles which Hassel sets out to explain in Chapter 5 derive from her pairing of highly contrasting cases, Britain and Germany. The patterns of employment regulation and social protection that characterise the two countries and the nature of their employment--welfare linkages are distinctly different. This was true in the wake of the oil shocks, and it is equally true of their responses to the contemporary challenge of creating low-productivity service sector jobs. Hassel argues that these differences can best be explained by *governance*, not *government*. Hassel's analysis sidelines labour's political power in the parliamentary arena in favour of the role of labour associations in collective bargaining, workplace rule (codetermination), and delegated public authority in relation to social security and labour market policy.

In the 1970s the German pattern of labour inclusion coupled with sectorally centralised wage-fixing and a high degree of income maintenance encouraged co-operative and efficient adjustment to price shocks. In the very different British setting, manufacturing became less competitive to the accompaniment of rising industrial warfare and inflation. But unintended consequences and feedback effects ultimately resulted in a reversal of fortunes. Egged on by militant protests against plant closures, the institutional features of the German system which generated such positive results for competitiveness also had the effect of 'externalising' the costs of restructuring onto the social security system. This in turn, together with unification - a uniquely German shock - shrank the governance capacity of worker and employer organisations, making the old model of industrial adjustment progressively less viable.

According to Hassel the parallel evolution in Britain followed the same analytical logic despite different substantive outcomes in the two cases. Not only were the British unable to engage in smooth restructuring, but the veto power of militant albeit fragmented labour organisations blocked technical change and labour flexibility. However, this impasse eventually brought about a crisis in which the Thatcher government was able to exploit precisely the institutional features of trade unionism which had blocked labour restraint in the inflationary era - decentralisation, dependence on membership consent rather than legal guarantees, and lack of involvement in the running of either the social security system or the management of production. Militancy was curbed by unilaterally cutting unemployment benefits and job tenure protections at a time when unemployment was on the rise, and by using the law to weaken the organisational bases of union authority.

What Hassel does not point out - perhaps because it is so obvious - is that all of this happened only *after the political balance of power shifted radically* to labour's disadvantage. As is well known, this shift consisted not only in the Labour Party's ousting in the 1979 elections, but also the widespread promulgation after 1973, by the OECD and other

authoritative sources, of the idea that full employment was no longer feasible (Korpi 1991); the failure of both the previous Tory government and the Labour government that followed it to reform industrial relations (Soskice 1984); and Mrs Thatcher's neo-liberal economic philosophy and undoubted leadership capacities.⁷ Put in more general terms, shifts in parliamentary politics and the dialectics of policy failure in the face of a world-wide economic crisis caused the weak institutional linkages between labour and the state to be transformed from a source of labour militancy to a basis for labour repression. For a complete account, the politics (in multiple senses) of Thatcherism are thus indispensable partners to the institutional dialectics to which Hassel directed her attention.

Colin Crouch's contribution to this volume also supports a synthetic approach. In Chapter 3 he proposes a cross-national typology based on several different models of the constitutive foundations of labour-plus-welfare regimes. First, Crouch defines patterns of labour incorporation in relation to both the composition of the political executive and the extra-parliamentary institutional linkages to which Hassel drew attention. Thus, corporatist systems are subdivided into those in which labour inclusion rests on pronounced political and organisational power, as in Scandinavia, and those like Germany, where the organisation of employers is superior to that of the workers but both industrialists and the state nevertheless 'incorporate [labour organisations] within the general task of economic management'.

Crouch's second and more radical modification of the social democratic model is his insistence that the politics of labour incorporation are only one of the sources of European socio-political diversity. *Pre-capitalist* institutions and cultural cleavages, which continued to impact on European societies long after the rise of class politics, also structure political-economic variation (cf. Rokkan 1968). In this respect there is a clear parallel between Crouch's (1993) comparative-historical analysis of industrial relations and Esping-Andersen's (1990, 1999) work on welfare states. Under the general heading of 'traditionalism', our attention is drawn to the varying political and institutional legacies of the church (especially the Catholic church), the pre-democratic *ancien regime*, the pre-industrial guild system and longstanding cultures of kinship.

Crouch's argument is that paying attention to traditionalism as well as class politics is not only important for building a cross-national typology that works. He also finds it essential to another scholarly project, the uncovering of traces of 'the obscure and forgotten by-ways of past repertoires' in contemporary developments. There is a further potential use for Crouch's emphasis on traditionalism which is hinted at in his chapter, namely its relevance to explaining gender inequalities. Attention to gender politics is however conspicuously absent from this volume, as it has been until recently from most mainstream research in comparative social policy and political economy (O'Connor 1996). This is true despite the fact that several chapters make clear that differences in the interests and power of men and women are reflected in both social protection (most obviously its bias in favour of male breadwinners) and labour markets (especially the impact of norms concerning married women's obligations on the growth of service sector employment).

7 This hardly exhausts the list of factors that contributed to the ability of the Thatcher government to implement its strategic programme. Other relevant assets were the unitary and centralised structure of the British state and the privileged role of the Treasury within it.

There are many indications that gender roles vary across countries and over time, and that this variation structures policy choices. Cross-nationally, Fritz Scharpf shows convincingly in Chapter 11 that Germany's plight of undeveloped services in both the public and private sectors is closely linked to the traditional division of labour between the sexes that is privileged by the German welfare state. But Scharpf does not raise the question of why German social policy so heavily privileges male breadwinners⁸ and conserves familism, and why it is that (in his own words) 'there is no large and well-organised political demand for additional public services' (p.14, this volume [typescript]). Similarly, Ann Wren notes (p.29, this volume [typescript]), from an over-time perspective, that by the time of the economic crises of the seventies, keeping women at home was no longer 'politically acceptable', which is why the Dutch relied so heavily on disability. But Wren does not take the further step of questioning what determines stability and change in the political acceptability of gender roles.

Unless comparativists are ready to fall back on exogenous cultural explanations, there is a need for greater analytical attention to the political institutions and processes through which gender is played out in social policy and industrial relations. The mechanisms by which men preserve their advantages and women challenge them are not well understood in macro-political research (Shalev 2000). Crouch points out that traditions which enjoy political articulation - such as Catholic-Conservatism on the one hand and French Republicanism on the other - have shaped quite different approaches to child benefits and social security. Esping-Andersen (1999) has made this point at length in his latest book. Given that gender is variously manifested in different welfare states and systems of labour relations, the recent appearance of a major integrated study of class and gender inequality by a founder of the social-democratic school may be an important harbinger of paradigmatic change (Korpi 2000). Also noteworthy is the recourse to both gender-political and class-political arguments in Huber and Stephens' (2000) recent work. But political economists will also need to learn from the extensive feminist literature on social policy.⁹ Feminist studies have enlarged our understanding of gender roles not only as passive historical legacies, but also as consequential upon resistance and change. In particular, as Hobson (1999) has argued, the politics involved in gender role definition and redefinition are likely to be even less confined to the formal exercise of political power than class politics.

* * * *

The principal achievement of this volume, of considerable importance in its own right, is in showing how and why scholars must link multiple institutional spheres of the economy (production, finance, labour) and their regulation by both 'public' and 'private' arrangements (labour/social policy and industrial relations). Some chapters have used this perspective fruitfully to understand puzzles from the distant or recent past, others have employed it to offer a fresh look at ongoing policy dilemmas. All have demonstrated the power of comparative analysis, typically the mode that peers intensively at a small number of partly or wholly dissimilar cases. The argument of this commentary has been that whether the concerns are historical or contemporary, whether the aim is to reinterpret familiar facts or to enlighten policymakers, a grasp of the underlying politics will add essential insights to

8 The issue of male-breadwinner bias has been extensively raised in the work of Jane Lewis (1992; 1997).

9 Diane Sainsbury (1994; Sainsbury 1996) provides useful overviews of this literature in a book and an edited collection. The journal *Social Politics* is the most prominent forum for publication of feminist studies of welfare state issues.

analysis of institutional or economic logics.. In focusing primarily on the need to get left politics right, this chapter is not arguing for a retreat to the safe havens of analytical or political debate. The practical stakes are also high. Indeed, in the most policy-oriented contribution to this volume Fritz Scharpf insists that the sources of mass unemployment - arguably the gravest socio-economic ill of our times - do not lie in 'the usual suspects' but in political rigidities.

Despite its seeming anachronism the social-democratic model, along with the limitations that were already evident twenty years ago, provides a way to think about the theoretical choices that face us. I have tried to show that there are choices to be made. But they need not be mutually exclusive and ought to be sensitive to both historical and social contingencies.

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