

THE SOCIAL DEMOCRATIC MODEL
AND BEYOND:
TWO 'GENERATIONS' OF COMPARATIVE
RESEARCH ON THE WELFARE STATE

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INTRODUCTION

A century ago, the fact of the working classes of some European nations standing on the threshold of universal suffrage launched a great debate over transition to socialism in the context of liberal democracy. Eventually the *de facto* predominance of reformist parties on the labor left, and the unique political and economic climate of the first two postwar decades succeeded in stilling this debate, and the issue of whether social democratic parties carry the capacity for socialist transformation apparently became so academic that it was largely ignored by the academy itself. During the 1970s, however, there was a new surge of debate over the nature and potential of social democracy, in which the active participants included a fresh generation of scholars with an empirical as well as theoretical interest in the macro political economy. The preferred universe of study of the new political economy is the rich capitalist democracies: it deliberately eschews

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the great and often misleading debates of the recent past which contrasted these nations with others which were much less rich, much less capitalist, or much less democratic. Its preferred methodology is quantitative and/or historical, rather than descriptive and/or polemical. Its theoretical bias is to look to the state for explanations of political interventions in economic processes, and to expect the actions of the state to be considerably more sensitive to class cleavages than to the multiplicity of other bases of political conflict in complex societies.

Politically, the vanguard of this new political economy is formed by parliamentary socialists: some writing from the vantage-point of successful reformism at home, others who envy these successes because their own nations are either utterly bereft of social democracy or else have failed to turn it into socialism. But this vanguard is threatened on two flanks: on one side by liberal democrats faithful to their intellectual roots in pluralism and convergence theory, and on the other by Eurocommunists and those to their left who submit social democracy no less than liberalism to the critical scrutiny of neo-marxist critiques of modern capitalism.

Here we shall be primarily concerned with only one possible dimension of socialization through political agency—the welfare state. Our starting point is the emergence during the 1970s of a “social democratic model” of welfare state development in capitalist democracies, independently formulated by a number of European and American political sociologists and political scientists, which seemingly lends support to the social democratic claim to socialist potential. The leading hypothesis of this model is that the bulk of the observable variation in welfare state emergence and growth in the western nations can be accounted for by the strength—especially in government—of social democratic labor movements. It has been subjected to empirical testing using a variety of (mostly cross-national) data sets, with impressive results. The present paper is intended to extend an earlier review of this literature (Shalev, 1983) in two directions.¹ It develops a critical evaluation of the social democratic model of social policy, and then goes on to confront this critique with a second “generation” of studies which has emerged since the end of the 1970s.² In addition to introductory discussions which locate the model within prevailing trends in public policy analysis, explicate its basic tenets, and refer to the affirmative evidence, the first half of the paper pinpoints a number of problem areas. Firstly, difficulties have arisen in defining the welfare state, conceptually and empirically, in a theoretically appropriate fashion. Second, consideration is given to a number of blind spots deriving from the centrality of governance by social democratic parties to the model’s explanation of policy variation. Thirdly, a number of problems of design and inference characteristic of the first generation of research are commented upon. The latter sections of the paper consider how these issues have been handled in more recent comparative studies of the welfare state, and finds that many welcome advances have in fact been made.

Before plunging into the debate, it should be emphasized that by concentrating

on the welfare state there is no intention to suggest either that welfare is the only area of public policy which appears on the democratic socialist agenda, or that the social democratic model of policy is applicable only to the welfare domain. Indeed, quite the opposite is true on both counts. One of the benefits of the recent revival of interest in the welfare state as part of a broader concern for the role of the state in capitalist societies and the potential in such societies for radical economic change through peaceful political agency, is the emphasis which has been placed on the linkages between social and other types of policy (especially economic). A key characteristic of the social democratic program is the assumption that coordination between welfare and other policy areas is both feasible and desirable, in the form of a commitment based not merely or even primarily on providing vertical cash transfers, but also on the structuring of processes and modification of outcomes in the market. For the citizens, too, it is clear that both “social” and “economic” policies speak to the same issue; namely, how the fruits and costs of growth, or the burdens of stagnation, are to be distributed.

Accordingly, it is arguable that ultimately we require integrated approaches to distributive conflict; while proximately, students of the politics of all spheres of domestic policymaking have much to learn from research which focuses on the welfare state. The studies of the welfare state on which we are about to reflect raise quite general questions, including the basic viability of political and group-conflict accounts of public policy formation, how the dependent and independent variables should be defined in political models, and problems related to the design and interpretation of empirical research. It is also worth pointing out that the social democratic model has been utilized with some success in investigations of a variety of state functions (economic as well as social management), policy areas (for example housing, labor market policy, workers’ control), and substantive outcomes (such as economic performance, income inequality, and social mobility).³

Models of Public Policy

While rooted in an understanding of contemporary class conflict which in some respects is not very distant from mainstream political sociology, the social democratic model is controversial in suggesting that the presence or absence of strong social democratic governments is by far the most important predictor of social policy variations across nations and over time. The essential argument of this perspective on the welfare state is that the growth of reformist labor unions and parties which reflect the class divisions of capitalist society, and in particular the ascension of labor parties to executive power, have been the preeminent forces in the initiation and development of public policies for furthering justice and equality between the classes. The distinctiveness of the approach can readily

be demonstrated by comparing it (in a deliberately over-simplified way) with some other, better-known perspectives on domestic policy formation.

One influential family of theories comes close to ignoring or denying not only the politics of class, but also the essentially political character of the state. One branch of this family argues that the state exercises little discretion over policy, but rather functions as a mechanism for solving objective and universal problems (for example, the growth of a dependent population of older citizens in industrial societies), within the limits and possibilities defined by economic resources (Wilensky, 1975). On the other hand, there are theorists who play down the significance of environmental forces of any kind, in the belief that it is the policy apparatus itself which is crucial. In this view, options are defined and ordered by bureaucrats on the basis of the innovation and diffusion of ideas; and once a policy course has been set, its future depends more on the consequences of bureaucratic aggrandizement and incremental budgeting than on conscious and politicized choice (Heclo, 1974).

A second type of approach suggests that politics indeed matters for policy, but not partisan politics (whether class based or otherwise). Again there are two broad schools of thought, united in this case by their rejection of the traditional democratic notion that policy is largely patterned by the outcome of electoral contests between ideologically competitive parties. It has been alleged for example that modern parties are interested more in power than in programs, and compete with greatest intensity for the same marginal voters, most of whom are located in the heterogeneous middle mass of society; hence their policies when in office tend to converge rather than diverge (Kirchheimer, 1957). Other experts deny altogether the significance of parliamentary politics for policymaking, arguing instead that extraparliamentary forces (the influence wielded by a "power elite" or pluralistic competition between interest groups are the favorite contenders) are the *de facto* shapers of policy (see Lowi, 1964).

Class politics approaches to policy, while also heterogeneous in nature, form a third distinctive family. One such approach can be identified with the influential sociology of politics propounded by Lipset and Rokkan (1967). Here it is assumed that policy is conditioned by the democratic process—electorally victorious parties use the levers of government to realize their programs and reward their supporters. Furthermore, class is the strongest and most persistent of the historic cleavages which have shaped party platforms and alignments. However, a number of forces have served to diminish the intensity of the "democratic class struggle": class lines and interests have been blurred by far-reaching economic and social changes, while other more timeless cleavages (generational, ethnic) have been reactivated; and at the same time, the basic demands of the lower classes for political rights and economic security have been met, and new "post-materialist" issues have forged political alignments which cut across class lines (Lipset, 1981). Both social democratic and more radical class theories take issue with this interpretation. They insist that the capitalist economy and society is

inherently unequal, conflictual and unstable, thus class conflict finds inevitable expression in the political struggle over policies which distribute power and advantage between the major classes.

Most class theorists are agreed then that political alignments in a democracy will reflect class interests and capacities, and that the policymaking process is inherently political and politicized. The uniqueness of the social democratic model when compared to more radical understandings of the class determination of policy is twofold. (For some radical approaches, see O'Connor, 1973; Gough, 1979; Westergaard, 1978; Therborn and others, 1978). First, this model asserts that partisan control of the executive branch of government, rather than sheer electoral support or extraparliamentary forms of political power, is the primary means by which class forces are politically translated into policy outcomes. And second, the social democratic model assumes substantial independence of the political and economic arenas, in the sense that in spite of the privileged position of private employers and investors in the capitalist political economy, it is deemed possible for the subordinate class to peacefully conquer the state and to exploit such conquest to intervene in class conflict on the side of labor. These issues are important and we shall return to them later. At this juncture the point to be stressed is the significance of class for politics and of politics for policy in the social democratic model, and the contrast between this and other basic approaches to the explanation of policy outcomes.

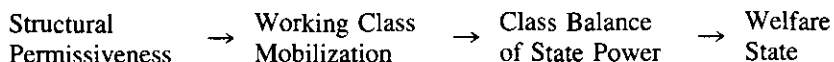
THE MODEL EXPLICATED

The social democratic model, which it is important to emphasize is addressed to the experience of the western capitalist democracies during approximately the last half century, can be thought of as consisting of four basic propositions.⁴

1. The welfare state is a class issue. Logically and historically, its principal proponents and defenders are movements of the working class.
2. Like other dimensions of public policy, the parameters of the welfare state are defined largely by the choices of governments (that is, decisions of the occupants of cabinet positions in most parliamentary systems).
3. In the capitalist democracies the most significant partisan cleavage (both in terms of voter alignment and policy positions) is that between parties of the working class and other parties. For the most part, only reformist (social democratic or "labor") working class parties have been serious left-wing contenders for governmental power in these polities.
4. The capacity of reformist labor parties to emerge and grow to the point of coming to power is a function of the extent and coherency of insti-

tutionalized working class mobilization in trade unions and political parties. The potential for such mobilization is largely predetermined by certain historically given structural characteristics of a society.

The causal process implied by these propositions may be illustrated diagrammatically as follows:



Class Interests and the Welfare State

To add more flesh to these bare bones, let us begin by expanding a little on the first proposition. To conceive of the welfare state as fundamentally a class issue is in part to fly in the face of two dominant paradigms. The first of these, which may be termed the social policy conception, defines the welfare state in terms of what it is intended to do; which is, broadly speaking, provision of a universal, guaranteed minimum standard of living designed to cushion the impact on citizens and their families of some of the major insecurities, deprivations, and inequalities of the market economy. The leading alternative might be called a public policy conception, which emphasizes that in common with many other areas of public policy, the welfare state is both defined and operated *by the state*. Whereas the first conception invites historical and functionalist explanations of the welfare state keyed to the unique nature and purposes of public welfare, the second suggests that welfare policy can be explained in terms of the behavior of universal "policy actors" (parties, interest groups, state agencies).

In a sense, the social democratic model provides a bridge between these two approaches. On the one hand, it places much emphasis on what the welfare state is about, namely the modification of distributional inequalities. Viewing the problem as one of unequal distribution of the capacities which determine citizens' living standards, rather than as one of personal incapacity to meet publicly defined criteria of minimum welfare, invites a class analysis. This is because such an analysis is premised on the assumption that the distribution of income, opportunity and other determinants of living standards is intimately linked with the social organization of economic life, that is to say with the relations between classes. Whether or not it actually challenges the reward and opportunity structures of an abstracted capitalism (Westergaard, 1978), the welfare state unquestionably establishes criteria of distribution ("need," "fairness," "equality") which are at a minimum independent of and potentially in direct opposition to those defined by property rights and market dictates, and therefore in presumed conflict with the interests of those who benefit most from capitalist distributive arrangements (loosely, the "dominant class"). Furthermore, the welfare state implicitly or explicitly sets out to correct what are, from the viewpoint of those

who are both propertyless and lack a commanding position in the labor market (the "working class"), serious deficiencies of the capitalist economy.

But the welfare state is not only class-conflictual because of what it does; rather, like other fields of public policy which tap class interests, it is also an arena of class *politics*. From the social democratic perspective, this is a politics which is largely shaped by the ability of the working class to mobilize and crystallize its most powerful resource, the disciplined action of sheer numbers. Specifically, experience with the welfare state is seen as vindicating the commitment of the moderate left to a particular labor movement form and strategy, that of a highly centralized trade union movement with a class-wide membership base, operating in close coordination with a unified reformist-socialist party which, primarily on the basis of massive working class support, is able to achieve hegemonic status in the party system. To the extent that these criteria are met, it is hypothesized that the welfare state will emerge earlier, grow faster, and be structured in ways which systematically favor the interests of labor over those of capital.

Making the Model Dynamic

Returning now to the diagrammatic causal model sketched earlier, it must be noted that a number of additional variables and causal flows have been suggested in an effort to add greater realism and dynamism, with the result that a social democratic model more representative of the literature looks something like the illustration in Figure 1. The most striking message of this expanded model is that the potential for working class mobilization is not merely a function of irreversible structural features of the economic and social context in which mobilization occurs (Shalev and Korpi, 1980). Firstly, the mobilizers themselves have a capacity for molding these structural conditions and how they are perceived, and for choosing among a variety strategies of exploiting or overcoming them. Secondly, there are some important feedbacks from the consequences of, to the potential for mobilization. At the formative stage of their development, different labor movements may achieve similar levels of mobilization and political success, yet in the longrun arrive at very different degrees of political hegemony. The likelihood of hegemony is greater to the extent that control of the state facilitates rather than limits or demobilizes working class movements, to the extent that such control leads to the political ascension of a dominant ideology sympathetic to working class interests, and to the extent that it produces distributive outcomes (for example via the welfare state itself) which integrate rather than divide the working class and which yield evident policy payoffs to the government's working class base.

Two other points deserve mention. First, the expanded model recognizes that the translation of mobilization into state power and thence to policy is not automatic, being mediated by various institutional characteristics of the state

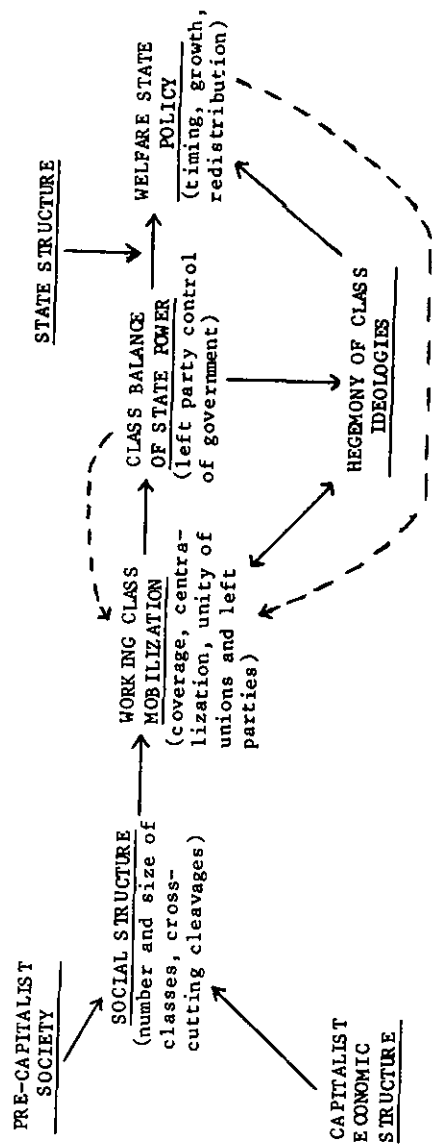


Figure 1. A Social Democratic Model of the Welfare State.

system. The rules of the electoral game (who votes, how votes produce legislative seats, and how seats produce governments) are important, and so are potential constraints on the capacity of the government to act (for example, federalism, separation of powers, cabinet subservience to parliament on the one hand and the bureaucracy on the other). Secondly, to the extent that through strong mobilization and incumbency, a labor movement succeeds in shaping ideological understandings to the point that social democratic values become part of the political consensus, labor's impact on policy becomes autonomous from actual incumbency (although without incumbency it is not clear how long this implicit influence on the policy agenda and policy options can persist).

TESTING THE SOCIAL DEMOCRATIC MODEL

Elsewhere I have described some half a dozen studies which attempt to muster quantitative empirical evidence for verifiable propositions derived from the social democratic model of the welfare state.⁵ Essentially such studies proceed as follows.

1. Selection of a quantifiable aspect of the scope of the welfare state, such as the number or coverage of welfare laws or the size of welfare expenditures.
2. Construction of one or more measures of working class mobilization and political power, such as union density and/or years of social democratic office-holding.
3. Setting up a quasi-experimental design in which variation in the dependent and independent variables is obtained by comparing the experience of different nations within a common time frame, by analyzing changes over time within nations, or by a combination of synchronic and diachronic comparisons.
4. Searching for linear relationships of the form "the longer social democrats are in office, the higher will be expenditures on welfare state programs." Optionally, adding "controls" for moderating variables (for instance federalism) and/or variables from competing theories (for instance economic development).

An Empirical Consensus?

Studies within this research tradition, all of them carried out during the 1970s, exhibit a striking consensus of findings. Their common message is that politically strong reformist labor movements have hastened the advent and growth of the welfare state in the western nations. Also, they nearly all agree that the strength of parliamentary socialism is *more important* for welfare state development than other plausible influences, including economic growth. This consensus, fur-

thermore, arises from studies which collectively are both cross-national and historical; which have investigated timing as well as scope, changes as well as levels, and presumptively redistributive elements as well as overall levels of welfare state commitment.

On the other hand, one can observe a bewildering variety of operational conceptions of what the political strength of labor movements is (votes, legislative seats, office-holding), and even of what these movements consist of (for example, are the Communists to be included?). The samples and methodologies are also diverse, and in small-*n* research of this kind, that diversity can make a great deal of difference. At the same time, most of the researchers are agreed that the socialist impact on welfare is at least to some extent conditional upon such exogenous factors as economic conditions and political-system characteristics. Furthermore, the majority of them explicitly concede that state power *à la* social democracy is by no means the only route to welfare state growth. Other apparent routes are the "consociationalism" of the Low Countries, the old regime Bismarckian welfare state, and the exertion of extra-parliamentary pressures by labor. In each of these cases the strength of the organized working class is only partially or "negatively" relevant to what is happening. In each of these cases the strength of the organized working class is only partially or "negatively" relevant to what is happening. Consociationalism is typically a function of extra-class cleavages; the Bismarckian strategy was predicated on the existence of a state bureaucracy which could operate social programs and landed interests who could pay for them, as well as fear of organized labor (Flora, 1976, p. 46); and the American case seems to demonstrate that mobilization of the disadvantaged can occur and affect policy quite outside of a labor movement framework (Piven and Cloward, 1977).

Defining the Welfare State

In short, the consensus of empirical support behind the social democratic model is insufficient to demonstrate that moderate leftist political hegemony is either a necessary or sufficient condition for "positive" welfare state outcomes. To understand this paradox, and to gain insight into how the model might be restructured to enhance its validity, let us consider some of the shortcomings of the research strategy outlined above, beginning with the manner in which the dependent variable (the welfare state) is operationalized. Typically this takes the form of one or another measure of public expenditure, on the grounds that (a) the more governments spend on welfare, the more they must be committed to the welfare state and the greater the impact on the actual welfare of the citizens; and (b) the essence of the class-partisan debate on the welfare state concerns the extent to which criteria for and modes of income distribution are to be determined by and in the political arena rather than the market. The first of these assumptions has been criticized on a variety of grounds. As Titmuss (1958) emphasized in

a famous essay, welfare state functions can be performed by what are conventionally seen as quite different types of public policy, and by private as well as public initiatives. Furthermore it is now widely recognized in relation to public policy in general that spending and performance are only imperfectly correlated.

The second assumption is plausible enough, but the sheer magnitude of the state's allocational role is only one indicator of the "socialization" of markets, and a crude one at that. Now that at least the rudiments of the welfare state have long been on the statute books in virtually all of the western nations, class biases may be less marked in terms of the sheer size of the welfare budget than in relation to the mix of programs, the manner in which they are administered, and their incidence across classes. Labor and capital both have interests in much of established social policy; the severest dissonance arises concerning the *kind* of welfare state which would favor their respective interests (Gough, 1979; Cuneo, 1980). Labor seeks from the welfare state protection against the uncertainty and hardships inherent in the working class condition in a context of unregulated markets, and more than this, to narrow the class inequalities arising out of the operation of the capitalist economy. Capital, on the other hand, may gain from the welfare state major contributions to the maintenance and reproduction of a productive and disciplined labor force, provided that "social security" does not threaten but rather reinforces market mechanisms of distribution and market criteria of distributive justice, and provided that welfare state egalitarianism is sufficient for the ideological integration of the working class into the prevailing socioeconomic order without eroding the income and wealth of the dominant class.

Thus insofar as income maintenance programs institutionalize the links between employment and income (insurance systems) and between labor market status and income (earnings-related benefits), and insofar as they are financed non-progressively and preferably regressively, capital may actually find them beneficial, especially if their purpose is to shield labor from financial risks for which compensation might otherwise be demanded from employers and which in the absence of such a shield might generate discontent with the market system. On the other hand, no matter how "reproductive" or socially conservative welfare services like health and education may be, the dominant class has an interest in keeping their provision within the market sphere where the private economy is the beneficiary and where affluence confers considerable advantages on consumers.

A further dimension of expenditures which is sensitive to class interests is the pattern and degree of income redistribution entailed in the way that money is raised and spent. This has led some researchers to develop indicators confined to programs with known redistributive consequences (for example, non-contributory social assistance), and/or to correct measures of expenditure for the extent of redistribution in the method of finance (for example, direct taxes tend to be progressive, while the opposite is true of indirect taxes). However, it must again

be stressed that the impact of the welfare state on income inequality is by no means the only facet of its performance on which class interests are opposed. Moreover, as Castles (1978) has argued, social services like public schooling with seemingly regressive consequences may still serve vital interests of the poorer strata by being far more accessible to them than market-based systems.

Another consideration is suggested by the feedback postulated in Figure 1 from welfare policy back to working class mobilization and thence political power. The welfare state in the United States is on the face of it highly redistributive, especially if regressive tendencies in the fiscal system are ignored. But the emphasis on selective and in some cases means-tested programs, which is what produces redistributive expenditures, tends to create an identifiable and socially stigmatized welfare stratum, thus generating a rift between this stratum and the rest of the citizens, and in the process eroding working class solidarity and generating resistance to footing the welfare bill among the majority of taxpayers who are largely beyond the reach of welfare programs. The American experience in this respect contrasts strongly with that of Sweden, where the core of the welfare state consists of universal programs of risk-protection and benefit which impact at nearly all income levels (Korpi, 1978). In addition, it is probable that benefits to the income-poor are a relatively minor component of governmentally transferred income in Sweden because of the efforts of Swedish governments and trade unions to underwrite continuity of employment and to compress the wage structure (Rainwater and others, 1978).

This brings us back to the initial point about the importance of thinking in terms of multidimensional profiles of state intervention into distributive processes. The case of the United States is again aposite. The redistributiveness of American social security transfers acquires a rather different significance when viewed in the context of a highly unequal *pre-transfer* income distribution, given that inequality of factor income is itself partly a function of the prevailing pattern of state intervention (and non-intervention). This discussion suggests that a fruitful research strategy for scholars wishing to subject the social democratic and similar welfare state models to empirical test, would be to work with indicators of direct state intervention into the distributive processes of the market economy alongside measures of welfare expenditures. (It is noteworthy in this respect that Hanneman [1979], and more recently van Arnhem and others [1982], have revealed that social democratic strength impacts more strongly on the extent of inequality of primary income than on redistribution through taxes and transfers.) While the complexity inherent in more appropriate multidimensional approaches may limit the potential for quantitative measurement and testing, this might be the price we have to pay for rendering more persuasive judgement on competing theories.

There is another, equally general moral to this story. It is that researchers concerned with the determinants of public policy must take considerable care in matching policy indicators to the type of determinants under consideration. A

social democratic model of policy cannot be adequately tested without a precise understanding of the nature of the class interests which reformist labor movements attempt to pursue, and the strategy of class conflict to which they are committed. The elements of one possible theoretical approach to understanding working class interests and strategies have been suggested elsewhere (Shalev, 1982). Meanwhile, let us return to those aspects of empirical tests of the social democratic model which have not yet been commented upon—definition of the independent variables, research design and test criteria.

Varieties of Class Politics

A fundamental weakness of the social democratic model is its deliberate lack of generality. Simply put, it may be agreed that class interests and struggles are of primary importance to welfare state outcomes, without conceding that explanation should focus solely on one particular manifestation of these class forces. In the first place, this is to fall victim to a peculiarly non-dialectical conception which assumes that for practical purposes the balance of class power in any given social and historical context is best described by the fortunes of a single class. More specifically, only two classes—labor and capital—are assumed to carry weight in the political arena, and the strength of capital in this respect is expected to be simply the mirror-image of the strength of labor. These are both dangerous over-simplifications.

The phenomenon of center parties poses a major complication for a simplistic two-class analysis of policy (Cameron, 1976; Castles, 1978). In some European nations (the Netherlands, for example), we find Catholic confessional parties with strong organizational and political links with the working class which have backed quasi-social democratic welfare state developments, although without the social democrats' enthusiasm for the interventionist state as an end in itself. In other cases (Sweden, for instance) cleavages which emerged during the transition to industrialization between urban capital, the old aristocratic ruling class, and the farmers bequeathed political divisions which greatly enhanced the capacity of the labor movement to transform organizational mobilization into enduring political power. While neither of these observations refutes the assumptions of the social democratic model as to how political formations and resources are crystallized or their consequences for policy, they clearly imply that the organized polity should be conceived in terms of the structuring and division of power within the party system as a whole, rather than simply in relation to the strength of mass working class parties.

The "mirror-image" argument is equally problematic. Capital is differentially structured and has differential access to power resources in different national contexts. To the extent that such variation acts to condition the working class potential for organization and solidarity—which of course was one of Marx's most striking insights—it poses no problem for the social democratic model.

However, it is also the case that nation and time-specific characteristics of capital (in particular the degree of capital concentration, the links between local and foreign capital, and the extent of the domestic economy's dependence on world markets) raise considerations for policymakers which are relatively insensitive to the class-partisan character of governments. The tendency for the state to take an active role in economic stabilization in small dependent economies (Cameron, 1978) is one example of this. It may still be credibly argued that the strength and strategies of labor movements make a difference to the ability of labor-based governments to transcend constraints inherent in the economic structure. But not to confront the fact that policy is made within such a structure is clearly to overstate the "relative autonomy" of the state and to ignore the degree of actual variation in the state's position.

Viewing capital as at best a constraining factor in the development of welfare states would in itself be misleading. The assumption that capital takes an oppositional stance towards social policy initiatives must be moderated by the knowledge that its interests may well be served by a welfare state so structured as to legitimize the market economy, (re)produce "human capital," direct private and public demand to business, and so forth. Moreover, given the fact that different "fractions" of capital have different interests and differing capacities to benefit from facets of the welfare state (O'Connor, 1973), there is a distinct possibility of certain industrial or commercial interests adopting an advocacy role rather than taking either an obstructive or neutral position (Cuneo, 1980). Whatever the stance taken by particular capitalist interests on particular policies, it must be recognized that they are not limited to exerting implicit (structural) leverage, but may also opt for more active forms of political mobilization. This brings us back to the role of nonleft parties, and also to the little-studied phenomenon of business organizations (Schmitter and Streeck, 1981). It is possible to recognize this without ignoring the fact that collective action by capital is a less weighty necessity and unfolds according to a different logic than is true for the working class (Offe and Wiesenthal, 1980). Finally, it should be emphasized that capital is not the only element of the dominant class(es) with a potential constructive interest in (particular forms of) the welfare state. It is no accident that partially democratized monarchies allied with the feudal ruling class played a pioneering role in the coming of social insurance to Western Europe (Flora, 1976; Alber, 1979). In general, social democratic governments hold no monopoly over the desire to utilize social policy as a means of creating citizen dependency on and loyalty to the state and its controlling elite.

A second dimension of the partiality of the social democratic model derives from its underlying commitment to the reformist socialist ideology of control of policy by parliamentary means (Przeworski, 1980). The processes of working class mobilization in principle open up a variety of modes of class struggle in which labor may engage. Historic debates within the left over how the transition to socialism ought to proceed reflect this diversity, with contending arguments

in favor of spontaneity versus institutionalization, the point of production versus the state as the primary arena of conflict, and parliamentary versus extra-parliamentary forms of political action. It is unduly limiting to conceive of the role of working class politics in policymaking solely in terms of the degree to which politics approach the social democratic ideal. This is clear from the well-known historical instances in which welfare state innovations were intended in part to defuse working class political mobilization (Rimlinger, 1971). What Piven and Cloward (1971) suggested of the American case is more widely relevant, namely that public welfare has important functions to perform for non-leftist regimes which seek means of pre-empting or containing lower class protest while simultaneously reinforcing the attachment of welfare beneficiaries to the market economy.⁶ The social democratic model then, assumes away one of the very *problematicques* which it is implicitly designed to test, namely, the relative importance of labor party incumbency compared with other forms of working class influence on policymaking. To adequately cope with varieties of class politics we need to juxtapose a variety of independent variables, and in particular to take account of extraparliamentary forms of pressure on the political center (such as activities of trade unions, street-level actions by workers' parties, spontaneous mass movements), as well as the class complexion of the government.

Problems of Design and Inference in Research

To conclude this evaluation of the social democratic model, several methodological problems germane to the entire genre of comparative macro-policy research deserve mention. First, the generality of the simplified macro-level policy outcomes which are the focus of such research creates an acute problem of securing adequate variation in the dependent and independent variables. Adequacy here implies that there be sufficient variability to make meaningful connections between hypothesized causes and effects without depending upon extreme values and/or biased samples. The popular cross-sectional research design, which involves comparisons between nations, produces impressive variance but yields estimates which are highly sensitive to sample composition, particularly to "outlying" observations (for example, Jackman, 1980b) or the "clustering" of observations in discrete groups (for example, Miller, 1976). There are also basic difficulties in drawing inferences from cross-sectional research concerning the dynamics of individual cases, especially given the necessity in such research of imposing a common metric on nations with very different political and policy histories. These problems are exemplified by the unreality of the prescription implicit in numerous studies that if the United States were to abandon federalism and experience a tripling of union density and the ascension of a hegemonic socialist party, it would end up duplicating the Swedish pattern of economic and social policy.

Causal inference is safer using the alternative design of a timeseries analysis,

but here it is harder to generalize because for practical reasons only a few countries are typically examined, and because observations (especially on the explanatory variables) are inappropriately distributed for faithful testing of the social democratic model. For example, in cases where a particular party is dominant it is necessary either to examine minor and difficult-to-interpret variations in dominance, or else to compare the period of dominance with exceptional instances of "upsets" which are bound to be contaminated by residual influences of the formerly dominant party. The alternative scenario of politics which experience intermittent partisan changes of government is statistically attractive but raises the interpretive problem which partisans of social democracy themselves stress, namely the importance of a *cumulative* hold on the levers of power for the translation of party platforms into governmental programs.

In addition to these problems of design, empirical research has been bedevilled by excessive reliance on linear tests of association between dependent and independent variables. In cross-national research the search for linear association amplifies the problem of inadequate distribution of observations. Very often the impressive performance of correlational measures simply reflects the marked contrast in policy outcomes between cases in which the social democrats are the "normal" party of government and those in which they are typically excluded from government. However, the model is empirically far less adequate for more complex intermediate cases. A striking example is the Netherlands, which on conventional policy indicators consistently performs as a welfare state leader, despite the electoral weakness of the labor party and its marginal role in government during the period typically under study.

A final methodological difficulty has been the tendency for social democratic and other political models to be premised on the incompatibility of political and economic determinants of policy (Stonecash, 1980). While correctly rejecting arguments that state expenditures are an essentially nonpolitical function of the wealth of nations, many of the theorists concerned have tended to pose the research problem as being whether variables like the level of or change in per capita GNP "out-perform" favored political variables in straight (additive) competition. This of course denies the interaction between politics and the economy which is the indispensable starting point of any serious study of political economy. Varying economic endowments must surely be recognized as conditioning the policy options of states characterized by similar political configurations. Similarly, policy responses to common economic problems must be assumed to be conditioned by the nature of the political environment. In this respect, there is a surprising element of unreality about studies which uniformly appeared in the post-1973 "crisis" period yet ignored the role of the business cycle in constraining or opening up possibilities for policymakers.

To conclude this discussion of methodological caveats, it must be conceded that the problems raised here are not unknown to most researchers, and neither need they nullify the essential legitimacy and usefulness of the research enter-

prise. What the discussion does show, is that considerably more caution is called for in the interpretation of findings than has been customary. It suggests that research might benefit at this stage from diminished emphasis on oversimplified quantitative designs and greater effort in the direction of more focussed and detailed comparisons between developments in a limited number of carefully chosen nations. And it clearly points to the possibility that rather different causal dynamics operate in different national and historical contexts, requiring a more comprehensive and flexible analytical framework than that provided by the social democratic model as initially conceived.

BEYOND THE SOCIAL DEMOCRATIC MODEL

The thesis which emerges from critical consideration of the first generation of studies premised on the social democratic model of the welfare state, is that the model's core insight—that distributional policies tap conflicting class interests and are formed in response to the balance of class forces—deserves sympathetic attention, but that this insight has been unduly limited and distorted by focusing on narrowly or carelessly defined elements of the distributive strategy of working class movements, and on one particular program of working class mobilization (parliamentary socialist control of government).

As I have shown in more detail in a companion paper (Shalev, 1983), the first generation of studies in the mould of the social democratic model demonstrates that in fact the welfare state emerges and grows in advanced capitalist societies with or without a strong and coherent social democratic labor movement. But its emergence is hastened, its growth is speeded, and its consequences for the class distribution of resources and opportunities are arguably greater under social democracy. In the postwar period the largest and most progressive welfare states are found only under social democracy or else where the corporatist structures normally associated with it have come into being as a result of a special combination of economic circumstances and politically articulated cleavages. These same factors in different combinations have undoubtedly contributed to the emergence of powerful reformist labor movements in Scandinavia and Austria, yet there are indications that a politically and organizationally strong working class imposes an imprint on public policy which is greater than the sum of the preconditions which facilitated this strength.

Whether this is also taken to mean that the social democratic welfare state has effected a transition to socialism is an issue which will be reconsidered in the concluding section of the paper. The question to be taken up now is, what progress—if any—has been made by the second generation of comparative research on the impact of classes and parties on the welfare state?

Reconsidering the Welfare State

There are welcome indications in recent works of a recognition that it is necessary to go beyond earlier rather crude conceptual and operational definitions of "the welfare state." First, and of particular importance for theorists who conceive of the welfare state in terms of class interests, it has been recognized that public welfare expenditures are part of a broader menu of potential state interventions capable of altering the patterning of inequalities of opportunity and condition between and within classes. Korpi (1980) has explicitly conceptualized this totality as "distributive conflict," and has argued that different items on the menu of interventions can usefully be distinguished in terms of the stages of the distributive process at which the state intervenes.

While his preliminary empirical work anticipates that the pattern of labor movement mobilization (constellations of unionization, left voting, and social democratic incumbency) will exert a similar effect on different distributive interventions (for example, demand management, active labor market policy, social security), Korpi raises the possibility that the "frontier" of distributive conflict will vary in different national and historical contexts. Since the left may thus be expected to embrace different policy priorities in different periods and countries, the various distributive policies and outcomes cannot be assumed to be equally and uniformly responsive to similar magnitudes of left strength. Schmidt (1982a) has demonstrated the value of simultaneously considering different policy elements (in his case, unemployment and state revenues) and allowing them to vary independently. This exercise reveals considerable complexity in between the extreme cases of full employment and a large tax state, or its opposite. Schmidt finds that in the 1970s several "liberal" social democracies with a developed welfare state in the conventional sense, were characterized by high levels of unemployment, while several bourgeois polities with a small tax state safeguarded full employment as part of a "corporatist-paternalist" strategy of regulating class conflict.

Distributive conflict must thus be conceived not only in terms of a broader variety of state interventions than has hitherto been encompassed by conventional notions of the welfare state. It must also be comprehended in terms of the meanings which particular policies or points of conflict acquire in the strategies of class actors. While progress in this direction has as yet been scant, comparative research in the 1980s has demonstrated far greater sensitivity than previous work to the importance of specifying with greater precision the *general* predispositions of class actors towards the welfare state. This sensitivity has not surprisingly emerged hand in hand with a new willingness to conceive of the welfare state in more disaggregated terms. In a variety of different ways, scholars have converged on the fundamental distinction between programs which structure market processes, and those which modify market outcomes. While this distinction is empirically related to the concern in some of the earlier literature with the

redistributive incidence of welfare state taxing and spending, it raises in addition some important qualitative issues. For although class conflict over the welfare state is manifestly about expenditure levels and the distribution of costs and benefits, it also speaks to fundamental issues concerning the relationship between state, economy and society.

The ideal-typical social democratic welfare state is presumably characterized by the goals of divorcing the processes of income determination and consumption from the market, enhancing the direct reach of the state over distributive processes, and reinforcing the political capacities of the working class. One empirical pointer in this direction is a study by Kohl (1981, p. 327) indicating that the postwar expenditure effort of leftist governments is more distinctively high on health and education services (state provision which bypasses the market) than on income maintenance (which reallocates income largely earned in the labor market and destined to be disposed of in product markets). In a pioneering analysis of disaggregated categories of state expenditure differentiated in accordance with class interests, Castles (1982), has singled out non-transfer social expenditures and "public consumption" as being of particular moment for conflict between left and right parties. Reinforcing Korpi's concept of a mobile frontier of struggle, Castles argues that in recent decades the "scope of the state"—its role in investment, employment, and provision of economic and social infrastructure—is likely to have proven more responsive than income maintenance expenditures to social democratic incumbency.

Esping-Andersen (1980) has developed a similar distinction between "commodity politics" and "decommodifying" state interventions. On the basis of an insightful comparison of the Danish and Swedish cases, he shows that social democratic parties have transcended commodity politics to a varying extent, depending in part on the unity of the working class and the type of coalitions necessary for labor party incumbency, and in turn having profound consequences for labor solidarity and political mobilization. Elsewhere, Esping-Andersen (1982) has stressed that the class character of the welfare state is to be found not only in the balance of programs, but also in the *modus operandi* of these programs. Successful social democratic parties have sought to make common cause with elements of the middle class by supporting universal rather than selective programs. They have also expressed the same preference for universality, along with a commitment to equalized benefits only indirectly linked to personal contributions, in order to bridge the interests of sections of the working class which enjoy differing market advantages. This study, along with some more limited attempts by Alber (1981, 1982) to assess the correlates of program characteristics, appears to be the first to investigate the politics of qualitative features of the welfare state using cross-national data.

To summarize, recent research has made considerable progress towards more theoretically grounded definitions of appropriate dependent variables for studying the welfare state from a class conflict perspective. This has involved, on the one

hand, extending the concept of the welfare state to incorporate forms of state intervention which occur at all stages of the distributive process, and on the other, greater differentiation between the various elements of the welfare state as conventionally defined. However, the problem does not end with specifying the domain of the welfare state, but extends also to its consequences. This is the significance of the growing concern in the literature for defining the assumptions and implications of state interventions concerning the role and functioning of markets, and the distribution of the material and political consequences of these interventions. What has not yet been achieved is the integration of these various dimensions of policy into an overall gestalt. Such "profiles," however complex and clumsy to construct, will be vital to adequately assess the links between patterns of state intervention and political constellations, in order the better to illuminate both the *characteristic* priorities of different categories of parties and social movements, and the degree to which particular parties and movements such as social democracy vary in their priorities.

Reconsidering Parties and Classes

The primordial role of incumbency on the part of moderate socialist parties in the social democratic model has been thoroughly put into question by the new generation of comparative welfare state research. Some students of the problem have addressed it by extending certain conventional tenets of political sociology to encompass the entire spectrum of the party system. If leftist parties could be expected to take distinctive policy positions when in office because of their characteristic ideologies, the interests of their constituents, and the nature of the interest groups with which they are institutionally linked, then the corresponding configurations for other types of parties on the center and right wings of the system could equally be expected to leave their imprint on the behavior of the state when these parties are in power. The defect of earlier work would appear from this standpoint to reside in its failure to reckon with certain elementary data of the study of political parties, particularly the variegated character of the parties and their frequent need to build governing coalitions.

Those whose starting point lies with class interests and conflicts have followed a somewhat different path. Here the complexity of the party system is not viewed as central in itself, but rather as reflecting the complexity of class structures and interests, and the variability of patterns of class political mobilization. Moreover, since the focus is on class conflict rather than partisanship per se, this school of thought directs attention to alternatives to party competition for control of the executive as a means of the organized pursuit of working class interests. It should be stressed that these two approaches neither need to be nor have, in fact, proven to be mutually exclusive. At the same time, it would be naive not to recognize that this debate—as is true generally of controversies over the welfare state—cannot be entirely divorced from the ideological predilections of the protagonists

and their personal experience of and sometimes involvement in labor politics. Furthermore, insofar as the task ahead is seen as that of extending rather than abandoning the basic precepts of the social democratic model, progress can be expected primarily from those working within the second (class-based) perspective.

For whatever reasons then, a striking feature of the new wave of research is explicit testing of the effect of non-left party incumbency on welfare effort—either by computing separate correlations for each of the main tendencies (for example, Cameron, 1981; Castles, 1982); or by aggregating average performance levels for each major cluster of partisan composition, which more effectively deals with the problem of coalitions (for example, Kohl, 1981; Alber, 1982). Sometimes the question posed is simply that of who spends the most. Wilensky (1981) adopts this kind of "playoff" approach in seeking to demonstrate that governments dominated by Catholic rather than socialist parties are the authentic welfare state leaders. Several other studies reveal a similar tendency, although it may well be bound up with reliance on narrow indicators of the welfare state, and with Catholic party participation in coalition governments, which tend to be exceptionally high spenders (Alber, 1982; Kohl, 1981). This is not to deny the importance of directing attention to the policy preferences of nonleft parties. In his earlier studies, Castles (for example, 1978) had argued forcefully that the right is more unambiguously opposed to the growth of the welfare state than the left is committed to its expansion, largely because parties of the center share the pro-welfare propensities of the left.

Castles' more recent work (1982) purports to confirm this hypothesis,⁷ and so do several other studies (Kohl, 1981; Alber, 1982). Cameron, on the other hand, has correlational data indicating literally mirror-image effects of left and right incumbency on recent public expenditure, with the impact of the center parties falling midway between the two in accordance with their proximity to the pure class parties (1982a, Table 4). A more complex picture emerges from a longitudinal study of four countries by Hage and Hanneman (1980), which demonstrates that both the absolute magnitude of the restraining impact of the right, and its significance relative to the expenditure push from the left, are subject to substantial cross-national variation.

Different data sets and methodologies presumably account for such cases of contradictory findings. It is noteworthy in this connection that only a handful of recent studies have consciously attempted to illustrate and explain the implications of varying sample composition, period of study, and indicators of expenditure and the political constellation. Castles' (1982) seminal contribution falls into this category, and in doing so has suggested that a much more interesting question than who spends most, is who spends most *on what*. He demonstrates that transfer payments which pose no challenge to the market economy (little or no vertical redistribution of income, minimal expansion of the state bureaucracy and its direct intervention, and so on) do not fall victim to the veto power of a strong right, and if anything tend to reach higher levels under center than left

party governments. On the other hand, leftist regimes are distinguished from all others by their commitment to what was earlier described as extending the scope of the state. These tendencies are confirmed, although with less precision, in the work of Kohl, Alber, and Cameron.

The growing recognition that nonleft parties cannot be treated as an internally homogenous residual category is only occasionally supplemented by the corollary that variations in the character of parties *within* each of the three main tendencies must also be reckoned with. Such variation is perhaps most evident with respect to parties of the center, which vary significantly in both constituency and ideology, with the consequence noted earlier that certain Catholic parties especially behave to some extent as functional equivalents to the socialists. No less interesting, however, is the variability which has been revealed in the policy profiles of parties within the polar types of social democratic or "bourgeois" dominance. Kudrle and Marmor's (1981) comparison of Canada and the United States, and Esping-Andersen's (1980) study of Denmark and Sweden reveal significant policy differences rooted in characteristics such as the class base and *weltanschauung* and political environment of otherwise similar parties. Esping-Andersen (1982) has also argued the case for disaggregating the category of rightist parties into liberal and conservative streams, noting profound differences between the two in the strategic purposes of the welfare state to which they are committed and linking these to differential class interests (see also Alber, 1981).

In addition to paying greater attention to the partisan diversity of governments, at least some recent work has attempted to reckon with mechanisms of policy determination unrelated to incumbency. In the ideal-typical social democracy, radical left parties are insignificant, class conflict in the industrial arena is characterized by labor restraint, and the relations between trade unions and the state are mediated by and coordinated with the governing party (Korpi and Shalev, 1980). Relaxing these assumptions raises the specter of radical leftist parties and/or industrial militancy pushing even nonleft governments into taking defensive policy measures which are in the interests of the working class. An interesting recent analysis along these lines is Bowles and Gintis' (1982) attempt to link the growth of the "citizen wage" in the United States to the requirements of the postwar labor-capital "accord." The predominant concern of those comparative studies which have given consideration to extraparliamentary frameworks of class conflict has however been the neo-corporatist phenomenon (Schmitter and Lehbruch, 1979).

Some scholars treat the corporatist form of political exchange between trade unions and the state as a correlate of social democratic governance. Others perceive it as a causal factor of independent stature, pointing to the flowering of corporatism in the Catholic-consociational polities, and under the auspices of bourgeois paternalism in countries like Switzerland and Japan. This group is in turn divided between the view, associated with Wilensky (1976, 1981), that

corporatism reinforces the welfare state largely by generating consensus on the difficult issues of how its costs and benefits are to be distributed; and the argument that corporatism should be seen as an alternative avenue to parliamentary control of the state by means of which strong labor movements may exert leverage over policy (Schmidt, 1982a). While the abovementioned and other studies (for example, van Arnhem and others, 1982; Crouch, forthcoming; Armingeon, 1982, Cameron, 1982a and b) have begun to generate comparative cross-national evidence in support of the significance of corporatism for a variety of distributive outcomes, the causal status of this variable remains unclear. The evidence so far is mixed on the issue of how and when corporatism matters and whether it does so as an integral part of the social democratic phenomenon.⁸

A more promising conception of the extraparliamentary arena in general would posit it as operating to constrain the maneuverability of governments, rather than as an alternative to incumbency-based explanations of policy. For instance, what Schmidt (1982a, 1982b) has variously called the strength of the left and right *milieux* or "the power distribution in the political *substructure*" might help to explain seemingly contradictory phenomena, such as the unseating of strong left parties being followed (especially given strong unions) by continuation of a leftist policy profile. Similarly, where significant collective agents of the working class are excluded from government, unmediated bargaining over policy with corporatist characteristics may emerge between unions and the state (Regini, forthcoming). At the other end of the spectrum, a strong and cohesive parliamentary right (Borg and Castles, 1982); or more broadly, a significant right power base (Hage and Hanneman, 1980) may provide anti-welfare state forces with a measure of veto power over the policies of leftist or centrist governments. It is notable in this respect that the new generation of research is as oblivious in empirical work as its predecessor in respect of the *structural* veto power of capital, and the related issue raised earlier in this paper of the effects of variations in the composition and collective mobilization of capital.⁹

Overall, progress towards widening the scope and sophistication of the independent variables has laid the basis for more complex and satisfying treatments of the political structuring of class interests and the mechanisms by which they impact on policy. As yet, however, most of these treatments suffer from the same limitation noted earlier concerning the dependent variables. This is the tendency to run parallel tests of association for a variety of indicators, rather than combining these indicators into multidimensional profiles with real-world analogs. There is a genuine dilemma here, in that the more realistic and specific such categories are, the harder it will be to generalize. Given the necessarily small samples used in comparative research, anything other than tests of association between a pair of continuous variables is statistically almost intractable (although sample size can be enlarged by pooling data for different subperiods). Precisely because of the multivariate and imprecise nature of the concepts of

interest, tabular forms of analysis may well be preferable to a search for correlations.¹⁰ Indeed, the use of correlations carries with it some additional problems and dangers to which we shall now turn.

Some Methodological Pitfalls Revisited

The new wave of research has characteristically abandoned statistical approaches (for example, multiple regression) which were sometimes applied to small cross-national examples in the past on the unrealistic assumption that they could order and quantify multi-causal relationships. Generally, researchers are now more interested in assessing broad patterns of association, and they pay more attention than before to cases which deviate badly from the relevant regression line. Nevertheless, coefficients of correlation remain the most ubiquitous and honored form of evidence, and are frequently presented in the absence of raw data—or, better still, scatterplots—which would enable the reader to draw his or her own conclusions about the strength and form of relationships.

Again and again, where the original data are available for inspection, one of the following complications are evident: (a) A high correlation reflecting the extreme locations of a small minority of cases rather than a consistent trend; (b) The correlation looks good but the actual cases only cluster around certain segments of the regression line; or (c) The correlation coefficient (regardless of magnitude) does not reveal the true nature of the relationship—which may in fact be nonlinear, or else of the “threshold” type. The latter phenomenon might indeed be tentatively characterized as the great unremarked generalization of this field. It often seems that rather than “the more x-ism (leftism, rightism, whatever), the more (less) of a given policy or outcome,” one more often discovers only that countries below and above a certain threshold of “x-ism” are characterized by distinctive policy patterns. This may say something about the inadequacies of current ways of defining the class-political constellation, or it may imply that its effect is mediated by additional unmeasured variables, or there may really be a threshold effect operating. Whatever the explanation, researchers who insist on summarizing their data by means of correlation and/or regression coefficients have a clear obligation not to stop there.

A second difficulty still far from resolved in the current literature is how to deal analytically with “exceptional cases.” One dilemma is what to do about strong generalizations which turn out to be substantially the consequence of factors which are theoretically irrelevant. Another is how much *ad hoc* and *ex post* explaining away is permissible in order to rehabilitate weak generalizations.¹¹ Of course there are studies which have attempted to theoretically anticipate cases with which the social democratic or similar models cannot cope. For instance the paradigmatically Dutch problem of high spending without social democratic dominance has stimulated, or at least is consistent with, a wide variety of hypotheses found in the literature. These include small size, economic de-

pendence, a consociational political culture, corporatist interest intermediation, a weak right, and a strong Catholic center party (for example, Cameron, 1978; Castles, 1982; Schmidt, 1982a; Wilensky, 1981). What are the causal relationships among these factors? Are they all dimensions of the same phenomenon? Can they in fact be explained or interpreted in terms of class-political factors? The authors concerned here have not ignored these questions (see especially Castles 1981, 1982), but we lack definitive answers or even a stock of comparable findings which would allow the systematic evaluation of alternative understandings.

A final methodological issue raised earlier in the paper was the rather cavalier treatment of hypotheses originating in competing research traditions. This has now changed somewhat. For example, several studies have made an implicit bow in the direction of the view (Heclo, 1974; Wilensky, 1975) that social and other public programs, once established, prove highly resistant to political intervention. The expenditure levels and program types characteristic of the formative period of a particular welfare state (and associated with the political forces prevalent in that period) apparently continue to shape subsequent policy, due to ideological and institutional inertia. Esping-Andersen (1982), Alber (1982), Kohl (1981), and Castles (1982), all have recourse to such an argument although not as a leading hypothesis. An even more interesting development is the increasing acceptance of the potentially constraining or mediating roles of the “objective” demand for welfare services and the supply of resources to finance them. Hage and Hanneman (1980) have attempted to treat both needs and resource levels as complementary to explanations of welfare effort in terms of left and right strength. Alber (1982) deals effectively (though as yet only conceptually) with these problems by way of a typology which distinguishes social expenditure shifts and/or program changes which result from genuine innovation, from those which constitute automatic or adaptive responses to contextual changes (economic, demographic, and so forth). Schmidt (1982a) develops some very suggestive ideas about how the partisanship of government has been conditioned in its impact on policy by various structural and conjunctural economic problems facing the state in different countries and periods, which leads us to our next concern.

Bringing in a Historical Sensibility

While professional historians have taken up the subject of the welfare state's development (Briggs, 1961), the most careful and systematic study of its evolution over the *longue durée* has been carried out by Peter Flora and his colleagues (first reported by Flora, 1976). This research program was however limited to (twelve) western European nations, to social insurance, and to institutional rather than fiscal characteristics (program innovation and coverage). One of the most interesting implications of the findings is that the political frameworks (strategic and institutional) through which working class pressure has impacted on policy,

and the magnitude of this impact, have undergone major changes across different historical eras. In Alber's (1979, p. 11) summary statement:

Until the turn of the century, primarily authoritarian regimes whose legitimacy was challenged by the political mobilization of the working class promoted the expansion of social insurance systems. In the years 1900 to 1915 the parliamentary democracies, led mostly by liberal parties, took the lead in program extension (Denmark, Norway, United Kingdom, also Belgium under clerical governments). In the context of scarce resources and fully established parliamentary democracy up to the fascist seizure of power, the programs of the inter-war period were most heavily expanded when socialist parties held governmental power or scored electoral success. Only the post-WW II period saw a depoliticization in the sense that the programs grew similarly under socialist and non-socialist governments. With economic resources abundantly available, primarily those countries extended their schemes which ranked among the laggards.

The controversial element in this interpretation is its treatment of the postwar period. With the institutional breakthrough to the welfare state complete, and in a climate of affluence, class conflict is seen as largely irrelevant to policy determination. Indeed, not only the welfare state but also the labor movement allegedly left their heroic period behind them: it is said that the working class is now "socially incorporated," and that other actors have taken up the demands for equality and security to which the welfare state speaks (Flora, 1976, p. 13). Another prominent exponent of this view is Peters, who has linked it to the notion of a "post-industrial society" in which policymakers are faced by new types of demands which cut across class lines, and in which the welfare state evolves largely in response to nonpolitical supply and demand signals on the one hand, and bureaucratic dynamics on the other. (For a developed treatment, see Heisler and Peters, 1978).

The new generation of comparative studies, in common with the old, provides little support for this view. The links between incumbent parties and class interests consistently turn out to be important, whatever the defects of particular studies. This tends to be overlooked when class politics is operationalized in terms of votes (Heisler and Peters, 1978), or when incumbency is examined in contexts where the position of the left has been stable (for example, Peters, 1976). A further consideration concerns the choice of dependent variables, given that the welfare state objectives of the labor movement can be expected to have altered over time. The fact that program coverage has been eclipsed as the major axis of contention emerges clearly from Alber's more recent work (1982), which looks at expenditures and at specific spending categories, and from Esping-Andersen's (1982) demonstration of the sensitivity of program *structures* to the class-political context.

One of the payoffs of a more historically conscious view of the welfare state is greater sensitivity to the economic context, a sensitivity obviously demanded of contemporary scholars especially in view of the current crisis and its acknowledged threat to established social policy. (For a balanced discussion see

Tilton, 1979). Alber (1979) expresses the sentiments of many when he writes that in a climate of abundance, state expenditures became relatively freed of partisan struggle (implying also that a return to scarcity would correspondingly heighten distributional conflict [Thurow, 1980]). This hypothesis may be plausible for long-established programs, but ignores the possibility that precisely in a period of expanding resources labor might be expected to raise new and highly contentious demands calling for extension of the welfare state's boundaries. Castles has suggested just such a scenario, stressing in particular the resistance of the political right to "the opportunities afforded by the economic growth of the 1960s to create the infrastructure of a fairer society" (1981, p. 129).¹² Growth arguably heightened class conflict by simultaneously extending the scope for capital accumulation, and the scope for subordinate groups to "utilize the democratic process (including protests as well as elections) to push welfare state advances forward at a pace more rapid than that dictated by the emergence of manifest 'problems' within the consensual framework of the reproduction minimum" (Katznelson, 1980, p. 120).

The implications for the current period of crisis are less clear. Castles himself appears to suggest (1982, p. 74) that politically related cross-national divergence in expenditure patterns should stabilize as welfare state advocates adjust their expectations downward in accordance with new economic realities. His actual findings for the 1960s and the mid-1970s belie this prognosis, however, showing that the veto power of the right grew substantially in the latter period with respect to all five expenditure indicators for which data are available (Castles, 1982, Tables 6 and 7). Moreover, on the two indicators most clearly identified with the class struggle over the "scope of the state" (public consumption and non-welfare expenditures), both left and right incumbency effects rose dramatically.¹³ Thus, rather than stimulating a return to a "non-ideological" consensus, the economic crisis may have sharpened class conflict by seemingly pitting accumulation problems of investment and productivity against pressures to defend the welfare state and perhaps even expand it to deal with new exigencies. On the other hand, it does not necessarily follow that governing socialist parties have played the leading role in welfare state advocacy, since they have faced problems of their own—electoral punishment for the economic downturn over which some of them presided, and the lack of a coherent post-Keynesian alternative to the economic program of the right (Katznelson, 1980, p. 121). These and other erosions of the bases of social democracy's postwar successes (Wolfe, 1978) might in some cases have pushed the center of gravity of class-political struggle over the welfare state out of the parliamentary arena since the mid-1970s. For instance the most recent data (for 1977) presented by Alber (1982, Table 10) indicate that right party participation was associated with substantially *greater* increases in social expenditure (relative to national product) than occurred under governments of the left.¹⁴

The most sophisticated treatment of the crisis period has been developed by

Schmidt (1982a, Table 4), whose data indicate that during the four years following the first oil shock, expansion of the tax state (net of variations in growth rates) was relatively sensitive to the partisan character of incumbent governments. However, he contends that some social democratic governments held the lid on revenues in response to taxpayer backlash, while nonleft as well as left governments facing problems deriving from dependence on international trade responded (as in the past) by stepped up taxing and spending. Incumbency *per se* thus diminishes in potency as an explanation of fiscal politics, and Schmidt argues that its place has been taken by "the extraparliamentary power distribution." In support of this interpretation, he points to the consistently positive effects on public revenues of a battery of indicators of labor mobilization (votes and unionization) and integration into the corporatist mode of union-state relations. Nevertheless, it should be pointed out that these effects are on the whole of similar magnitude to those recorded for the *pre-crisis* period, and they are also not very strong. The highest correlation coefficient is for the size of the left vote ($r = .41$), which could be interpreted as indicative of the underlying *parliamentary* power distribution independent of conjunctural changes in social democratic incumbency during the crisis period. That this may in fact be the case is suggested by Schmidt's (1982b, p. 20) own findings elsewhere with respect to social security expenditures, and also by the strong correlation noted by Cameron (1982b, Table 4) between relative size of state expenditures in the late 1970s and left party cabinet representation *since 1960*.

In short, where strong social democratic labor movements lost formal control of the state, policy nevertheless continued to reflect (at least in the short run) the strength of the organized working class and its characteristic mode of direct intermediation with the state (i.e., corporatist tradeoffs of wage restraint for benefits which include additional public and especially social expenditures). Apparently there may also have been instances (Schmidt's [1982b, Appendix 1] raw data suggest Japan and Portugal as possible examples) in which similar tradeoffs were made in the absence of strong working class mobilization. It could be argued, however, that rather than debating whether a new master explanation of welfare state evolution is needed to replace the prevailing *pre-crisis* thesis, it would be more fruitful to reckon with the complexity of the actual conditions prevailing in different nations on the eve of the crisis. In addition to variations in economic capacity and vulnerability (of which Schmidt gives an excellent account), this would imply looking at the character and functions of the welfare state, and the nature and strength of the welfare state consensus and its chief defenders (both parties and extraparliamentary groupings like unions and client groups).¹⁵ In any event, the willingness of at least some contemporary scholarship to probe possible shifts in the policy determination process since the onset of global recession and inflation is commendable, not only for introducing real-world problems to the research agenda, but also for acting as a corrective to the ahistorical analytical approach which typified earlier cross-national studies.

THE WELFARE STATE, CAPITALISM AND SOCIALISM REVISTED

The realization that the postwar period of rapid growth rested on a distinctive and temporary constellation of forces in the world system, has prompted some searching reassessments, not only of the causes of welfare state expansion, but also of its *consequences* for the political economies of advanced capitalism. Space does not permit more than the briefest consideration here of the treatment of the relevant issues in the new comparative literature. In effect, three key questions have been addressed. First, has the welfare state finally burst the bounds of its compatibility with the "requirements" of the capitalist economy? Or does the crisis merely imply a different set of parameters for labor's incessant struggle to raise the "socially necessary minimum," while prompting capital to come up with new ways of living with and even profiting from the welfare state? The closest which the research under examination comes to suggesting answers to these questions is the generalization that corporatism has operated as an effective mechanism for partially reconciling economic stabilization needs (investment, productivity, competitiveness) with the common and variable interests of the mass public in full employment, price stability, and welfare state continuity (Cameron, 1982a, 1982b; Schmidt, 1982a). Yet it is also clear that corporatism has its own requirements and contradictions and that its effectiveness is linked to some extent to the economic endowments of nations as they entered the crisis period (see also Panitch, 1981; Salvati and Brosio, 1979).

A second question, in effect the obverse of the first, is whether the welfare state provides sufficient steering capacity for a politically managed resolution of current economic problems. Cameron (1982a and b) presents mixed but largely favorable evidence for positive spillover; whereas Schmidt (1982a, p. 162) concludes that there is likely a tradeoff between ameliorative welfare interventions and effective stabilization policies in specific areas like the labor market. Esping-Andersen (1980) develops a more satisfying approach which makes clear the futility of posing the question in terms of the welfare state: the state's capacity for managing capitalist crisis is, he implies, a function of the degree to which its welfare spending and financing are structured so as to incorporate leverage over the accumulation process and the scope and operation of markets.

Finally, there is the issue of whether, in times when both citizens and the state suffer from scarce resources, the welfare state necessarily becomes a political liability to the labor movement parties identified with its sponsorship and committed to its expansion. Here again, the best we can say is that it all depends on the degree to which the policymaking process and the modes of revenue generation are structured so as to generate public consensus or unrest (Wilensky, 1978); and on whether the distribution of the welfare state's costs and benefits serves to unite or to divide party constituencies (Esping-Andersen, 1980).

All this would suggest that the issue of a social democratic transition to

socialism is far more open—and complex—than has frequently been perceived. Much of the earlier debate centered on the apparent limitations of the welfare state as a vehicle of transition, namely its conservative consequences for the capitalist order and its capacity to serve the working class ‘merely’ by alleviating some of the costs to labor of capitalist methods of labor allocation and resource distribution. Social democratic ideologues have tended to react to these charges by arguing that substitution of the democratic rights of citizenship for the rule of markets and property is a cumulative process in which attainment of the welfare state followed the labor movement’s victories in struggles for socio-political rights, and will in turn be followed by challenges to the ultimate mainspring of domination in capitalist societies, that is capital’s control over accumulation and the labor process. More radical (but not yet revolutionary) types contend that without a further massive boost in working class mobilization, and an accompanying shift in labor movement strategy towards a more confrontational relation with capital, social democracy will remain stalemated within the confines of a paradox: that it is precisely its refusal to engage in “production politics” that has underwritten the success of welfare state socialism.

A more balanced assessment can be offered by recognizing that *different kinds* of welfare states differentially contribute towards fulfillment of a *variety of elements* of transition. These elements may be defined as: (a) Redistribution of workers’ market capacities (in both labor and product markets); (b) Erosion of the market mechanism of allocation itself; (c) The mobilization of the working class “for itself” by substituting global class solidarity for limited-interest market solidarity; and (d) Enhancement of the capacity of the state to autonomously regulate the functioning of the economy. From this perspective, Esping-Andersen (1980), argues that the Swedes have been more effective socialists than the Danes because they created a welfare state which, in giving priority to the removal of commodities from the market rather than their redistribution within it, and in linking the provision of welfare to augmentation of the state’s capacity to steer capital, has protected both working class solidarity and the extractive capacity of the state from the potentially corrosive consequences of the welfare state. Of course it remains to be seen whether the Swedish Social Democrats, brought down in 1976 by political and economic losses which were arguably the result of other contradictions inherent in their strategy, will succeed after 1982 in reversing these losses by means of an imaginative but risky venture which would directly place the socialization of accumulation at the head of its agenda.¹⁶

It must be conceded as well, that not all theorists are agreed that political control of the economy is a sufficient program for democratic socialism. Kesselman (1981), for instance, argues that the hierarchical and fragmented division of labor which characterizes the control of both work and politics in the advanced capitalist societies is the core problem confronting socialists in these societies. By the standard of transition to direct democracy in state and economy, Swedish social democracy in general, and its welfare state in particular, hardly constitute

a socialist vanguard (Pestoff, 1979). Whether this is in fact the best that social democracy has to offer, or whether it will prove capable of resolving its contradictions in the direction of a gradually more satisfying synthesis, is a question which must be taken up elsewhere.

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NOTES

1. There have been some earlier surveys of the comparative welfare state literature generally. Rys (1964, 1966) is still worth consulting; Carrier and Kendall (1977) offer a thoughtful although largely “pre-social democratic model” survey. Maravall (1979) covered some of the literature discussed in my 1983 paper and earlier empirical work on the consequences of social democracy, but did not have access at the time to most of the research which provided the stimulus for the present study.
2. The critique elaborated here was largely formulated before the new generation of studies appeared (Shalev, 1980), and thereby a rather fortuitous opportunity arose to offer a prospective rather than retrospective assessment of the progress made in the field under investigation. This enterprise would not have been possible without the cooperation of various authors in providing me with pre-publication papers. In particular, I wish to thank Francis Castles for generously supplying a number of manuscripts prepared either *The Impact of Parties* (1982), or for the panel which he chaired at the 1982 IPSA Congress in Rio.
3. For studies of cross-national variation in unemployment and inflation rates see Martin (1973), Hibbs (1977), Tufté (1978), and Crouch (forthcoming). Webber (1979) discusses the role of social democratic parties with respect to active labor market policies. Income inequality is examined by Hewitt (1977), Dryzek (1978), Jackman (1975 and 1980a), Hanneman (1979) and van Arnhem and others (1982). Social mobility rates and patterns are the dependent variable in studies by Parkin (1971), Scase (1977), and Erikson and others (1982). Housing policy has been treated by Esping-Andersen (1978 and 1980, Chapter 10) and Headey (1978); and workers’ control by Stephens and Stephens (1982).
4. Since a synthetic view of the social democratic model is presented here, it cannot be inferred that all of the authors cited in note 5 would subscribe to the entirety of the propositions below.
5. The detailed survey appears in Shalev (1983). The six studies are those of Bjorn (1976, 1979), Castles (1978), Flora (1976), Hanneman (1979), Hewitt (1977), and Stephens (1979). It should be emphasized that the critique which is developed here does not apply uniformly to all of these studies.
6. In general, the unique absence in the United States of a socialist party of even minor electoral stature makes it difficult to explain the rise of the American welfare state in terms of the social democratic model—except perhaps with reference to the changing relations between trade unions and working class voters, and the Democratic party. Bjorn (1976, 1979) turns to the Piven-Cloward thesis as an alternative, while Bowles and Gintis (1982) focus on different historical phases of capital accumulation and class relations. A few studies at the national (Kau and Rubin, 1981) or state level

(Hicks, 1980; Friedland, 1980; Jacobs, 1978) demonstrate that trade union strength and activity are significant for various types of class-related public policy determination.

7. This reader finds Castles' study more supportive of the notion that left and right parties behave in accordance with their respective stakes in different forms of public expenditure, than of any across-the-board "asymmetry thesis." Examination of significant reported correlations between cabinet strength and Castles' various expenditure measures reveals that the relationship is actually of similar magnitude for right and left incumbency in respect of "scope of the state" (as opposed to "welfare") indicators.

8. Corporatism has been directly linked to the strength of the labor movement in social democratic terms by Stephens (1979, pp. 121-124). He tries to show that strong unions and some degree of socialist participation in government are preconditions for the corporatist pattern of economy-wide wage-fixing and its corollary of high state expenditure. Moreover, the *redistributiveness* of the corporatist welfare state is shown to vary positively with the strength of socialist incumbency. Armingeon, Crouch, and Cameron all treat corporatism largely as a corollary of social democratic governance. Wilensky staunchly rejects this approach, discerning a major role for corporatism but claiming that if anything it is a consequence of Catholic party incumbency (for a critique, see Shalev [1983]). Castles (1982, p. 84 and Tables 6 and 7) shows that at least one indicator of labor's extraparliamentary strength (union density) impacts significantly only on those categories of expenditure influenced also by social democratic incumbency, and that the two effects are very similar. But van Arnhem and others conclude that union density and left incumbency have parallel equalizing effects on the distribution of primary income, whereas neither affects redistribution through taxes and transfers. Rather, this is responsive to right party weakness and the associated corporatist pattern of centralized wage determination. (However, as noted by Jackman [1980a], the data on redistribution effects are unreliable). Finally, as we shall shortly note, Schmidt (1982a) has argued that corporatism has become especially relevant to distributive policy during the current period of crisis. Once again, the confusion generated by different studies is traceable in part to different methodological choices.

9. These variables are however discussed and possible empirical measures considered in a study presently underway (Swank, 1982).

10. Alternatively, it may be that different dimensions of distributive interventions on the one hand, and class politics on the other, can be reduced to manageable proportions quantitatively by using multivariate techniques such as factor analysis. For one theoretically underdeveloped but interesting attempt along these lines, see Dryzek (1978).

11. Both dilemmas are encountered by Castles (1982, pp. 66, 74, 86-88), who notes special reasons why Japan and Switzerland should be low spenders (in addition to a strong right, his leading hypothesis), and why Austria and the Netherlands were higher spenders than implied by the partisan balance.

12. Castles misinterprets the degree of support for this hypothesis, however, since most of his data for the "growth" period refer to the mid-1970s. Nevertheless, his figures for education and income maintenance do compare the beginning of the 1960s with the onset of the 1970s, and show that while voting and incumbency effects were weak in both periods for social democratic parties, the negative impact of the right increased and was pronounced as far as education is concerned.

13. In addition, in both periods the correlations for left versus right are of almost identical magnitude (though opposite sign), contrary to Castles' view that right opposition has a more potent effect on policy than left advocacy.

14. But as Schmidt (1982b, p. 20) sensibly points out, since recession tends to automatically augment expenditures on many welfare state programs, it is important to consider spending trends net of growth trends.

15. Very tentatively, a conditional approach of this kind might allow us to distinguish a number of contexts in which partisan control would likely *not* matter in the crisis period. (a) The welfare state is an imperative part of the political consensus and corporatist unions are willing to adjust its growth to the new economic constraints (Sweden?). (b) There is no such consensus but the welfare

state lacks a secure partisan political home and its constituency is marginalized and fragmented (the United States?). (c) The welfare state does have a partisan base, but when in power this party has (or perceives itself to have) insufficient leverage to solve severe problems of underaccumulation (the United Kingdom?). (d) The welfare state has a partisan champion which is excluded from government, and its advocacy is taken up relatively autonomously by the trade unions (Italy?)

16. I am referring of course to the Meidner proposal for wage-earner investment funds. For good discussions of the background to and evolution of this proposal, see Martin (1977) and Stephens (1981).

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