

## 5 Legitimacy versus efficiency\*

The attempt to describe structural problems of advanced capitalist societies through conceptual dichotomies is, at best, a starting point for discussion and analysis. Professor W. Baldamus, the British sociologist, has pointed out that such dichotomies play a vastly different role in liberal social theory on the one hand and the Marxist theoretical tradition on the other. Whereas in the former tradition they are employed either for the descriptive classification of social phenomena (for example, low versus high educational status) or as theoretical constructs that conceptualize polar opposites of a historical continuum (for example, mechanical versus organic solidarity), such dichotomies are used in Marxist thought in order to point to an *asymmetrical* or hierarchical social relationship: for example, capital versus labour, exchange value versus use value, ruling class versus proletariat. What the analyst is interested in within the latter tradition is not merely descriptive or conceptual *distinctions*, but historical *contradictions* that exist within relationships of domination in general and particularly in the capital-labour relationship.

### The concept of 'contradiction'

It is not obvious at first glance in which of these two strategic perspectives of social theory the dichotomy of 'legitimacy versus efficiency' actually belongs. One can argue, on a descriptive level, that to maintain both legitimacy and efficiency is a major task of modern democratic regimes, and that various branches and

\* This is a slightly shortened and edited version of 'Introduction to Part III', in Leon Lindberg et al. (eds.), *Stress and Contradiction in Modern Capitalism* (Lexington, Mass. 1975), pp. 245-59. It was first presented to the international conference on 'Patterns of Change in Advanced Industrial Society: Priorities for Social Science Research in the 1970s and 1980s', held in November 1973 at Monterosso-al-Mare, Italy.

institutions of the political system do specialize in providing either one of these functional prerequisites. One can argue that providing legitimation and providing efficiency are separate though simultaneously performed functions of the political process; this is what Edelman has analysed as the 'symbolic' and the 'instrumental' aspects of state agencies. On a more theoretical level, one can argue that the need to perform those two functions simultaneously tends to cause certain strains and tensions in such political systems that, therefore, must be resolved through strategies which are able to reconcile the two requirements. For instance, the German political scientist Fritz Scharpf has argued that the real and most important obstacles to the efficient performance of governments is in the institutionalized and fragmented pressure of specific demands to which governments have to comply in order to maintain their basis of legitimation and popular support.<sup>1</sup> Other authors argue that a solution to this dilemma becomes increasingly difficult to find, exactly because those values (like instrumental rationality and intellectual discipline) that are necessary for the efficient conduct of government are subverted and paralysed by 'irrational' cultural trends.<sup>2</sup>

Whether or not this contributes to the sharpening of a dilemma or actually constitutes a 'contradiction', as Bell maintains, is probably largely a matter of what we mean by the term 'contradiction'. If we mean the incidence of opposing demands and conflicting pressures that have to be absorbed by a particular institutional setting (be it a political system, a family, or a business enterprise), then the concept approximates the term 'dilemma'. Dilemmas, however, are fairly common and virtually universal in social relationships, and it adds little to our understanding of social reality if we call them 'contradictions'.

An alternative use of the concept 'contradiction' might be sketched out in the following way. Any human society operates through an institutionalized set of rules. A part of these rules determines the process by which the society reproduces itself materially, and thereby transcends the lifetime of its individual members. More specifically, these institutionalized rules of material reproduction regulate three things; namely, the effective control over human labour power, over the material means and resources of production, and over the product itself. Numerous mechanisms of control, or modes of production, which regulate these three elements of material reproduction, can be distinguished

historically. Each has its own specific economic, political, and cultural requirements on which it depends in order to secure its continuity as a societal mode of production. Now, a contradiction is not simply a situation in which these indispensable requirements of a certain mode of production are absent or inadequately fulfilled. If that were the case, catastrophes (like floods or epidemics and also 'social catastrophes' like wars) would indicate contradictions. This would hardly be an adequate use of the term. What we mean by contradictions is rather narrower and more precise. A contradiction is the tendency inherent within a specific mode of production to destroy those very pre-conditions on which its survival depends. Contradictions become manifest in situations where, in other words, a collision occurs between the constituent pre-conditions and the results of a specific mode of production, or where the necessary becomes impossible and the impossible becomes necessary.

Without a single exception, all Marxist theorems that try to elucidate the nature of capitalism are based upon this concept of contradiction. A few theorems that have been explored by Marx and Marxist authors can be mentioned here (without implying that all of them are valid or remain valid under the conditions of advanced capitalism). The 'law' of the falling rate of profit maintains that what is necessary for the accumulation process of capital (namely, the introduction of labour-saving technical change) turns out to make further accumulation impossible (due to the decreased share of variable capital out of which surplus value and hence profit can solely be extracted). Similarly, the theorem of underconsumption maintains that what is necessary to maximize profits (namely, the reduction of the wages of labour) renders impossible further capitalist accumulation because of the resulting decline in 'effective demand' and the consequent 'realization' problem. In the same way the organizational strength and political struggle of the working class is analysed in various Marxian theories as a direct consequence of the very mode of capitalist production that systematically creates the conditions under which the working class can engage in anti-capitalist struggles.

Numerous other theorems, based on the same concept of contradiction, could be mentioned. For the purpose of illustration, however, it may be sufficient to point out that in all of them the term contradiction is not used as an attribute of a particular actor in a particular situation, or as a condition that prevails in a specific

institutional sector of society. The term contradiction is rather used as an analytical concept related to the dominant mode of production by which a society reproduces itself. Contradictions are not contingent, but rooted in the mode of production, which is *itself* seen to be contradictory, that is, self-paralysing and self-destructive.

Here the obvious questions emerge: how can something exist at all in historical reality that is inherently contradictory by nature? How can it become and remain operative as a mode of production? Does its very existence (and duration over time) invalidate the concept of contradiction as applied to a mode of production? Such paradoxical conclusions can only be avoided if we assume that:

- 1 the structural contradictions of the capitalist mode of production are not *uniform* throughout the history of a capitalist development, but become larger and more pervasive as accumulation proceeds;
- 2 the concept of 'contradiction' does not imply any automatic 'breakdown' or 'crisis' of the capitalist mode of production.

In other words, the self-destructive tendencies of the capitalist mode of production evolve in a historical process, and their destructive and revolutionary potential can well be controlled and kept latent through various adaptive mechanisms of the system, at least temporarily. The expectation that the ability to reconcile emerging contradictions through such adaptive measures is limited, and that contradictions will finally result in a *crisis* of the capitalist mode of production, is not based on any utopian hopes, but on the consideration that there is no actor or agency within the capitalist mode of production that is sufficiently unaffected by those contradictions that are to be reconciled to be able to act in such a way as to counteract them.

Whatever the particular contributions of the Marxist theory of society are, it should have become clear by now that this theory proceeds according to a fundamental theoretical model in which the concepts of the 'mode of production', 'contradiction' and 'crisis' are closely and inseparably interconnected.

But what does all of this have to do with the problem that is alluded to by the dichotomy of legitimacy versus efficiency? I argued a moment ago that the theoretical link between contradiction and crisis is to be found in the fact that such corrective or adaptive mechanisms in society as could perform the function of repressing or reconciling contradictions are themselves involved in the contradictions inherent in the capitalist mode of production.

Both liberal and Marxist theorists see the state as the major institutional system in advanced capitalist society that could assume the function of overcoming contradictions. The central analytical controversy, however, concerns the question of whether the state is actually able to perform this function effectively or whether there are systematic contradictions *on the level of state activity itself* that prevent the state from dealing successfully with the contradictions of the capitalist mode of production. It is this controversy that provides a theoretically relevant background for the discussion of 'legitimacy versus efficiency'. The exploration of these two concepts, or aspects of state activity, may contribute to the resolution of the controversy between liberals and Marxists about the nature of the state.

### **Legitimacy and efficiency**

Before discussing this question, I should like to consider some alternative meanings of the two terms legitimacy and efficiency. Since the famous typology of Max Weber, legitimacy is conceived as the essential and indispensable basis of political authority. According to Weber there are different historical modes of legitimating political authority, and one of these modes, the legal-rational one, tends to become the dominant one in the modern world. The great advantage of this mode of legitimation<sup>3</sup> relative to the historically older ones consists of the fact that authority becomes legitimate independently of who is the incumbent in political office or what the intentions of the incumbents are. The only thing that decides the legitimacy of political authority is whether or not it has been achieved in accordance with general formal principles, for example, election rules. These legal principles endow political power, whatever use is made of it, with legitimacy. Compared with those older forms of legitimation, the legitimating mechanism is shifted from the *substance* of authority of the *person* or the ruler to the *mode* by which office holders are recruited.

Those selection principles<sup>4</sup> that regulate the access to political authority and that carry the burden of legitimating it operate in two directions. They constitute binding directions for both the rulers and the ruled. In modern democratic regimes these formal principles oblige the (prospective) office holders to pass the test of general elections, to obey the rules of the constitution while in office, and to resign from power as soon as a competing party elite

achieves an electoral victory. Conversely, such constitutional rules of democratic government also bind the behaviour of the citizens who are subject to state authority. This is most obvious in the obligation to comply with the laws made by government, and it is also clear in the fact that the citizens are prohibited from promoting their individual and collective interests through political means other than those provided by the constitution. In other words, the legitimating power of formal constitutional rules reaches as far, and only as far, as the governing elites comply with these rules *and* as far as the ruled are willing to refrain from modes of political behaviour that are not covered by the set of options provided for them by the constitution.

If this is true, a question now emerges: what are the conditions under which these legitimating rules find universal *acceptance*, and under what conditions do they fail to find such acceptance (either on the part of the rulers or of the ruled)? It is exactly because these rules are formal that they cannot win acceptance because of the advantages they imply. Their acceptance must depend not upon what *they* are, but what the *consequences* or likely *results* of their application are. We do not drive on the right-hand side of the road because there is any inherent preference for doing so, but because we assume that general compliance to this formal rule will result in greater safety of transportation, etc. In the same way the preference for democratic government is not based on the rules themselves but on the expectation that this form of government will contribute to common and individual welfare and other desirable ends. The ability of governments actually to produce such ends – or at least to create the appearance that it is able to achieve such ends – may consequently be considered as one major determinant of what we have called acceptance of the legitimating rules that, as formal rules, have themselves to be legitimated. The problem of legitimacy thus turns out to be caught in the dialectic of form and content.

The concept of efficiency is equally in need of some clarification. In the academic disciplines of business administration and organization theory a distinction is made between *efficiency* and *effectiveness*. Marginal gains in efficiency occur if the same amount of output can be produced at lower costs. Effectiveness, on the other hand, measures the ability of an organization to achieve its stated goals. The typical dilemma of the management of a private firm is to find a combination of the two – often inversely related – performance criteria that maximize profits. Both efficiency and effectiveness are

sub-goals relative to the overriding goal of *profitability* of private firms who buy and sell their inputs and outputs on *markets*. Where – as in the case of governmental organizations or the state in general – both the criteria of profitability and market relationships are absent, it becomes difficult to attribute a clear-cut meaning to such terms as efficiency and effectiveness. If, for instance, the postal services and mail distribution are closed on Saturdays in order to save costs and to reduce the chronic deficit of most government-run post offices, this measure looks like an economizing, hence efficiency-increasing, act. Upon closer inspection, however, we see that this is not necessarily the case: it implies greater inconvenience for the users of postal services as well as a reduction of the number (or wages) of postal employees, and only a government that was in a position to consider these side effects as irrelevant (both politically and economically) could congratulate itself on having achieved a gain in efficiency. In the absence of this highly unlikely condition of the irrelevance of side effects, the state agency would have to take into account the trade-off that exists between the saving of expenditure and the increase in user inconvenience. But since only one of these variables, namely expenditure, can be calculated in monetary terms, whereas the other one (user inconvenience) does not reflect a market process, the comparison between the two is not amenable to calculation. Hence, it is hardly demonstrable that in fact an efficiency gain has been achieved through any particular government measure.

A similar difficulty occurs in the case of the *effectiveness* of government activity. Within the jurisdiction of a particular agency and within the framework of given goals, the effectiveness (or ability to achieve stated goals) of a given agency can easily be determined. However, since the governmental system of organizations does not receive its goals from the market (like a business firm), it has to organize a process by which goals are defined, their priority in time and funds is determined, and the responsibility for the achievement of this goal is assigned to a particular agency. Again, in the absence of market relationships and the profit criterion, the term effectiveness becomes ambiguous. For instance, a particular agency may be highly effective in implementing goals that are determined through a highly ineffective political process of decision-making. School administrators may be very effective in implementing a programme of school reform that turns out not to serve the purposes it was designed to serve in the first place, and a

similar judgement may be reached in respect to NASA and the decision to send a man to the moon.

We conclude that the rationality operating in the capitalist state (or normatively postulated for its operation) cannot be the type of rationality that prevails in private organizations. The goal that inspires the capitalist state and its detailed operation is not a substantive one and cannot be justified as a substantive one. That is to say, the capitalist state is not oriented towards doing anything efficiently or effectively (because there is no way to determine whether efficiency or effectiveness has actually been advanced through any measure or programme); rather, it is oriented towards putting private actors in a position to increase their efficiency and effectiveness according to the criteria of private exchange and accumulation. Due to the constitutional arrangements that we find in liberal democracies, the state is not even allowed to pursue any substantive ends other than those that constitute the pre-conditions for universal commodity relationships.

This important point can easily be demonstrated. Schooling and training do not have the purpose of providing knowledge and abilities to young people; they do have the purpose of putting individuals in the position to use their labour power as commodities on the labour market, and for this purpose knowledge and abilities are thought to be instrumental variables. How efficiently and effectively educational policies do operate can only be determined by looking at the increases in efficiency and effectiveness that appear in the private sector, that is, in the market interaction of the owners of labour power and the owners of money capital who are willing to pay wages for the use of this labour power. There is no 'internal' criterion of a 'good' policy, independent of commodity interaction. Not only will a policy that manifestly fails to put private units in the commodity form (or to help them to survive in that form) be considered a failure by policy-makers, but also the budgetary basis of such policies will decline. Important trends in the discipline of policy analysis and its practical recommendations point in the direction of modernizing policy design in a specific way; namely, reducing those benevolent welfare-state measures that consist of handing out goods and services to certain categories of people in 'need', and replacing them by measures that are expected to put them in a position to take care of their needs themselves through the sale of their labour power.

The capitalist state is efficient and effective not by its own criteria,



but to the extent that it succeeds in the universalization of the commodity form. The ideal state of affairs is a situation in which every citizen can take care of all of his or her needs through participation in market processes, and the inherent test of rationality of policy-making in the capitalist state is the extent to which it approximates this situation. There is no need to equate the capitalist state, either empirically or theoretically, with a political alliance of the personnel of the state apparatus on the one side and the class of the owners of capital (or certain segments of this class) on the other side. For the abstract principle of making a subject of permanent market exchange relationships out of every citizen does more to keep state policies in tune with the class interests of the agents of accumulation than any supposed 'conspiracy' between 'overlapping directorates' of state and industry could possibly achieve. As the most general strategic rule, which is the key to most observable policies and changes in the method of policy-making, the imperative to universalize the commodity form means doing nothing but two things. First, putting every owner of labour power in a position that makes him or her able to find employment on the labour market, the demand side of which is directly or indirectly determined by the profitability criteria of the owners of capital; as soon as labour is made employable under these criteria, the surplus-value extracted from the labour power under conditions of equivalent exchange is guaranteed. Second, putting individual units of capital or capital as a whole in a position in which it actually appears to be profitable to buy labour power. In this sense full employment of all units of value under the exploitative conditions of the capitalist mode of production is in fact the supreme purpose of the capitalist state and the substance of its observable activity.

From this discussion of the concepts of legitimacy, efficiency and effectiveness I wish to suggest one conclusion. There is only one point of general equilibrium in the relationship between legitimacy and efficiency, and that harmonic balance is achieved if:

- 1 the acceptance of the legitimating rules of democratic and constitutional regimes is reinforced by the material outcomes of governmental measures and policies;
- 2 if these measures and policies are 'efficient' in the only way a capitalist state can be efficient, namely, in successfully providing, restoring and maintaining commodity relationships for all citizens and for the totality of their needs.

This definition of the state of general balance serves, however, only as a starting point for the attempt to explore causes of possible deviations from this 'harmony' that then could explain the supposed contradictory relationship between the requirements of legitimacy and efficiency.

### **Hypotheses about contradictions between efficiency and legitimacy**

There are three broad categories of empirical phenomena that could disturb such an idealized balance of the legitimacy and efficiency of the capitalist state. They can be very briefly distinguished and illustrated as follows.

First, the problem of securing the commodity form of both labour and capital becomes both more urgent and more difficult to solve in the course of capitalist development. The monopolistic structure of industry that we find in the dominant sectors of most advanced capitalist economies best illustrates this situation. Monopolies tend to make larger profits relative to industries in competitive situations, and hence they need larger investment opportunities in order to maintain their operation at a given level of employment of both capital and labour.<sup>5</sup> In the absence of easy-to-occupy new markets, it becomes more costly for the state to open new investment opportunities for monopoly profits (for example, socializing parts of their private costs or by relieving them of the burden of paying for their social costs), and hence to maintain their rate of growth. But even if state economic policies succeed in keeping the monopolistic sector in operation, they do so at the risk of the declining employment of labour due to the constant introduction of labour-saving technological change taking place in the monopolistic sector. Moreover, the further the process of monopolization has already proceeded at a given point in time, the more difficult it becomes for corporations to find investment opportunities on markets that are already 'closed' by monopolistic practices. These structural problems lead to a situation that is characterized by the existence of a large and permanent 'surplus population', consisting of both owners of labour power unable to find employment and owners of capital unable to find profitable investment opportunities.

The political alternatives that are likely to come up in this situation are either a violation of the legitimating rules (for which support can no longer be provided through state policies) by the

occupants of the state apparatus, or a violation of those rules by the ruled. In both cases the dual constraining power in which, as we have seen, the constitutional arrangements of liberal democracy consist, is weakened. If the constitution is broken by the rulers, the commodity form is restored by such measures as increased regressiveness of taxation, the repeal of the right to strike, to engage in union activity or to form militant organizations; and, finally, forced labour for those parts of the labour force that do not find employment on the ordinary labour market. If the constitution is broken by the ruled, the commodity form is tentatively abolished in mass struggles using means of political power that are declared illegal by the constitution and constitutional authorities, and in which the workers insist that their work, their income, and their life should no longer be controlled by capitalist 'market forces', but by rights based upon popular power. One contradiction within the operation of the capitalist state is that by supporting capitalist commodity production it cannot but support those forces of accumulation that result in the opposite of full employment, namely, the irreversible 'dropping out' of growing parts of both labour and capital.<sup>6</sup>

A second contradictory relationship between legitimacy and efficiency is this: in order to prevent the erosion of the commodity form (as well as ruptures in the accumulation process that is based on the equivalent exchange between labour and capital, that is, on the commodity form), numerous and still increasing measures have been initiated by capitalist states and their governments to increase the ability of value units to engage in exchange relationships and to perform as commodities. The already mentioned policies of schooling and training are designed to increase the saleability of labour power. Recent innovations in industrial relations regulations<sup>7</sup> and labour market policies<sup>8</sup> in Western countries pursue the goal of:

- 1 instituting flexible and at the same time responsible frameworks of wage determination and arbitration that are expected to safeguard both sides in their existence as commodities;
- 2 facilitating the integration and, if necessary, repeated reintegration of labour power into an economy that is characterized by unforeseeable and abrupt economic and technical changes.

A similar rationale seems to be pursued in the area of research and development policies (which are expected to provide the chance to participate in competitive accumulation processes to individual capital units and whole industries) as well as in the area of regional

development, where policies are also designed to keep capital and labour competitive; that is, connected with exchange opportunities.

Such state-organized provisions for exchangeability do imply two alternative contradictions. Such 'far-sighted' programmes may fail to win the support of those parts of the capitalist class (and occasionally the working class) who are the beneficiaries of the status quo of the actual or imminent disappearance of certain values from the market. For it is by no means self-evident that there is a universal and consistent interest in the general 'commodification' of value. For instance, if one firm has the prospect of achieving a monopoly position and out-competing its former competitors, it will hardly be in favour of state measures that help the prospective victim survive. Similarly, if one industry derives its profits mainly from the employment of cheap and unskilled youth labour, it will be opposed to state training programmes that would increase the range of alternative market options open to its workers and hence threaten its profits. The political creation of market options for certain categories of labour or capital or both (as in the case of regional development) will always be at the expense of some others, and where competitive relationships among categories of labour prevail (for example, professionals versus semi-professionals, male versus female workers), there is no exception to this rule. The fact that such programmes of political and administrative commodification tend to be costly in their share of the budget and have to be financed out of tax money often makes it easy for the specific opponents of such programmes to win allies among the mass of taxpayers and to launch vigorous political resistance and obstruction to such programmes. The underlying contradiction of such familiar political issues and conflicts is that the attempt of the state apparatus to maintain and universalize the commodity form is not only not in the common and long-term interest of capital as a whole, but also clearly against the particular and short-term interest of many owners of both labour and capital who are negatively affected by such programmes. To the extent the capitalist state fails to impose its policies upon the resisting factions of capital and labour, we are at the same point as before, namely, in a situation where there is a manifest surplus population of both labour power and capitalists unable to participate in exchange relationships.

But even if state policies succeed in restoring and maintaining commodity relationships (at the expense and against the resistance of those in whose particularistic interest the absence of options of

exchange of others lies), the problem is by no means settled. The contradiction that becomes apparent under these conditions is the following one: the restoration of commodity relationships through the state and its administrative agencies takes place under social arrangements that are themselves external to commodity relationships.<sup>9</sup> The problem with which experts in public economies and infrastructure investment have dealt in various ways can be summarized by the questions: how can state authorities serve the market by means that in fact suspend market relationships? How can commodities be created in a 'decommodified' way?

Obviously, the relationship between a worker and an employer or between a department store and its customer, on the one side, and the relationship between a teacher and a student, or a highway authority and the users of highways, on the other side, differ in one crucial aspect: in the first case, the transaction is determined through effective demand, supply, and individual profitability criteria, whereas in the second case the transaction is structured by such parameters as politically perceived and determined needs, budgetary decision-making, and administrative expertise. Occasionally there are desperate attempts, especially among conservative political forces in all advanced capitalist countries, to turn back the wheel of supposedly unproductive state expenditures for public goods and public services, to 'reprivatize' them, or at least to create a public goods market so that the rules of production and allocation of public goods may eventually become analogous to those rules governing the exchange of commodities.

The powerful political thrust to get rid of this administrative mode of control over labour and material resources is often, but not exclusively, motivated by the need to relieve the economy of the burden of taxation, and to overcome the fiscal crisis of the state.<sup>10</sup> A second argument is of similar importance. It is the fear that the administrative form of control over material resources could become politicized to such an extent that it would no longer be subservient to, but subversive of the commodity form. This fear is well grounded in many facts. We see that wherever the state expands services and infrastructure, they become the focus of conflicts that, on the most general and abstract level, can be described as conflicts between the function of commodification such services are designed to serve and the decommodified form in which they try to do this.

Such conflicts cannot occur under pure commodity relationships,

because the great virtue of the commodity form of social organization is that it settles conflict automatically. If two individuals need the same good, no conflict can arise because it is given to the one who is able to pay a higher price; and if two suppliers compete for the money of one purchaser, no conflict can arise between them, because the purchaser decides according to individual quality or price considerations. It is exactly this peace-making function of the market mechanism that is removed from the administrative form of providing goods and services. There is no accepted formula by which it could be decided what is to be learned at school, how many miles of highway should be built in what region, and so on. Sometimes the resulting political conflicts are merely about what specific category of capital or labour should be served by such investments and services to maintain their commodity existence, but often the very commodity form itself is at issue in such conflicts. This is the case when the question is brought up – and sometimes fought out in militant struggles – concerning whether schools, universities, hospitals, welfare systems, prisons, housing authorities, conservation projects, etc., should aim to provide or restore marketable labour power and material resources, or whether they should serve some alternative needs and social purposes.

The contradiction within state-organized production of goods and services is one of form and content. By virtue of their origin and functional content, such organizations are designed to create options of exchange for both labour and capital. By virtue of their formal administrative mode of operation, they are exempt from commodity relationships: use values are produced and distributed without being controlled and dominated by exchange values. This tends to open up such state agencies to demands that sometimes (as was the case in the student revolt) are directed against the commodity form itself as well as against a state apparatus that is seen to be subservient to this form. By expanding social services and infrastructure investment, the state not only exacerbates the symptoms of the fiscal crisis, it also makes itself the focus of conflict over the mode in which societal resources should be utilized.<sup>11</sup> The state does not so much, as liberal reformers believe, become a force of social change and social progress, but rather it increasingly becomes the arena of struggle; it provides the rudimentary model of organization of social life that is liberated from the commodity form without being able to live up to the promise implicit in that model. State agencies project an image of themselves that suggests that use

values like education, knowledge, health, welfare and other ingredients of a 'decent' life actually are the final purpose of its measures and policies. The experience that this image is misleading, and that the state produces all these services not in order to satisfy the corresponding needs, but only to the extent that is required to keep in motion the universe of commodities with its implicit exploitative relationships of production – this experience must cause specific conflicts and attitudes of frustration over 'false promises'.

The increasingly visible conflict between the promise and experience, form and content of state policies can lead – and this is the major hypothesis related to the legitimacy/efficiency dichotomy – to a growing difficulty for state policies to win acceptance for the legitimating rules on which political power is based. The most active state policies that try to maintain and to restore exchange opportunities for every citizen through a huge variety of economic and social strategies of intervention are – according to their form and the image they project of themselves – a model of social relations that is liberated from the commodity form. In actual fact, however, these policies are forced to operate as supportive mechanisms of the commodity form, and within the fiscal and institutional limits of the universe of commodity relationships. A dual and inconsistent standard of 'goodness' of policy-making results from this structure. Policies will be measured both by the exchangeability they produce for labour and capital *and* by their promise to satisfy needs of people through alternative, non-market means of social production. The very concepts of health (the ability to work versus physical well-being), education (the marketability of labour power versus personality development) and all other social services are characterized by this dual reference to the commodity form *and* to need. This duality makes it increasingly difficult for the political system to gain support and acceptance for those legitimating rules of democratic government on which political power is based.

A third contradiction must be briefly mentioned. It has been argued<sup>12</sup> that the terms of acceptance of the legitimating rules of political power undergo a structural change that itself is propelled by the consequences of some state services. For instance, expanded education is said to exert effects upon the moral consciousness of people, and these effects tend to make them unwilling to accept the apparent universalism inherent in the rules of liberal democracy and representative government. Consequently, the terms of

acceptance become more demanding and the willingness of people to engage in 'non-constitutional' forms of struggle is increased. This makes the difficulties of the political regime even greater. To be sure, there is no functional need for explicit legitimation as long as 'everything goes well' and role acceptance is forced upon citizens either by their own utilitarian/instrumental motives and/or, at least, by the absence of feasible alternative roles and social mechanisms. To put it in slightly different terms, as long as every citizen takes part in market relationships that allow him or her to do so continuously, there is no apparent reason to challenge the legitimating rules of political power or even to think about them in cognitive terms. As everyday experience teaches, and as I have argued in the preceding sections, this happy condition of normality can hardly be assumed to be the normal case. Either the 'commodity existence of every citizen' is visibly and clearly threatened, or the organizational arrangements by which state policies try to maintain and to restore exchange relationships do themselves open up political alternatives by which those half-conscious attitudes of 'institutional fit' become subverted. While it is true, as Mann cogently demonstrates, that 'capitalism is distrusted by intellectuals',<sup>13</sup> he fails to give any indication as to why, after all, intellectuals are not the only ones to distrust capitalism and the legitimating rules of the capitalist state.

## Notes and references

- 1 F. Scharpf, *Planung als politischer Prozeß* (Frankfurt 1973).
- 2 cf. D. Bell, 'The Cultural Contradictions of Capitalism', *The Public Interest*, 21 (Fall 1970).
- 3 For recent discussions of the concept of legitimacy cf. P. Graf Kielmannsegg, 'Legitimität als analytische Kategorie', *Politische Vierteljahresschrift*, 12 no. 3 (1971); P. Green and S. Levinson (eds.), *Power and Community* (New York 1970), pp. 276-327; and J. Habermas, *Legitimation Crisis* (Boston 1975).
- 4 The concept of selection principles is used and elaborated in C. Offe, 'Structural Problems of the Capitalist State', *German Political Studies* (London 1974), vol. 1, pp. 31-57.
- 5 This is the key argument in P. Baran and P. M. Sweezy, *Monopoly Capital* (New York 1964).
- 6 For a very detailed and original analysis of the emerging 'surplus



- population' see various works of J. O'Connor, above all his *Fiscal Crisis of the State* (New York 1974).
- 7 cf. J. Goldthorpe, 'Industrial Relations in Great Britain, A Critique of Reformism', paper prepared for a conference on 'Sources of Discontent and Institutional Innovation in Advanced Industrial Societies', Columbia University, March 1974.
- 8 C. Offe, *Berufsbildungsreform, Eine Fallstudie über Reformpolitik* (Frankfurt 1975).
- 9 For an elaboration of this point, see C. Offe, 'The abolition of market control and the problem of legitimacy', *Working Papers on the Kapitalistate*, no. 1 (1973) and *idem.*, *Strukturprobleme des Kapitalistischen Staates* (Frankfurt 1973).
- 10 cf. O'Connor, *Fiscal Crisis*.
- 11 cf. *ibid.*, Chapter 9.
- 12 See Habermas, *Legitimation Crisis*.
- 13 Michael Mann, 'The ideology of intellectuals and other people in the development of capitalism', in Leon Lindberg *et al.* (eds.), *Stress and Contradiction in Modern Capitalism* (Lexington, Mass. 1975), pp. 275-307.

## 6

## Some contradictions of the modern welfare state\*

The welfare state has served as the major peace formula of advanced capitalist democracies for the period following the Second World War. This peace formula basically consists, first, in the explicit obligation of the state apparatus to provide assistance and support (either in money or in kind) to those citizens who suffer from specific needs and risks which are characteristic of the market society; such assistance is provided as a matter of legal claims granted to the citizens. Second, the welfare state is based on the recognition of the formal role of labour unions both in collective bargaining and the formation of public policy. Both of these structural components of the welfare state are considered to limit and mitigate class conflict, to balance the asymmetrical power relation of labour and capital, and thus to overcome the condition of disruptive struggle and contradictions that was the most prominent feature of pre-welfare state, or liberal, capitalism. In sum, the welfare state has been celebrated throughout the post-war period as the political solution to societal contradictions.

Until quite recently, this seemed to be the converging view of political elites both in countries in which the welfare state is fully developed (for example, Great Britain, Sweden), and in those where it is still an incompletely realized model. Political conflict in these latter societies, such as the USA, was not centred on the basic desirability and functional indispensability, but on the pace and modalities of the implementation of the welfare state model.

This was true, with very minor exceptions, until the mid 1970s. From that point on we see that in many capitalist societies this established peace formula itself becomes the object of doubts,

\* This essay was first presented as a paper to the Facoltà de Scienze Politiche, Università di Perugia, Italy, February 1980. It is here reprinted, with minor alterations, from the version published in *Praxis International*, 1 no. 3 (October 1981), pp. 219-29.

fundamental critique, and political conflict. It appears that the most widely accepted device of political problem-solving has itself become problematic, and that, at any rate, the unquestioning confidence in the welfare state and its future expansion has rapidly vanished. It is to these doubts and criticisms that I will direct our attention. The point to start with is the observation that the almost universally accepted model of creating a measure of social peace and harmony in European post-war societies has itself become the source of new contradictions and political divisions in the 1970s.

Historically, the welfare state has been the combined outcome of a variety of factors which change in composition from country to country. Social democratic reformism, Christian socialism, enlightened conservative political and economic elites, and large industrial unions were the most important forces which fought for and conceded more and more comprehensive compulsory insurance schemes, labour protection legislation, minimum wages, the expansion of health and education facilities and state-subsidized housing, as well as the recognition of unions as legitimate economic and political representatives of labour. These continuous developments in Western societies were often dramatically accelerated in a context of intense social conflict and crisis, particularly under war and post-war conditions. The accomplishments which were won under conditions of war and in post-war periods were regularly maintained, and added to them were the innovations that could be introduced in periods of prosperity and growth. In the light of the Keynesian doctrine of economic policy, the welfare state came to be seen not so much as a burden imposed upon the economy, but as a built-in economic and political stabilizer which could help to regenerate the forces of economic growth and prevent the economy from spiralling downward into deep recessions. Thus, a variety of quite heterogeneous ends (ranging from reactionary pre-emptive strikes against the working-class movement in the case of Bismarck to socialist reformism in the case of the Weimar social democrats; from the social-political consolidation of war and defence economies to the stabilization of the business cycle, etc.) converged on the adoption of identical institutional means which today make up the welfare state. It is exactly its multi-functional character, its ability to serve many conflicting ends and strategies simultaneously, which made the political arrangement of the welfare state so attractive to a broad alliance of heterogeneous forces. But it is equally true that the very diversity of the forces that inaugurated

and supported the welfare state could not be accommodated forever within the institutional framework which today appears to come increasingly under attack. The machinery of class compromise has itself become the object of class conflict.

### **The attack from the Right**

The sharp economic recession of the mid 1970s has given rise to an intellectually and politically powerful renaissance of neo-laissez-faire and monetarist economic doctrines. These doctrines amount to a fundamental critique of the welfare state that is seen to be the illness of what it pretends to be the cure: rather than effectively harmonizing the conflicts of a market society, it exacerbates them and prevents the forces of social peace and progress (namely, the forces of the market-place) from functioning properly and beneficially. This is said to be so for two major reasons. First, the welfare state apparatus imposes a burden of taxation and regulation upon capital which amounts to a disincentive to investment. Second, at the same time, the welfare state grants claims, entitlements and collective power positions to workers and unions which amount to a disincentive to work, or at least to work as hard and productively as they would be forced to under the reign of unfettered market forces. Taken together, these two effects lead into a dynamic of declining growth and increased expectations, of economic 'demand overload' (known as inflation) as well as political demand overload ('un-governability'), which can be satisfied less and less by the available output.

As obvious as the reactionary political uses are that this analysis is usually meant to support or suggest, it may well be that the truth of the analysis itself is greater than the desirability of its practical conclusions. Although the democratic Left has often measured the former by the latter, the two deserve at least a separate evaluation. In my view the above analysis is not so much false in what it says but in what it remains silent about.

For instance, to take up the first point of the conservative analysis: is it not true that, under conditions of declining growth rates and vehement competition on domestic and international markets, individual capitalists, at least those firms which do not enjoy the privileges of the monopolistic sector, have many good reasons to consider the prospects for investment and profits bleak, and to blame the welfare state, which imposes social security taxes

and a great variety of regulations on them, for reducing profitability even further? Is it not true that the power position of unions, which, in turn, is based on rights they have won through industrial relations, collective bargaining, and other laws, is great enough to make an increasing number of industrial producers unprofitable or to force them to seek investment opportunities abroad? And is it not also true that capitalist firms will make investment (and hence employment) decisions according to criteria of expected profitability, and that they consequently will fail to invest as soon as long-term profitability is considered unattractive by them, thus causing an aggregate relative decline in the production output of the economy?

To be sure, no one would deny that there are causes of declining growth rates and capitalists' failure to invest which have nothing to do with the impact of the welfare state upon business, but which are rather to be looked for in inherent crisis tendencies of the capitalist economy such as overaccumulation, the business cycle, or uncontrolled technical change. But even if so, it still might make sense to alleviate the hardship imposed upon capital – and therefore, by definition, upon the rest of society, within the confines of a capitalist society – by dropping some of the burdens and constraints of the welfare state. This, of course, is exactly what most proponents of this argument are suggesting as a practical consequence. But after all, so the fairly compelling logic of the argument continues, who benefits from the operation of a welfare state that undermines and eventually destroys the production system upon which it has to rely in order to make its own promises become true? Does not a kind of 'welfare' become merely nominal and worthless anyway that punishes capital by a high burden of costs and hence everyone else by inflation, unemployment, or both? In my view, the valuable insight to be gained from the type of analysis I have just described is this: the welfare state, rather than being a separate and autonomous source of well-being which provides incomes and services as a citizen right, is itself highly dependent upon the prosperity and continued profitability of the economy. While being designed to be a cure to some ills of capitalist accumulation, the nature of the illness is such that it may force the patient to refrain from using the cure.

A conceivable objection to the above argument would be that capitalists and conservative political elites 'exaggerate' the harm imposed upon them by welfare state arrangements. To be sure, in

the political game they have good tactical reasons to make the welfare state burden appear more intolerable than it 'really' is. The question boils down then to what we mean by – and how we measure – 'reality' in this context. In answering this question, we will have to keep in mind that the power position of private investors includes the power to define reality. That is to say, whatever they consider an intolerable burden in fact is an intolerable burden which will in fact lead to a declining propensity to invest, at least as long as they can expect to effectively reduce welfare-state-related costs by applying such economic sanctions. The debate about whether or not the welfare state is 'really' squeezing profits is thus purely academic because investors are in a position to *create the reality – and the effects – of 'profit squeeze'*.

The second major argument of the conservative analysis postulates that the effect of the welfare state is a disincentive to work. 'Labour does not work!' was one of the slogans in the campaign that brought Margaret Thatcher into the office of the British Prime Minister. But, again, the analytical content of the argument must be carefully separated from the political uses to which it is put. And, again, this analytical argument can, often contrary to the intentions of its proponents, be read in a way that does make a lot of empirical sense. For instance, there is little doubt that elaborate labour protection legislation puts workers in a position to resist practices of exploitation that would be applied, as a rule, in the absence of such regulations. Powerful and recognized unions can in fact obtain wage increases in excess of productivity increases. And extensive social security provisions make it easier – at least for some workers, for some of the time – to avoid undesirable jobs. Large-scale unemployment insurance covering most of the working population makes unemployment less undesirable for many workers and thus partially obstructs the (reserve) army mechanism. Thus, the welfare state has made the exploitation of labour more complicated and less predictable. On the other side, as the welfare state imposes regulations and rights upon the labour–capital exchange that goes on in production, while leaving the authority structure and the property relations of production itself untouched, it is hardly surprising to see that the workers are not, as a rule, so intrinsically motivated to work that they would work as productively as they possibly could. In other words, the welfare state maintains the control of capital over production, and thus the basic source of industrial and class conflict between labour and capital; by no means does it establish anything

resembling 'workers control'. At the same time, it strengthens workers' potential for resistance against capital's control – the net effect being that an unchanged conflict is fought out with means that have changed in favour of labour. Exploitative production relations coexist with expanded possibilities to resist, escape and mitigate exploitation. While the reason for struggle remained unchanged, the means of struggle increased for the workers. It is not surprising to see that this condition undermines the 'work ethic', or at least requires more costly and less reliable strategies to enforce such an ethic.<sup>1</sup>

My point, so far, is that the two key arguments of the liberal-conservative analysis are valid to a large extent, contrary to what critics from the Left have often argued. The basic fault I see in this analysis has less to do with what it explicitly states than with what it leaves out of its consideration. Every political theory worth its name has to answer two questions. First, what is the desirable form of the organization of society and state and how can we demonstrate that it is at all 'workable', i.e., consistent with our basic normative and factual assumptions about social life? This is the problem of defining a consistent model or goal of transformation. Second, how do we get there? This is the problem of identifying the dynamic forces and strategies that could bring about the transformation.

The conservative analysis of the welfare state fails on both counts. To start with the latter problem, it is extremely hard today in Western Europe to conceive of a promising political strategy that would aim at even partially eliminating the established institutional components of the welfare state, to say nothing about its wholesale abolition. That is to say, the welfare state has, in a certain sense, become an irreversible structure, the abolition of which would require nothing less than the abolition of political democracy and the unions, as well as fundamental changes in the party system. A political force that could bring about such dramatic changes is nowhere visible as a significant factor, Right-wing middle-class populist movements that occasionally spring up in some countries notwithstanding. Moreover, it is a well-known fact from political opinion research that the fiercest advocates of *laissez-faire* capitalism and economic individualism show marked differences between their general ideological outlook and their willingness to have special transfers, subsidies, and social security schemes abandoned from which they personally derive benefits. Thus, in the absence of a powerful ideological and organizational undercurrent in Western

politics (such as a neo-fascist or authoritarian one), the vision of overcoming the welfare state and resurrecting a 'healthy' market economy is not much more than the politically impotent day-dream of some ideologues of the old middle class. This class is nowhere strong enough to effect, as the examples of Margaret Thatcher and – hypothetically – Ronald Reagan demonstrate, more than marginal alterations of an institutional scheme that such figures, too, have to accept as given when taking office.

Even more significant, however, is the second failure of the conservative analysis; its failure to demonstrate that 'advanced-capitalism-minus-the-welfare-state' would actually be a workable model. The reasons why it is not, and consequently why the *neolaissez-faire* ideology would be a very dangerous cure even if it could be administered, are fairly obvious. In the absence of large-scale state-subsidized housing, public education and health services, as well as extensive compulsory social security schemes, the working of an industrial economy would be simply inconceivable. Given the conditions and requirements of urbanization, large-scale concentration of labour power in industrial production plants, rapid technical, economic and regional change, the reduced ability of the family to cope with the difficulties of life in industrial society, the secularization of the moral order, the quantitative reduction and growing dependence of the propertied middle classes – all of which are well-known characteristics of capitalist social structures – the sudden disappearance of the welfare state would leave the system in a state of exploding conflict and anarchy. The embarrassing secret of the welfare state is that, while its impact upon capitalist accumulation may well become destructive (as the conservative analysis so emphatically demonstrates), its abolition would be plainly disruptive (a fact that is systematically ignored by the conservative critics). The contradiction is that while capitalism cannot coexist with, neither can it exist without, the welfare state. This is exactly the condition to which we refer when using the concept 'contradiction'. The flaw in the conservative analysis is in the one-sided emphasis it puts on the first side of this contradiction, and its silence about the second one. This basic contradiction of the capitalist welfare state could, of course, be thought to be a mere 'dilemma' which then would be 'solved' or 'managed' by a circumspect balancing of the two components. This, however, would presuppose two things, both of which are at least highly uncertain: first, that there is something like an 'optimum point' at which the order-maintaining



functions of the welfare state are preserved while its disruptive effects are avoided; and, second, if so, that political procedures and administrative practices will be sufficiently 'rational' to accomplish this precarious balance. Before I consider the prospects for this solution, let me first summarize some elements of the contending socialist critique of the welfare state.

### **The critique from the socialist Left**

Although it would be nonsensical to deny the fact that the struggle for labour protection legislation, expanded social services, social security and the recognition of unions led by the working-class movement for over a century now has brought substantial improvements of the living conditions of most wage earners, the socialist critique of the welfare state is, nevertheless, a fundamental one. It can be summarized in three points which we will consider in turn. The welfare state is said to be:

- 1 ineffective and inefficient;
- 2 repressive;
- 3 conditioning a false ('ideological') understanding of social and political reality within the working class.

In sum, it is a device to stabilize, rather than a step in the transformation of, capitalist society.

In spite of the undeniable gains in the living conditions of wage earners, the institutional structure of the welfare state has done little or nothing to alter the income distribution between the two principal classes of labour and capital. The huge machinery of redistribution does not work in the vertical, but in the horizontal direction, namely, *within* the class of wage earners. A further aspect of its ineffectiveness is that the welfare state does not eliminate the causes of individual contingencies and needs (such as work-related diseases, the disorganization of cities by the capitalist real estate market, the obsolescence of skills, unemployment, etc.), but compensates for (parts of) the consequences of such events (by the provision of health services and health insurance, housing subsidies, training and re-training facilities, unemployment benefits and the like). Generally speaking, the kind of social intervention most typical of the welfare state is always 'too late', and hence its *ex post facto* measures are more costly and less effective than a more 'causal' type of intervention would allow them to be. This is a

generally recognized dilemma of social policy-making, the standard answer to which is the recommendation to adopt more 'preventive' strategies. Equally generally, however, it is also recognized that effective prevention would almost everywhere mean interfering with the prerogatives of investors and management, i.e., the sphere of the market and private property which the welfare state has only very limited legal and *de facto* powers to regulate.

A further argument pointing at the ineffectiveness of the welfare state emphasizes the constant threat to which social policies and social services are exposed due to the fiscal crisis of the state, which, in turn, is a reflection of both cyclical and structural discontinuities of the process of accumulation. All West European countries experienced a sharp economic recession in the mid 1970s, and we know of many examples of cutting social policy expenditures in response to the fiscal consequences of this recession. But even if and when the absolute and relative rise of social policy expenditures as a percentage of GNP continues uninterrupted, it is by no means certain, as Ian Gough and others before him have argued, that increases in the expenditures are paralleled by increases in real 'welfare'. The dual fallacy, known in the technical literature as the 'spending-serving-cliché', is this: first, a marginal increase in expenditures must not necessarily correspond to a marginal increment in the 'outputs' of the welfare state apparatus; it may well be used up in feeding the bureaucratic machinery itself. But, second, even if the output (say of health services) is increased, a still larger increase in the level of risks and needs (or a qualitative change of these) may occur on the part of the clients or recipients of such services, so as to make the net effect negative.

The bureaucratic and professional form through which the welfare state dispenses its services is increasingly seen to be a source of its own inefficiency. Bureaucracies absorb more resources and provide less services than other democratic and decentralized structures of social policy could. The reason why the bureaucratic form of administering social services is maintained in spite of its inefficiency and ineffectiveness, which becomes increasingly obvious to more and more observers, must, therefore, be connected with the social control function exercised by centralized welfare bureaucracies. This analysis leads to the critique of the repressiveness of the welfare state, its social control aspect. Such repressiveness is, in the view of the critics, indicated by the fact that, in order to qualify for the benefits and services of the welfare state,

the client must not only prove his or her 'need', but must also be a deserving client – a client, that is, who complies with the dominant economic, political, and cultural standards and norms of the society. The heavier the needs, the stricter these requirements tend to be defined. Only if, for instance, the unemployed are willing to keep themselves available for any alternative employment (often considerably inferior to the job they have lost) that eventually may be made available to them by employment agencies are they entitled to unemployment benefits; and the claim for welfare payments to the poor is everywhere made conditional upon their conformity to standards of behaviour which the better-to-do strata of the population are perfectly free to violate. In these and many other cases, the welfare state can be looked upon as an exchange transaction in which material benefits for the needy are traded for their submissive recognition of the 'moral order' of the society which generates such need. One important pre-condition for obtaining the services of the welfare state is the ability of the individual to comply with the routines and requirements of welfare bureaucracies and service organizations, an ability which, needless to say, often is inversely correlated to need itself.

A third major aspect of the socialist critique of the welfare state is to demonstrate its *political-ideological* control function. The welfare state is seen not only as the source of benefits and services, but, at the same time, as the source of false conceptions about historical reality which have damaging effects for working-class consciousness, organization and struggle. First of all, the welfare state creates the false image of two separated spheres of working-class life. On the one side, the sphere of work, the economy, production and 'primary' income distribution; on the other, the sphere of citizenship, the state, reproduction and 'secondary' distribution. This division of the socio-political world obscures the causal and functional links and ties that exist between the two, and thus prevents the formation of a political understanding which views society as a coherent totality-to-be-changed. That is to say, the structural arrangements of the welfare state tend to make people ignore or forget that the needs and contingencies which the welfare state responds to are themselves constituted, directly or indirectly, in the sphere of work and production, that the welfare state itself is materially and institutionally constrained by the dynamics of the sphere of production, and that a reliable conception of social security does, therefore, presuppose not only the

expansion of 'citizen rights', but of 'workers rights' in the process of production. Contrary to such insights, which are part of the analytical starting points of any conceivable socialist strategy of societal transformation, the inherent symbolic indoctrination of the welfare state suggests the ideas of class co-operation, the disjunction of economic and political struggles, and the evidently more and more ill-based confidence in an ever-continuing cycle of economic growth and social security.

### **The welfare state and political change**

What emerges from our sketchy comparative discussion of the 'Right' and the 'Left' analyses of the welfare state are three points on which the liberal-conservative and the socialist critics exhibit somewhat surprising parallels.

- First, contrary to the ideological consensus that flourished in some of the most advanced welfare states throughout the 1950s and 1960s, nowhere is the welfare state believed any longer to be the promising and permanently valid answer to the problems of the socio-political order of advanced capitalist economies. Critics in both camps have become more vociferous and fundamental in their negative appraisal of welfare state arrangements.
- Second, neither of the two approaches to the welfare state could and would be prepared, in the best interest of its respective clientele, to abandon the welfare state, as it performs essential and indispensable functions both for the accumulation process as well as for the social and economic well-being of the working class.
- Third, while there is, on the conservative side, neither a consistent theory nor a realistic strategy about the social order of a non-welfare state (as I have argued before), it is not perfectly evident that the situation is much better on the Left where one could possibly speak of a consistent theory of socialism, but certainly not of an agreed-upon and realistic strategy for its construction. In the absence of the latter, the welfare state remains a theoretically contested, though in reality firmly entrenched, fact of the social order of advanced capitalist societies. In short, it appears that the welfare state, while being contested both from the Right and the Left, will not be easily replaced by a conservative or progressive alternative.

To be sure, there are a number of normative models of the social and economic order which are, however, advocated by intellectuals

and other minorities rather than being supported by any broad political current. One is the *neo-laissez-faire* model according to which the welfare state can and should be abolished so that the resurrection of the free and harmonious market society can take place. This solution is typically supported by political forces from the old middle class, such as farmers and shopkeepers, who also often favour tax-resistance movements. The political problem with this solution is that the further and more evenly capitalist modernization has taken place within one country, the smaller the social base of this backward-looking alternative will be. Its polar opposite is a model favoured by elements of the new middle class, combining 'post-material' values with certain ideas inherited from the anarchist and syndicalist tradition of political thought. This model would imply that the functions of the welfare state could be taken over by libertarian, egalitarian and largely self-reliant communities working within a highly decentralized and debureaucratized setting.

Typically, both of these alternative models have no more than a very marginal role to play as long as they fail to form alliances with one of the principal classes, respectively, and the political forces representing them. But such alliances, either between the old middle class and the centres of capital or the new middle class and the established working-class organizations, are immensely difficult to form and sustain. Nevertheless, it would probably not be too speculative an assumption to expect such struggles for new alliances to occupy the stage of social policy and welfare state reform in the years to come. In my view, three potential alternative outcomes of these political efforts can be envisaged.

First, under conditions of heightened economic crisis and international tension, a relative success of the *neo-laissez-faire* coalition, based on an alliance of big capital and the old middle class, is not entirely to be excluded as a possibility. Second, in countries with a strong social democratic (and possibly also in those with a strong Euro-communist) element, it is more likely that new forms of interest intermediation and relatively peaceful accommodation will emerge which are designed to determine the 'right dose' of welfare state expansion, i.e., one that is compatible both with the requirements of accumulation as well as with the key demands of working-class organizations. This model would involve the extensive reliance on 'neo-corporatist' or 'tripartite' modes of decision-making, carried out by representatives of highly centralized

employers' organizations and unions under the supervision of specialized agencies of the state. This second conceivable configuration, however, will operate, especially under economic crisis conditions, at the expense not only of the old middle class, but also of those sectors of the working class which are less well organized and represented within such highly exclusive frameworks of inter-group negotiation and decision-making. Not entirely inconceivable is, third, a type of alliance that combines working-class organizations and elements from the new middle class on the basis of a non-bureaucratic, decentralized, and egalitarian model of a self-reliant 'welfare society'. Proponents of this solution are to be found within the new social movements who find some resonance in the theoretical ideas of authors like Illich, Gorz, Touraine, Cooley and others.

Rather than speculating about the likely outcome of this configuration of forces and ideas, which would require a much more detailed analysis than is possible within the confines of this essay, I want to turn in my concluding remarks to the nature of the political process which will eventually decide one or the other of these outcomes. This process can best be conceived of as consisting of three tiers, or three cumulative arenas of conflict. The first and most obvious is the arena of political *decision-making within the state apparatus*. Its actors are political elites competing with each other for electoral victories and scarce resources. They decide on social policy programmes, legislations and budgets. This is the most superficial and most visible level of politics, the one publicized by the media and involved whenever the citizen is called upon to act in his or her political role, for example, as voter.

But this is by no means the only level at which political power is generated, distributed and utilized. For the space of possible decisions of political elites is determined by societal forces that, on a far less visible level, shape and change the politicians' view and perception of reality, i.e., of the alternatives open to decision-making and the consequences to be expected from each of the alternatives. This is the level at which the agenda of politics and the relative priority of issues and solutions is determined, and the durability of alliances and compromises is conditioned. On this level, it is more difficult to identify specific actors; the forces operating here are most often the aggregate outcome of a multitude of anonymous actors and actions which nevertheless shape the politicians' view of reality and space of action. Examples of such conditioning forces are events in the international environment (such as

wars or revolutions), macro-economic indicators (terms of trade, growth rates, changes in the level of unemployment and inflation, etc.), and changes in the cultural parameters of social life (ranging from the rates of secondary school attendance to divorce rates). The experience of these indicators shapes the elites' image of reality, their view of what they can and must do, what they have to expect as consequences of their actions, and what they must refrain from doing. The important point here is this: although the power to structure the politicians' reality, agenda and attention cannot be as easily traced back to personal actors as is the case on the first level of political conflict, there is, nevertheless, a *matrix of social power* according to which social classes, collective actors and other social categories have a greater chance of shaping and reshaping political reality, opening or closing the political agenda, than others. Access to and control over the means of production, the means of organization and the means of communication are highly unevenly distributed within the social structure, and each of them can be utilized, to a different degree of effectiveness, to shape and to challenge what politicians perceive as their *environment of decision-making*. The relative weight of these different resources which, partly, may balance each other, but which also can be concentrated in the hands of one and the same class or group, depends also on cyclical and conjunctural variations which may allow a group to exploit its specific social power to a larger or smaller extent at different points in time.

Underlying this second level of politics (the social power matrix), however, is a third level at which changes within the matrix itself occur, i.e., changes in the relative 'weight' collective actors enjoy in shaping the agenda of politics. If, as we have argued before, the second level consists in the process of shaping the space of political action by the exercise of veto power, blackmail, threat, mobilization and social discourse about political issues, or merely the silent force of 'anticipated reaction', this does not mean that the amount and effectiveness of political resources that each social class and social category controls must remain fixed. That is to say, social power is never great enough to reproduce itself eternally. Power positions are, almost by definition, contested and hence subject to change and redistribution. The struggle for the *redistribution of social power* is what takes place on the third, and most fundamental, level of politics. For instance, the market power, or political legitimacy, or the organizational strength that one group or class has

enjoyed so far may be restricted (with the effect of making the political agenda less vulnerable *vis-à-vis* this group), or another group may open up new channels of influence, may form new alliances, or win a hegemonic position through the appeal to new values, ideals and visions. Both relative losses of power and relative gains in power can be promoted, facilitated or triggered off (if only through the unequivocal demonstration of failures) on the level of formal politics. The veto power attached to certain groups can be limited and constrained, and the institutional underpinnings of social power can be abolished. It therefore appears that the three levels are interrelated, not in a strictly hierarchical but in a cyclical manner: although the action space of level one ('formal politics') is largely determined by the matrix of social power ('level two'), it may itself facilitate and promote a revision of the distribution of social power ('level three'). And the state of democratic politics would thus have to be looked upon as both determined by, and a potential determinant of, social power.

I trust that I can leave it to the reader to apply this analytical model of the political process to the contemporary controversy about the welfare state that I have reviewed and discussed, and, thereby, to explore the extent of its usefulness. The question with which I wish to conclude is as much of academic as it is of political significance: will the agenda of the welfare state, its space of action and future development, be shaped and limited by the matrix of social power of advanced capitalist social structures? Or will it, conversely, itself open up possibilities of reshaping this matrix, either through its own accomplishments or failures?

## Notes and references

- 1 A corollary argument often used in the conservative analysis is this: not only does the welfare state undermine the *quality* of working behaviour by inducing workers to be more 'demanding' and, at the same time, less willing to spend strong efforts on their work, etc., but also it cuts the *quantity* of available productive labour. This is said to be so because the welfare state ideology puts strong emphasis on public sector services, bureaucratic careers, and especially education and training, all of which drain the labour market of 'productive' labour in a variety of ways.