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**'Whither the Welfare State: Public versus Private Consumption?'**  
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Whither the Welfare State: Public versus Private Consumption?\*

1 Introduction

This paper is an attempt to settle a debt, or at least pay some interest on a debt, that was left unpaid in the closing chapter of my first major effort to address consumption in The World of Consumption, Fine and Leopold (1993). There, with a strong tinge of guilt, it was recognised that the book had conformed to an overwhelming feature of the explosively growing literature on consumption that had just been critically assessed - its almost exclusive pre-occupation with private consumption as realised through the purchase of commodities. This represented a double omission; for, not only does it neglect public consumption, it also leaves unchallenged, the notion attached to laissez-faire ideology, that public consumption is merely an alternative form of private consumption, and liable to be inferior in efficiency and quality of delivery. Even those rejecting the presumed inferiority of public provision, on efficiency and/or equity grounds have been subject to an assault of making the public more like, or meeting the standards of, the private sector, with the practices and terminology of the latter being aped as public consumption is attached to commercial criteria and the serving of clients and customers, etc.

So the time has come to redress the analytical balance between public and private consumption, especially in order to bring out their respective distinctiveness. This is easier said than done. For we all have a fully formed and daily personal and individual experience of private consumption. We buy and we consume. But, in case of public provision, we may buy or not depending upon extent and depth of commercialisation, and then we also consume. What is the difference? Is it a matter of who provides, as in the case of nationalised industries for example. But then a publicly owned steel industry would provide for public consumption - possibly acceptable according to intuition insofar as steel-users are perceived to consume on behalf of the public. Does it then have to do with the nature of the product, cutting across the public/private divide in provision? Health and education might be designated as public consumption but not electricity and gas. What about water? This would seem to require us somewhat arbitrarily to allocate products on a case-by-case basis. Is it the nature of the consumption process itself, undertaken collectively in some sense, as opposed to being individual and in isolation - the park as public good or the football crowd and concert? But is this a retreat into the home, for we drive private cars as individuals on public highways (provided by the state or paid upon individual use by tolls)?

Not surprisingly, these conundrums reflect a much more general and historical process of a shift in meaning of what constitutes the private and the public and, equally, the private as opposed to the social. The distinction is immanently both materially and ideologically reconstructed. It can even lead to complete reversals of meaning - as in the British notion of public schools, which are conventionally thought of as private in other countries, in the announcement of companies going public when private ownership in them becomes available in the form of buying shares, and (my own favourite) the payment of royalties to individuals as opposed to the crown.

Does this explain the difficulty, if not impossibility, of pinning down public as opposed to private consumption? To some extent it does but more progress can be made by examining consumption specifically, for the public/private divide, and its fuzzy boundaries, are not unique to it. Let me begin by asserting a framework for understanding consumption.<sup>1</sup>

First, it is necessary to look at what I have called systems of provision for commodities. By this is meant the chain of activity from production through to consumption which creates structurally distinct forms and processes in which commodities are provided for consumption. In popular parlance, this gives rise to the food system, the transport system, the housing system, the fashion system, etc. In short, the imperative is for "vertical" as opposed to "horizontal" analysis, to focus upon particular goods rather than to range across them with general theories of consumption. Second, there are cultural systems which are attached to each system of production, constituting the material culture associated

with consumption which can originate along the system of provision, be funnelled through it, or derive from outside it altogether whether at the point of consumption or otherwise. Third, there is the interaction of these two systems. Of course, even if accepting this approach, this is a pretty all-encompassing framework and is open to violent disagreement over method and theory. It does have the advantage, especially for the historian, of demanding the location of what is often specialised research within the wider context as well as providing a guard against theoretical and empirical over-generalisation.

What are the implications for the distinction between public and private consumption? First, and most important, the distinction between public and private consumption is analytically invalid, certainly as a starting point for each is socially and historically constructed - in relation to one another and, almost inevitably, chaotically across different systems of provision and cultural systems. In reaching out to the latter, it is apparent that private consumption is attached to social or public determinants whether materially or ideologically.<sup>2</sup> Such are the insights yielded, respectively, for example, by Marx's commodity fetishism and Foucault's domination of body and mind. Relations between private consumers and objects of consumption are deeply embodied in the social domain despite the appearances and, to some extent, the reality of the opposite. For Sack (1992, p. 104), especially with mass production, "the consumer's world includes only the front stage of mass consumption and relegates extraction, production, distribution, waste, and pollution to a hidden backstage".<sup>3</sup>

Second, in this light, when the distinction between public and private consumption is deployed, for whatever purpose, it tends, respectively, to implode upon the individual or to explode upon society. Here the contrast is between Baudrillard and Marx. For one, postmodernist subjectivity floats free even from the constraints imposed by bodily survival. As Warde (1994, p. 231) puts it, referring especially to the work of Zygmunt Bauman, the construction of the "heroic consumer":<sup>4</sup>

prevents us from appreciating the constraints people face in their consumption practices ...  
The use of the term "the consumer" signifies an undersocialised actor; it exaggerates the scope and capacity for individual action.

In the case of Marx, much of the literature on consumption is motivated or justified by the presumption that his chief analytical concern - to root out the social and material origins of the commodity in capitalist production - had precluded its consideration in deference to a focus upon class (conflict) and uncovering the laws of production.

Third, if attention is drawn to public consumption, then it necessarily reaches for a systemic understanding to uncover one or more fetishisms that are attached to commodities whether as material or cultural objects. What is it that underlies and is not revealed by the private relationship between consumer and object of consumption which may be more overt in case of public consumption. For Marx, it is the social relationship between producers as opposed to those (being treated as relations) between things. For (critical) notions of consumer society, it tends to be about the hidden persuaders, false as opposed to real needs, public squalor and private affluence, emulation and distinction, and so on.<sup>5</sup> Most recently, private consumption has been most markedly rendered public or social by concerns about the environment - how my consumption leads to global warming, to destruction of Brazilian forests, to excessive use of chemicals, and so on.<sup>6</sup> More generally, many other public issues may be attached to private consumption, such as boycotts as in sanctions against apartheid, child labour and for improvement in wages and working conditions. In each case, the core of what is involved cannot be discovered directly in the relationship between consumer and consumed.

Fourth, a necessary implication is that as private becomes understood as public consumption so it is translated into something else other than consumption. Even with the narrowest of consumer concerns, for quality of product and absence of price-fixing for example, there is a focus upon the regulatory and legal environment, quite apart from a systemic understanding of the economy itself - one which should but which may not conform to some sort of ideal competitiveness and integrity between buyers and sellers. By shifting focus from private to public consumption, there is a simultaneous shift from consumption itself or, at least, incorporation of other issues.

Finally, this has extremely important but ambiguous political and ideological implications. Is it a strengthening or dilution of attention to (public) consumption? On the one hand, in setting the issue

of private consumption within the public domain of public issues, very powerful and wide-ranging discursive pressures are potentially brought to bear. On the other hand, however, there is a corresponding displacement from focus upon the private and upon consumption, which means that notions of private consumption remain resilient and even prosper. There can be no better illustration than the postmodernist preoccupation with consumption and identity whilst, by the same token, notions of public consumption are most precarious. They either become translated into something else that is broader in scope and content or, as observed in the opening paragraph, become confined to the dictates of what constitutes private consumption by other means.

In the next section, these points will be briefly illustrated by a selective and superficial dip into a number of historical attempts to bridge the divide between public and private consumption. But the main example is provided by consideration of the welfare state, the term itself indicating how public consumption becomes something else and more as it takes over from the private. In sections 3 to 6, the approach of mainstream economics to consumption is elaborated, showing how public consumption, justifying a role for the welfare state, derives from market imperfections. However, the details of welfare expenditure in the era of Keynesianism/welfarism were primarily removed to the margins of the discipline or to other disciplines altogether. This has changed over the past decade or so as mainstream economics has become increasingly based on microeconomic principles and problems associated with informational imperfections and asymmetries. As a result, mainstream economics purports not only to provide a theory of the welfare state but also to incorporate the insights from other social sciences on this basis. Section 7 briefly elaborates the political economy of the welfare state that prevailed from the 1970s until it gave way in the 1990s to the notion of welfare regimes, addressed in section 8. This shift is shown to be subject to influence from a colonising economics at the expense of a continuing use of systemic political economy. The final section provides principles under which an alternative approach to the welfare state can be developed.

## 2 From Private to Public Consumption?

Capitalism creates a structural separation not only between the economy and society but also, within the economy, between production and exchange. In this respect, it forges a particularly powerful disconnection between private consumption and society more generally, for there is a double distance between it and production - reflecting the journey from household to exchange and from exchange to production. Thus, Miller (1995) sees one aspect of modern consumption as the "rupture" arising out of our not producing the majority of what we consume so that consumption is a derived relationship to distantly produced objects with which we have to come to terms.<sup>7</sup> In addition, it creates a corresponding dialectic between tradition and modernity, respectively, as the consumed is no longer produced.

Not surprisingly, then, early understandings of collective consumption are liable to take an idealised construction of more direct access to consumption as their critical point of departure, whether drawing upon the experience of pre-capitalist societies or not. In particular, the Ricardian socialists attempted to forge a direct link between consumption and work.<sup>8</sup> As such, they employed a labour theory of value in order to demonstrate that the working class does not fully consume what it produces. Profits arise out of labour being purchased at below its value.

The issue then arises of how to eliminate profit and restore the full value of labour to those who contribute it. A number of solutions have been posited. One of the earliest was for the issuing of money only in the form of labour chits, designating how much labour had been contributed and, consequently, representing a claim on consumption according to the labour time required, by others, to produce goods. Such schemes are seen as essential in order to restore the connection between how much you work to how much you consume in a world in which no one any longer works to provide subsistence directly. Marx's analytical contempt for the Ricardian socialists is well-known. Its most important features include the failure to understand both that capitalism is based on fair, not unequal, exchange, with labour power becoming a commodity that sells at a value below labour time contributed or coerced, and that money can only represent labour-time (or value) indirectly, following a multiplicity of mediations.<sup>9</sup> Nonetheless, Ricardian socialism and the Ricardian labour theory of value remain powerful systemic indictments of consumption under capitalism. Those who do not work should not consume; that they do so, in the extreme as far as the rich and powerful are concerned, is indicative of exploitation of those that do work.<sup>10</sup>

Significantly, such insights as are derived from Ricardian socialism do not depend upon a labour theory of value - the availability of consumption for those who do not work in the physical form of goods suffices to demonstrate the presence of exploitation. Consequently, the modern version of Ricardian socialism, derived from the work of Sraffa, rejects the labour theory of value on analytical grounds as being incapable of explaining prices satisfactorily. The Ricardian socialists themselves, and their immediate followers, however, were less concerned with such esoteric issues and puzzled over how capitalist could get away with it. One answer was sought in the preferential access to money which, in and of itself, appeared capable of accruing a return to those who possessed it in sufficient quantities for a sufficient length of time. Accordingly, as the counterpart to labour in production, money in exchange seemed to offer a systemic explanation for the inability of the working class (and petty producers) to consume its output collectively. It led to schemes either for the abolition of money altogether or for making it freely available without payment of interest, as in the social credit movement.<sup>11</sup> Of course, such ventures continue to survive, of more out of necessity on the margins than as a putative critical assault upon capitalism, in the form of local exchange trading systems, LETS, ranging from mutual baby-sitting groups to more ambitious schemes.<sup>12</sup>

The cooperation movement focused on the avoidance of profit out of the employment of distribution workers (other than in the form of a dividend).<sup>13</sup> As Furlough (1991, p. 136) suggests, it deployed a systemic notion of workers as doubly exploited, both as producers and consumers. Whilst both could be tackled simultaneously, the movement was inevitably subject to shifts in, and conflicts over, relative emphasis. The First International, with Marx's blessing, perceived cooperation as serving three purposes: providing monies for politics and strikes; a legal basis for propaganda and activity; and as a concretisation of working class values, p. 51. With the growth of commodity consumption, however, competition emerged between the radical and reformist wings of the movement, p. 65/6, so that, "the cooperative movement ... sought a very delicate balance between rectifying the worst abuses of capitalism and incorporating certain goals of socialism", p. 117. Ultimately, the cooperatives became a more distinct arm of the labour movement, a third pillar of socialism alongside trade unions and the Labour Party. By the same token, the cultural substituted for an economic critique of capitalism, p. 9:

Consumer cooperation expressed and channeled a significant critique of capitalism, specifically capitalist consumer culture, at the same time that it offered resources and space within which to organize political activities. To neglect that critique is to miss the richness and depth of that historical moment and to mute the extent of people's visions, aspirations, and struggles within that particular political culture. Such neglect also erases an important radical critique of consumer society that had concrete, grass-roots form as a working-class institution.

Thus, the goal was to seek honest and moral commerce and cultural activity (including education) beyond commercial activities per se which were themselves associated with false luxury and seduction, p. 98/9, thereby incorporating a moral critique of consumerism as alienating, inauthentic, manipulative and anti-revolutionary, p. 9. In short, despite the containment of the activities and the systemic critique of capitalism associated with cooperatives, it would be a mistake to see it as essentially the same as private commerce, p. 71:

To characterize cooperatives and capitalist chain stores as variants of the same commercial form mutes the intensity of the struggles between the two forms over the strategies, purposes, and meanings of consumption.

In addition, the cooperation movement also disproportionately involved women through their daily lives as shoppers responsible for household consumption. Exactly the same is true of the US National Consumers' League and its White Label campaign, begun in 1898 and ending in 1918 which, "drew women into public life in ways that validated what might be termed their 'social citizenship' almost twenty years before the passage of the women's suffrage amendment to the Constitution, Sklar (1998, p. 34). More generally, the movement illustrates the earlier commentary concerning the conundrums across the private/public consumption divide. For, as Sklar argues, it sought to connect apparently private consumption with the conditions under which goods were provided, shifting and forging a link between concern over the quality of goods and the conditions under which they were produced. It constructed an imagined community of interest between consumers and workers, empowering consumers to speak for the community as a whole. Not surprisingly, as an outlet for otherwise politically disenfranchised middle-class women, this had effects on who represented what, with a wish to play down a tension between the quality of the products and the quality of the working

conditions under which they were produced. Especially for clothing, in the context of new theories concerning the spread of disease, it was convenient to suggest that healthy workers and working conditions were necessary for healthy products. But, whatever compromises were reached, the movement was sufficiently influential that, "in state after state factory laws were strengthened, factory inspections encouraged, hours laws enforced, and child labor discouraged", p. 21.

Significantly, the illustrations so far considered have represented the pursuit of the interests of workers in tracing private consumption to its public or social origins. But nor is capital idle in straddling and defining the divide between the public and the private where consumption is concerned. As Sklar reports, larger scale manufacturers even welcomed the White Label campaign as a means of both promoting their own goods through seals of approval and beating out competition from sweatshop competitors. On a more pro-active basis, US corporations from the 1930s onwards have been concerned about their public image and the process of consumption as a public activity. This is the theme of work by Marchand (1998a and b), Clarke (1999), and Leach (1993). The latter argues, in an unremarked contrast with the intent of the Consumers' League that, p. 147:

After 1890 the institutions of production and consumption were, in effect, taken over by corporate businesses. Business, not ordinary men and women, did most to establish the value and the cultural character of goods ... At the same time, merchants, brokers, and manufacturers did everything they could, both ideologically and in reality, to *separate* the world of production from the world of consumption (and, in the process, the men, women, and children, were also divided up).

Leach's emphasis is upon the battery of institutions seeking to sustain the "awesome creation" of this illusory separation of commercial from consumer culture, p. 150, involving schools, colleges, and universities ... the great urban museums ... federal and municipal governments", p. 154. For Marchand and Clarke, attention is more focused upon the projection of a variety of aspects of public consumption, more or less removed from products themselves, as in the promotion of scientific values and community life.<sup>14</sup>

Once, however, the world of private consumption is opened up for interpretation in a wider public role, it has the capacity to assume more or less any mantle, just as the notion of private consumption has free range over the construction of personal identity. Thus, McGovern (1998) points to the parallels and connections that have been drawn between citizenship, and democracy, and consumption - with advertising, for example, perceived as analogous to politicians seeking to persuade consumers to vote with their money, and a presumed republicanism of classless equality before the market (although some have many more votes than others!). Nationalism and patriotism are also closely associated and promoted with consumption, not only for the United States with its culture of consumption but also, for example, in Nazi Germany and support for domestic produce, Reagin (1998) and Möser (1998).

Many more examples could be brought forward to illustrate how attention to public consumption leads to its being attached to other social issues and, hence, transformed into something else.<sup>15</sup> But there are two pervasive examples, one quantitative and the other qualitative. For the quantitative, under capitalism, private consumption is primarily a matter of individual choice albeit constrained by income. Consequently, public consumption can be detached from particular commodities and associated with consumption in general, as access to consumption through transfers of income other than through the market. The "divi" after all is not paid in kind, although this is certainly one way of targeting public consumption. Significantly, in the case of income transfers other than through the market, an inversion is involved. Whilst they are often calculated in order to enable the public to attain minimum levels of consumption of particular items, what is actually consumed remains subject to individual discretion. Child benefit may not be spent on children; housing itself or housing benefit as income may be provided; in case of welfare benefits, such as old age pensions, a standard of living may well be targeted without the presumption that it will always be spent in similar ways. In short, consumption and income become increasingly associated with one another at the expense of the specificity of consumption itself. This is true of measures of standards of living and of poverty, and in economics where the term consumption is usually reserved for aggregate expenditure and demand for its particular composition.<sup>16</sup>

Such is the banality around how public consumption is provided as an income, thereby detaching it from consumption as such. Qualitatively, the mix of provision associated with income transfers (whether and how designated for specific items of consumption) and consumption in kind is so varied that it can only come under a common umbrella by being designated as something else which also has the potential to incorporate elements that do not have a foundation in private consumption. Thus is constituted the welfare state, the most developed and general form both of social consumption and of its transformation into something else, with its capacity to provide income, consumption in kind and other aspects of social reproduction which do not tend to be associated with consumption even if previously understood as private, as in care of children for example.<sup>17</sup> In short, the rise of private consumption and the transformation of its alter ego, public consumption, into the welfare state is a historical product of advanced capitalism in the second half of the twentieth century. Symbolically, with the extremes of postmodernism, as Sulkunen (1997) observes, the public morality of consumption associated with distributive equity becomes displaced by concern with individual freedom from control. Yet, it is a world which, according to Lyotard and Baudrillard, is too chaotic to allow for adequate representation of the individual let alone the social, Holmwood (1997).<sup>18</sup> This is an appropriate point at which to move from the sublime to the ridiculous, or is it the other way about?. For mainstream economics has no hesitations when it comes to representation of the individual consumer.

### 3 From Utility to Consumption

The theory of consumption attached to mainstream or neoclassical economics was laid down by the marginalist revolution of the 1870s and has essentially remained unchanged ever since, other than in its technical sophistication whether in scope of application or methods of empirical investigation. Its content has been taught to generations of students with little conceptual advance between the material learnt at school and that deployed by Nobel prizewinners. Yet, especially, from the perspective of other social sciences, the economic theory of consumption is hopelessly inadequate for a number of reasons.<sup>19</sup>

First, it is based on methodological individualism of a particularly narrow type. Individuals are presumed to materialise with given tastes over the given objects available for consumption. Subject to the constraints that they face - what they have available to sell in order to gain income, and the prices of goods to be purchased - rational consumers seek to attain the highest level in their overall preferences or, more commonly, are perceived to maximise their utility. In effect, the consumer is understood as a mini-factory for the production of satisfaction, with higher levels of consumption associated with higher levels of individual welfare. The terms emphasised tend to be used interchangeably, indicating lack of distinction between these notions and an understanding of choice which is ultimately tautological.<sup>20</sup> As such, consumption is reduced to the demand for goods with little or no attention to the activity of consumption itself.

Second, apart from its individualism and reductionism, the theory is ahistorical and asocial. This is so not only for the idealised individuals as the subjects of the theory but also for the objects of consumption whose properties are unexamined and implicitly presumed to be defined by their physical attributes. Consequently, other than in formal terms, no distinction is made between either individuals or between goods, across time and place. Typically, consumption is about maximising  $u^A(x_1, x_2 \dots x_n)$  where A refers to any individual and  $x_i$  to the  $i$ th of  $n$  goods.

Third, this understanding of consumption has primarily been applied to the market economy, the world of prices and incomes. Complemented by a corresponding theory of supply, the economy has been effectively isolated from the rest of society which at most serves as the exogenously given guarantor of property rights to facilitate exchange harmoniously.

Fourth, as a consequence, economics in general, as well as for its theory of consumption in particular, has been sealed off from participating in interdisciplinary endeavour. Its methods are alien to other social sciences, and its analysis has tended to stop just where that of other social sciences has begun. In other words, economics has taken preferences, culture and technology as given and the subject matter of other disciplines. Its own theory of consumption confines itself to endogeneity of choice under the influence of changing prices and incomes. As a result, its impact on the understanding of consumer demand is limited, especially for those engaged in the business or theory of consumption, as in marketing or consumer research which draws more heavily on the sociology of lifestyles and the psychology of choice, Fine and Leopold (1993, Chapter 3).

Finally, despite priding itself in principle on falsifiability, economics has been marked by its selectivity in the testing of its theories against the evidence. Well-established ideas with empirical implications, such as conspicuous consumption and emulation and distinction, are addressed by economists only by way of exception. Even the underlying notion that consuming more brings greater happiness is not seriously examined even though the evidence is that this is simply not so. Reported levels of happiness across countries and time do not seem to be related to per capita income even if the correlation does hold somewhat weakly within countries across the population at a particular point of time.<sup>21</sup>

#### 4 From Consumption to Welfare

What are the implications for public consumption of the approach to consumption attached to mainstream economics? First, as an ideal starting point, welfare economics has defined a general equilibrium as a condition under which supply and demand are equal in all markets simultaneously. In the absence of what are termed market imperfections, it can be shown that the equilibrium is Pareto-efficient - no one can be made better off without some other being made worse off. With a traditional division between positive and normative economics, the choice between different Pareto-efficient outcomes requires interpersonal comparisons to be made. This has been designated as belonging to the realm of ethics or politics, not economics as such. The latter can, however, in principle, identify market imperfections which lead to Pareto-inefficiency and suggest ways of remedying them.

Thus, in the presence of externalities or economies of scale, the free market is not Pareto-efficient. In case of so-called natural monopolies, for example, a single efficient private producer would be able to make undue profits by restricting outputs and charging prices that are too high. Otherwise, market outcomes might be Pareto-efficient but take no account of distribution or so-called (de)merit goods for which it is judged that consumption is (un)desirable for whatever reason. Consequently, whether because of market imperfections or ethical judgements over inequality or particular goods, there is a role for the state.

A further step is needed to arrive at a welfare state that provides for public consumption. For, one way of proceeding would be simply through subsidy and taxation (and regulation) with continuing private provision. To a large extent, the relative merits of greater or lesser state intervention remained a matter of prejudice or pragmatism, not a matter of theory. The latter had only identified the need for state intervention, not a means of choosing between the forms it should take. This is in part a consequence of the previously outlined methodology in which the state, the political, the social, the historical, and even the ethical, had already been excluded so that they could only be re-introduced as deus ex machina.

In short, as the welfare state evolved from the turn of the century, the capacity of mainstream economics to address it derived primarily from microeconomic principles and the notion of market imperfections. Notably absent, apparently necessarily so in view of methodological individualism, has been any acknowledgement of the welfare state as a socially and historically specific system. This, however, conformed to a new point of departure within economics in the post-war period and in its relationship to the other disciplines. For, coincident with the large-scale expansion of the welfare state during the post-war boom, was the consolidation of Keynesianism and macroeconomics as the key complementary field to microeconomics.

In this respect, Keynesianism played two crucial roles. First, it understood capitalism as an economic system that would not necessarily harmoniously coordinate supply and demand through the market, especially at the overall level of economic activity in view of deficient aggregate demand. Second, it provided a rationale for government intervention, and expenditure, to correct macroeconomic malfunctions. Whilst such government expenditure could be wasteful (digging and refilling holes), its major components, other than for defence, have been implicitly presumed to finance welfare programmes.

From a macroeconomic perspective, however, the composition of that expenditure has been of lesser significance than its quantity. Consequently, Keynesianism and welfarism have been associated with the post-war boom but the details of welfare provision were either left to applied microeconomists or to other disciplines. In part, this also reflected a different division with economics apart from

macro/micro, one between the short and long runs. Macroeconomics addressed short-run fluctuations around a given and unexamined long-run path. Otherwise, welfare expenditure primarily served to correct static market imperfections. Paradoxically, the secular growth in welfare expenditure, and the more general increase in state economic intervention, remained largely unobserved by economic theory, not least because Keynesianism in principle at most required a short-run stimulus to aggregate demand as opposed to ever-expanding expenditure.

The accommodation within economics, between macro and micro, and between it and the other social sciences (quantity of expenditure as opposed to its use), collapsed with the end of the post-war boom. Keynesianism was discredited, at least temporarily, by stagflation and the rise of Friedman's monetarism which ultimately gave way to the new classical economics, and rational expectations, that even argued that systematic macro policy would be rendered ineffective by the anticipation of its effects by optimal use of information by calculating economic agents.<sup>22</sup> With the rise of neo-liberalism, government expenditure was perceived to be excessive and government intervention as inducing inefficiency. Far from perfect competition and general equilibrium being the ideal from which deviations in the form of market imperfections justified state intervention, the ideal of attaining the free market and minimal state gave rise to what Carrier and Miller (eds) (1998) refer to as the new economic virtualism - the imperative to remould the world to conform to an imagined ideal.

## 5 From Macro to Micro

The complacency within economics in the post-war period was rudely shattered both by the end of the post-war boom itself and the associated assault launched by neo-liberal ideology and theory.<sup>23</sup> The latter had the advantage of forging a link between micro and macro in the negative sense of emphasising the leaving of the micro "supply-side" to the market, with the macro demand-side also looking after itself apart from accommodating, not excessive, targeting of the money supply. Neo-liberalism further undermined confidence in the state by questioning its efficiency and motivation in view of rent-seeking and corruption. In short, economic theory confronted two challenges: on the one hand, why are market imperfections so important; on the other hand, why would an improvement be guaranteed by intervention given government may be worse than market failure.

Over the past two decades, this challenge has been met by what I have termed a revolution in or, more exactly, around economics.<sup>24</sup> Briefly, as before, emphasis has been placed upon market imperfections, only with the new twist that these are also perceived to be the consequence of informational imperfections and asymmetries around sale and purchase. Consider, for example, the market for health insurance. Individuals are liable to know more about their health than insurers who may, nonetheless, have information about the average health of their customers. At a given premium price, only those with relatively poor health, will apply.

Consequently, there are three possible outcomes as a result of what is known as adverse selection. First, markets may clear (supply equal demand) at too high a price since the most healthy would take out insurance at a lower price but cannot be offered it by insurers ignorant of their lower risk (and if there were lower premiums, everyone would present themselves as healthy). Second, the market may not clear, with demand exceeding supply, since the insurers might decide only to take a certain amount of risk but do not raise their premiums for fear of driving down on average a disproportionately large number of relatively healthy customers. Third, it is possible for markets to be absent altogether. Any level of premium, whether high or low, for the aged and infirm, for example, may only attract such bad risks on average as to be loss-making. It is also possible, in view of what is known as moral hazard that, once insured, customers take insufficient care of themselves since their behaviour cannot be monitored and they know that any medical bills will be covered.

A number of points need to be made about what Stiglitz (1994) has termed information-theoretic economics. First, information can be gathered on individuals to temper the asymmetry through medical check-up and histories, on smoking, etc. But this is to incur what are known as transaction costs, and there will always be the potential for these to outstrip the value of rectifying residual informational imperfection.

Second, there is nothing specific about insurance markets although these might, in some respects, be thought to suffer from significant informational imperfections of particular types. But the argument about different information available to buyers and sellers is general and can be found in any



market. Particularly favoured, for example, are those for finance, where banks are concerned about the credibility of their customers, and for labour markets where employers need to assess the skills, work effort and loyalty of their employees.

Third, marking a distinctive and remarkable development for economics as a discipline, there is a new-found capacity to address economic and social structure, apparently non-optimising such as customary behaviour, and the formation of institutions. How is this possible? In the case of employment, for example, the optimising employer may well structure the labour market, offering a real wage below which the unemployed of the same qualities as the employed are prepared to work. The labour market becomes structured between employed and unemployed, and can also be structured across the employed. More generally, imperfect information may lead to market structures on the basis of proxy variables such as gender, for example. If, on average, it is believed that women are liable to leave work to raise a family, then all women will be treated as such. This can have the knock-on effect of lowering their incentive to be trained, consolidating their comparative advantage, relative to husbands, and providing a rationale for being assigned to household responsibilities.

Thus, imperfect information leads optimising individuals to structure markets, and for these to be reproduced and consolidated. In addition, the theory suggests an explanation both for the formation of institutions and for apparently non-optimising behaviour. For these can be the optimal response for handling informational asymmetries outside the market, in order to build up trust between contracting parties, for example, or mutual reputations.

The reason why such results are significant is that they appear to square the circle as far as mainstream economics' relations with the other social sciences are concerned. For, previously, it was necessary to take the social, institutions and customary behaviour as given with the latter taken to be irrational. Now, even on the continuing basis of methodological individualism, this need no longer be the case. The explanatory scope of the basic neoclassical principles has been considerably widened to incorporate what has previously been considered to be the analytical terrain of the other social sciences.

This is why I refer to a revolution around economics because it reverses a central feature of the marginalist revolution - the separation of the economy from the rest of society and an exclusive pre-occupation with the economy as market relations. The new information-theoretic approach to economics addresses both the economic and the non-economic, and their interaction. As a result, it is colonising the other social sciences in a variety of ways, with a variety of results and to a greater or lesser extent. This is evidenced by a whole new range of sub-disciplines - the new institutional economics, the new political economy, the new development economics, etc.

Even so, imperialistic designs by economics on the other social sciences are far from new. Because of its deploying universal categories, such as production, consumption and utility, it has long made incursions to incorporate non-economic behaviour within its compass as part and parcel of what would now be termed rational choice analysis. Only, however, with recent developments within the discipline has it been able to offer an analysis of the social, institutional and customary without which it has always tended to meet a frosty reception from other social sciences.

Despite examining economic and non-economic simultaneously, current developments do not restore economics to its position from before the marginalist revolution. Unlike classical political economy, the theory remains rooted in methodological individualism albeit with optimisation in the context of imperfect and asymmetric information. In this and other respects, it shares more features with traditional neoclassical economics than it sheds. For it continues to depend upon the same universal, and hence asocial and ahistorical, categories, including the notion of information itself. In this respect, however, it does claim to address historical specificity but not in terms of its conceptual apparatus. Rather, it is acknowledged that economies (and societies) are path-dependent and subject to multiple equilibria. History matters only in the sense of having laid down social and economic structures and customs in the past from which follows a deterministic if stochastic evolutionary outcome.

In general, within economics itself, the new theory has advanced in the form of relatively sophisticated mathematical models. The results, however, tend to be readily translated into informal propositions that are often striking in their simplicity - the idea that institutions and history matter for example. Consequently, the influence of the new economics can be felt without explicit recognition of

the methodology and assumptions upon which it is based. Further, because the new takes the old economics as its starting point, it only reintroduces the social as a result of informational imperfections and the historical as path-dependence. In this respect, the new theory is richer than the old in terms of analytical structure. On the other hand, it has a much wider, even unlimited, scope of application set against which its broader analytical framework is most modest if not totally inadequate. Paradoxically, as a result, the social and historical for the new theory is otherwise an empty canvas upon which the other social sciences, however coherently, can fill out their own landscape and detail. By doing so, social theory is no longer reduced to market imperfections and their non-market consequences, as for economists, but can be attached to a greater or lesser extent to such notions. Thus, power, conflict and class, for example, can either be eschewed altogether or interpreted informationally.

## 6 The New Welfare Economics

Consider now a government that wishes to guarantee each of its citizens a certain level of income, and hence consumption and welfare, at the cheapest possible cost by providing a subsidy where choosing to do so. A problem is that the government does not know the earning capacity of its individual citizens, although it does know how these are distributed across the economy as a whole. It might be thought that government ought simply to make up income to the minimum desired for those earning nothing or below the minimum. However, there are what are termed incentive compatibility problems. For a citizen earning just below (or even just above) the minimum through working long hours at low wages, such a subsidy scheme would provide an incentive not to work at all and realise, instead, the minimum income and full leisure time.<sup>25</sup> It turns out that it is optimal for the government to offer a subsidy even to those whose income will rise above the minimum as a result, thereby avoiding a poverty trap. For, otherwise, it might find itself laying out even more income subsidy to such individuals as they lower their own income by choosing not to work. As a result, the workforce is structured into those working or not and receiving minimum income, those with subsidy taking them above the minimum, and those above minimum without subsidy.<sup>26</sup>

In this example, the state's objectives have been taken as given, and it plays a strategic game with its citizens to ensure that each has a minimum income. But now suppose that the minimum income itself is set by popular vote with expenditure financed out of taxation. Too high a minimum would not be feasible since insufficient numbers would work and provide adequate taxable income. Too low a minimum would be voted against by a majority of potential low wage workers and shirkers.<sup>27</sup> In such extremes, there must be an equilibrium in which a median voter is most satisfied.

The details of the example need not detain us unduly. What is important is the nature of the analysis. On the one hand, the economics of the welfare state is reduced to a problem of informational imperfections and incentive compatibility. On the other hand, its politics is subject to the dictates of the median voter, although this can be complemented by a theory of political activity in which costs of acquiring influence are set against the gains of doing so.<sup>28</sup> Thus, as the Swedish economist, Asar Lindbeck, (1995, p. 9) puts it:<sup>29</sup>

The basic dilemma of the welfare state, however, is that the more generous the benefits, the greater will be not only the tax distortions but also, because of moral hazard and benefit cheating, the number of beneficiaries.

Further, this is all subject to complex and dynamic factors, "reflecting the interacting adjustment over time of basic behavior patterns of households, firms, interest-group organizations, politician and public-sector administrators".

Now, whilst the discussion has been set up in terms of work and income, is it confined to such. It could apply equally, like the information-theoretic approach itself, to specific items of consumption such as health, housing and education or for income maintenance during involuntary unemployment or retirement. In this context, the economist's handling of "risk" does not so much concern vulnerability as the probability distribution of knowable but unknown outcomes. Reducing such risk can even be counterproductive! For, with guarantees across income, education or health, individuals have lower incentives to save, thereby reducing investment and economic performance. It is all a matter of whether the correction of market imperfections is better or not than the consequences of the original distortion. The logic underlying the understanding is always the same - it is simply a matter of importing the specific risks or informational or other market failures characteristic of the item under

consideration.<sup>30</sup> With such a universal theory, a marriage with designated concerns from whatever source is more or less automatic. For the welfare state, as Dilnot's (1995) "assessment" reveals, it is a matter of incentives to work, to save and to form or break up families, together with affordability and willingness to pay. More specifically, Snower (1996) proposes vouchers for health and education in order to accrue benefits of the free market and yet to handle the informational asymmetries for credit in these sectors. Similarly Phelps (1996a and b) sees the welfare state as a system of entitlements and benefits, justified by the presence of asymmetric information and market imperfections but still does not see why there should not be private insurance. He further suggests this leads to a sort of prisoners' dilemma situation in which incentives and ethos to work is being undermined, thereby raising unemployment. This is all due to a sequence of lobby groups winning influence one after another.

In addition, Lindbeck et al (1999) incorporate consideration of the influence of social norms by which they mean a mechanical demonstration effect (or, more exactly, stigma or negative conspicuous consumption)<sup>31</sup> in which the more who take benefits the more the incentive (or less disutility) from doing so, p. 3:

It is likely that an increase in the number of people who receive welfare benefits weakens the social norms to live off one's own work. Moreover, individuals who live off public transfers may over time come to value their leisure more.

Whilst their formal model, in the vein previously outlined, guarantees a single equilibrium, it is particularly sensitive to small changes in underlying exogenous conditions, p. 30:

When social norms are introduced into an analysis, one might fear a plethora of possible outcomes - that "anything can happen". However, in the present simple model, this fear turns out to be unjustified. The range of possible outcomes is in fact highly restricted. Essentially, there are only two alternatives: a low-tax society supported by a majority of taxpayers or a high-tax society supported by a majority of transfer recipients. Which of these two potential equilibria will materialize depends on preferences and on the wage distribution.

The economist's apparent fear of multiple equilibria reflects a lingering distaste for indeterminacy. For in the absence of uniqueness, subject to random shock, an economy/society will not necessarily return to its known starting point. As Lindbeck et al make clear, their model does benefit from uniqueness, albeit with one or other of two sorts of outcomes - a scroungers welfare state with many potentially low skilled workers on benefits funded by relatively few and highly taxed high skill workers, as opposed to a highly skilled workforce, with high levels of employment and low levels of taxation. However, it is a simple matter to endogenise the exogenous factors that determine which sort of equilibrium arises for the Lindbeck model, thereby providing for multiple equilibria. One obvious option, for example, is to allow the wage distribution to be subject to state expenditure on education. Depending on how this is done, it might be expected that either equilibrium is possible with the result depending on whether the economy started off with relatively high skills and the capacity to sustain them through taxation. Such indeterminacy can then even be transformed from a source of fear into a virtue. For it enables the welfare state to be understood as a system (as comprising one equilibrium as opposed to another) in which history matters.

Thus, Freeman (1995), for example, takes such theorising one stage further by interpreting interaction between labour markets and welfare provision as a system ("by analogy with models of fitness landscapes in biology", p. 16). He argues that high taxation in Sweden allowed for an egalitarian wage structure (since high skill workers had relatively little incentive to pursue wider differentials since these would be taxed away) and for high levels of public sector, and hence, full employment. Wage compression also reduced labour turnover, induces lower hours of work, commitment to work-sharing, and enables competitiveness in sectors based on high skills (until these come under short supply because of low rewards). He concludes that this all fits together, and that marginal changes in different parts of the system (such as reduced benefits, lower taxation, or public sector cuts in response to neo-liberal pressures), would render the system dysfunctional.

From the perspective of other social sciences, the idiosyncrasies of this selection of contributions is less significant than the limited principles deployed when set against the scope or potential scope of application. The welfare state is ultimately reduced to a structured system for handling or, if endogenising politics, for responding to efficiency and equity issues in the context of

informational and other market imperfections. It might seem churlish to be so cold about developments within and around economics that at least relax some of the earlier bonds and bounds attached to rationality and market harmony. And there is much to welcome, not least for example, in the work of Amartya Sen and others who have popularised the capability approach to welfare, and other aspects of the human condition.<sup>32</sup> Sen (1993, p. 30) has applied the capability approach in his own work to well-being and poverty, liberty and freedom, living standards and development, gender bias and sexual divisions, and justice and social ethics. Yet, he does acknowledge that, p. 33

A full accounting of individual freedom must, of course, go beyond the capabilities of personal living and pay attention to the person's other objectives (e.g. social goals not directly related to one's own life).

Note, however, how the social is a matter of going beyond the individual rather than being taken as a starting point, quite apart from not being "directly related to one's own life"!<sup>33</sup>

Thus, from an analytical point of view, a considerable tension plays between how to understand society and how to focus upon individual capabilities,<sup>34</sup> one that has often been resolved by engaging with moral philosophers and their traditions of hypothetical argument. The net effect, whatever the intent, may be to consolidate methodological individualism and the colonisation of other social sciences by economics. In other words, is the welfare state about the capabilities of individuals or the political economy of capitalism?

## 7 From O'Goffe's Tale to Globalisation

The answer was the latter or a decade or more, from the end of the post-war boom, with the sociology of the welfare state dominated by those offering an approach attaching itself to Marxist political economy.<sup>35</sup> The work of O'Connor (1973), Gough (1979), Offe (1984) and, to a lesser extent, Ginsburg (1979) was most prominent.<sup>36</sup> It had a number of appealing features, even apart from its radicalism. First, it posed a systemic analysis based upon the imperatives of capitalism, with attention both to its economic and to its non-economic needs as a system. Second, a political economy is posited. In the case of O'Connor, this led to an analytical approach to state expenditure which bordered on parody of Marx's understanding of (private) capital. For the state was understood to advance social capital, itself made up of the two components of social investment and social consumption. Both of these are considered to be indirectly productive for capital by providing infrastructure and a compliant and educated working class, but social consumption can also include social expenses on warfare and welfare which do not necessarily support profitability and accumulation. O'Connor essentially relies upon the underconsumptionist theory of Baran and Sweezy, in which monopoly capitalism is stagflationary and not self-sustaining. As a result, p. 41:

Monopoly capital and organized labor have, in effect, 'exported' their conflicts to the competitive and state sectors.

Gough (1979) deploys a more general political economy which is essentially distributional/functional in content.<sup>37</sup> Profit is higher the lower are the money and social wage, each of which is subject to class conflict. The difference with the social wage is that the conflict is not only distributional over its level, but also concerns its goals and forms. Thus, the welfare state, p. 12:

simultaneously embodies tendencies to enhance social welfare, to develop the powers of individuals, to exert social control over blind play of market forces; and tendencies to repress and control people, to adapt them to the requirements of the capitalist economy. Each tendency will generate counter-tendencies in the opposite direction; indeed, this is precisely why we refer to it as a contradictory process through time.

Third, then, for both O'Connor and Gough, but especially Offe (1984), the welfare state is caught between the needs of accumulation and those of social reproduction and legitimisation. The contradictions of capitalism are both reflected in and intensified by the welfare state, not least as a fiscal crisis, as expenditure tends to outstrip revenue. Nonetheless, specific outcomes within the welfare state and its particular programmes and policies are conditional upon how the balance between accumulation, legitimisation and reproduction is resolved.

In effect, then, this approach involved an understanding of the welfare state in terms of the economy's inability to sustain both itself and the social conditions necessary for its reproduction, these in turn derived from a fundamental antagonism between capital and labour over distribution. To some extent, such conflict (and its attachment to crisis in general and to that of the welfare state in particular) could be tempered by productivity increase through which competing claims on output could be accommodated, but such considerations tended to be pushed into the background, and presumed to be overwhelmed by demands for wages, profits and state expenditure. Over the past decade, the approach has not been rejected so much as modified to incorporate economic and political interests other than those of capital and labour, and also to incorporate the impact of globalization. Consider the latter first.

The notion of globalisation can be caricatured as having drawn on two models - one derived from the realm of culture and the other from finance. In each case, the speed and power of internationalisation is perceived to overwhelm and homogenise national differences. To a large extent, in the case of culture, etc, such crudity has been modified, if not rejected, by acknowledging that the local influences and transforms the global in highly specific ways giving rise to "glocalisation". But the same is not true of finance, with the dual images to the fore of instantaneous communication through computer-based trading and perfectly mobile and rootless capital.

Not surprisingly, issues apart from culture and finance are perceived to lie somewhere between these two extremes. The welfare state is no exception. The literature has moved away from considering its inner, national crises to focus upon the limits to change imposed by globalisation. The continuing work of Gough is indicative.<sup>38</sup> In Pfaller et al (1991), it is argued that welfare statism is under challenge by exposure to international competition and mobility of capital.<sup>39</sup> In the short run, capital will seek out the lowest levels of taxation and other burdens in seeking to maximise returns.<sup>40</sup> On the other hand, long-term competitiveness depends upon the services provided by the welfare state which generate increases in productivity. Further, quite apart from the squeeze on policy imposed by the dictates of internationally mobile capital, internal national conditions also impose constraints on policy implementation, p. 8:

It is not unlikely that society will have difficulties in setting priorities at all, because each avenue of adjustment is blocked by vested interests.

It should be apparent that the profit-welfare squeeze hypothesis has simply been raised to a global level with internationally mobile capital functioning externally like the working class internally. Outcomes depend upon the balance of forces, and the institutions and policies through which they are expressed, but they are heavily circumscribed by (unspecified) limits. As Olsen and O'Connor (1998, p. 21) put it:

In the new, more global environment, financial capital, transnational corporations, and other actors play a significantly greater role in determining what is desirable, or even possible, with little if any regard for 'strong' labour movements. This may be done purposefully or, as with the actions of bond traders, currency speculators, credit-rating agencies, and others who buy, sell, and deal in capital markets, more unintentionally. Keynesian policies, protective regulations, social programs, and other progressive distributional policies associated with the 'golden age of welfare capitalism,' thus soon were defined as market 'rigidities.' They have given way to deregulation, massively regressive shifts in taxation policy, balanced budget legislation, and the dismantling or downgrading of welfare states. In this global environment, all governments - even incumbent social-democratic or labour governments ... - have much less room for manoeuvre.

There is, however, one shift in emphasis which is to give much greater prominence to longer-term competitiveness to which the welfare state is understood as a major contributor in promoting higher productivity. As observed, it is perceived that the capacity to adopt corresponding policies is highly circumscribed both internally and externally, leading to two responses, one national and one international, but each tied to the notion that, in practice, there are losses from what is not a zero-sum game. At the international level, long-term productivity slowdown is the consequence of short-run competitiveness over lower levels of funding of the welfare state. Consequently, as suggested by Mishra (1998), there is a need for internationally recognised welfare standards to preclude a race to the bottom - if generalised, an appeal for an internationalised Keynesian/welfarism. At the national level,

the failure to accommodate to international realities, can lead to even higher levels of unemployment and lower levels of welfare expenditure as capital exerts its market discipline.

In short, globalisation has been deployed to reinforce the notion of crisis or restructuring of the welfare state that previously derived from national considerations alone.<sup>41</sup> As Pierson (1998a, p. 785) puts it:

Few serious commentators on social policy accept the globalization story in its simplest form ... Nonetheless, there is a good deal of support for the view that states have been obliged to recast their social policies under the imperatives of global economic forces.

This has given rise to a literature on whether, to what extent and how the welfare state is being dismantled.<sup>42</sup> In this vein, Powell and Hewitt (1998, p. 11) conclude that, "the welfare state is being redefined, but reports of its death have been much exaggerated".

To stand back and reflect on the latest literature on the welfare state is to catch sight of several degrees of irony. First, whilst much of the previous work within the tradition of Marxist political economy is rejected as being too deterministic and reductionist to class and the economy, these are features which have been fully embraced, albeit with limits imposed by the (internationalised) economy with which welfare interacts to grind out more or less favourable outcomes according to a more refined disaggregation of political forms, processes and institutions. Second, what was previously seen in O'Goffe as an unduly pessimistic prognosis for the welfare state in view of extrapolation from the close of the post-war boom, is now taken for granted. Third, whilst the profit-squeeze approach has always been influential, with Gough (1979) for example often serving as a teaching text, it has been complemented by consideration of more mainstream concerns, especially trade-offs between short and long runs, and between welfare and competitiveness.

Finally, the globalisation thesis as a half-truth, in which individual welfare states are forced to conform to one another within limits, derives from a model of (international) competition within mainstream economics which the latter has already rejected in favour of emphasis of heterogeneity through the influence of market imperfections. On the one hand, a literature has arisen around the new financial economics in which distinctions are drawn between financial systems according to how informational asymmetries are handled between borrowers and lenders, especially banks and industry. Stylised arrangements in Japan and Germany, for example, with long-term relationships between the two sides, are contrasted with those characterising the short-termism of the US and UK systems, leading to better and worse levels and efficacy of investment.<sup>43</sup> Even if capital is mobile internationally, it is liable to be deployed by national financial systems which make a difference.

On the other hand, this is just one example of a more general application of the new information-theoretic economics in which market imperfections are readily translated into differences in growth performance over time. The new or endogenous growth theory has sought to explain why growth rates have not converged, why globalisation of finance and technology for example do not lead to common outcomes.<sup>44</sup> Drawing upon a more or less indefinite range of market imperfections, including welfare expenditure and political variables, market imperfections are used to explain why growth rates differ. In addition, these are incorporated into growth regressions with a degree of sophistication which, whilst still highly problematic, totally dominate the amateurish efforts of the welfare state literature where statistical techniques are deployed. Paradoxically, just as non-economists are using economic arguments to explain why the welfare state is doomed to be confined within highly restrictive limits, so economists are using the welfare state (and other non-economic variables) to explain why such limits can be exaggerated.

In a nutshell, in its economic analysis, non-economic literature on the welfare state is caught between the two worlds of political economy and (new) mainstream economics. But it is not suspended without motion. It has a dynamic which increasingly sees it drawn to the latter's seductive charms and, as will be seen in the next section, to deploy its vernacular, it has some way to go before it will "catch up".<sup>45</sup>

## 8 The New Welfare Regime

Over the past decade, certainly since the appearance of Esping-Andersen's (1990), The Three Worlds of Welfare Capitalism, his approach has become a, if not the, central influence on the understanding of the welfare state by social theory.<sup>46</sup> For Headey et al (1997, p. 332), for example:

Suffice it to say that, for better or worse, Esping-Andersen's 1990 book is now a well-established landmark in relation to which any subsequent work must situate itself.

There is now a huge literature both deploying and criticising Esping-Andersen's approach. Usefully, he has published a restatement and refinement of his framework of analysis and the rationale for it, Esping-Andersen (1999).<sup>47</sup> At its core remains the notion that welfare provision is typically attached to one of three different types of regime. Gornick and Jacobs (1998, p. 692) provide a useful, if incomplete summary of what is involved:

Esping-Andersen's typology includes: the *social democratic welfare states*, which primarily include the Nordic countries ... the *conservative (or corporatist) welfare states*, which are dominated by the continental European countries (represented ... by Belgium, Germany, and the Netherlands); and the *liberal (or residual) welfare states* (represented ... by Canada, the United Kingdom, and the United States). In the social democratic regime, entitlements draw on the principle of universal rights of social citizenship; in the conservative regime, entitlements are based on work performance; in the liberal countries, entitlements derive primarily from assessments of individual need.

As a result of focus upon such regimes, the approach can in part be perceived as heavily descriptive in the particular focus it has upon regime-types as "clusters" of characteristics. The idea is that particular policies or forms of provision tend to be associated with one another, thereby structurally distinguishing welfare regimes. Whilst this can be understood informally, cluster analysis is also a formal statistical technique with the capacity to determine whether a sample population can be partitioned according to its variation over a number of characteristics. The parallel is with those who sit a number of examinations across the disciplines and deciding over which sorts of topics students tend to be good or bad. We come up with student-types and corresponding subject types.

Now much of the literature has been concerned to question the legitimacy of Esping-Andersen's typology, both for the countries that he does include as well as for those that he does not and, by the same token, for the characteristics that are or are not included.<sup>48</sup> From a statistical point of view, throw in one or more students and/or one or more exam, and you can find that there are more or less regimes, even a different typology, as well as a potential reallocation of subjects across regimes. Thus, in which regime to place the Netherlands is problematic "as it includes features of both social democratic and conservative-corporatist welfare states", Gornick and Jacobs (1998, p. 692). For their empirical work on public sector employment, the Netherlands is placed in the latter regime but, in studying redistributive policies, Headey et al (1997, p. 333) assign it to the social democratic camp!<sup>49</sup>

Esping-Andersen (1999, p. 73) does not, however, consider such conundrums to be a problem since they derive from too partial or too comprehensive an understanding of what is to be analytically incorporated:

The bases for typology construction ... are welfare *regimes*, not welfare *states* nor individual social policies. 'Regimes' refers to the ways in which welfare production is allocated between state, market, and households. Some confusion may arise because the word 'regime' is often applied to all kinds of phenomena: 'poverty regimes', 'pension regimes', or 'male bread-winner regimes' ... Some criticisms of 'the three worlds' are ... irrelevant because they are not addressing welfare regimes but individual programmes ... It is unquestionably relevant to compare 'bread-winner models', and it goes without saying that this has direct relevance for welfare regime comparisons but, again, a welfare regime typology does not stand or fall solely on one social dimension; and, again, 'bread-winner regimes' and 'welfare regimes' are two distinct dependent variables.

In short, in the cluster analysis, all policy programmes should be included. Or should they? In his definition of welfare capitalism, Esping-Andersen (1999, p. 7) refers to the presence of universal citizenship, social solidarity, full democracy, recognition of trade unionism, and educational provision. But health provision, for example, does not warrant a mention (although it is addressed in the context

of the USA as a liberal regime). And nor does housing even though the form and level of provision is highly variable across different welfare regimes. Of course, the more such policy programmes are incorporated, the greater the potential for divergence within the three identified regimes and for others to be posited.

One of the latter which Esping-Andersen (1999, p. 75) acknowledges is provided by Castles and Mitchell (1992) in their consideration of Australia, New Zealand and the UK. Here, low levels of government expenditure attached to its more egalitarian use lead to an understanding of these liberal regimes in Esping-Andersen's classification to be dubbed as a fourth "radical" regime. For Esping-Andersen, however, this is merely to mistake the historical means by which the liberal regime is formed from its continuing features.<sup>50</sup> It is also perceived as a potential historical aberration, subject to erosion, Esping-Andersen (1999, p. 89/90). Another case of regime proliferation acknowledged by Esping-Andersen (1997 and 1999, pp. 90-92) and discussed at length is provided by Japan, and Kwon (1997) more generally has pointed to the need for different regimes to characterise east Asian welfare systems. In this case, Japan is seen as a "hybrid case", Esping-Andersen (1999, p. 92), possibly "a uniquely synthetic expression of liberalism and conservatism", Esping-Andersen (1997, p. 187). Alternatively, "it is arguably the case that the Japanese welfare system is still in the process of evolution; that it has not yet arrived at the point of crystallization", Esping-Andersen (1997, p. 187).<sup>51</sup> Finally, there is the potential for a Mediterranean model which Esping-Andersen (1999) dismisses through an inconsistent procedure; first, he rejects it as depending on a single programme (social assistance), p. 90, then he does so on the basis of a simple statistical test for differences in "familialism" which is not a full range of programmes. Trifiletti (1999), for example, suggests a Mediterranean regime because of the particular combination of labour market and familial policies, not least for their impact upon women.<sup>52</sup>

Trifiletti's critique is merely the latest in a long line of contributions that have pointed to Esping-Andersen's neglect of the gendering of welfare capitalism, both in its constituent elements and, frequently, in his formulation of a typology of regimes. In particular, emphasis has been placed on the role of women outside of the labour market, and the relationship between household and welfare provision. However, Esping-Andersen (1999, p. 12) sees himself as having fully embraced this criticism by placing greater emphasis on the household than previously.<sup>53</sup> This is taken up later.

In short, as a descriptive typology, the positing of three regimes by Esping-Andersen leaves much to be desired. On the grounds of hybrids across the regimes, a total of seven are logically possible (singles, doubles or all three together!). Divergence by individual programme or policy from regime assignation can be dismissed as neglect of the overall picture. Gender is incorporated after the event by paying more attention to the family. In addition, there is unlimited capacity for claiming history has yet to do its work in moulding an appropriate regime into shape should it appear to present anomalies. Indeed, there are even hints that the system of welfare regimes is a highly historical specific product, "institutionalized ... during the 1960s and 1970s ... when strong worker protection and labour market regulation emerged, when social citizenship was fully affirmed ... when the core features of welfare states crystallized ... [and] essential differences between ... welfare states were affirmed". Further, "the timing was auspicious: the consolidation and maturation of post-war welfare capitalism coincided with the onset of the new, post-OPEC economic realities of slow growth and rising structural unemployment ... with accelerating economic globalization and rising structural unemployment", Esping-Andersen (1999, p. 4). thus, welfare regimes derived from a historically peculiar window of opportunity for countries at appropriate stages of development. Finally, the empirical rationale for identifying the three regimes and assigning countries to them depends upon a mix of superficial and arbitrary statistical techniques.<sup>54</sup>

Now consider the theory deployed by Esping-Andersen. It is primarily structural and relational in content, in the sense of positing relations between structures.<sup>55</sup> As he puts it, Esping-Andersen (1990, p. 19), he deploys the "sociological notion that power, democracy, or welfare are relational and structured phenomena". The welfare regimes are simply structurally distinct clusters of welfare programmes. What are the other structures to which they are connected? Again, there are three, which are taken to be causal, Esping-Andersen (1990, p. 29). The class structure, particularly, the working class, is important as the basis for political mobilisation. Second, however, there is the structure of political coalition in which the position of the middle-classes is crucial depending on how and whether they are wooed by, and form an alliance with, the working class (Sweden) or not (the UK). Finally, historically inherited institutions are of significance as in the case of Germany. The relations



between the two sets of structures are mediated by three processes, decommodification, stratification and employment generation. Decommodification is the extent to which individuals are able to exist independently of the labour market (as a result of welfare policies), stratification reflects the impact of welfare provision on social differentiation, and employment is concerned with its compositional structure, the organisation of the labour market, working conditions and degree of commitment to full employment.

As already observed, Esping-Andersen (1999), in response to criticism, places much more emphasis on the family and, consequently, defamilialization which is reduction of individual dependence on the family, as women work or their fertility drops for example. Defamilialization is the household counterpart and mirror image to labour market decommodification. Consequently, there is an explanatory shift to the "intercausal triad of state, [labour] market and family" but, despite its lesser prominence, this is not at the expense of the earlier triad of class, political coalition and institutional inheritance. For, as has been argued by Kemeny (1995), criticism of Esping-Andersen has tended to focus on his male-centredness, the neglect of women's wider especially non-market roles, and the constraints imposed by his three-regime typology. It has neglected his theory of power which Kemeny suggests is implicit. With this insight, it is relatively easy to see how significantly Esping-Andersen is influenced by the power resources thesis, PRT, and, in particular, how the structure of class interests become differentially translated into welfare regimes through the mediation of political coalitions, and other institutions such as the state, family, and trade unions. Significantly, O'Connor and Olsen (eds) (1998) comprises a collection of essays that extend rather than criticise the Esping-Andersen approach, under the umbrella of PRT, its introduction making clear that it offers a compromise between structuralism and pluralism.<sup>56</sup> The criticisms take the form of extending structures and interest groups to include gender and race and globalisation. It becomes increasingly to look like a descriptive framework in which outcomes are explained by the interests and actions behind them, generalised and refined as required by inclusion of more case studies and issues - as Olsen and O'Connor (1998, p. 19) put it, "Power Resources Theory in an Era of Globalization: Identifying Actors and Structures".<sup>57</sup> Not surprisingly, the issue of gender alone, its many dimensions and outcomes across issues and nations, is liable to blow apart the welfare regime approach.<sup>58</sup>

Nonetheless, the focus on the family does represent a methodological shift for Esping-Andersen. In his earlier work, he is "focused on the state's larger role in managing and organizing the economy", determined to "follow the broad approach ... [and] understand the 'big picture' ... making grand comparisons", Esping-Andersen (1990, p. 2). Emphasis is also placed on the comparative approach as against one based on "laws of societal motion" which "nearly always posit similar and convergent evolutionary paths", p. 3. In Esping-Andersen (1999), he explicitly states his intention of rejecting public and rational choice theory for its "disembodied treatment of economic life" and also Marxist political economy for its reductionism to class struggle, p. 10/11. Instead, with one reservation, he embraces the comparative institutional method for, "its great asset lies in its sensitivity to historical transformation and cross-national variation", p. 11. No doubt, with some sense of a dual *mea culpa*, his dissatisfaction concerns exclusive focus on macro-relations, for which the importance of the family is overlooked, p. 11:

My reservation has to do with the blindness of virtually all comparative political economy to the world of families. It is, and always has been, inordinately macro-oriented. It occupies itself with macroscopic constructions, such as welfare states, world trade, international finance, or trade unions, and with similarly huge outcomes, such as inflation, employment, inequality, or growth ... a sound understanding of postindustrial society must be anchored in the household economy.

Yet, what exactly is the political economy that Esping-Andersen deploys both to address the macroscopic and what is now a descent to the microscopic of the family? Across his work as a whole, despite his antipathy to O'Goffe, there is heavy reliance upon a distributional/Keynesian approach. The economic theory is identical; it is only the crude reductionism to ruling class legitimacy that is rejected. Explicit reference is made to Kalecki's concern with the political consequences of full employment and whether a profitable capitalist economy could be sustained in face of the growing strength of the working class, Esping-Andersen (1990, p. 162). Within this framework, there are considerable nuances, with some limited potential for trade-offs between employment, money wage and real wage, and with outcomes dependent, not surprisingly, on the welfare regime adopted. Nonetheless, p. 164:

The pursuit of full-employment policy objectives presumes the preservation of private entrepreneurial discretionary powers ... social policy became the chief arena within which distributional solutions were sought. However, this has come to place the welfare state in a double bind: it is given responsibility for both full employment performance *and* distributional harmony. The two functions ... are inherently incompatible.

Considerable emphasis is placed on the changing composition of the workforce, both by gender and occupation (public/private and industrial/services), and on demographics, especially the burdens of retirement.

Little further refinement is evident in the later work as far as the macroeconomic is concerned. Indeed, there is an inclination to shift the macroscopic out of explanatory consideration. In its first phase, the newly formed welfare states are in some respects seen as marginal, Esping-Andersen (1999, p. 31):

The post-war achievement of less inequality with, typically, full employment and rising prosperity was probably more due to well-functioning labour markets and fortunate demographics than to the coming of the welfare state itself. As far as the first two post-war decades are concerned, the chief impact of welfare states on equality and employment was limited mainly to the consolidation of social citizenship rights. Where welfare states made a huge difference was their ability to guarantee against social risks.

Consequently, crises of the welfare state in that earlier period are perceived to be "*endogenous* ... it was doing things badly or bringing about unwelcome consequences". By contrast, the current crisis is seen as deriving from "*exogenous* shocks that put into question the longer-term viability of the welfare state", p. 3. The welfare state is perceived as a Trojan horse from which these exogenous shocks burst onto society, for "the warriors inside the Trojan horse of our times are globalization, ageing, and family instability; a simultaneous market and family failure", p. 148. As before, the result is "a severe trade-off between welfare and jobs, equality, and full employment", p. 173.

In a nutshell, the macroscopic analysis suggests that welfare capitalism is dysfunctional within limits that are variable according to the institutional and political accommodations that are reached. Those limits have been narrowed by the superimposition of globalisation and demographics. For the former, all of the emphasis is upon its negative implications - higher productivity and international competitiveness entail loss of jobs in manufacturing. No mention is made of the cheaper availability of goods. Rather, attention is drawn in part to the growing inequality that accompanies postindustrial economies, and the need for service sector employment to grow to compensate for job losses in manufacturing. This cannot be automatic since "families could not themselves assemble refrigerators, let alone an automobile ... [whereas] households are perfectly capable of preparing their own dinner, tending to their own children, or washing their own car. Globalization may punish our low-skilled workers, but if families decide to lunch out they will stimulate various low-skilled jobs in restaurants. In brief, how does it all add up? What is the connection between global pressures, household behaviour, and employment", p. 97.

A mainstream neoclassical economist would ask such questions, and Esping-Andersen's movement to the microscopic represents an informal appropriation of the new household economics, especially associated with Becker, in which families optimise through trade-offs over gender distribution over domestic and waged work according to external constraints. As Esping-Andersen (1999, p. 58) observes in a self-parody:

The intensity of the trade-off depends on several factors: number and age of children, whether mothers work part-time or full-time, and whether husbands help ... Lamentable as this may be, it is perfectly consistent with a standard neoclassical joint-decision model of household behaviour.

But such flirtations with mainstream economics are not confined to the new household economics. For, the household derives its welfare from the state, the market and its own activities. It is "the ultimate destination of welfare consumption and allocation. It is the unit 'at risk'", Esping-Andersen (1999, p. 36). This leads to the following section heading, "THE FOUNDATIONS OF WELFARE REGIMES: RISK MANAGEMENT", with opening sentence, "social policy means public management of social

risks". This then leads to the standard account for the welfare state that is associated with mainstream economics, not least in terms of market failures including reference to information failure.<sup>59</sup> It is all a far cry from the alternative previously examined, Esping-Andersen (1990, p. 11):

The central question, not only for Marxism but for the entire contemporary debate on the welfare state, is whether, and under what conditions, the class divisions and social inequalities produced under capitalism can be undone by parliamentary democracy.

Only time will tell whether what Taylor-Gooby (1997) has termed the second-best theory of class, state and capital will survive<sup>60</sup> and how much, as an alternative, the political economy of the welfare state will be colonised as risk management.

## 9 Concluding Remarks

This paper has created more debts than it has paid off. One aim has been to advise of the colonising designs of mainstream economics on the understanding of the welfare state within other disciplines. This is on the credit side of the ledger. In addressing public consumption, the paper has shifted to a critical overview of a number of approaches to the welfare state, but without providing an alternative. This closing section can only do so by asserting a number of points.

First, the welfare state is a social and historical construct both in material and interpretative content. As such it is chaotic, contested, contradictory and subject to conflict in practice, ideologically and theoretically. Here, emphasis has been placed on a dual displacement - from private to public consumption, and from public consumption to broader social, political, economic and ideological issues. It is possible to traverse in the opposite direction and acknowledge that the welfare state is a funnel and filter for a complex range of economic and social phenomena as well for ethical principles.

Second, the welfare state is not just a product of capitalism but of a particular stage in its development. Consequently, it is necessary to provide for a political economy of capitalism, including attention to its underlying structures, processes and tendencies, and how these are reproduced and transformed. The second half of the twentieth century is not only marked by the extent of the internationalisation of capital but also by the extent of state intervention. Further, the last quarter century of the millennium has witnessed, simultaneously with a growth slowdown, an apparent hegemony of finance over industrial capital (to a degree that should be familiar to historians of the British scene). Paradoxically, the most recent literature on the limits to the welfare state acknowledge the power of international (finance) capital but in a way that is crudely unsatisfactory.<sup>61</sup> The same is true of its understanding of the capitalist state, not least because it tends to be posed as the political counterpart to the economic limits that it confronts. In short, it is unfortunate that the political economy of the welfare state in the era of globalisation should have taken O'Goffe as its point of departure for it is the weakest legacy from the thriving political economy of the earlier crisis literature of the 1970s. It is all the more unfortunate as the point of arrival is a rejuvenated political economy derived from mainstream economics.<sup>62</sup>

Third, public consumption and the welfare state are concerned with economic and social reproduction. Consequently, demographic issues are to the fore in terms of household formation, and fertility and mortality rates, etc. But this does not mean that the household should be taken as an analytical starting point any more than our understanding of capitalism need be based on the individual firm. Rather, the demography needs to be related to the political economy of capitalism and its periodisation.<sup>63</sup>

Fourth, the relationship between social and economic reproduction, and the fluidity between them, is partially captured by the notions of commodification and decommodification. These are, however, totally inadequate as used in the welfare regimes approach. For, each goes much deeper than a simple understanding based on more or less (labour) market dependence. Whilst capitalism has a tendency to commodify, this also creates a countertendency for the very same process of undermining non-capitalist provision also strengthens it, not least through the provision of cheap means of production and consumption. For the new household economics, this is simply a matter of reading off outcomes in terms of a more or less socially sticky comparative advantage. By contrast, outcomes both in the division of labour between commercial and non-commercial, and in the formation of labour market structures and dynamics, are highly contradictory and contingent.<sup>64</sup>

Finally, it is inconceivable in light of the foregoing principles that a general theory of the welfare state, even with regime varieties, could be appropriate. Both across countries and across specific programmes within countries, conditions are too diverse to allow for such regularity. Even the pressure for, and impact of, privatisation programmes are highly diverse by country and by sector.<sup>65</sup> The same is stronger for welfare provision. There is no alternative but to examine the peculiarities of the benefit system in its relations to a full range of factors, and the same applies to housing, health, education and other components of welfare systems.<sup>66</sup> Such a result is hardly surprising since not only is welfare provision highly diverse, so are its determinants in the economy, labour markets, politics, trade unions, etc.<sup>67</sup> Indeed, the conclusion is heavily supported by the wealth of programme and policy studies across countries and over time. As research on the welfare state becomes increasingly interdisciplinary,<sup>68</sup> it should be reinforced albeit at the expense of a colonising economics and its veiled forms of methodological individualism.

### Footnotes

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<sup>1</sup> See especially Fine and Leopold (1993), Fine et al (1996), Fine (1993a, 1998b and 1999c). Although general arguments are provided, specific attention is also paid to clothing and, particularly, food.

<sup>2</sup> For the young Baudrillard (1998, p. 193):

Consumption is a myth ... *a statement of contemporary society about itself*, the way our society speaks itself. And, in a sense, the only objective reality of consumption is the *idea* of consumption.

<sup>3</sup> As Baudrillard (1998, p. 32) argues in an early work, "Consumer goods thus present themselves as a *harnessing of power*, not as products embodying work". For an excellent illustration, see Burke's (1996) account of the selling of cosmetics to black Zimbabweans.

<sup>4</sup> Or, in more down to earth fashion, Corrigan (1997, p. 32) concludes, "consumption communicates social meaning, and is the site of struggles over social distinction. The fulfilling of more concrete needs arising from, say, individual feelings of cold or hunger seems almost an accidental by-product". See also Campbell (1995) for a critique of consumption as merely communication by other means.

<sup>5</sup> See Wyrwa (1998) for an account of how constructing the idea of consumption tends to involve a critical element. However, Livingston (1998) is wrong to suggest such critiques of consumer society inevitably involve a nostalgia for the artisan, traditional female roles and a failure to embrace a world opening world to subjectivity.

<sup>6</sup> See Uusitalo (1998) for the idea that ecological preferences represent a form of collective consumption.

<sup>7</sup> In the context of food, this has yielded what Fischler (1980, 1988 and 1989) terms the omnivore's paradox - capacity to eat anything but fear of poison. For a critique, see Fine (1993b and 1998, Chapter 2).

<sup>8</sup> See McNally (1993, p. 112) in quoting EP Thompson, "One of the great achievements of Owenism was that it taught many working-class radicals 'to see capitalism, not as a collection of discrete events, but as a *system*'".

<sup>9</sup> For a close review of the literature on labour chits, see Saad-Filho (1993).

<sup>10</sup> Note, this is not the same as the working class as workers collectively consuming all that they produce. As Marx indicates in the Critique of the Gotha Programme, it is necessary to make allowance for those who are incapable of work, for the social expenses of production, and for investment for future production.

<sup>11</sup> Marx is equally scathing over the analytical content underlying such schemes, not least in his critique of Proudhon.

<sup>12</sup> See Bowring (1998) for a contemporary assessment.

<sup>13</sup> As will be apparent, what follows depends heavily on Furlough (1991), but see also Gurney (1996).

<sup>14</sup> It would also be appropriate to relate public consumption to welfare capitalism, Cohen (1990) for an illustration, to pension funds (and their progressive application), Blackburn (1999) for a recent

contribution, and to profit-related pay (PRP) and employee shareownership plans (ESOPs), Fine (1999e) for a critical assessment.

<sup>15</sup> See other papers to this conference.

<sup>16</sup> Equally, this all induces a counter-reaction in which it is denied that simple measures are appropriate for individual or social welfare or whatever.

<sup>17</sup> But see Zelizer's (1987) account of the shifting evaluation of children from little workers to priceless offspring over the past century.

<sup>18</sup> See Carter (ed) (1998) for a mercifully rare account of the welfare state from a postmodernist framework.

<sup>19</sup> For a fuller discussion of what follows, see Fine and Leopold (1993, Chapter 4) and Fine (1995 and 1997b).

<sup>20</sup> Despite claims to the contrary. For a full discussion, see Ranchetti (1998).

<sup>21</sup> Usually leading to suggestions that happiness depends upon comparison with others and that it would be better not to pursue growth in per capita income but, rather, provision that precludes rivalry such as public consumption. See collection edited by Dixon (1997). See also Lebergott (1993, p. 71/2):

In 1980, the Bureau of Labor Statistics directly asked American families: "What would be the smallest income ... your family would need to make ends meet?" It rediscovered Durkheim: the more one has, the more one wants. Families with incomes below \$5,000 felt that \$7,822 a year would suffice. . Families with incomes from \$5,000 to \$10,000 felt \$10,193 was needed. Those who averaged \$44,837 knew that almost three times that sum was absolutely necessary.

<sup>22</sup> Reflationary policy, for example, becomes expected to lead to future tax increases or inflation with equal and opposite deflationary effects on economic agents

<sup>23</sup> In addition, radical political economy was to peak in its influence in the 1970s before being set aside altogether by the mainstream.

<sup>24</sup> See Fine (1997a and 1998c)

<sup>25</sup> See Taylor-Gooby (1998a) for a critique of rational choice as an approach to public policy. He concludes, Taylor-Gooby (1998b, p. 221):

The intellectual position that underlies the new directions in public policy is based on a view of economic choice that sees behaviour as ultimately motivated by instrumental rationality.

<sup>26</sup> This example is taken from Besley and Coate (1995) and is discussed more fully in Fine (1998a, Chapter 4) including the inclusion of a workfare scheme, which brings further refinement to social stratification.

<sup>27</sup> Not an entirely appropriate term for mainstream economics for, underlying all of its analysis, is the notion that work is undesirable to the individual, a "bad" as opposed to a good, thereby inducing disutility. For a critique, see Spencer (1998).

<sup>28</sup> This would follow Mancur Olson's theory of collective action which ultimately suggests high gains and low costs for small groups and, potentially, vice-versa for large groups.

<sup>29</sup> He has also served as Chair of the Committee for awarding the Nobel Prize in Economics. Frank Field (1996, p. 19) is his political counterpart in the UK in the way in which he understands behavioural responses to the social security system:

Self-interest, not altruism, is mankind's main driving force.

<sup>30</sup> Andersen et al (eds) (1995) provide a sequence of papers constructing the welfare state as a response to market imperfections. More generally, the Journal of Public Economics is full of such models.

<sup>31</sup> This is a perverse counterexample to Mason's (1998, p. 160) observation that

the emphasis on mathematical economics and econometrics has, at the least, marginalised research into the causes and effects of consumption for status and display.

<sup>32</sup> Leading to criticism of traditional methods for assessing economic performance, Stewart (1996) for example. Others, such as Tony Atkinson, are also prepared to fight Lindbeck and the like on their own analytical terrain. See Atkinson (1995) and Atkinson (1997) and Lindbeck (1997).

<sup>33</sup> Blundell et al (1994, p. 41) also express the need to take account of rights, entitlements and obligations but ultimately, as leading theoretical and empirical practitioners, their goal is, "how to measure social welfare, inequality and poverty from individual welfare measures".

<sup>34</sup> I have explored this tension in some detail in an assessment of the literature induced by Sen's entitlement approach to famine, Fine (1997c).

<sup>35</sup> Even so, Laybourn (1995, p. 10) suggests that there have been eight approaches to the study of the British welfare state - Whig, pragmatic, bureaucratic, ideological, conspiratorial, capitalistic, democratic and the latter's generalisation as pluralism.

<sup>36</sup> It led Klein (1993) to dub their approach "O'Goffe's Tale".

<sup>37</sup> See Torfing (1998, pp. 178/9) for a brief exposition Gough:

Gough deliberately seeks to avoid a functionalist explanation of the modern welfare state .... by explaining [it] ... as a result of class struggles fought within the structural limits of capitalism ... [do not] overlook the fact that he does not pay much attention to the nature of the structures of capitalism and how they are translated into constraints of actions. His real contribution is that he invokes an action theory which is not based on methodological individualism. However, the problem with Gough's action-based theory of the development of the modern welfare state is its class reductionism etc.

Block (1990) points to the crudeness of the legitimisation versus accumulation framework. For critique of Gough's political economy and debate with him, see Fine and Harris (1976 and 1979) and Gough (1975).

<sup>38</sup> Offe (1995) has also succumbed to the globalisation, limits to the welfare state analytical syndrome.

<sup>39</sup> This is in effect a special case of a more general argument that social and political democracy itself is undermined by globalisation, as in Wilber (1998) for example.

<sup>40</sup> That this is empirically false is established by Swank (1998).

<sup>41</sup> Interestingly, Glyn (1998), a longstanding and leading proponent of the profit-squeeze hypothesis, considers that the crisis of the welfare state continue to derive from intra-national conflicts and the global at most serves in an ideological contagion role.

<sup>42</sup> See, for example, Geyer (1998) Clayton and Pontusson (1998), Myles and Pierson (1997), Fazeli (1996), Pierson (1996 and 1998b) and Pierson (1994) for interpretations of the crisis of the welfare state as obituary, restructuring or resilience, etc.

<sup>43</sup> For a critical assessment of this literature, especially for its heavy bias towards examining contracting relations between banks and firms, rather than the external conditions in which they operate, see Fine et al (1998).

<sup>44</sup> For a critical assessment of this voluminous literature, see Fine (1999b).

<sup>45</sup> Post-Fordism might be thought to provide an alternative avenue along which to pursue the political economy of the welfare state. Its increasingly exposed theoretical and empirical weaknesses have, however, predominantly left it high and dry in face of such an applied topic. The boldest attempt has been made by Jessop (1994) in positing the shift from a Keynesian welfare to a Schumpeterian workfare system. More generally, see Burrows and Loader (eds) (1994) and the collection in Environment and Planning A, vol 27, no 10, 1995. Essentially, this work does little more than engage in conceptual translations and overgeneralisations, with a theory that, "was developed at a more abstract (but still intermediate) level and needs to be concretized and complexified for the analysis of any specific historical object", Jessop (1995, p. 1623). Pinch (1994, p. 222) is more blunt if still unduly positive:

Post-Fordist concepts are beginning to look like an ornate sandcastle that is rapidly being engulfed by a tide of criticism. Yet a few battered turrets - such as the flexible-firm model - still remain. If used carefully, such concepts can provide insights into the complex character of recent changes in the welfare state.

<sup>46</sup> See also Gornick and Jacobs (1998, p. 692):

Largely due to Esping-Andersen's (1990) influence, it is now commonplace for scholars of the welfare state to focus on welfare state regime types (i.e. groups of countries with similar characteristics).

<sup>47</sup> See, for the interim, Esping-Andersen (1996a and b).

<sup>48</sup> Before comparing and classifying welfare states, account should be taken of the conceptual and empirical difficulties laid out in Spicker (1995, Chapter 13).

<sup>49</sup> See also Kloosterman (1994) who argues that the Netherlands is not German-like, as suggested by Esping-Andersen, in its labour market response to "post-industrialism" (since it has not depended on growth in service sector employment).

<sup>50</sup> And differences in benefits are perceived as "screening out the rich rather than, more narrowly, 'screening in' only the abject poor", Esping-Andersen (1999, p. 75).

<sup>51</sup> Jones (ed) (1993) includes contributions which demonstrate how Esping-Andersen needs to be refined to accommodate European welfare states let alone those of Asia.

<sup>52</sup> For an overview of Mediterranean welfare states, see Rhodes (ed) (1997) and also Katrougalos (1996) and Ferrera (1996). See also Cousins (1997) who, in the context of Ireland, suggests that Esping-Andersen neglects relevance of core and periphery in the functioning of the world system, as well as religion and farming.

<sup>53</sup> Ultimately, Esping-Andersen (1999, p. 11) is drawn to the conclusion that, "a sound understanding of postindustrial society must be anchored in the household economy".

<sup>54</sup> Esping-Andersen's (1999, p86/7) upbeat and explicit response to three more sophisticated studies, as providing "some support for the three clusters" is misplaced. Shalev (1996) finds five of eighteen countries do not fit into the three clusters, Kangas (1994) finds some support but it is highly limited by time, countries and programmes, and Ragin (1994) rejects his hypothesis. But see van Kersbergen (1995) for the argument that improved data and statistical techniques will not suffice to settle disputes over interpretation the welfare regimes.

<sup>55</sup> This leads Taylor-Gooby (1996) to launch a critique of Esping-Andersen for not taking sufficient account of inertia, institutions, politics and dynamics in general.

<sup>56</sup> As O'Connor (1996, p. 107) puts it:

This complexity can only be captured by an analysis that recognizes the welfare state as a mechanism of stratification that can simultaneously deal with structuring by class and gender, and in some countries race.

<sup>57</sup> Here, there is an interesting parallel with the bringing the (developmental) state back in literature for which increasingly refined concepts around autonomy and embeddedness are introduced to accommodate the mounting variety in state-types - just as new welfare regimes or hybrids are required. See Fine and Rustomjee (1997, Chapter 3).

<sup>58</sup> As O'Connor (1996) more modestly puts it, there is a need to move beyond women as an issue to gender as a dimension of analysis. For consideration of gender and the welfare state, a rapidly growing literature, see also for example, O'Connor et al (1999), Haney (1998) and Cousins (1999).

<sup>59</sup> Esping-Andersen (1999, p. 37) indicates the "discussion indebted to the work of Barr (1993)", now in a third edition, Barr (1998), an entirely orthodox economics text.

<sup>60</sup> His irony is in response to postmodernism, but see debate with Hay (1998) who is less concerned with the new sociology as much as the new economic ideology of no alternative.

<sup>61</sup> Significantly, Brenner's (1998) recent assessment of the collapse of the post-war boom is more or less entirely silent on the issue of international finance and the internationalisation of capital more generally. For a critique along these and other lines, see Fine et al (1999).

<sup>62</sup> For a critical, if dated, review of alternatives to O'Goffe's political economy, see Fine and Harris (1979).

<sup>63</sup> I have attempted to do this in Fine (1992), where reproduction of the family system is understood as being periodised in logical if not exact historical conformity to the periodisation of capitalism, thereby integrating demographic transitions, rise of mass production, growing female labour market participation, and increasing role of the state in social and economic reproduction.

<sup>64</sup> This point is addressed in detail in work on consumption, Fine et al (1996), Fine (1998 and 1999c). In the context of the household, see Fine (1992, Appendix), and for labour markets Fine (1998a, Chapter 7).

<sup>65</sup> See Fine (1997d) and the references contained therein.

<sup>66</sup> Thus, in the context of social and economic infrastructure in South Africa, I have argued that, apart from inequality in provision by race, the common imperatives derived from apartheid gave rise to highly diverse outcomes across health, schooling, housing and electrification, MERG (1993).

<sup>67</sup> For similar conclusions in different contexts, see for example, Rhodes (1997) for influence of diversity in industrial relations, Clarke and Newman (1997) for forms of management, Webb (1995) for modes of financing, Leonard (1997) and Teeple (1995) for a whole range of factors, and for Pierson (1994, p. 14/5):

The extent of programmatic variation deserves emphasis ... there are significant dangers in generalizing about the 'welfare state' ... a concept covering a range of disparate public policies ... One of the problems with theories of welfare state development is that they generally fail

to disaggregate ... System-level variables, such as the structure of political institutions or the strength of the political left, cannot alone explain variations within the system.

See also Pinch (1997) if unduly accepting the globalisation thesis.

<sup>68</sup> See (1998a and b) and Rhodes (1996) for example.

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