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Discussion Papers

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LEFTIST GOVERNMENTS, WORKING CLASS POWER, AND THE POLITICAL ECONOMY OF ADVANCED CAPITALIST SOCIETIES

DP #666-81

Leftist Governments, Working Class Power, and the Political Economy of Advanced Capitalist Societies

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September 1981

ABSTRACT

This paper is an inventory of recent literature which discusses how variation in the strength of leftist political parties in highly industrialized societies influences variation in economic performance. Most of the literature is from the disciplines of political science and sociology, and it demonstrates that societies with leftist governments vis-a-vis those to the right tend to have less unemployment, more egalitarian distributions of income, higher rates of change in economic productivity and economic growth, and less industrial conflict. The findings reported herein offer insights as to why the same economic variables perform differently in different societies.

WORKING CLASS POWER, LEFTIST GOVERNMENTS, AND THE POLITICAL ECONOMY OF ADVANCED CAPITALIST SOCIETIES

In recent years, there has been a dramatic increase in scholarship that seeks to specify the connections between working class power and various aspects of the structure and performance in the political economy of western capitalist nations. This body of theory and empirical research emphasizes the importance of class structure and class conflict in explaining differences among western nations in both economic performance (e.g. growth, productivity, inflation, unemployment, inequality in income distribution) and the behavior of political institutions (e.g. government spending, taxation policy, housing policy, social insurance policy, etc.). What distinguishes this literature from other scholarship which is also labeled political economy is its concern with the impact of working class power on the structure and performance of the economy.

The theoretical and empirical work of the "new political economy" has slowly been developing a coherent perspective on the behavior of the economic and political systems in western industrial societies. Specifically, recent empirical work has succeeded in uncovering substantial regularities between class power and a number of dimensions in the political and economic behavior of advanced capitalist societies. There has also been considerable success in conceptualizing class power and in specifying some of the ways that it is related to the behavior of the political economy.

In this paper, we briefly survey some of the recent efforts to establish and validate relationships between the power of the working class and the behavior of the political economies of the western capitalist societies. We first discuss the nature of the "new political economy" and summarize its conceptual approaches to the problem of the power of the working class. Following this, we review selections from recent literature which analyze the relationship between the power of the working class and the structure and behavior of the advanced capitalist nations. In closing, we offer suggestions for further work and comment on the possibilities of a rapprochement between those working in the discipline of economics and those who have produced the "new political economy" literature.

The "New Political Economy" and Conventional Economics

Many of the issues addressed by writers in the new political economy perspective are the same as those which scholars in comparative macroeconomics address (e.g. why do growth rates differ? why is there more income inequality in one nation than in another? why does the inflation-unemployment trade-off differ from nation to nation?). Those who have produced the new political economy literature, however, differ in two major ways from those who work in the mainstream of economics. First, the interest of most economists focuses primarily on economic structure and performance. Because writers in the new political economy area see the structure and performance of economic institutions and political institutions as inseparable, their research focuses on both economics and politics. Second, whereas conventional economics seeks explanations in theories of factor supply, demand, pricing, and market organization, the new political economy scholarship sees these phenomena as resulting from political and economic mechanisms that influence the levels of both economic and political performance.

Writers in the new political economy tradition tend to see the economic and political performance of nations as being very much influenced by class structure and class conflict in both its economic and political manifestations. Hence, they tend to be concerned with a broader range of "dependent variables." In particular, they tend to see class relations in the economy (collective bargaining, strikes, worker ownership) and class relations in the polity (voting, cabinet representation, policy making) as immediately and inextricably tied to questions about comparative economic performance.

The concern of the new political economists with the power of social classes as the major explanatory variable represents the most marked departure from the work of those in the discipline of economics. Useful models of growth, distribution, productivity, unemployment, inflation and the like have been developed to quite high levels of sophistication by economists. However, these models utilize a fairly narrow range of explanatory variables, and are not directly concerned with relations among social classes. The point of departure for models in the new political economy is the power of social classes in both their economic and political forms. Levels of economic performance are seen as resulting from the way that class conflict influences the structure of the economy, the structure of politics, and the relationships between the economy and the polity.

Working Class Power: Conceptual Approaches

Central to all the work in the new political economy literature is the role that class structure and class conflict play in influencing the form and performance of political and economic institutions. While there has been a substantial accumulation of empirical evidence around this theme, conceptual development on the meaning of working class power and the ways that it is linked to the behavior of the political economy is of considerable importance. Before examining the empirical evidence on the relationship between working class power and political-economic performance, it is important that we briefly examine these conceptual advances.

Several early studies (Wilensky, 1975; Jackman, 1975; Adelman and Morris, 1973) on the relationship between working class power and political economy outcomes failed to find any significant relationship. These studies, and others like them, have been criticized in more recent work for their use of single indicators of working class power and for their simplistic conceptualization of the processes by which working class power is connected to the performance of the political economy. From the scholarly debate over the issue of whether class power makes any difference in economic performance, something resembling a coherent conceptual perspective is emerging. Central to this perspective is the argument that working class power influences the behavior of the political economy both directly and indirectly, and that it influences the behavior of the political economy through both economic and political forms of class conflict.

Korpi and Shalev (1980), in a recent statement on the problem of working class power, make a sharp distinction between working class "mobilization" and the "stable control" of political institutions by representatives of Labor or Social Democratic political parties. They persuasively argue that class mobilization (measured by the proportion of the labor force unionized and the share of all votes received by leftist political parties) may have quite different effects on the behavior of the political economy from "stable control" (measured by the percentage of cabinet seats held by leftist party representatives). This distinction parallels a similar one which Hanneman (1979a; 1979b) made between the "external pressure" which the working class exerts on the state apparatus (measured by unionization, strikes, voting) and the direct incorporation of the working class in the state (measured by the proportion of cabinet representatives held by leftist parties). Using these distinctions, Hanneman was able to explain variation in state taxation, expenditure, and redistributive policies.

An important step forward conceptually and operationally is the distinction between cases in which the working class stands outside the machinery of the political economy but is able to exert pressure on it (as in France during the 1960's and 1970's) and those cases in which representatives of the working class are in direct control of the state apparatus (as in Sweden until very recent years). This distinction not only allows for a more adequate description of the realities of the position of the working class in the political economy, but it also allows one to assess how variation in the directness with which working class power impacts on the state influences the behavior of the political economy. The distinction between "mobilization" and "stable control" also allows for the possibility of intermediate states between these two extremes. Thus, the situations of left minority representation or coalition governments are recognized as being different from "stable control."

The second major conceptual advance in the study of working class power is the recognition that economic and political forms of activity have dramatically different consequences for the behavior of the political economy. While emphasizing this point, Korpi and Shalev (1980) suggest that variation in the power of the working class determines whether it channels its energies primarily through economic organizations or through political activity and political organizations.

The distinction between different spheres of class power--economic versus political--brings into clearer focus a number of important issues that have troubled political economy analysts. In some nations at various points in time, the power of the working class may be exerted primarily through economic organizations; and at other points in time, its power is channelled through political organization. But whether the leading edge of the labor movement is in economic or political organization may have considerable consequences for the behavior of economic and political institutions.

The recognition that there is variability in whether the working class channels its power through political or economic organizations raises the possibility of greater analytic precision over another very troubling phenomenon of class power in the political economy: that of the form and strength of linkages between the economic and political organization of labor. Hollingsworth (1982) and Olson (1976) have noted that there are substantial differences in the performances of political economies of nations that display a pattern of "encompassing groups" versus those composed of large numbers of "narrowly based" groups. For example, nations with a few large labor unions which encompass a large proportion of the labor force and which are closely associated with a political party (e.g. Sweden) appear to differ rather substantially along a number of dimensions from those nations that have large numbers of unions, none of which encompass a sizeable share of the labor force (e.g. the United States).

In short, two major conceptual advances in dealing with the question of the power of the working class distinguish much of the work in the new political economy from its predecessors. By drawing clear distinctions between political and economic organizational forms of the working class and by identifying important variation in the "directness" with which these organizations impact on economic and political institutions, it has become possible to establish empirically regularities between patterns of working class power and the behavior of the political economies of advanced capitalist societies. We shall now turn our attention to a few of the recent studies in the new political economy.

Working Class Power and Types of Social Policy

Underlying the large numbers of specific differences among nations' political economic performances, there is a general dimension. Walter Korpi (1980), following suggestions by Wilensky and Lebeaux (1958) and Titmuss (1974), suggests that nations may be distinguished as having "marginalist" or "institutionalist" types of social policies. Where the marginal pattern of political economic behavior exists, the working class has a low level of mobilization (e.g. low levels of unionization) and exercises little direct control over political parties. The marginalist type of political economy is characterized by low levels of social spending, narrow and means-tested eligibility, emphasis on amelioration of labor market outcomes rather than prevention, limited redistributional impacts of public spending, and an emphasis on private rather than public programs. The "institutionalist" political economic pattern is associated with extensive working class mobilization and control of political parties and emphasizes the public provision of a wide range of benefits to a large proportion of the population. And these benefits tend to be redistributive in character. Quite importantly, the institutionalist approach emphasizes intervention and prevention rather than amelioration of the problems generated by the operations of economic markets.

While the "marginal" versus "institutional" distinction among the political economies of the advanced capitalist nations is ideal-typical, with no one case fully fitting either extreme, it is a valuable tool for understanding several important aspects of political economic behavior. According to Korpi (1980) these two types of policies are the key to understanding the degree of welfare backlash in societies. He suggests that marginalist policies separate the poor from the majority of the population and raise the probability of a "welfare backlash" of those above the poverty line. This interpretation suggests that "marginalist" and "institutionalist" forms of policy have major effects on the formation of class coalitions in societies. Marginalist policies tend to divide the poor from the working and middle class, and to create an "underclass." Institutionalist policies, as they involve the majority of the citizens, tend to create broadly based coalitions that partially bridge the gap between working and middle classes. It should be noted, however, that Korpi's interpretation of sources of welfare backlash differs from the very stimulating work of Wilensky (1976), who argues that backlash is less likely in countries with centralized and corporatist patterns of government, because of less visible types of taxation.

The "institutionalist-marginalist" dimension is also important to the problem of "policy coherence" (Hollingsworth, 1979). Nations with the institutionalist pattern are more likely to attack problems in an integrated fashion, adjusting many different policies to cope with a particular performance problem, whereas nations with "marginalist" policies are more likely to proliferate specialized programs which are somewhat contradictory in nature. This pattern, too, has implications for class structure: marginalism tends to create many small and specialized constituencies, while institutionalism creates a smaller number of widely based coalitions.

The relationship between the power of working class parties and institutionalist-type distributional policies is a delicate one, however. If working class parties are not sufficiently strong to implement coherent policies of an institutionalist nature over a prolonged period of time, there is always the potential for decomposition of the working class party to occur, as Esping-Anderson (1978a; 1978b) has demonstrated in two excellent studies of the Social Democratic parties of Denmark and Sweden. Party decomposition is always a serious problem for Social Democratic parties, for as Przeworski (1981) has demonstrated, Social Democratic parties have always had to compromise their basic programs in order to govern. Thus the question of what are the conditions which explain variability over time and across countries in the ability of Social Democratic parties to govern is an important one. Fortunately, Stephens (1979) and Hollingsworth (1979) have recently shed interesting light on this problem. As these studies indicate, the causes of "institutionalist" and "marginalist" policies are not directly economic, but rather appear to have their immediate origins in the political power of the working class. Increasingly, scholars have found many other specific areas of political economic performance equally amenable to such explanations, as the discussion below illustrates.

Incidence of Industrial Conflict

There is a sizeable body of literature which argues that as industrialization increases, class conflict becomes neutralized, if not altogether eliminated, and that this occurs because during the process of industrialization, there tends to develop a convergence in the power resources of workers and employers as the result of the increasing mobilization of worker power through trade unions (Kerr et al., 1964; Ross and Hartman, 1960). In several recent studies (Shalev, 1978; Hibbs, 1976, 1978; Korpi and Shalev, 1980), this view has been strongly challenged. For the period since the Second World War, Korpi and Shalev (1980) demonstrate that in those countries (Sweden, Norway, and Austria) where the working class has been strongly mobilized and has experienced control over governments for lengthy periods of time, industrial conflicts have tended to decrease markedly and have almost withered away. On the other hand, in those countries (Denmark, New Zealand, Britain, and Belgium) where the working class has been highly mobilized but the control over the government has been only occasional and unstable, the level of strike activity and industrial conflict has remained relatively high. In those countries

(Australia, Finland, France, Italy) in which the working class has been somewhat strongly mobilized but has rarely dominated the government, the level of industrial conflict has increased considerably. And in those countries (Ireland, United States, and Canada) in which the working class has a low level of mobilization politically and has also failed to capture control of the government, the level of industrial conflict has remained very high. In these countries, strikes have tended to be somewhat lengthy and to generate relatively high levels of idle man days.

The explanation by Korpi and Shalev (1980) for this type of variation is interesting. They argue that where the working class has been highly mobilized and has achieved relatively stable control over the government, the working class has turned to the political system in order to obtain a greater distribution of the society's resources, and it is no longer necessary to fight primarily in the labor market for more benefits. But in those societies where labor is not highly mobilized and has not exercised stable control over the government, labor has focused on the labor market rather than the political system as the arena for obtaining more distributional rewards. And it is for this reason that industrial conflict has remained relatively high in those societies in which the political power of labor is weakest. Hibbs (1978:165-167) made a similar argument:

> . . . long-run changes in the volume of industrial conflict are largely explained by changes in the locus of the struggle over distribution. Strike activity has declined dramatically in

> nations where Social Democratic or Labour parties assumed power in the 1930s or just after the Second World War and created the modern welfare state. . . . By socializing the consumption and distribution . . . of an enormous fraction of the national product, Social Democratic and Labour governments engineered a massive circumvention of the private market. The principal locus of the distribution of national income was shifted from the private sector, where property and capital interests enjoy a comparative advantage, to the public sector, where the political resources of the organized working class are more telling.

In this explanation, the importance of the form (political versus economic) of working class organization is emphasized as well as its strength. Conventional economic theories of industrial conflict recognize that the form of class relations in the economy are important (e.g. firm versus industry-wide bargaining, "codetermination," etc.), and that the economic strength of the actors is relevant (e.g. level of unionization, unemployment, etc.). What the new political economists stress, a point that has before been too frequently unrecognized, is the development of a further explanation for class conflict, one which emphasizes the political organization and power of the working class.

Income Inequality

For some years scholars have been interested in the problem of how political variables influence the distribution of income. Thus far, the results have been somewhat inconsistent, partly because scholars have employed different approaches, vague concepts, and weak measures when studying inequality in income distribution.

Several scholars have argued that working class institutions and ideologies have had little impact in shaping income distribution (Parkin, 1971:120-121; Scase, 1977:75; Jackman, 1974; 1975; 1980). The most elaborate argument that the strength of leftist parties is unrelated to variation in the degree of economic inequality is given by Robert Jackman (1975). Focusing on variation among 60 nations, Jackman writes that

> the legislative strength of parties of the noncommunist left has no impact on the distribution of material goods. Countries with stronger socialist parties are not likely to have a greater degree of social equality than are those without such parties. Socialist party strength has no discernible bivariate effect on . . . income inequality (1975:134).

Controlling for the level of economic development, Jackman argues that the association between variation among nations in the level unionization and income equality is spurious and that

> The strength of unions . . . has no discernible impact on social equality. If redistribution has been a primary

> goal of labor unions, the analysis . . . indicates that these movements have not been noticeably successful in achieving it (ibid. 151).

Jackman's study is seriously flawed with measurement problems, however. First, he uses an unreliable measure of economic equality: inter-sectoral inequality as an indicator of inequality among individuals or households. Moreover, there are serious problems in his definition and coding of socialist parties (Wilensky, 1981; Cameron, 1981a). In a more recent study, Jackman (1980) employed a different methodology, but he still argued that variations in the power of the working class had little impact on variations in income distribution. In this study, however, Jackman failed to use a summary measure of income distribution, causing his results again to be somewhat suspect. Even so, it is possible to use statistical results of his most recent study (1980) and reach conclusions entirely different from those which he put forth, for his regression equations do suggest that an increase in the power of the working class does have an equalizing effect on income distribution.

Most recent studies which use more direct measures of income inequality for cross-national analysis have found that variation in the mobilization of power by labor is important in explaining variation in income distribution (Stephens, 1979). For example, Hewitt (1977:460), focusing on the relationship between the proportion of seats held by socialist parties and various measures of income distribution, contradicts the findings of Jackman (1975), by concluding that "Socialism is consistently and positively related to government redistribution and to a lowering of the share of the top income groups." Elsewhere, David Cameron (1981b) has studied the relationship between the percent of cabinet portfolios held by Social Democratic and Labor parties between 1960 and 1971 and income distribution, and has found a moderately strong relationship to exist between the two. Focusing on twelve advanced industrialized nations, Cameron's study demonstrated that the nations with the most inegalitarian distribution of income were those in which leftist parties rarely or never governed in the recent past.

Elsewhere, Hollingsworth (1979), in a study of the United States, Great Britain, France, and Sweden during the period between 1950 and 1975, found that whether income distribution data are analyzed with Gini coefficients or an Atkinson index, and whether the data are analyzed on a pre-tax or post-tax basis, variation in the mobilization of labor's power is positively associated with an egalitarian distribution of income. In a rare longitudinal study covering approximately a century, Hanneman (1979a) focused on France, Germany, and Great Britain and found that the mobilization of labor's power tends to bring about greater equality in income distribution before taxation, and greater distribution through taxation and expenditures.

In another study, Lars Bjorn (1979), controlling for various economic variables, demonstrated that in Denmark, Sweden, Great Britain, the United States, and Australia, leftist parties were more likely than nonleftist parties to distribute income to lower income groups during the periods both before and after World War II. As Bjorn (1976, 1979) carried out a separate analysis within each individual country over time, his measure of leftist power varied from country to country, but the positive relationship between the power of the working class and a more egalitarian distribution of income was consistent across the various countries.

These studies are careful to point out that the variation in the ability of labor to mobilize its power is not the only--or even the most important--reason for the variation among nations in the degree of inequality. But contrary to the findings of Parkin, Scase, and Jackman, cross-national variation in the power of the working class is an important reason for the variation in the distribution of income.

The processes by which working class power affects income distribution are discussed in a speculative fashion in Stephens (1979) and Hanneman (1979a). Both discussions, as well as other literature (Cutwright 1967a; 1967b; Hollingsworth, 1979) suggest that leftist government results in more highly redistributive taxation-expenditure packages. More speculative, but equally important, is the suggestion in these works that working class political power reduces inequalities <u>prior</u> to redistribution through their impact on labor markets, collective bargaining, and regulation (Stephens, 1979).

Unemployment

As implied above, there is some evidence that the relationship between leftist governments and a more egalitarian distribution of income exists because leftist political parties and governments have a strong commitment to maintaining high levels of employment. Full employment is a critical variable in narrowing the income differentials of skilled and unskilled workers and affects collective bargaining outcomes, as economists have long suggested (Williamson and Lindert, 1980). For example, Cameron (1981a; 1981b) found, with American data, a strong negative relationship between the level of unemployment and the share of income received by the bottom 40 percent of income recipients. Moreover, he demonstrated that their share decreased when unemployment increased in each of the recessions since the Second World War.

Since there is a positive relationship between the power of leftist governments and an egalitarian distribution of income and since leftist governments are strongly opposed to high levels of unemployment, it is important to understand how variation in the partisanship of governments is related to levels of unemployment. In one study, Hibbs (1977) found that whether nations attained full employment or not during the 1960's depended on the presence or absence of Labor or Social Democratic parties in government. In a more recent study, which focuses on the years between 1967 and 1972 and which includes more nations than the Hibbs study, Cameron (1981a) also found that leftist-dominated governments were more likely than non-leftist governments to attain full employment. But when he included more nations in his analysis than had Hibbs, the relationship between leftist-dominated governments and full employment was not very strong. In his original study, Hibbs had not included several nations (e.g. Japan, Australia, Switzerland, and Spain) which had low unemployment rates even though there was little domination by leftist parties. In response to this criticism, Hibbs re-analyzed his data, including a larger sampling of nations, and he too found only a modest correlation (about -.3) between the level of unemployment and the share of cabinet positions held by leftist parties (Hibbs, 1979). This rather weak relationship between partisan composition of government and unemployment led Cameron to observe (1981a:28) that

> . . . this is hardly surprising, since the rate of unemployment may be influenced by many factors other than the partisan composition of government--for example by the rate of economic growth that, in turn, depends on such factors as the level of capital formation, technological developments, the competitive position of a nation's products in world markets, and fiscal and monetary policies that sustain internal demand and production. While the traditional commitment of Social Democracy may represent a bias toward

> full employment, the existence of high rates of capital formation, technological advances, and high demand on world markets may allow nations with non-socialist governments to attain near full employment.

In short, Cameron (1981a:29) suggests that "while frequent Social Democratic governments may constitute a sufficient condition for near-full employment, it does not, as Hibbs implies, constitute a necessary condition." For the twenty year period between 1960 and 1980, leftist parties, despite their higher levels of spending and higher levels of deficits, had an inverse relationship in the acceleration in the average rate of change in consumer prices. During these years, the nations in which leftist parties have governed most frequently had somewhat smaller increases in the rate of change in consumer prices than nations which were governed most frequently by centerist and rightist parties. Cameron has demonstrated that each year of leftist party government lessened the long-term increase in average rates of change in prices by about two-tenths of one percent, while each year of government by centerist or rightist parties was associated with an acceleration of inflation of one-to two-tenths percent (Cameron, 1981c:23).

Again we note in this work that the new political economists do not seek to deny the relevance of purely economic factors and to substitute political variables instead. Rather, what we observe consistently across a variety of problem areas is the recognition that political factors have noticeable impacts on performance, both directly, as in income distribution, and indirectly, by altering economic structures (Stephens, 1979).

Government Spending

During the past half century, the role of government in the economies of advanced capitalist societies has increased substantially. Governments have expanded their role in providing social and welfare services, they have increasingly become involved in producing goods and services, and they have attempted to manage economic activity by relying on a variety of monetary and fiscal instruments. But how has the partisan make-up of government influenced the scope of governmental activity? Certainly that make-up has shaped the level of governmental activity if one measures governmental activity in terms of level of public spending.

As suggested above, Korpi and Shalev (1980) and Hibbs (1978) contend that strike activity decreased in those European countries where Labor and Social Democratic parties increased their representation in cabinets. This occurred because leftist governments increased their funding for welfare programs, thus causing spending to shift considerably from the private to public sector. Elsewhere, Cameron (1978; 1981b) found that whether a nation was generally controlled by Social Democratic or non-leftist parties was useful in predicting the level of government spending. In one study (1981b) Cameron found a strong relationship (r = .65) between the extent of government spending and the percent of cabinet portfolios held by leftist parties between 1960 and 1978. Moreover, he found that the rate of increase in government spending was also related (r = .55) to the extent to which government was dominated by leftist parties during the same period.

In his limited study of three nations, Hanneman (1979a) suggests an additional possibility. He argues that, in the cases of France and Germany, the high level of government spending, though not necessarily highly redistributive in nature, was due, in part, to working class pressure on highly centralized governments from which they were excluded. This finding, though somewhat tentative, is consistent with Wilensky's (1975; 1981) suggestion that the early establishment of welfare programs is an important predictor of their current levels of expenditure.

Cameron (1978) has persuasively argued that while the dominance in government of leftist parties was a sufficient condition for an increase in government spending, it was not a necessary condition, as several nations have experienced large increases in governmental spending in spite of the absence of strong leftist representation in their government. He pointed out that the impact of partisanship of government was greater in larger nations with relatively closed economies than in smaller nations with relatively open economies. In the latter type of economy, all governments--whether leftist or not--have been compelled by the constraints imposed by the exigencies of an open economy to expand the role of the state and the level of government expenditures. It appears that governments in countries with open economies have been required to counter the effects of their dependence on an international economy by expanding their control over the domestic economy through the "nationalization of a large portion of consumption" (Cameron, 1978:1253; see also Lindbeck, 1974:9).

But how does the partisanship of government influence the types of activity on which government expenditures are concentrated? Here, there is less consensus in the literature. Cameron (1981a) finds that the relationship between the percent of cabinet portfolios held by Social Democratic and Labor parties between 1960 and 1970 and the percent of GNP spent on social security in 1972 is quite strong ($r = .59$). On the other hand, Wilensky (1975; 1981) in several impressive studies has somewhat different findings. In contrast to Cameron, Wilensky (1981) is interested in measuring the strength of the left by assessing its long-term continuity in power. With this approach, he finds that for the entire period since World War I, or even in the shorter period since World War II, the cumulative power of the left had no effect on expenditures for social security as a proportion of GNP or social security expenditures per capita.

Both Cameron (1981a) and Wilensky (1981) are sensitive to the fact that many nations spend approximately the same portion, or even more of their economic product on all social security programs as the

Scandinavian countries, in spite of the absence of leftist parties. And both scholars have turned to the strength of Catholic parties for their explanation of why certain governments with non-left political strength have high welfare spending. Because Catholic parties have cross-class bases of electoral support and strong ties to religiously dominated labor unions, they have been advocates of relatively high levels of spending for welfare services (Stephens, 1979). Catholic parties, like leftist parties, arose in opposition to the regimes that upheld limited suffrage. Because they demanded not only political reforms but social and economic reforms as well, they attracted substantial support in countries with sizeable Catholic populations. Wilensky (1981) has made the important observation that the more intense the competition between Catholic and Social Democratic parties, the more the parties in power tend to spend. Significantly, Social Democratic and Catholic parties tend to finance their spending somewhat differently. Leftist parties tend to rely more on visible and/or direct taxes (e.g. income, wealth, and property taxes) in order to finance government expenditures, while Catholic parties tend to place their emphasis on less visible and indirect forms of taxation.

Inflation

In recent years, most advanced industrial societies have experienced an expansion in the level of government spending and a rise in the rate of inflation. Unfortunately, the empirical analysis linking government spending to inflation has been quite deficient. David Cameron (1981b) in a recent study, however, analyzes the relationship between a rise in all government spending in the United States and changes in the consumer price index between 1948 and 1980, and he concludes that there is no observable relationship in the United States between inflation and government spending.

Because the rate of increase and the level of government spending are much higher in many other advanced industrial societies than in the United States, Cameron assumed that if there were a causal link between government spending and inflation, it would be quite evident in a cross-national study of advanced industrial societies. But in his analysis of eighteen advanced capitalist countries for selected years between 1960 and 1979, he could find very little evidence that there is a causal relationship between government spending and inflation. Indeed, his data suggest that in a number of countries the rate of inflation decelerated in the late 1970's in spite of increases in government spending, and in several countries where government spending increased hardly at all or at a very moderate rate, inflation accelerated. Throughout the period between 1960 and 1978, among all eighteen nations, those with the most rapid increases in the rate of government spending had lower rates of inflation than those with governments which increased spending very moderately.

If leftist governments tend to spend more than governments dominated by non-leftist parties, shall we conclude that leftist governments are not prone to have high levels of inflation? Douglas Hibbs (1977), in a paper which has attracted a great deal of attention, argued that price stability and full employment are incompatible goals and that Social Democratic and Labor parties tend to be more tolerant of inflation than unemployment, while business-oriented and Conservative parties tend to assign much higher priority to price stability than to unemployment. And Hibbs' study presents data that demonstrate that among twelve advanced capitalist societies there was a strong relationship (r = .74) between governments containing leftist parties and the average percent of rate of inflation between 1960 and 1969. However, Hibbs was severely criticized for excluding various countries and for faulty measures of partisanship. As a result, he included additional cases and modified his variables and re-analyzed his data, and still found a positive correlation--approximately .3--between leftist government and the rate of inflation (Hibbs, 1979:188). In a more recent study, however, Cameron (1981b) analyzed the relationship between the partisan composition of eighteen governments and the change in the rate of inflation for a much longer period of time, and he found, contrary to Hibbs, that governments dominated by leftist parties were no more likely to generate high levels of inflation than governments dominated by non-leftist parties. Indeed, Cameron found that during the late 1970's there was a negative relationship (r = -.20) between the degree of leftist participation in governments and the rate of inflation.

But why would leftist governments have lower levels of inflation? The answer at this time must be somewhat speculative. Hollingsworth (1982) suggests that in Sweden--where the government was long dominated by leftist labor unions which encompassed a large portion of the population--the government was able to shape coherent macro-economic policies which were designed to keep inflation low and economic productivity high. Believing that this was not only in their best interest but also in the interest of the entire society, the Swedish labor unions accepted moderate wage increases--as long as the Social Democratic party dominated the government. In short, the Swedish government, being intricately tied to leftist trade unions, was able to persuade the trade unions to keep their wage demands low. Cameron (1981b) develops a variation on the same theme. He suggests that governments possess many instruments by which they can induce workers to moderate their demands for more compensation. And he argues that those governments which offer workers impressive services such as good medical care, housing, and education subsidies are in a better strategic position to convince workers to seek moderate wage increases than those governments that provide only meager social benefits. Assuming that increases in nominal wage earnings are the prime cause of increases in inflation, Cameron argues that a dramatic expansion, rather than contraction, of the extractive capacity of the state would provide it with greater potential to constrain the inflation potential of collective bargaining.

And it is those countries where leftist parties dominate the political process that have the highest potential to develop and to implement such policies.

Economic Growth and Productivity

Scholars have also produced analyses which demonstrate that working class power is an important variable in economic growth and productivity. Until quite recently, these topics have been solely the "intellectual property" of economists, who have been quite concerned with the issues of why post-war economic growth rates have differed so markedly among nations and why productivity and growth are far more rapid in some nations than others. Economists (Denison, 1967, 1974; Kendrick, 1973) have generally explained such variations in terms of the quantities and qualities of factor inputs (particularly labor). Political economists, on the other hand, see governmental policy as equally important.

Hollingsworth's (1979) explanation of the effects of working class power on economic growth and productivity is the most elaborate, though Olson (1976) as well has demonstrated consistent relationships between class power and organization and rates of economic growth.

The explanation of growth and productivity differences proposed by Hollingsworth (1979) has as its pivot the degree of "policy coherence." Policy coherence is similar to Korpi's (1980) "institutionalist" approach in that coherent economic policy addresses problems of economic management in a preventive rather than ameliorative way, and seeks to integrate in the same "plan" a wide range of economic activity. As in Korpi's (1980) explanation of variation in social welfare policy types, Hollingsworth's explanation of economic policy types focuses on the political power of the working class as a major determinant, but adds the institutional strength of the state as an additional variable.

In his empirical work, Hollingsworth (1979) compares four cases (Great Britain, France, Sweden, and the United States) over the years from 1950 to 1975. Sweden and France have had far more impressive rates of growth and increases in productivity in the post-war years than Britain and the United States, which Hollingsworth attributes, in part, to more coherent economic policy in the former cases.

The coherence of economic policy depends, in good part, on the strength of the state apparatus. While Sweden and France differ markedly in the role played by the organized working class, both nations have what may be called "strong" states. In Britain and the United States, the state is based on more shifting and less coherent class coalitions, and hence is less able to create consistent policy. Though "policy coherence" can be the outcome of a strong state dominated by the political right (France), the more interesting case is Sweden. In the Swedish case, a unique series of historical conditions have created what Hollingsworth calls "encompassing organizations" of the working class that have coupled with a "strong" state to produce coherent policies which in turn led to high rates of economic growth and productivity.

Conclusions

This discussion has been a selective survey of the new political economy literature, beginning with Korpi's (1980) distinction between "institutional" and "marginal" social policy types and ending with Hollingsworth's (1979, 1982) discussion of coherence in economic policy. In some ways, this brings us "full circle" in assessing the main themes of this emerging literature. In both Korpi's and Hollingsworth's approaches, we see one of the most important lessons of that literature: that policy studies are most effectively pursued when policy is seen as one outcropping of deeper patterns of political-economic class relations. From the literature which we have discussed, there is a second major lesson to be learned: one must examine the performance of both the political and economic systems.

While the new literature in political economy is far from fully developed, these two lessons are very important for "conventional" economics and "conventional" policy studies. The empirical studies which we have examined strongly suggest that cross-national and over-time differences among nations require the inclusion of political and economic class structure variables for adequate explanation. This is particularly the case in the advanced capitalist nations because of the large role played by governmental policy in determining economic structure and performance. For the area of policy studies, the lessons are equally clear. Single policies may be successfully studied in isolation only under certain circumstances. In those times and places where "institutionalist" or "coherent" forms of policy making have emerged, the process of policy determination is not a technical matter isolated from politics. The degree to which one area of policy depends on other areas of policy is itself a variable, determined by class relations in the political economy.

The new political economy literature offers a number of important conceptual and theoretical insights that have been only occasionally noted in the "conventional" literature. First, political and economic behavior are strongly but variably related. The degree to which satisfactory explanations of economic performance depend on consideration of political factors is a function of state structure and the economic and political organization of the working class. Second, the processes connecting class power and the political-economic behavior of nations are complex, but discoverable. The literature that we have examined has identified the economic and political manifestations of working class power as having different impacts; it has also identified the form--or "directness"--of working class participation as an important variable in determining political-economic outcomes. As Heclo (1974:295) has pointed out, parties organize "general predispositions to policy choices" and express "moods toward social policy change."

And it is in this way that the power of the working class is ultimately translated into political and economic performance.

The theoretical insights and the empirical analysis of the role of the working class in shaping political and economic behavior seem to hold much promise. For the economist, they offer clear guidelines for explaining why the same economic variables perform differently in different societies. For researchers in policy studies, they offer a way to operationalize some of the most important aspects of the "institutional environment" within which policy is made. With additional work, the insights of the new political economy may bring these two groups of researchers into closer and more productive interaction.

The literature discussed above suggests that leftist parties *vis-à-vis* rightist or centerist parties have been associated with lower levels of industrial conflict, inflation, unemployment, but higher rates of change in economic productivity, economic growth, and government spending. If societies with leftist governments have performed better economically than alternative forms of government, one of the most important problems for a research agenda is to explain historically why societies vary in the degree to which leftist parties have succeeded in capturing power.

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