

Carl Lankowski

## **Comparative National Responses to International Economic Challenges: A Review of Some Recent American Literature**

### **I**

Classical political economy emerged towards the end of the Eighteenth Century as a child of the Enlightenment, an intellectual movement associated with the bourgeois challenge to late feudalism, and was submerged nearly a century later when the victory of industrial capitalism was beginning to be questioned by the political formation of the working class. The political hegemony of industrial capitalism provided a congenial environment for the neo-classical division of intellectual labor between Economics and the other emergent academic disciplines, especially Sociology and Political Science. One need not go as far as Touraine (1981) or Ashley (1983) in portraying this development as subordination of the other emergent social sciences to the thrall of Economics (the »loss of society«, »statist economism«) in order to appreciate the significant relative loss of determinant weight of non-economic variables and the corresponding increase in that of a technical-rational mode of thought in the social sciences, visible in intellectual currents otherwise as different as Manchester liberalism and the dominant theoretical economism of the Second (and Third) International. The Keynesian revolution of the 1930s might have done something to alter this situation, but the outbreak of world war and the main outcome of that conflict – the willingness and ability of the United States Government to plan, organize, and police a neoliberal international economic order – resulted in a neoclassical »politics of productivity« (Maier, 1977) which obscured the theoretical implications of governmental economic regulation instead.

The Cold War and the postwar pax Americana deeply affected American political science and its West European off-shoots. But no sooner had the pax Americana been constructed than it began to unravel. Postwar reconstruction in western Europe and Japan was so successful that by the mid-1960s these areas began challenging America's trade and payments dominance. Meanwhile, »national liberation movements« in colonial and post-colonial areas in the »third world« resisted integration into the global scheme. The »new« subfield of Political Economy was produced as a reaction to these processes in the transitional period between the apogee and relative decline of the pax Americana. At first, the emergence of the subfield was nothing more than the *ad hoc* rediscovery by the Politi-

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The Cold War and the postwar pax Americana deeply affected American political science and its West European off-shoots. But no sooner had the pax Americana been constructed than it began to unravel. Postwar reconstruction in western Europe and Japan was so successful that by the mid-1960s these areas began challenging America's trade and payments dominance. Meanwhile, »national liberation movements« in colonial and post-colonial areas in the »third world« resisted integration into the global scheme. The »new« subfield of Political Economy was produced as a reaction to these processes in the transitional period between the apogee and relative decline of the pax Americana. At first, the emergence of the subfield was nothing more than the *ad hoc* rediscovery by the Politi-

cal Science liberal mainstream of systematic linkages between state and economy, foreign and domestic politics. As theoretical reflection deepened, however, the academic response in the United States was split roughly according to the level of ideological commitment to the prevailing market model of society and its domestic and international institutional articulation. This subdivision into a »managerial« and a »reformist« outlook on the international economic order produced significant differences between the organizing concepts, domain postulates, and methodologies of mainstream Comparative Politics and International Relations and those of academic Political Economy. The main result of these developments is a profound, even if still not generally well understood, disruption of the subfield configuration of Political Science. Both »realism« in International Relations and »functionalism« in Comparative Politics, the sets of beliefs that had defined the contours of these subfields, withered more or less in direct relation to the appeal of Political Economy. The works under review in this essay are of more than practical interest because of the contribution they make to the development of Political Economy. In light of the historical connections between the decline of classical Political Economy and the emergence of the modern disciplines of Economics and Political Science, the critical question concerning these works is how much ground they have put between themselves and the neoclassical division of intellectual labor.

In the emerging subfield of Political Economy, liberal, system-maintaining perspectives with a technocratic bent prevailed prior to wholesale political challenges to the constitutional design of the international economic order of the sort that monopolized public attention during the 1970s. The gravitational field of liberal, i.e., »neo-classical« economics, exercised decisive influence on the literature, assuredly because no theoretical orientation in mainstream Political Science could resist the appeal and simplicity of its domain postulates – methodological individualism and rational action – and its resulting theoretical elegance, one of the main consequences of which, if not an unflinching commitment to the market, then was at least a complete failure to problematise its operation in the context of the exercise of class power characteristic of advanced capitalist society.<sup>1</sup>

The re-emergence of Political Economy during this transitional period is also associated with another, more critical tendency, whose perspective oriented it to issues of system transformation and alternative models of political economic organization and whose organizational principles diverged from the liberal model of the mainstream. Racial and intergenerational conflict associated with U.S. military operations in Vietnam drew attention to the links between foreign and domestic politics, economics and politics, and unleashed a flood of analyses from the pens of a new generation of young academics in the rapidly expanding system of higher education. Political conflict was systematically linked to economic development. Marxian accounts produced a literature which attempted to demonstrate the class logic of the state and the imperialistic implications for the organization of the international political economy. Successful revolutions in the »third world« and successful societal reforms in the advanced capitalist »rich« countries

implied transformations in the organization and functioning of the international economic order.<sup>2</sup> By the late 1960s there was already a home-grown Marxist tradition, but much of the enthusiasm for Marxist interpretations of the international political economy came from developments in continental Marxism (cf. Offe, 1972, 1974; Aglietta, 1980; Poulantzas, 1976; Hallway & Picciotto, 1980; Cutler, Hindess, Hirst & Hussain, 1978). But even those who had no particular bone to pick with capitalist markets in principle, turned in excellent analyses of the pathologies of perfectly operating market systems.<sup>3</sup>

## II

The works under consideration here share some characteristics of each of the tendencies just discussed, but they also form a group whose common features distinguish them from both liberal and Marxist accounts. It is just this combination of features that gives the works a peculiarly American flavor. Straight away it ought to be said that the genius of these works lies in their attempt to be policy relevant while at the same time demonstrating alternative paths of development, adopting a pragmatic attitude as a shield from the stifling dogmatism of theory as a guide to practical policy. It is this attitude that allows the group of authors to avoid the technocratic orientation to the existing institutional arrangements that has typified the liberal mainstream. What makes this attitude possible is a common commitment to a form of comparative methodology, consequently, a sub-systemic frame of reference, when considered from the point of view of a »world« economic order. Without the comparative approach, the level of concreteness appropriate for the illumination of immediate policy choices would not be attainable. Moreover, the kind of comparative approach employed by the authors functions as a bridge between history and theory, so that both the uniqueness of individual cases (the »system effect«) and the general constraints on further development can be defined.<sup>4</sup> Thus, comparison is meant to produce both liberating variety and policy-relevant concreteness.

Out of the dual commitment to policy relevance and comparison arises the defining object of analysis of our authors: the *strategies* actually deployed or available to national policymakers in advanced capitalist countries as they adjusted to the international economic turbulence of the 1970s. Although the issue of country strategy is defined in different ways by the four authors they share a commitment to offering a political explanation – as opposed to one based on a transhistorical technical-rational logic of adjustment to impenetrable »economic realities«. Katzenstein defines the tone in the conclusion to *Corporatism and Change*:

»In contrast to liberals' and marxists' technological determinism this book argues that political legitimacy and economic viability can be achieved in many ways – and these ways are shaped *primarily* by history and politics.« (1985: 246) (emphasis mine)

Similarly for Piore and Sabel,

»Liberals are trapped between the idea that democracy and capitalism need each other and the conviction that they cannot coexist ....[Neomarxists] define markets as the most effi-

cient form of exchange in a system of private ownership of the means of large-scale production. From this starting point the idea becomes unthinkable that there can be various, equally efficient ways of organizing systems that are dominated by a private investor class.» (1984: 11)

### *Country Size and Policy Choice*

Katzenstein achieves a political explanation of industrial adjustment by way of a two-part approach which, first, specifies broad policy intent, and second, defines the institutional matrix which generates capacities to pursue broad classes of policy. Policy intent is derived from the balance of social forces in a country, while the institution matrix of policy-making is defined in terms of two dimensions: institutional differentiation, and degree of centralization of the state and of the organizations representing the main policy-relevant societal interests. The point of the two books under review is that these variables operate differently in different kinds of states. The »regulator variable« turns out to be economic size. Big countries – e.g., the USA, Britain, France, West Germany and Japan – can seek either to organize the international economic system (system makers) or to mobilize the considerable domestic resources at their disposal in order to capture a beneficial position in the international division of labor (system takers) (Katzenstein, 1977). Small countries – e.g., the seven European small countries in the sample which serves as the basis for the analysis in the books under review (Belgium, Netherlands, Denmark, Sweden, Norway, Austria, and Switzerland) – have neither of these options because their mobilizable resources are too marginal for the tasks involved. A curious outcome is associated with this difference. Whereas, among the large countries tremendous variations have been produced in the degree of political disruption caused by the specific strategies selected, the small countries, counter-intuitively, have adjusted to the economic problems of the 1970s with a minimum of fuss.

Katzenstein advances »democratic corporatism« as the secret of small country success, a term problematic because of its generality. Katzenstein defines corporatism by specifying three essential properties: an ideology of social partnership rather than class conflict, a centralized and concentrated system of interest group intermediation, and a voluntary, informal and continuous style of political bargaining (Katzenstein, 1984: 27-28). Variations among the small state group is associated with two different democratic corporatist modes, social and liberal, but both modes produce a foreign economic strategy of »flexible industrial adjustment« to world market forces (Katzenstein, 1985: 39).

*Corporatism and Change* amounts to an extended definition of these two modes, based on extensive case studies of Austria and Switzerland, the two most contrasting cases in the sample. Katzenstein leaves no doubt that Swiss economic policy is made by multinational banks and corporations which insist on a maximum of openness *vis-a-vis* the international market. Adjustment to the vicissitudes of these markets is privatized, but compensation to the losers in this process is provided in the form of high wages and generous benefit packages. In Austria, economic policy is made in a series of public settings involving governmental ministries, public and private business and trade union leaders, and parliamen-

tary delegations. In contrast to the Swiss case, adjustment is collectivized *via* high levels of state spending for direct forms of labor market regulation.

In *Small States and World Markets*, Katzenstein generalizes across his sample from the Austrian and Swiss case studies. Of greater interest in this context, the author discusses the variations among the sample members in terms of the historical experience with industrialization, and then deploys a historical explanation of the emergence of the whole group. It is in these chapters (chapters three and four) that we gain the most insight into just what kind of role politics can play in adjusting polity to economy and *vice-versa*. Variations within the sample are treated in terms of Barrington Moore's typology of industrialization sequences (Moore, 1966). Katzenstein agrees with Moore that the balance of class forces existing when industrialization begins is decisive for the type of political regime that results, *but*, in one of the truly original twists to the books, Moore is taken to task for failing to observe that situations in which no class is dominant can arise. This is precisely the case with the small countries and it is meant to explain the characteristic »stand-off« between political actors which is a historical legacy for democratic corporatism. To be sure, variations in the strength of the social classes define the seven sample members, but it is just these variations that gave rise historically to the distinction between social and liberal variants of democratic corporatism. If chapter three uses comparative historical sociology to show why democratic corporatism became possible, then chapter four offers an explanation resting on small state constitutional design and experiences in the 1930s for its historical materialization. The rise of mass politics between the turn of the century and 1920 produced electoral reforms in the small countries, specifically the introduction of proportional representation, which served to reinforce the historically created political stand-off between class forces. When economic crisis and fascism put all political systems to the test in the 1930s, the outcome of any attempt to force a »clean« solution to social conflict by eliminating one of the class contestants was unclear. Instead of taking the risk of losing everything, politicians decided on »historical compromises«, i.e., permanent existence of the main political actors, institutionalization of conflict which narrowed its stakes, and the ideology of social partnership ... democratic corporatism.

#### *National Institutional Design: Finance*

John Zysman's *Governments, Markets, and Growth* was published over a year ahead of Katzenstein's books on small states. Nevertheless, the critique he develops against Katzenstein's »big state« argument applies by simple extension to the small state argument, since, as has been suggested above, the small state/large state distinction has only an empirical, not a theoretical function in Katzenstein's research design. Confirming their joint participation in a common intellectual project, the issue dividing Katzenstein and Zysman is how to reconcile politics and economics conceptually.

When it comes to the operation of markets, not institutional patterns (e.g., corporatism) but the power of the actors is decisive in determining political outcomes. And this is not a matter that is determined at the level of the system; it is

determined by the specific arrangements governing the operation of the market. The upshot of this critique is that both economic and political institutions must be viewed as simultaneously political and economic, following both political and economic logics. Moore (1966) is not wrong, but wrongly applied by Katzenstein, since political interests cannot be merely read off from a structural social position. To do so is to reify political institutions on the basis of alleged economic interests and neglect the crucial distinction between policy *formulation* and policy *implementation* (Zysman, 1983: 349).

Zysman follows Shonfield (1965) in viewing the structure of state-industry relations as the crucial arena in which variables affecting industrial outcomes are to be sought. The fact that cross-national variations are defined in terms of successful structural transformations is itself testimony to the general, historical increase in the capacity of advanced industrial states to absorb economic disorder. The stagflation and inflation problems of the present are, after all, less systemically threatening than the economic collapses of the 1890s and the 1930s when liberty and democracy were at stake (1983: 319). What accounts for this historical transformation? In general, mechanisms of market mediation: subsidies and industrial promotion, capacities for selective intervention, and political mechanisms for establishing a settlement. Advanced capitalist countries are thus distinguished by market control mechanisms whose operation gives rise to policy-induced, sectorally-defined international competitive advantages which sustain, in turn, nationally distinctive paths of economic development.<sup>5</sup> The implication of this is that Katzenstein's country size variable cannot be very significant in determining industrial outcomes. What is?

The answer Zysman gives is an answer to the question of how the specific situation in which business decisions are made in a given industrial sector can be influenced. The decisive arena is finance.

«... each type of financial system is one of the defining components of a specific model of the process of adjustment. The *financial market place*, not just the arrangement of politics, sets the arena for fights that accompany industrial change.» (Zysman, 1983: 93).

National financial systems vary in three dimensions: by dominant market type (capital market or credit market), by price-setting patterns (competitive, institutional, or government-administered), and by the roles played by the government in the financial system. These dimensions were configured in response to the historical politico-economic situation whose primary determination, following Moore (1966), consists in the sequence of industrialization. Three configurations emerged: (1) the early industrializers, above all the USA and the UK, have capital-market based systems of finance, (2) one set of late industrializers have credit-based financial systems with market relationships dominated by government-administered prices (e.g., France) while (3) the other group of late industrializers also possess credit-based systems, though theirs are dominated by a few financial institutions independent of the state (e.g., [West-] Germany). But financial patterns do not lead directly to industrial outcomes. They must be imposed and accepted politically. Three historical patterns of industrial adjustment are

identified by Zysman: (1) state-led (France and Japan), (2) company-led (USA), and (3) tripartite (West Germany, Sweden, Netherlands).

In light of Katzenstein's argument about country size, it is useful to note that Zysman unhesitatingly mixes small and large countries in the tripartite case. The main unifying factor in this model, aside from financial system, appears to be the political strength of organized labor. Adjustment success can be achieved with labor in a distinctly marginalized or subordinate position. This configuration is demonstrated amply by the cases of France and Japan (the credit-market/interventionist cases), and the USA (the capital market/non-interventionist case). The main analysis revolves around the French case. In continuing his argument with Katzenstein, Zysman demonstrates that, not general properties of the policy-making arena,<sup>6</sup> but dramatic changes in postwar economic institutions and patterns of state intervention in the economy have been associated with a determined political effort at industrial modernization brought about with the exclusion of organized labor from the policy-making process. Labor's exclusion, facilitated by organizational splits in the working class, is institutionalized in the indicative planning system. Along with the specific powers of the Treasury and the constitution of the banking system, a policy of market opening on French terms (structural transformation) was successfully innovated.

Cases of labor strength also figure in Zysman's analysis. The British case, surely a case of organized labor strength, is Zysman's »odd-man-out« – a case of *non*-adjustment whose function in the argument is to substantiate that financial and political systems must operate together to produce »success«. In the British case, the template of a capital-market financial system gave conservatives the power to veto plans for the imposition of a policy-making apparatus like that of interventionist France, which would operate in the context of labor (Labour Party) leadership. Labor, in turn, is in a position to veto conservative modernization plans *via* shop-floor action. But labor can also figure in as a contributor to industrial adjustment, as the cases of Germany, Sweden and the Netherlands in Zysman's analysis make plain. In these cases of organized labor strength a credit-based financial system gave rise to a tripartite-negotiated industrial adjustment.

Thus, what emerges from Zysman's typology, though he doesn't quite present it this way, is an explanation of the institutional configuration of industrial adjustment with respect to the relative strength of contending class forces. The analysis is a valuable contribution to the discussion of how design features of the political economy affect the constitution of actors and choice of goals. On the other hand, the theoretical result is curious. Zysman's focus on the precise way in which the market is institutionally configured at the national level effectively blocks out any systematic treatment of the general role of market forces at the international level and the configuration of class forces at the local (national) level. This part of the discussion might be summarized by observing that Zysman reacted to Katzenstein's attempt to reconcile history and system through institutionally separating their logics, by condensing these logics in economic institutions understood as deliberate design features. The level of analysis has not been altered, merely the site at which the reconciliation between politics and econom-



ics is made to occur. Symptomatic in both Katzenstein and Zysman is the use of history as an alibi for a missing explanation of how things are tending to change from now into the future.<sup>7</sup>

### *Strategy in Politics and Policy*

In reconciling politics and economics Esping-Andersen follows a different path in *Politics Against Markets*. Esping-Andersen is interested in a specific kind of outcome: a society organized to benefit the majority of the population. In the West, this means the working class, broadly understood. Esping-Andersen's question is how such a society – one in which large tracts of social space are exempted from commodification – can be achieved and promoted. In order to shed light on this question, the author compares the experiences of three Nordic countries – Denmark, Norway, and Sweden – dominated since the 1930s by social democratic politics. The »social democratic road to power« is more than a label for one party among many, in Esping-Andersen's view. Social democracy has been associated with the best examples in existence of the marriage of political and social democracy and its expression in the »welfare state«. Esping-Andersen attempts to explain how these Nordic social democracies historically differentiated themselves from other national systems with strong social-democratic workers movements in Europe, and how the Nordic group came to be internally differentiated. The pay-off from this exercise is a set of generalizations that will provide essential help in defining a political strategy for the present period of intense international economic competition. In this way, Esping-Andersen gives an important spin to the question of industrial adjustment. By establishing a socio-political point of reference for the analysis, the author is in a position to thematize what Zysman leaves out of his analysis.<sup>8</sup> He is at least implicitly asking how the evolution of industrial strategies are associated with general projects for social transformation.

Esping-Andersen's analysis is a joust with Przeworski's study of social democracy (Przeworski, 1985). The latter suggests that to achieve its goals, social democracy must achieve political power. To do so, it must follow a primarily parliamentary path. In order to do this, however, it must enter into inter-class coalitions and inter-class compromises which inevitably water down the elan of the movement and end up integrating it into the prevailing system. The movement destroys itself in »successfully« adapting to its environment. Esping-Andersen, to the contrary, argues that though the danger of a historical »short-circuit« is certainly present, it can be avoided. What is needed is a leadership that acts to maximize the long-term power of the movement by exhausting all opportunities to deliver economically *while at the same time* defining political projects that will reinforce the solidaristic inclinations of the electoral base. The other part of the problem consists in simultaneously tying new projects to new coalition partners. Only when both conditions are met can social democracy stay in power *and* proceed with »progressive« reforms.

*Politics Against Markets* is a discussion of conditions for the achievement of social democratic power mobilization. Two factors account for the leading role

played by social democracy in Scandinavian political development in the Twentieth Century: the availability of a coalition partner and ... country size. In Scandinavia, the »bourgeois« elements of society were always split politically. The availability of a portion of the petite bourgeoisie – especially farm owners – as a political partner enabled social democratic parties to form durable coalitions dating from the 1930s. Once again, Moore's (1966) analysis plays a central role in situating the Scandinavian cases in terms of other European cases, and in differentiating between them. The other essential factor was the unity of labor, both »horizontally« (not split into many competing organizations) and »vertically« (organic relationship between working class organizations and life of the working class). Esping-Andersen does not argue it directly, but Stephens (1979) makes a convincing case that the small size of the Scandinavian countries encouraged organizational unity. From this, it is but a small step to the conclusion that size may operate in precisely the *opposite* direction suggested by Katzenstein. This is so because of the truistic nature of Katzenstein's central claim about small states – i.e., that they all adapt to world market forces. Of course. But then *all* states do, as Zysman points out. The Esping-Andersen analysis is concerned neither with the fact of adaptation (Katzenstein) nor its modality (Zysman), but with its *content*. Small size, by giving rise to organizational density of political movements, may empower them to »adapt« to international capitalism in ways that prevent the intrusion of market logic deeply into the social fabric.

However, where social democratic leadership was not guided by a long-range perspective, it lacked criteria to organize a consistent political project. It became reactive to constituencies that, in large part by virtue of a long period of short-term social democratic successes, were susceptible to the appeal of individualized consumption to such an extent that it became detrimental to the values of social solidarity and equality. This reactive habit also occluded the historical challenge to social democracy in shifting coalition partners to the new middle strata as the farming population precipitously declined after roughly 1960. Where these two processes interacted, as in Denmark, social democracy has been all but disorganized and has gone into decline. Where this has not occurred, as in Sweden, social democracy remains politically and culturally hegemonic, and capable of defining locally the implications of global economic developments. For this reason the Swedish case stands as the clearest example of an attempt to engage the *next* stage of social democratic development, namely, economic democracy.

Esping-Andersen develops three case studies to show that *policy innovation* constitutes the key variable in social democratic decline or success. In each of the three areas, Danish policies are shown to be retrograde, compared to Norwegian and Swedish policies. In the case of social welfare policy, program design criteria for socialists include the facilitation of class solidarity, buffering from the discipline of the market, and advances in standard of living equalization.

»The advanced process of social democratic party decomposition, especially in Denmark, can be attributed to a pervasively liberalistic welfare state that enhances social stratification and cleavages cutting across class lines.« (Esping-Andersen, 1985: 145)

Similarly, in this chapter on the housing question, Esping-Andersen provides evidence to show how Danish social democratic leaders, when confronted with a choice between compromising their differences with the left (the Socialist People's Party) and the right, chose the right, returning the housing sector to free market regulation, a policy which fueled equity struggles and speculation.

Finally, in the case of general economic policy-making – treated by Esping-Andersen as the lynchpin of social democratic survival – Danish social democrats allowed themselves to become captive to uncontrolled business cycles, ushering in a transition to liberal hegemony. A comparison with the Swedish experience in this area is instructive. The key difference adduced to explain the cross-national comparison is the relative strength of organized labor: strong in Sweden, much weaker in Denmark due to organizational peculiarities of labor and the position of agriculture in the national economy. The latter made the farmers a formidable force in Denmark, leading, among other things, to accession to the EEC with its Common Agricultural Policy, a decision which virtually hamstrung the Danish government in budgetary and capital market policy, and led it to embrace incomes policy which effectively straight-jacketed labor. In Sweden the 1938 Saltsjöbaden Agreement forbade incomes policy as an instrument of macroeconomic management; in Denmark, incomes policy became the primary tool of adjustment. As a result in Sweden, the means to assure full employment without inflation became comprehensive state intervention into the labor market through ambitious training and redeployment schemes; Denmark never developed such a capacity. The Swedish public sector accounts for roughly seven percent of investment stock; in Denmark the level is insignificant. The Swedish government has a significant capacity to influence capital formation and intersectoral and transnational flows; here the Danish government's capacity is insignificant.

The sum of these differences helps explain why only Sweden has responded to the 1970s economic crisis with a forward looking, *pre-eminently social democratic strategy* of economic democracy based on a broadened political coalition between the white collar, new middle strata, and blue collar workers. The strategy derives from an integrated vision of a *working society* in which workers exercise controls over the work environment and shape the general sectoral development through progressive socialization of capital under the control of trade unions.

Even if the Swedes do not accomplish these ambitious tasks, Sweden stands out as a critical case of small state *non*-adjustment to any general logic of world markets. In this sense, Esping-Andersen's analysis, like Zysman's, confounds the Katzenstein thesis. But Zysman's preoccupation with the institutional apparatus is similarly confounded by the presence of a consistent political vision which generates criteria for the construction of an economic strategy in the face of changing world economic conditions. Absent this vision and political resources to implement it, no challenge to the »tripartite negotiation model« which Zysman introduces to explain (among others) the Swedish case could be predicted. But these factors *are* present and they do augur a transformation of the institutional apparatus. This prospect illumines the functionalist quality of the Zysman argument, for a *historical* account is perforce one which points to the future with

generalizations about politico-economic dynamics as well as defines the constraints and limits of the given systems.

#### *Historical Transformation of Regulation Regimes*

This brings us to the last work under consideration here, Sabel's and Piore's *The Second Industrial Divide* (1984). Following the insights of the French »regulation school« (Aglietta, 1980; Liepitz, 1985; Boyer and Mistral, 1978), production is conceptualized along with an array of non-producing, supportive institutions, of which the macro- and »meso«-economic policy machinery discussed by Zysman constitutes only one sector. Also included are the mechanisms governing socialization such as the family and educational institutions in the social sphere, and international organization at the level of world orders. The social organization of production and the selection of technology are both understood as part of a broader social paradigm which can develop until its various components no longer »fit« together, driven apart by a process of immanent development, at which point a new configuration or paradigm may be innovated, based on new production relations and technology. Sabel and Piore present an account of the present economic difficulties in terms of the disintegration of one regulation regime in the inchoate time prior to the emergence of a fully-developed, functionally differentiated successor. I chose to discuss their work last not only because it shares Esping-Andersen's predilection for a dynamic historical account, but also because, despite its own limitations, it at least indirectly points to the main problem besetting Esping-Andersen's presentation of Sweden as something like the »wave of the future«. For the political vision animating the Swedish social democrats belongs to an age that was ushered in by the first industrial divide and may be inappropriate and/or condemned to failure after the second industrial divide.

The fruits of the first industrial divide were a mass production regime based on semi- and unskilled labor. Political innovations included mass organizations of workers designed to affect the distribution of the product within the paradigm. Class struggle in this context accounts for the rise of the welfare state and modern economic policy. »Fordism« is an appropriate appellation for the entire constellation because it captures the deliberate innovation of institutions linking production and consumption, the central axis of social development in Twentieth Century industrial capitalism. Meanwhile, the Fordist model has been diffused across all core areas of the world economy, a function of American economic supremacy and politico-military hegemony in the capitalist world after the second world war. The problem is that Fordism has entered a period of constitutional crisis brought on by this very pattern of transnational diffusion. Markets are saturated with mass-produced goods and structural industrial overcapacities abound. Consequently, *no* adjustment strategies based on mass production will reignite economic growth over the medium term and solve the basic problem. Neither Zysman's France nor Esping-Andersen's Sweden will be spared this fate. Oh yes. Mass production can survive for a while, but in light of the intervention capacities innovated by most advanced capitalist states for structural moderniza-

tion, this will come at the expense of imperialistic penetration and control of third world markets, through a repressive sort of international keynesianism.

Piore and Sabel devote about half their book to historical and cross-national comparisons of production paradigms which diverge from the mass-consumption/mass-production, »Fordist« model in order to ground the speculation that political action *may* lead us out of the crisis towards an alternative set of production principles and an alternative institutional matrix. They show that in the past, during the first industrial divide in the Nineteenth Century, and in the present in a variety of national settings, small-scale production for world markets based on sophisticated machinery and skilled, generalist labor, had been and is competitive. The authors do not urge a return to craft production, as some reviewers mistakenly suggest (Brandt, 1986) but they do use examples from craft production to specify possible and desirable socio-cultural correlates of a mode of production geared to highly specialized products in small batches to service ever-changing production requirements and consumer demand. The picture that emerges amounts to a resurrection of an integrated small *community* which both provides the *metier* for this general strategy of »flexible specialization« and organizes the social »safety net« during periodic bouts of demand lapses or market study preparatory to new production runs.

The book has some weaknesses, the most serious of which concerns the interpretation of instances of small-scale production adduced as evidence for the possibility of alternatives to Fordism. In the case of machine-tool makers in Baden-Wuerttemberg and small-scale production in Japan, production is virtually completely tied to the long-and-short-term production plans of world-class multinational corporations which are fully integrated into the Fordist model. Secondly, are the »supportive communities« to be interpreted as instances of self-organization and autonomy, or do they amount to, as Brandt (1986) puts it, »eine Kolonisierung der Lebenswelt«? Nevertheless, in both extending the historical time frame and broadening the scope of societal sectors to be considered in diagnosing the present situation at the level of the world system and cross-nationally, Sabel and Piore have moved us away from the situational analyses of Zysman and Katzenstein and towards a dynamic understanding of industrial development, producing what might best be described as an evolutionary economic morphology. The main issue left to be considered is what evidence exists that trans-social democratic structural alternatives to Fordism are politically feasible in the foreseeable future. This issue forms the pivot of the next section of this paper.

#### *Common Themes: A New Intellectual Project?*

Each of the five authors is committed to a historical, political, and comparative explanation of policy outputs that distinguishes his work from that of the liberal mainstream. In light of these shared commitments, there is warrant for treating the studies under review as the core of an intellectual project that might be defined as the comparative political sociology of the economy. There can be no doubt that this project constitutes an important advance beyond the insightful but unsystematic country sketches that comprise Schonfield's path-breaking

treatise on the new significance of the state in regulating national political economies committed to economic liberalism at home and abroad (Shonfield, 1965). It also seems clear that this project promises to supercede the moribund field of comparative foreign policy studies, a field mired in the meta-theoretical no-man's land between Comparative Politics and («realist») International Relations.<sup>9</sup> But just how much of an advance has been achieved? In particular, has the comparative perspective which unifies the works actually occluded the kind of theoretical insight that might lead to more accurate portrayal of the developmental paths of advanced capitalist states, and hence, of the policy alternatives before them? There is reason to believe that it has. It is argued in the following that (a) the concern for immediate policy relevance has prevented the authors from freeing themselves completely from a technocratic perspective, (b) the juxtaposition of history and system implicit in the comparative approach has led to a certain reification of the national «cases» which the authors examine, and (c) the authors have yet to embrace a theory of societal dynamics which can offer an explanation of the kind of constraints policy-makers must come to terms with.

### III

#### *Classification Problems*

By focusing on industrial adjustment in the crisis-ridden 1970s, all of the works hoped to achieve immediate policy relevance. In Zysman and Katzenstein, cases were treated as basically «historically complete», in the sense that the main lessons for adjustment were sought by a method of static, cross-national comparison. Each author proceeded to classify country cases according to what they had become *at that time*, whether in terms of general policy-making arrangements (Katzenstein), or the institutionalization of market relations (Zysman). This led to a strange effect: while both authors desired to explain the same phenomenon, the countries landed in different categories. Zysman's categories cut across the small-state/large-states distinction. Katzenstein's across market institutional types. The reason for this is not difficult to grasp. In riveting their attention on the present, the authors lost sight of the socio-political dynamics that produced the cases in the first place. This reification of national cases is exposed indirectly by Esping-Andersen's analysis whose preoccupation with the dynamic development of (social democratic) strategy and structure makes it plain that neither Sweden and Switzerland (Katzenstein), nor Sweden and West Germany (Zysman) really belong in the same class of cases. The negotiated-tripartite mold of industrial adjustment will undergo metamorphosis to the extent that the Swedish social democrats follow their vision as described and analyzed by Esping-Andersen. That is, there is reason to expect that the dynamics of economic development will create a politics that will destroy the coherence of both classificatory schemes by producing essential variations in the behavior of the cases subsumed under them.

#### *Beyond Work Society*

A different sort of problem besets the analyses in *Politics Against Markets* and *Second Industrial Divide*. Both works relativize policy-making institutional arrange-

ments by treating them in the context of struggles between organized social forces over considerable periods of time. The trouble is, however, that both approaches are backward looking from the point of view of the kinds of collective identities that drive politics and constitute adjustment patterns. This is an understandable, if not excusable, tendency in *Politics Against Markets*, for Esping-Andersen sets himself up, in effect, as a sympathetic advisor to the social democratic movement, and the basic point of reference of that movement has been and continues to be »work society«, i.e., a society of workers. There is no reason in principle to believe that work will have the same significance as a social determination in the future that it has possessed up until now. That is to say, the cultural stakes of conflict may be changing as work becomes relatively less important to citizens in advanced capitalist societies. A trans-work, if not post-industrial, society would presumably have important implications for patterns of international adjustment in cases in which social democracy has »won«, i.e., in which politics did, to a significant degree, control markets.

But developments such as the ones just mentioned could come about, *not* as a result of the operation of *markets*, but only as a product of transformations in the *production process itself*. In neglecting this level of analysis, the five works constitute a group, in that they are all blind to the emergence of new social sectors that challenge the cultural moorings of work society. This characteristic neglect explains the ambivalent status of analysis in *The Second Industrial Divide*. In treating the craft production, the *local community* played a key role in maintaining the coherence of this mode of industrial organization. In dealing with present-day forms of small-scale production (prefigurements of flexible specialization) Sabel and Piore carried over the cultural underpinnings of the earlier period – the »work ethic«. This result appears to be an artefact of the cases chosen: West Germany, Japan, and Northern Italy, a transitional case of integration of pre-capitalist elements into work society. These just happen to be areas in which more or less organized and more or less comprehensive challenges to work society have not yet arisen that would change the identity of the community and its capacity to act as an integral component of the strategy of flexible specialization.

But it is precisely the »community« that has become the reference point for what can be interpreted as a »trans-work« politics. So it is that the blooming of social movement sectors has created, in just the period examined by the works under review, the 1970s, an extra-party and extra-parliamentary politics of the »reproductive sphere«, focusing not on distributional issues but on »quality of life« and »survival« issues such as environmental degradation, the ecological and political dangers of nuclear power, and the redefinition of gender roles. Interestingly, this phenomenon may be most widespread where workers' organizations have been both politically dominant *and* least been in a position to reinforce the cultural orientations of work society. In this sense, Denmark may provide us with the most reliable example of what is in store for advanced capitalist societies. On the one hand, craft production has a strong tradition in Denmark, but it is ignored by Sabel and Piore. Zysman apparently could not decide how to classify it. And the country does not fit well into Katzenstein's social/liberal corporatism

scheme. Esping-Andersen treats Denmark as a degenerate social democracy, using indicators of a low level of »organic« labor organization (compared to Sweden) to explain mass defections from the social democratic electorate. But these defections are just as likely to stem from the most comprehensive new social movement sector in the West, whose emergence was facilitated by a relative lack of cultural constraints on mass consciousness conveyed *via* working class organizations (in contrast to Sweden), in the context of a comprehensive welfare system in which social rights have been well established – in short, on the basis of the historical success of social democracy. To sum up, only in Denmark have conditions been ripe so far for the more or less full expression of a politics based on a collective identity innovated primarily outside of the workplace.

#### IV

##### *Conclusion*

To some extent all five studies can be viewed as the intellectual heirs of Shonfield's *Modern Capitalism*, albeit a critical and contentious one, since a deliberate effort was undertaken to transform Shonfield's descriptive country sketches into analytical ones capable of illuminating the systematic relations between state and economy. Greater attention to comparative method in research design seemed to offer an important channel toward this end. Neither structuralist marxism nor liberal economics were viewed as pertinent to explaining the specific variations between countries as they responded to the common economic crisis which emerged in the 1970s. Theoretically, the authors rejected the notion of economic effectivity abstracted from a social and institutional nexus. These schools were all the less and comparison all the more useful, given the level of concreteness to which the authors aspired on the grounds of immediate policy-relevance.

These works, despite their shortcomings, in working with a comparative methodology, have made valuable contributions to the specification of social processes and institutional arrangements which produced important variations between countries. In this respect, studies of foreign economic policy could accomplish what studies having other objects of inquiry could not. They do not deserve to be condemned as instances of »logical economism« and banished to the »land of Ulro« set up by Ashley (1983) in his classification of economic tendencies in scholarly work in political economy.<sup>10</sup> This was because, first, the internationalization of economic relations after the second world war drastically increased the policy salience of that arena. Moreover, the resulting increased interdependence meant that the longstanding distinction between domestic and international politics possessed a progressively thinner theoretical basis. Political Economy could begin to emerge from the procrustian bed of neo-realism and functionalism. Finally, declining U.S. hegemony in the international economic order implied both an increased effectivity of national institutions and processes as well as its observable expression in divergent policies.

The five works under review are weakened by their narrow time horizon and their insistence on immediate policy relevance. Their assumption of the centrality and historical staying power of work culture occluded the opportunities of new



collective identities, produced in part by the immanent development of work society, to de- and reconstruct the work experience and its foreign policy ramifications. Finally, the works reviewed teach us that we may have to choose between analytical concreteness and explanation.

### Books under review:

- Gösta Esping-Andersen, *Politics Against Markets. The Social Democratic Road to Power*, Princeton: Princeton University Press, 1985, 366 pp.
- Peter Katzenstein, *Small States in World Markets: Industrial Policy in Europe*, Ithaca: Cornell University Press, 1985, 268 pp.
- Peter Katzenstein, *Corporatism and Change: Austria, Switzerland, and the Politics of Industry*, Ithaca: Cornell University Press, 1984, 331 pp.
- Michael J. Piore and Charles F. Sabel, *The Second Industrial Divide: Possibilities for Prosperity*, New York: Basic Books, 1984, 355 pp.
- John Zysman, *Governments, Markets, and Growth. Financial Systems and the Politics of Industrial Change*, Ithaca: Cornell University Press, 1983, 358 pp.

### Footnotes

1. Perhaps the epitome of this genre is Olson's *The Rise and Decline of Nations* (1982), and application of some of the insights of the same author's *The Logic of Collective Action* (1965). In *Rise and Decline* Olson argues that in all ages and everywhere obstruction of markets leads to relative economic decline. It is symptomatic that Olson, as an economist, has had such a pervasive influence in the field of Political Science. Works in the liberal mainstream of Political Science written in the past decade and a half for the most part addressed problems having to do with the policy implications (i.e., the adjustments to be made to) forces at work within the neoliberal international economic order. An illustrative list would include Cooper, 1968; Cohen, 1975; Gilpin, 1975; Nye and Keohane, 1971 and 1977; and Keohane, 1984.
2. Early examples include Baran and Sweezy, 1964; Magdoff, 1970; and O'Connor, 1973. Later there appeared Wallerstein, 1975, 1979 and 1983; and Skocpol, 1979. None are political scientists but each has exercised a great deal of influence in the field.
3. Some of the best include Hirsch's treatment of the deteriorating cultural moorings of capitalism (Hirsch, 1976), Meadows' *et al.* treatment of the problem of scarcity of physical resources (Meadows *et al.*, 1972), and Lindblom's juxtaposition of democracy and markets which are dominated by large firms (Lindblom, 1977).
4. The best statement of the theory of comparison along these lines is to be found in Przeworski and Teune (1970). The authors share a commitment to theoretically ambitious, whole system comparisons. They all pay critical homage to domain postulates governing a tradition in historical sociology which is best exemplified in the work of the Harvard sociologist/historian, Barrington Moore (Moore, 1966). Their work is organized around cleverly designed whole system comparisons which seek to avoid the pitfalls of both ideographic and ahistorical comparative approaches of the cross-national variety. Variables are in principle taken to be woven together into country-specific fabrics whose integrity cannot be effectively apprehended by abstraction from single cases and aggregation across them. Needless to say, these commitments crucially affect the authors' research designs by way of the choices they impose on items to be compared and, therefore, the selection of cases.

Special circumstances have operated to lend unusual coherence to this work. Its authors are all members of an academic network whose center of gravity was Harvard University's Center

- for European Studies. The Center established itself as communications center for the »successor generation« of the academic generation which participated in or at least was witness to the second world war and the cold war.
5. Zysman's critique also effectively disposes of Olson's (1982) central argument about market obstructions, especially when it concerns the effects of trade unions, a point that is made in Arthur Stinchcombe's review of Olson (Stinchcombe, 1984). Zysman's remarks show that Stinchcombe's review does not go nearly far enough, since the latter merely argues that Olson neglected the market distorting effects of decisions of our main financial institutions, without pausing to consider that this effect is a result of constitutional design of state/economy relations.
  6. Katzenstein presents two analytical dimensions in his lead chapter in the special 1977 *International Organization* number on the foreign economic policies of advanced industrial countries which he edited. They are: dispersion of decision-making authority (producing a strong state/weak state dichotomy) and a coalition of class forces which animates the policy-making machinery.
  7. Zysman's concluding theoretical argument explicitly denies the possibility of a general theory of industrial adjustment. The theoretical outcome is an essentially indeterminate and »open« world order with respect to the general organizing principles of the Political Economy, only many political economies.
  8. Zysman (1983: 312) concedes that the current economic situation has thrust the three adjustment models he discusses into crisis. He wonders how, in the Swedish (negotiated) case, wage bargains can now be renegotiated in order to provide wage restraint (essential to competitiveness) without merely relieving the burden on the investor class.
  9. Leading critical students of this sub-field have been calling for its reconstruction along the lines of Political Economy. See Moon, 1985; McGowan and Walker, 1981.
  10. The land of Ulro is an imaginary place created in the mind of the 18th-19th century English romantic poet, William Blake. It corresponds to the observable, phenomenal world of the senses, which is, nevertheless, a place of untruth, false constraints, distortion and deception.

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