

# The state and deliberation: marxism's re-evaluation of the economic possibilities of politics

## Abstract

Even before the enlargement of the recent financial crisis, it was clear that economic rationalist criteria could not reliably lead to a viable 'regime of accumulation'. This conclusion was reached from the perspective of various strands of heterodox political economy and comparative analysis. Heterodoxy, including conservative and social democratic critiques of liberalism, has long insisted that economies are never disembedded from society and, as a consequence, evolve in accordance with a non-deterministic logic. Comparative analysis showed that, especially after 1974, divergent 'modes of regulation' had emerged to 'regularize' capitalism's generic and particularistic crisis tendencies.

Marxian political economy tended to remain outside the accompanying intellectual debates because it resiled from explicit political engagement. Bob Jessop (in collaboration with the French 'Regulation School') has been involved in an endeavour to reconstitute a convincing marxist state theory (which he terms the 'strategic relational approach' to the state), in the process conceding much to the consciously more conservative weberians. This paper evaluates his project, suggesting, in contrast to Jessop, that there has been no 'discontinuity' in capitalist development since 1974 and that the most likely trajectory of capitalist regulation from now will be the one that was acknowledged and celebrated for the three decades after 1945.

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## The state and deliberation: challenging a redundant pessimism

For most of the past three decades, intellectual understanding, analysis and critique lagged behind real-world developments. For two or three decades after 1945, political interventions designed to ensure economic reconstruction in wealthy countries (and economic development in poorer ones) were nurtured by heterodox economic theory which seemed to be informing political development in general and economic policy achievements in particular. The idea of the mixed economy, drawing upon visions from Keynes, Beveridge, Polanyi and Schumpeter and the hopes of social democrats in the western tradition, appeared to be coming to fruition as public expenditure and taxation neared 25 percent of GDP and social transfers passed the 5 percent mark. Andrew Shonfield explained and celebrated the trend as a permanent and structural change in the ‘balance of public and private power’ (1965). For keynesians the new circumstances represented the triumph of social science’s capacity to guide human sovereignty over the vicissitudes of market-produced cycles – a simultaneous leap forward in knowledge and practical political acumen. For welfare state advocates, postwar developments promised not only income compensation in the event of unemployment, sickness and retirement but an eventual transformation of capitalism towards political determination of living standards, a democratization of social existence and an expansion of citizenship entitlements. Among anti-internationalists, the shifts were confirmation that peoples would resist the subordination of their societal accomplishments to economic pressures. Schumpeter had earlier anticipated the institutionalization of economies and business organizations – able simultaneously to secure innovation and to protect people from its most disruptive effects. Intellectually, traditions of analysis associated with institutionalism, economic sociology and even conservative christian social thought – all of which argued that social cohesion should normally retain precedence over liberal desiderata (like wage labour, inequality and insecurity) – appeared vindicated.

The long postwar boom ended in 1974 and a long recession (1974-2004) – signalled by high unemployment, structural change, globalization and the emergence of unanticipated economic problems unique to wealthy countries – began. However, the progress of heterodox thought stalled. The interpretive pace-setters, for these three decades, were those announcing a ‘crisis of the state’: constituted variously by political over-reach and administrative overload, the demise of keynesianism, the irrelevance of national politics, the anachronism of social welfare transfers, the iatrogenic character of counter-cyclical or protective policy measures, the dismantling of many corporatist ‘settlements’, and the inevitability (perhaps even desirability) of political impotence. In consequence, intellectual and discursive hegemony passed to liberals, internationalists, and others proclaiming the need for a more modest and restrained role for politics in capitalism’s required forms of ‘governance’. Conceptions of the evolution of capitalism towards something more institutionalized, regulated, potentially manageable and democratic, wherein outcomes are more deliberated and less unwanted, lost their scholarly appeal. Previous state achievements were said to have been ‘hollowed out’.

I want to argue that this new pessimism with respect to state capacities and accomplishments was always unwarranted and now is in disarray. The paper questions these until-recently influential positions – on both conceptual and empirical grounds.<sup>1</sup> First, I report some of the empirical political influences on economies in OECD countries over the past century. Second, the implications (for political theory and political understanding) of these developments are re-examined. Contingent developments in political economy, such as retreats from regulation,

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<sup>1</sup> I use the term ‘state’ to refer to a ‘political community in which citizenship rights may be realized’ – that is, the polity, political processes, public institutions, democratic rule, government and governance arrangements **within** the nation. This **excludes** consideration of the nation-state as an ‘actor’ in an international context.

the ‘demise’ of keynesianism, failures of governance and socially-disruptive inflationary conflicts, seem to have been treated in much contemporary scholarship as if they were anticipatable and unstoppable, in the process repudiating accumulated knowledge and perspectives from earlier social science. Similarly, structural developments like the growth of taxation and the politicization of consumption, have been ignored. Third, I will outline some (potentially promising) transformations in critical political science that have ensued over the past decades, drawing attention to convergent developments within conservative and marxian political economy. Finally, I will nonetheless argue that intellectuals’ comprehension of the likely evolution of modes of regulation – that is, future relations between the state and the market in capitalist economies – has faltered. I hope to show that alongside orthodoxy’s acquiescence to current trends, critical approaches have too readily postulated transitions (such as the shift from welfare to ‘workfare’) that have not in fact occurred and which, on the evidence, are unlikely. The future of state-market relations may instead be a resumption of tendencies towards enlargement of the institutionalizing and politicizing impulse that was expected in the early post-1945 period.

## The expansion of political possibilities

The notion that the observable increase in state activity denotes a corresponding decrease in the scope of markets is one that is well-contested in political economy and political science, mainly because official spending and revenue measures may be only partial indicators of their institutional effects and hence the dismantlement of regulation is not always incompatible with greater social expenditure. Disagreement notwithstanding, the proportion of state expenditures in total economic activity is an essential empirical starting-point for analysis. Since the end of the nineteenth century public spending in the wealthy societies has increased from about 10 percent to over 40 percent as a proportion of GDP. Though the rates of increase have slowed in the new century, the long-term expansion of political influence over the economy does not seem to be in retreat. (See Figure 1.) Government spending and taxation revenues are both about 20 percent higher now than in 1974 when the enthusiasm for cutbacks in the scope of state activity (and the globalization that underlies it) took hold.<sup>2</sup> Social transfer expenditures, the welfare state component in total government spending, increased most spectacularly of all – from almost nothing to about a quarter of GDP – through the twentieth century. (See Figure 2.)<sup>3</sup> This growth of public influence on the private economy, implying an expansion of political possibilities in general and of consumption in particular, accords with the expectations of the postwar commentators, but it confounds contemporary political priorities (Castles 2007) and therefore warrants renewed analysis. For empirical and analytical reasons, state expenditures are likely to remain above 50 percent of GDP for the next half-century and social transfers will remain in the 20-30 percent range.

The structural transformation – for I will argue that that is what it is – can be conceptualized in diverse ways: evolved relations between the economy and the state, change in the balance between markets and politics (as contrasting ways of mandating economic activity), a shift

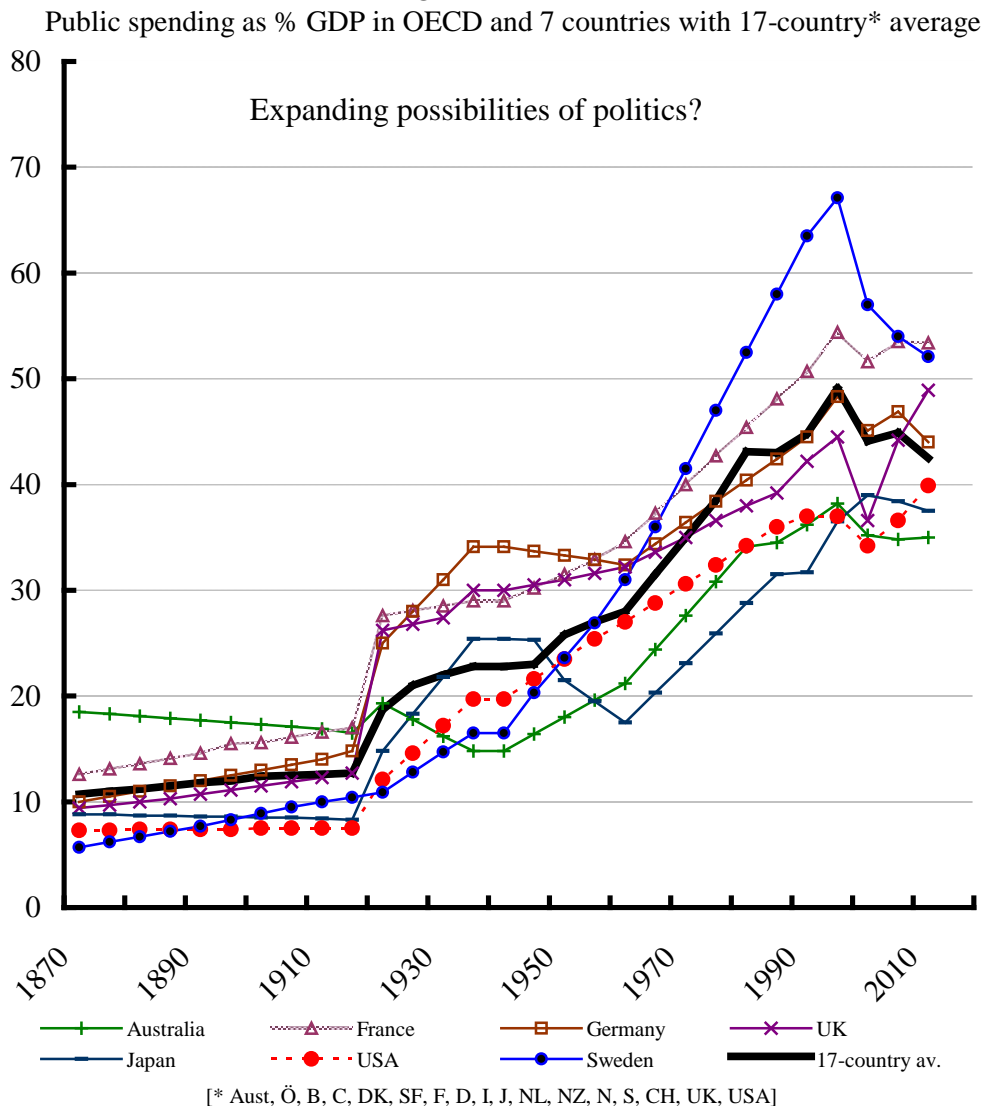
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<sup>2</sup> Calculations have been taken from *OECD Economic Outlook* no.84, December 2008 (for 2010) and *OECD Historical Statistics 1970-2000* (for 1974). For the OECD countries, public expenditure has increased about 26%, and taxation by about 16%, since 1974. The decline in state spending from the 1990s to the first decade of the twentieth century has been only half of a percentage point – from 41.4% to 40.9% of GDP. (Data for 1974 are unavailable for the Czech Republic, Hungary, Mexico, Poland, the Slovak Republic, Turkey and New Zealand.)

<sup>3</sup> In these charts, as well as in Figures 4 and 5, the following abbreviations have been used: Australia (Aust), Austria (Ö), Belgium (B), Canada (C), Denmark (DK), Finland (SF), France (F), Germany (D), Iceland (Is), Ireland (Ir), Italy (I), Japan (J), Luxembourg (L), Netherlands (NL), New Zealand (NZ), Norway (N), Portugal (Port), Spain (Sp), Sweden (S), Switzerland (CH), UK, USA.

from non-interventionist to interventionist principles, subordination of private to public authority, reversing the legitimate roles of business and government, subsuming individual to collective interest and, perhaps, freedom to authority.

## Growth of government 1870-2010



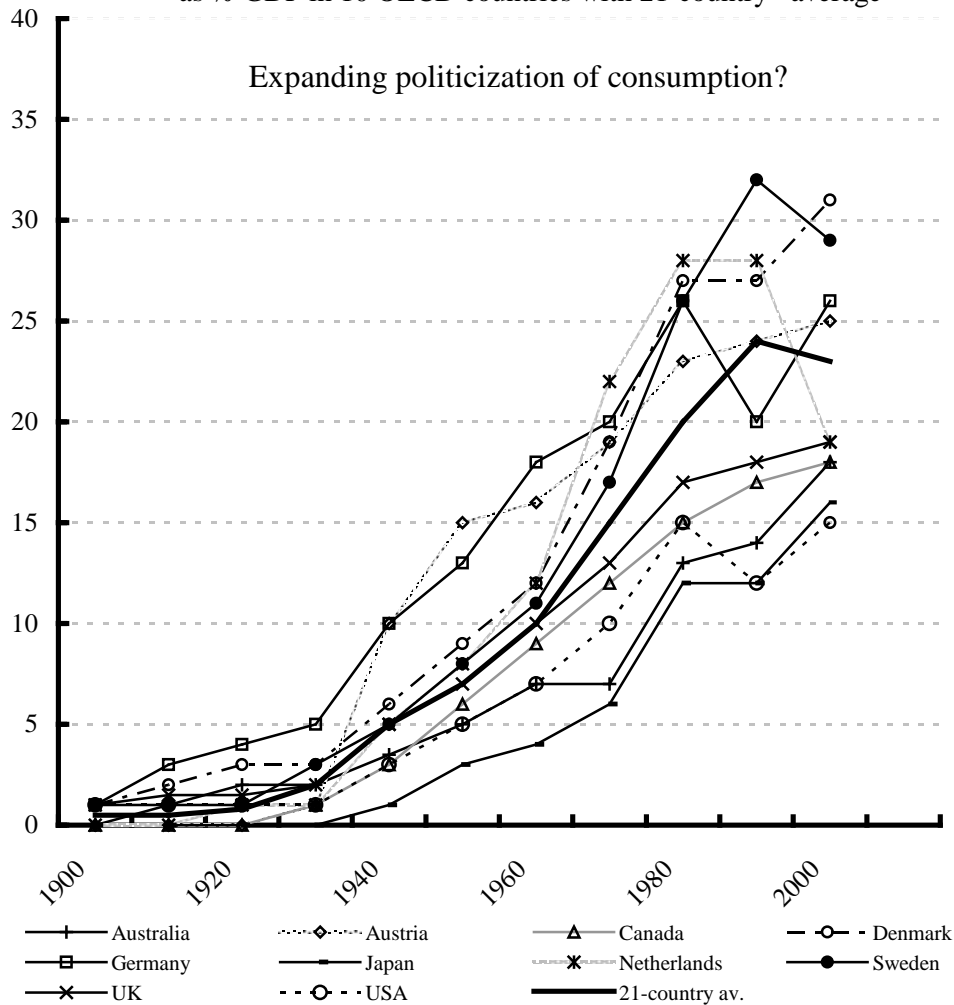
Sources: Vito Tanzi & Ludger Schuknecht. 2000. *Public spending in the twentieth century: a global perspective*. Cambridge University Press, pp.6-7; updated after 1995 from *OECD Economic Outlook* no.84, December 2008, Tabl 25, p.273.

Each dichotomy noted above comes with a distinctive evaluation of causal patterns, signalling disagreement over actual and desirable processes. Hence, the growth of government has implications for each major political science tradition.

Liberalism, increasingly self-presented as the default position for philosophical appraisal of western politics, even in Europe where it has probably never been that, maintains that the state always impinges on individual freedoms and therefore that the reach of politics should be minimized. Even democratic politics should be constrained (via constitutional limits); and the state ought to have restricted provenance (for fear of authoritarianism, administrative overload, 'moral hazard', corruption or opportunism). The general view is that politicians have a propensity to expand the scope of politics unless liberal proscriptions are inscribed.

## Growth of social transfers 1900-2000

Welfare, unemployment benefits, pensions, public health & housing subsidies  
as % GDP in 10 OECD countries with 21-country\* average



Sources: Peter H. Lindert. 2004. *Growing public*. Cambridge University Press, pp.12-13 and *OECD Historical Statistics 1970-2000*. Paris, 2001, p.67 updated from *Social Expenditure Statistics Database* (OECD.stat) 2007.  
[Note: intermediate data interpolated]

Historically, the most important form of anti-liberalism has been conservative sentiment (and nation-building activity). Conservatives, by whatever label,<sup>4</sup> say there can be no general conception of politics: politics and the state are what we make them and there's no reason to presume they do or should evolve similarly in different contexts. State institutions ought to be powerful and authoritative. Perhaps the scope of democracy ought to be constrained (for fear of mass idolatry or ideological fervour); but statecraft (based on political will, bureaucratic competence and institution-building ambition) can achieve much. There is sometimes a suggestion that political achievements should not readily be wound back; though in reality they occasionally are.

<sup>4</sup> A contemporary nomenclature for this long-lived alternative to liberalism is problematic and unsettled, with progressive conservatism, progressive authoritarianism, statism or neo-statism, corporatism, organicism, neo-weberian state capacity theories, even neo-mercantilism and renaissance political economy all vying for acceptance as the most informative descriptor.

Marxism has been the analytical tradition most concerned to provide a 'general theory of the state' (an understanding of politics that is relatively invariant across diverse national instances). Although the scope of a democracy ought to be maximized, the state 'in capitalist society' is actually, necessarily weak, undemocratic and unresponsive because of the class power embodied in market forces. The overarching 'problem of the state' for orthodox marxism is that, to the extent that it defends private property, the democratic pretensions of the liberal state are compromised. The 'modern state' exists because capital needs legal prophylactics against the democratic impulse; it can't represent or constitute a general interest. Liberal democracy isn't exactly a sham, but the form of the state (particularly, the exclusion of accumulation from democratic determination) ensures it isn't genuine democracy either. The putative recognition that the capitalist economy needs extra-economic preconditions features in other traditions too.

Problems with each of these three perspectives are instructive. First, the continuous 100-year expansion of politics in the twentieth century inserts a major implausibility into the liberal worldview: 'big government' regimes are neither the most oppressive nor the least economically successful. The costs of 'state failure' seem to have been massively over-stated; they're more a theoretical than a real phenomenon. Whatever the consequence of the shift from markets to states, liberalism doesn't capture it. Second, the weberian perspective probably under-estimates resistances to the expansion of politics – both from international organizations and from influential discursive pressures more generally. While they recognize the positive contributions political power has made to infrastructure provision in rich and poor polities, conservatives are largely unable to theorize the fact that capitalist auspices are sometimes resistant to capitalist development (even though the idea was partly anticipated in Max Weber's 'slow boring of hard boards' perspective on politics). Interventionist intentions are likely to be compromised in practice. Third, we are entitled to conclude that the development of democracy, diverse as its manifestations are, does not justify marxism's extreme scepticism towards the state. The most sustained, most complex and most critical analytical tradition in political economy seriously under-estimates the 'possibilities of politics' and therefore shuns most congruent opportunities to contribute to policy or institution-building debates. The market, the 'logic of capital', is still seen as the prime determinant of economic outcomes.

What, then, can be retrieved from political science's fractured understanding of the contemporary state, that is, of the easily observed transformation of relations between politics and the economy?

### Conservative anti-liberalism

That the expansion has occurred in both the most liberal and the least liberal regimes seems to suggest a structural element in the long-term politicization of modern economies. These structural dimensions originate, of course, from a combination of democratic and demographic pressures together with a politically-propitious array of technological, institutional and fiscal capacities. So, though there is not necessarily any conscious agency, there may be ambient circumstances which render the transformations highly likely, perhaps inevitable, and very difficult for known political forces to resist (Schmidt 1983). Economic development seems to spontaneously generate a structural dynamic but to retard effective individual spontaneity; institutions are inevitable.

The most prominent explanation for the non-volitional growth of the state in modern times was by Adolph Wagner (1835-1917), conservative member of the Historical School in German political economy. From the 1870s, Wagner argued that industrialization, urbanization and modernization were the dynamic behind not only wealth, but also new

categories of social problems which, in turn, exposed the necessity of collective responses – to provide infrastructure such as urban sanitation and also, later, facilitative and ameliorative social provision of health, education, housing and more diffuse forms of urban and public amenity.

Wagner and the conservative tradition formalized this argument as the ‘law of increasing state activity’ (1883): that social and economic development themselves unleashed new and structurally significant principles in political economy. Wealth can be maintained only if capacities for collective provision gradually supplant individual mandates for economic activity. It involves more than the assertion that the state takes on new tasks. Implied also is that, as societies become richer, political calculations prescribe a higher proportion of total activity. So the compass of the market principle tends to contract. Collective demand for services usurps market demand and payment is via taxation rather than individual capacity. The increasing diversion of funds from the private sector to the public sector is not a ‘burden’ if the state’s fiscal and institutional capacities (democratically formulated or otherwise) have expanded in tandem with general affluence. So public financing emerges with quite different principles from those governing private financing: it can lead rather than merely respond to public demand and there needs be no one-to-one relationship between revenue sources and beneficiaries.

This account of the changing structural conditions in rich societies seems to describe well what actually happened in the twentieth century. Even when economic growth generally slowed, state growth continued (Maddison 1986), confirming what economic sociologists now refer to as the ‘embeddedness’ of the economy (Polanyi 1944; Streeck 2001) or what some economists called the ‘income-elastic demand for public services’ (Castles 1988, ch.4). A structural explanation for the longterm transition from markets to politics does not, nonetheless, preclude an awareness that within liberal polities there may be elites whose ‘mission’ is to thwart politicization, or to keep the state ‘poor on principle’, as Rudolph Goldscheid classically and sardonically observed (1917) before the dramatic take-off in public expenditures. As we have seen, however, if the liberals wanted to disrupt a trend that had no explicit agency, was championed by no social movements or parties, and was announced in no programmes or manifestos, their efforts were not well-rewarded – neither then nor now.

The European defence of politics has been a longterm confrontation with liberalism – from Aristotle’s enunciation of humanity’s political ‘fate’, to Machiavelli’s celebration that political competence could overcome ‘fate’, to Hegel’s conception of the state as a brake on and corrective to the egoism of modernity, to Weber’s insistence that rational calculation should not be immune from deliberative rebuttal if it contravened popular opinion, and to Keynes’ advocacy of policy measures able (at least temporarily) to overcome the propensity of private enterprise to accept lower employment and living standards than technically possible. The civic republicanism of the twentieth century kept alive, and institutionally enacted, the idea that some of the effects of unbridled individualism justified societal restraints and an effective polity (Crick 2002).

Since the 1980s, the disjuncture between popular discourse (that calling for liberalization) and the reality of state growth has been recognized from within what is now known as the neo-weberian tradition (Skocpol 1985; Mann 1993; Weiss 1998, 2003, 2005; Chang & Evans 2005) – although the target of these writers’ irritation was typically marxism’s propensity to understate the effectivity of a distinctive political realm. Theda Skocpol proposed a need to ‘bring the state back in’ to critical enquiry which, she reasoned, had for too long assumed, without convincing empirical grounds, that the state and politics were the product of (social and economic) class determinations. Proper enquiry into the possibilities of politics would not infer from the existence of a capitalist economy the unbridled social power of capital. Political

arrangements mattered; state outcomes were contingent on the internally-developed capacities of the state itself and the strategic behaviour of 'social actors', including bureaucratic institutions.

Michael Mann showed that political power was not necessarily despotic (as liberals feared) nor class-biased (as marxists presumed) but infrastructural. Infrastructural power in modern times depended on the state's prior organization of governance and revenue collection mechanisms with predictable consequences and more or less legitimate proficiencies. The most compelling contemporary instances of infrastructural power are those that state institutions could mobilize by arranging, negotiating or coordinating joint decision-making with non-state organizations. These procedures are especially important in dealing with macro-political problems like distributive conflicts (leading to inflation) or industrial restructuring (leading to unemployment), where more authoritarian or statist procedures would be likely to cause hostility or resistance, even if identical decisions were made.

Such celebrations of the capacities of the state to achieve politically-determined outcomes, in the general interest, led Linda Weiss to decree that the 'powerlessness' or redundancy of the state was generally a 'myth'. Drawing on studies of industry policy and industrial renewal in Asia, she claimed that, even in the face of economic globalization, political institutions were able to oversee 'industrial upgrading' (usually by siding with or promoting new sectors or firms) and thereby to assert the functionality of politics for the economy. The state (represented by public spending and taxation) within all developed and developing nations will continue to grow despite liberal pressures, she reasoned, because business demands infrastructure, policy networks are strengthening and demands for social protection (an instance of political 'voice') are increasing. The state's transformational capacities are being challenged only in liberal regimes which are oblivious to the room to manoeuvre which persists (2003, pp.293-317).

For Weiss, globalization can be a trigger for, and facilitator of, (often opportunistic) state activism and state capacity, rather than a debilitating constraint upon it. Other proponents of conservative anti-liberalism see it as affirmation of long-established 'schumpeterian' commitments to respond actively and responsibly to the competitive destruction of former industrial capacities (Reinert 2007, ch.2; also 1999). Outside the tradition of liberal orthodoxy, the state's legitimacy as an instigator of some activities and a modifier of some consequences, has long been asserted. Even Keynes had mused, in the 1930s, that the protocols of a private enterprise economy were sometimes 'incompatible with that degree of material well-being to which our technical advancement entitles us' (1933, p.240). The neo-weberians have now confirmed that the state can so act and will perpetually be called on to act. This idea is at the heart of all politicization attempts; and it constitutes an ongoing issue in political economy. Even if 'solutions' cascade into difficulties as in a recurring nietzschean drama, remedial policies can be pioneered and state experiments initiated. But the causes of industrial disruption can never be wholly eliminated and resistances to policy effectiveness are repeatedly reconstituted (Reinert & Reinert 2006). The legitimacy of politics is not undermined by this recurrence of endemic difficulties; provisional and impermanent solutions may be the norm. Neither keynesian nor conservative thinking necessarily imply that the political problems of economic adjustment (which, however managed, normally involve social dislocation) can be permanently resolved. Nonetheless, institutional responses developed in national or sectoral contexts may, through their characteristic attributes, impart an evolutionary potential to modern economies which has been willed by no one (Hodgson 2000).

In all politics, of course, there is plenty of room for disagreement and it is unlikely that the debates between liberals and conservatives on the legitimacy of an expanding polity will ever

be settled (see Hicks 1995). Nevertheless, it is important to register that principled conservatives are largely unperturbed by state encroachment onto market mechanisms and the enlargement of government's management responsibilities. These do not violate conservatives' occasionally statist dispositions. Marxism, though, has been more confronted, politically and analytically.

## Marxism's re-evaluation of the state

Marxism is typified by a familiar, though pessimistic, view of the state, famously asserted in the 1848 Manifesto. The postulation was that the modern state was irremediably bourgeois and therefore an 'alienated form' of politics. This conclusion resonated with anxieties about the faltering development of liberal democracy as capitalist economies emerged. Nonetheless, it was never entirely convincing because even marxism's central theory contained the more politically-pregnant proposition that although the social relations of capitalism initially facilitated development of the forces of production (wealth in all its social forms), the underlying conditions for capitalist development would eventually impede productive capacity and progress. This contradiction, though only contingently unfolding, would give rise to degrees of economic socialization or politicization. The 'logic of accumulation' would then give way to a variety of institutional possibilities – for example, deliberated allocation of resources, needs-based production, decommodified provision (including decommodification of labour, in the form of wage regulation and employment policy) and less undemocratic control of the production process – and for these, historical rather than abstract analysis would be best suited. Discrepant evaluations of such possibilities were always imaginable; however anti-functionalist and volitional political developments have generally been dismissed as revisionist or reformist, thus damaging further critical assessment. As a result, relations between the state and the market in the countries of advanced capitalism tended to be seen as invariant.

Much of this scholarship has recently been revised by Bob Jessop; and more open-ended conclusions on the 'state in capitalist society' can now be broached. Jessop's ideas, enunciated, refined and repeated over the past two decades (1990, 2002, 2007a, 2008; Jessop & Sum 2006), were formulated within marxian political economy, but recognize the widely-shared perception that marxist state theory was undeveloped in its familiar form. Jessop refers to his reformulations as the 'strategic-relational' approach to the contemporary state – retaining marxism's insistence that the state, polity and public institutions need to be understood in terms that are explicit about their relation to capital's dominant and labour's subordinate positions, while allowing scope for strategic political calculation both inside and outside conventional processes of governance. The most striking aspect is the abandonment of orthodox marxism's view that the state was (for the most part) structurally-constrained by its obligation to secure the conditions for capital accumulation which were (for the most part) known in advance. In the reworked conception, politics remains (in some measure) structurally-constrained, but not completely. The diversity of political arrangements and economic outcomes (particularly in the post-1974 period when crises of restructuring began to be experienced in the advanced capitalist democracies) – that is, the impacts of and responses to global economic changes – made the previous precepts untenable. Accumulation strategies, notably, have often been forged deliberately (by the state or by private industry in collaboration with state institutions); so patterns of industry do not always emerge spontaneously as the consequence of the 'logic' of accumulation (market forces) and initial resource endowments. Many characteristics of capitalist development are now seen as dependent upon political choices, though not every political desideratum is possible.

Jessop has shunted marxism towards a conceptual rapprochement with non-marxian strands of political thought. This section outlines Jessop's reconsiderations – to evaluate both

marxism's accommodations to the political economy and social economy discussed above and its potential contribution to understanding the increased influence of the state on markets.

Although it is not a uniquely marxian insight, Jessop's writings begin from the observation that the capitalist market economy is not 'constitutively complete' and that therefore its political and social preconditions need to be established through processes that are not generated spontaneously by capitalist social relations themselves. However, because politics is necessarily contingent (subject to variable choices and variable outcomes), he concedes that the liberal democratic state cannot be considered 'essentially capitalist'. The capitalist economy does not imply a definite institutional form for the state, nor pre-definable functions; and the struggles over these forms and functions are only partially grasped by calling them class conflicts. Even if the major function (or policy concern) of major state institutions is to ensure accumulation (and hence the class-based imbalances that militate against democratic development), the institutional separation of the political and economic spheres (the 'form' of the state) means that two alternative logics prevail and that the two requirements do not always coalesce. In more conventional terms, this amounts to an acknowledgement that there is no 'one best way' to manage, or to re-structure, a capitalist economy. Capitalism thrives well under quite divergent political pacts and compromises, including those which alter the balance of power between capital and labour.

Jessop concedes that it is therefore necessary for marxism to discard the idea that there can ever be a general theory of the capitalist state. There are so many contradictions, strategic dilemmas (political and economic) and potential institutional responses in the course of even 'normal' economic management that abstract depictions of the requirements, limits and possibilities of the state will always be wayward. Empirical and historical enquiry will reveal a wider range of these contingencies than abstraction. Of course, by ceding the state's strategic capacities – the ability to politically privilege some strategies and industries or sectors at the expense of others (which Jessop calls 'structural selectivity') – we are taken away from a distinctively marxian view and brought very close to the weberian viewpoint (that the state can shape economic and industrial structure). This is especially the case if the state is seen as an 'ensemble' of institutions with self-consciously differential impacts or which different social groups (beyond the state) can utilize differentially. The possibility of 'path dependency' amplifies the weberian dimensions of this marxism, because it opens the politics of capitalism to 'complexity' (embeddedness, interaction, interdependence and multiple determination) (Jessop 1997, 2008, ch.10; see also Chesters 2005).

The modern state and the capitalist economy have always been discussed together; but contemporary complexity implies a new range of ontological issues affecting understanding of the state (that is, a certain problematization of the boundaries of the phenomenon). Insofar as capitalism depends on conditions provided (differentially) by the polity (infrastructures, training, a legal framework) and the polity depends upon contributions to governance from non-state institutions (trade unions, political organizations of business, international monitoring agencies) in addition to 'market modes of governance' that are themselves differentially constituted (by the specific industrial structures of various economies), the state loses its discreteness as the influences upon its roles multiply. Yet, the scope for 'strategic' action, that is, deliberated choice from diverse possibilities, backed by distinctive capacities, still exists and (in view of the data presented above) has probably increased.

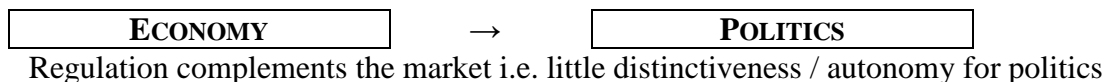
Though Jessop recognizes at the beginning of his latest book that the state has been a 'distinctive accomplishment of social development' (2008, p.1), this distinctiveness is not really specified. Earlier, he seemed to endorse the view that the state had no power of its own (1990, p.256); in 2002 he concluded that there could be no guarantee that political outcomes would be specifically 'state outcomes'; and by 2008 he arrived at a more 'ecological' view in

which state power is scarcely separable from its interactions with economic, legal and cultural institutions ('structural coupling', also rendered as 'mutually-reinforcing correspondence' and 'reciprocal consolidation' – implying evolutionary processes which are probably unpredictable and contingent). In this conceptual progression, specifically political struggles, political institutions and political capacities have become less and less central. This is what is retained in Jessop's marxism.

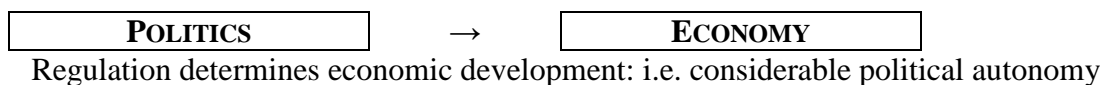
Hence, answers to age-old conundrums about political possibilities (or even a guide to internal developmental tendencies) are not a feature of Jessop's stance; even if more explicit observations on 'what is to be done' may have been expected from a major body of work on the state from within the marxist tradition. The strategic-relational approach does, however, preserve the marxian (if not uniquely marxian, because they also feature in keynesian political economy) premises that the state must deal with both the contradictions and the crises tendencies of a capitalist economy. Jessop's theoretical resolution and its context are summarized in the figure; his discussion of the re-orientation of the state after 1945 follows.

### The capitalist state and the market economy: the evolving debate

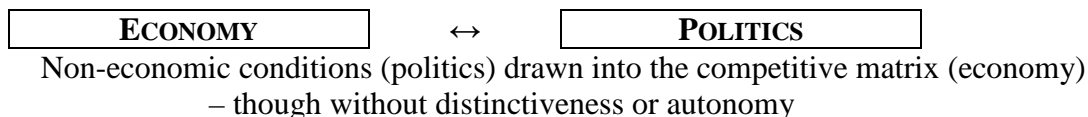
1. **MARXIAN VIEWPOINT** (anti-liberal, proposes a severely limited autonomy)  
*The bourgeoisie became more politically influential as the capitalist economy developed...* (p.81).  
*The modern representative state has now become typical...* (p.82).  
*The executive of the modern state is [nothing] but a committee for managing the common affairs of the whole bourgeoisie* (p.82).  
Marx & Engels *Communist Manifesto* 1848



2. **WEBERIAN VIEWPOINT** (anti-liberal, but 'statist' – implies political possibilities)  
*Politics is a strong and slow boring of hard boards. It takes both passion and perspective. ... All historical experience confirms the truth - that [people] would not have attained the possible unless time and again [they] had reached out for the impossible* (p.128).  
Max Weber 1918



3. **JESSOP'S VIEWPOINT** (the revised marxist, 'strategic-relational' approach)  
Politics is structurally constrained (some things depend on political choices, but not everything is possible); accumulation strategies can be forged (by the state); patterns of industry don't always emerge spontaneously from market forces and resource endowments. The capitalist market economy is 'constitutively incomplete' so 'modes of regulation' emerge, though permanent 'regularization' of accumulation is improbable; the state becomes a 'structurally-inscribed strategic context'. Hegemonic projects (political projects) help to maintain the strategies (to ensure they're not disrupted) ... but these strategies change (e.g. the shift from a national to a global orientation in industry & politics, historic compromises/ class settlements etc).



## Modes of ‘regularization’

Jessop’s efforts to integrate contemporary political developments into historical materialism have involved a longterm engagement with French ‘Régulation School’ ideas. The main effect of these efforts, for Jessop, is an expanded understanding of contemporary transformations in economic governance arrangements; for the regulationists, historical materialism’s under-emphasis of the part played by political (and, sometimes, non-state) institutions in the necessary ‘regularization’ of capitalism’s conflicts and contradictions has been corrected. (The major texts are Jessop & Sum 2006, but see also Jessop 2008, ch.2; and Boyer & Saillard 2002, also Boyer 1990.)

The concern has been not only to demonstrate that all economies require some form(s) of non-economic support, as indicated above, but also to indicate that the form of that support has been variant across time and place and that, as a consequence, industrial structures (firms, industries, patterns of innovation, capacity to manage externally-imposed structural changes) have emerged and evolved differentially. Without reversing marxism’s traditional causal presumptions (where economic function implies a distinctive political form) completely (see the final segment of Figure 3), developmental trajectories, economic successes, structural problems and pressures for adjustment are seen as the (interactive) effects of regulatory arrangements, political preferences and state capacities.

As indicated above, heterodox traditions of political economy have long anticipated that successful capitalist economies have an evolutionary propensity to become more negotiated or politicized and less and less like market economies. That is, regulation makes a difference and the defining features of the system (its social relations) are not left unaltered. The trend to increasing government and increasing regulation (despite deregulation and light regulation in some sectors like finance) is matched by increasingly large and powerful private organizations and increasing recourse in times of crisis to unusual forms of management, even in the liberal economies.<sup>5</sup> The changes mean that private capital and its prerogatives alone no longer constitute private economic activity. Also as indicated above, these are the conditions that give rise to what Jessop and others call complexity.

Cross-national differences during the period of large-scale structural adjustment after 1974 (measured by unemployment, inflation, manufacturing decline and broader inequalities) have been the most obvious registers of divergent regimes of economic governance in the subsequent decades. The clusterings of countries’ performances for the decades immediately after 1974 (sometimes referred to as the era of stagflationary crisis) and also for the period since the early 1990s (during which economic outcomes have improved) are presented in Figures 4 and 5.

The liberal polities (for example, the UK and the USA, though the UK had above OECD – average government outlays for most of the period), characterized by weak government and poor performance after 1974, can be referred to as ‘liberal failures’ (Boreham et al 1999, pp.166-170). They recorded high unemployment for those decades. Most anglophone nations have underdeveloped polities. Their public capacities are limited by the orthodox, non-interventionist preferences of their treasuries, finance ministries and central banks. They lack the industry policy, state investment strategies, official linkages between financial and

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<sup>5</sup> Even in the six English-speaking countries, aggregate government spending increased on average from 35.2% of GDP in 1974 to 38.8% in 2008; though in both the UK and New Zealand it remains above the OECD average. Social security expenditures increased from 8.7% of GDP in the early 1970s to 11.1% in the 2000s, for the five English-speaking countries for which data are available.

industrial sectors, collaborative arrangements between public and private sectors (or even within the private sector), and institutionalized involvement of labour in policy-making that take root more comfortably in statist and social democratic polities. Integration of different spheres of public policy is rarely thought necessary. Poor national-level performance (high unemployment) reflects productive weaknesses (uncompetitiveness or immaturity) in private organizations and can be attributed to weak or non-existent public competences as well as official political insouciance towards certain types of economic transformation. Divergent modes of regulation, supporting different ‘regimes of accumulation’ have evolved in Europe, in Scandinavia and in Asia.

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### Politics and markets in ‘hard times’

THE INSTITUTIONAL BASES OF ECONOMIC PERFORMANCE  
(POLITICALLY DIVERGENT MODES OF REGULATION\*)

based on categorization of unemployment and size of the state  
20 OECD countries, 1970s-1990s

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|                                 |   |                             |                                |
|---------------------------------|---|-----------------------------|--------------------------------|
| big government                  |   |                             |                                |
| good<br>economic<br>performance | <b>social<br/>democratic<br/>corporatism</b>    | <b>statist<br/>failures</b> | bad<br>economic<br>performance |
|                                 | <b>corporatism<br/>without<br/>labour **</b>    | <b>liberal<br/>failures</b> |                                |
| small government                |   |                             |                                |
| Social democratic corporatism:  | S, N, Ö, Is, L                                  |                             |                                |
| Corporatism without labour      | J, CH   |                             |                                |
| State failure:                  | D, F, I, NL, B, DK, SF, C, UK, Ir, NZ           |                             |                                |
| Liberal failure:                | USA, Aust (& UK during the 1990s but not since) |                             |                                |

\* Also categorized as ‘social structures of accumulation’, ‘social systems of production’, modes of growth, systems of economic organization, business systems, national innovation systems, macroeconomic management systems and governance systems.

\*\* Also categorized as ‘authoritarian successes’, ‘creative conservatism’ and ‘creative defeat’.

Derived from data in *OECD Economic Outlook* (various issues) for period 1974-1993

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Liberal polities can be contrasted with various forms of ‘strong state’ – that is, those with a capacity in the public realm to guide the private determination of investment and re-investment. Figure 4 shows, though, that poor outcomes after 1974 featured in both liberal and statist nations; while good performance was experienced in both social democratic and labour-excluded contexts.

The configuration confirms, for critical analysts if not for policy elites, that particular regimes of accumulation (patterns of industrially-based growth and development) are always underscored by modes of regulation (which include modes of technological change, systems for regularizing access to finance, systems of innovation, business competition systems, the

social structuring of conflicts over accumulation, and industrial relations systems).<sup>6</sup> That is, private economic activity (and capital accumulation itself) is necessarily framed, facilitated, regulated or constrained by institutional arrangements (though not always by formally legitimated authority). These arrangements have the effect of solving generic or particular problems but they do not tend to be permanent, changing in accordance with either economic circumstances broadly or the balance of political (and class) forces which can dictate the extent to which demands for full employment or equality are registered.

Comparative analyses of the way institutional conditions have consolidated themselves to structure the success or failure of private corporations and firms reflect the four-fold typology of macro-level governance depicted above. Robert Boyer talks of ‘multiple forms of capitalism’, each with its own historical experience of adapting inherited institutions and cultural biases to changing circumstances. Furthermore, each mode seems to be more accommodative of some types of productive activity than others. Boyer uses the terms ‘market capitalism’, ‘state-powered capitalism’, ‘social democratic capitalism’ and ‘middle-range corporatist capitalism’ to identify the same clusterings presented in Figure 4 as ‘liberal failures’, ‘statist failures’, ‘social democratic corporatism’ and ‘corporatism without labour’.<sup>7</sup> Each institutional mode has the capacity to alter the criteria that are applied to productive activity.

As suggested, these national types have developed different settlements to the perennial dichotomy between state authority and market regulation. In particular, the role of elites in determining access to finance or exposure to structural transformation, the scope given to trade union organizations in labour market or counter-cyclical investment policies, and whether policy should tolerate the search for and protection of economies of scale are also institutionally variable. Though not entirely a matter of deliberate choice, the forms of interaction between private and social institutions in, for example, America (or Britain), Japan (or East Asia), Scandinavia (particularly Sweden) and Germany (or France) seem to have produced distinctive patterns of industrial success:

*Market capitalism* is geared to basic research and patented innovations, especially in the areas of biology, computer programs, and the leisure industry. The *middle-range corporatist* model seems more suited to develop new products for mass consumption, such as electronics, consumer goods and new means of transport. As for *social-democratic capitalism*, its strengths have to do with the invention and development of new collective goods linked to education, health, problems of an ageing population, but also the protection of the environment. Finally, *state-powered capitalism* can innovate in the area of collective infrastructures: very fast trains, space industry, telecommunications etc (Boyer 1998, p.99).

In other words, the generic problems in a private market economy are resolved (at least for discrete periods) by specific types of organizational experiments, which then enable specific private competences. It is scarcely surprising that different modes of governance result in such unintentional specializations, since it is the very demands imposed on firms by

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<sup>6</sup> Hollingsworth, Schmitter & Streeck define a ‘governance system’ as the ‘totality of institutional arrangements – including rules and rule-making agents – that regulate transactions inside and across the boundaries of an economic system’ (1994, p.5). This appears compatible with the conceptions of ‘régulation’ adopted by Boyer and Jessop.

<sup>7</sup> Other depictions of these ‘coordination mechanisms’ have been used – for example, markets, hierarchies, networks (appearing to conflate what I have referred to as statist failures and corporatism without labour) and liberal capitalism, dirigisme, and the negotiated economy (once again appearing not to differentiate between Asian developmentalism and European statism). (See Jessop & Sum 2006, pp.247-263.)

production that in turn channel the evolution of interdependent parts of the private economy towards some industries rather than others. All economic activities are not equally viable in a particular economy – not because of different resource endowments, but because of the potent impact of deliberately-constructed organizational relationships, networks, collaborations and synergies (Reinert 2007, ch.2).<sup>8</sup> As for all politics though, each of these developments is contingently achieved: the political conditions are only uncertainly secured, but once they exist the effects are reasonably predictable.

The Regulation School's argument is that parts of the state (and perhaps social institutions outside the state) regularize the potentially disruptive aspects of the social relations on which they depend. These include (a) exploitative or conflictual relations between labour and capital, to which industrial relations systems are a response, (b) relations between the finance sector and industry, which are often non-harmonious and which different regimes of accumulation manage differently, and (c) relations between individual economies and the rest of the world, whereby unwanted criteria may affect production or management or structural change. The emphasis (on regularization rather than regulation) is significant because it acknowledges that what is to be controlled is conflict and contradiction, implying that regulation can never be achieved completely or with any finality and that the very idea of stable capitalist development is 'improbable', except for limited periods.<sup>9</sup> Consequent upon this view is an altered gauge of what counts as success – a permanent solution to most economic and regulatory problems would be neither expected, nor required, nor possible. And as the emergence of these modes of regularization is normally neither rationalistic nor willed, but unintentional and (often enough) path dependent, there will never be general governance solutions, just struggles and incompleteness, perpetual evolutionary movement, wherein the future is 'pregnant with a surplus of possibilities' (Jessop 1990, 1997, p.105).

Modes of regulation are and have been functionally important; their emergence helps define a sector or industry; and they differentiate any actual economy from others. Private firms and corporations are not just 'black boxes' within which autonomous and commensurate demand and supply signals get processed; they are a reflection of the complexities and difficulties of production itself and of the inherent conflicts which the founding social relations of capitalist production tend to mask. The existence of productive organizations indicates, too, that investment decisions, which are notionally private and calculative and insulated from external political interference, are in fact much more socially and institutionally-determined than liberal rhetoric allows. Although, as Jessop argues, the 'form' of the liberal state tends to problematize its economic functions (suggesting that the liberalism may prevail); there has nonetheless been a 'tendential evolution' away from liberalism.

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<sup>8</sup> Like the Regulation School, institutional political economy and economic sociology and the 'social economy' tradition have also maintained that economies can never be free-standing or autonomous or independent of social and institutional supports, many of which might appear to conventional purview unnecessary or dysfunctional. All are 'embedded' in social habits or expectations or codes of behaviour or structures produced outside the economic sphere proper. Informal, non-enforceable relationships, perhaps deriving legitimacy from cultural consensus, are often definitive (see Hodgson 2000; Jessop 1997; Streeck 2001).

<sup>9</sup> At the micro- and meso-levels, regularization also includes the relationships that are established, consciously or by marginal adaptation or by accident, between a private organization and other private organizations or groups of firms or public institutions that are intended directly or indirectly to solve one or more of the problems business firms routinely confront. Product choice and design, selection of production processes, labour training and skill development, whether to resist or accept externally-induced change (for example in technology or competitive conditions or innovation possibilities), how to guard against the predatory behaviour of others, responses to periodic official reviews of competitiveness, how to assuage suppliers, sub-contractors or customers, and obligations to broader constituencies all involve inter-organizational discussions and all shift private production away from a strictly market focus. Extra-organizational arrangements such as these constitute 'systems' not merely because they exist but because they get reproduced over time.

Many writers use a simpler but equally-telling contrast between the anglo-American and European preferences in economic institution-building – for example, the distinctiveness of the American ('management coordination') and German-Japanese ('collective-collaborative') models, which can be seen as contrasting ideal types of business governance with contrasting interpretive traditions (see Shionoya 2005). The first relies on management authority and hierarchy to control production and investment decisions. The second, more institutionally complex, allows a broader range of potential inputs. Both models were compatible with the 'typical' twentieth-century, 'fordist' model of capitalist production. Mass production, mass consumption, standardized commodities, vertical integration of production, 'in-house' research and development and innovation, and the separation of ownership from management conspired with large fixed costs and significant levels of earnings retention for re-investment; and they seemed to determine the post-1945 norm for large bureaucratic productive enterprises. Both were 'embedded' in post-liberal forms and possibilities. The large corporation has certainly been a productive institutional form, but hardly liberal, harbouring tendencies towards socialization, as Schumpeter claimed in the 1920s (1927, p.195). (The British enterprise culture is broadly consonant with the American, though inclined to be more reliant on family-owned firms and generalist managers, less innovative, and with less restless zest for technological change.)

Of course, there were always actual departures from and emendations to the liberal standard. German and Japanese companies attempted, often successfully, to create longterm relations of loyalty both within the workforce (thus increasing cooperative interactions) and with suppliers, sub-contractors and customers. In these circumstances, institutional developments such as the establishment of cartels and collusion with respect to skills-creation or research or access to finance could be imagined. German and Japanese productive systems pioneered distinctive ways of ensuring industrial activity was appropriately financed – otherwise a significant potential cause of manufacturing under-performance and decline. Through established patterns of cross-sectoral negotiation (financial sector involvement in industrial management or state direction of finance to selected industries), Germany and Japan (respectively) had, until the 1990s, been able to orient national business activity towards national development goals, rather than international or speculative demands. Despite some politicians' and managers' preferences, there is no obvious erosion of these divergences and, in both cases, 'significant and surprising resilience' in traditional ways of ensuring good corporate performance and managing conflict (Dore 2000; Thelen & Kume 1999, p.500; Whitley 1997; Chandler, Amatori & Hikino 1997).

In a society where rigidity and respect for law and bureaucracy are not subject to automatic ridicule, firms' interaction with the financial markets and social objectives can take unexpected forms:

The Japanese stock market is not a place where you can buy and sell control over companies.... [There has been] a deep-seated cultural antipathy towards the idea of buying and selling what are still seen as communities.... [There has been] greater scope in Japan for propagating the notion that there is a national, rather than just a class, interest in preserving established structures and organizations and protecting them against the pressures of global markets, global firms and US dominated global institutions (Dore 2000, pp.108, 118).

German experience before unification and deregulation also highlights other significant departures from the liberal mode of corporate governance: both its system of codetermination (works' councils) and its system of technical training were imposed on employers despite the latter's resistance (Offe 2000). Yet these impositions at the behest of trade unions – one of the 'pillars' of 'Modell Deutschland' – were keys to Germany's postwar quality-led

manufacturing success. So central were such institutional conditions that it is still possible to conclude that industrial outcomes can often be improved when the corporate preferences of business are challenged. If business is prevented from doing what it would prefer to do and is forced to do things it would prefer not to do (and pay for), competitiveness can be strengthened; constraints can be beneficial (Streeck 1997a).

Many of these arrangements are frowned upon in social or political contexts which encourage individualism and market principles and liberalization and unfettered managerial prerogatives. 'The form of relationship between manufacturers and contractors which is the rule in Japan is distasteful to Americans ... the French do not have the same faith as the Anglo-Saxons in the virtues of the invisible hand' (d'Iribarne 1997, pp.164-165). American and British industry have found their investment decisions less administered, more uncoordinated, but more tied to financial sector criteria with a legendary bias towards short-term results that damage industry (Soskice 1999; Jessop 2007b). The liberal market economies have explicitly endorsed the legitimacy of managerial prerogatives. In the more coordinated 'social market' economies, private enterprise has been seen mainly as a 'licence' to deploy self-interest, under conditions stipulating social objectives, with the 'permits' revocable at any time if the social judgement alters (Streeck 1997b). The German model tended to treat the problems of workers, in particular, as ones that ought not be resolved according to market principles (Rueschemeyer & van Rossem 1996).

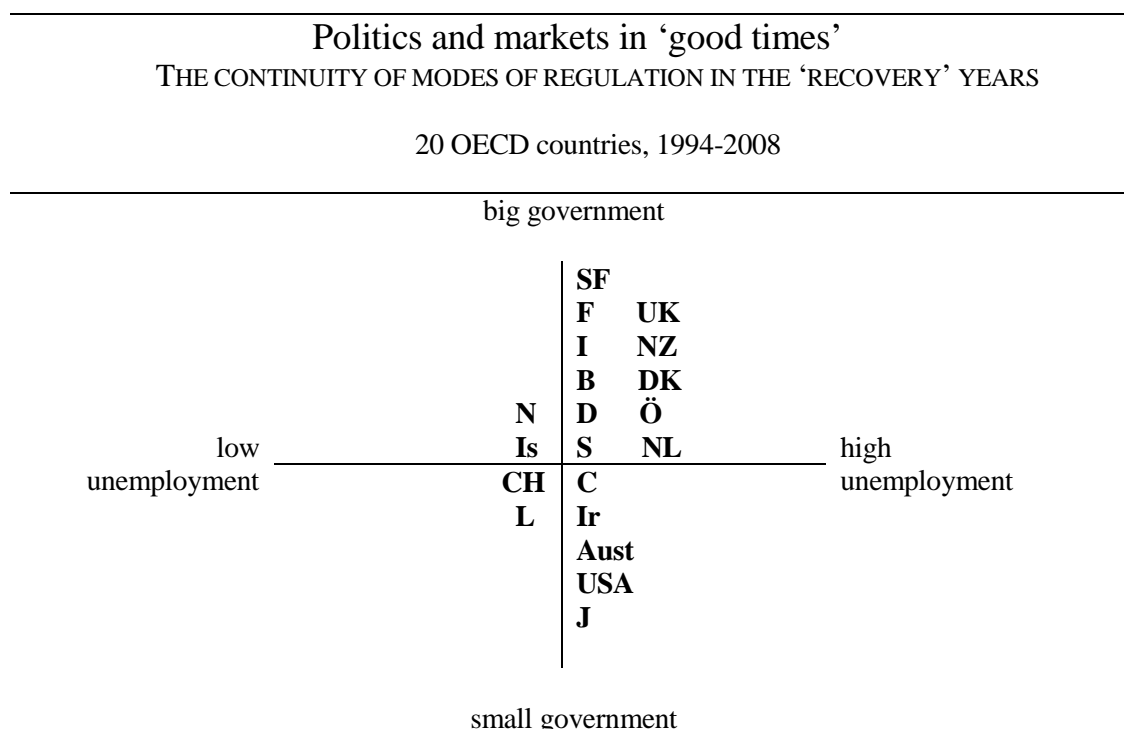
The apparent paradox of good economic performance in non-liberal regimes dissolves when traditions of analysis outside the neoclassical school are invoked. It has long been recognized, for example, that whenever economic activity depends on knowledge-intensive 'capital', on 'human wit and will', rather than on simple resource inputs, there will be systemic effects from their deployment. Then there will be synergies and positive feedback or 'virtuous cycle effects' from production and it will be desirable to share fix costs and risks, to allow increasing returns and 'cumulative causation' to generate higher standards of living, through higher wages and incomes rather than through lower prices, and to enhance the 'social fabric'. Knowledge and investment and productive capacities can be further fostered if the abnormal incomes generated by successful enterprises but unavailable to the rest of the world ('rents') can be partially 'captured' by society. It is these observed conditions that provide the defensive force of the 'other canon' in economic analysis and a practical explanation for the longevity of unorthodox modes of regulation and explanation (Reinert 1999, 2007). Of course, none of this path-dependent affluence is possible if competitiveness is at the expense of, rather than being subordinated to, societal achievements which protect populations from insecurity and loss.

Diversity in corporate governance reveals, most importantly, that competitive market pressures do not alone dictate corporate strategies and responses. There are critical 'societal effects' which both help private organizations survive in capitalist markets and also provide some protection for citizens from the disruptive effects of capitalist markets. There are, nonetheless, continuing pressures in non-liberal regulatory regimes to become less 'holistic', to reform or liberalize their distinctive, relatively rigid, attitudes to profit rates, payment systems, industry associations, cross-shareholdings and obligations to society.

Sociological aspects of contemporary corporate and national performance are not outcomes of deliberate political or social choices; however they do reveal that anti-liberal regulation is possible and effective. Their persistence therefore suggests that the room for 'progressive' political and social development is far from exhausted, even if trends toward a global market as the operative locus of productive activity continues. To some extent, for example, disquiet over insecurity and concern for the fate of the labour force during periods of structural change, conservative concerns overlap appreciably with the social democratic impulse.

## A major discontinuity?

To what extent have macro-level changes since the 1970s forestalled deliberated politics? Figure 5 extends the configuration of political economy presented earlier to the years since the early 1990s. The first decades of recession, the period characterized by Jessop and the regulationists as the end of postwar fordism, the ‘crisis of keynesianism’, and the beginnings of contemporary globalism seemed to institute the divergent modes of regulation represented in Figure 4. Conventional opinion presents the decades after 1974 as ‘hard times’, the period of high unemployment and inflation in about half the OECD economies, but the period since about 1994 as a return to ‘good times’ during which unemployment has been falling (in a majority, though not all, of those economies).



### CHANGES SINCE THE EARLY 1990S:

Unemployment has fallen in most of the 20 nations.

Sweden, Austria & Japan have become mass-unemployment societies (above 4%);

Canada and Ireland have become small government countries; the UK has regained big government status.

Derived from data in various editions of *OECD Economic Outlook* (to no.84, December 2008)

The years since the early 1990s are celebrated by orthodox policy institutions such as the OECD as a vindication of the policy ‘reforms’ that dislodged, among other things, postwar settlements and compromises. However, though unemployment has fallen somewhat across the OECD economies, from 6.6 percent in the 1980s and 7.4 percent in the 1990s to 5.6 percent in 2007-2008; this does not seem sufficient to herald ‘recovery’ in any comprehensive sense. It also feeds the official conception that full employment is an impossible policy pledge. The thirty-year experience (1974-2004) of unemployment, manufacturing decline, ongoing falls in labour productivity, slower GDP growth, and continuing assertion of financial sector criteria must dampen any confidence in the west’s governance preferences, even if Maddison’s predictions of growth and prosperity for the next quarter-century are

accurate (2007, pp.335-340).<sup>10</sup> As shown, some of the previously low unemployment countries now have mass unemployment economies; some big government nations are now below the OECD-average and the UK has regained its pre-Thatcher position as relatively, though ambiguously, statist.

More heterodox (post-keynesian) commentary treats the post-1974 period as a 'long recession', one of globally-induced structural change, a recessionary crisis not essentially dissimilar from the slump of the 1930s, and a period of considerable social disruption. The inflationary aspect of the stagflation was new – attributable to the increased class and institutional power of labour and capital, sufficiently well organized to bargain up wages and prices despite unemployment and falling production (Boreham et al 1999, pp.145-151).

What this evidence shows, however, is that the divergent clusters of governance modes developed during the first decades of the recession, and apparently consolidating more or less enduring characteristics of their respective 'type' of capitalism, are still largely intact. With the above-noted modifications to the composition of these 'varieties of capitalism', the advanced capitalist economies can still be demarcated in terms of the patterns noted in Figure 4 (liberal failures, statist failures, social democratic corporatism and corporatism without labour). Capitalism in crisis is, after all, the norm: the twentieth century included only 25 years of near full employment.

The liberal account has become quite familiar: orthodoxy criticized keynesian and other interventionist policies both on principle (for ceding to intellectuals and to politics greater acumen than they could ever reasonably have) and because the recurrence of unemployment after 1974 seemed to be a repudiation of the policies' effectiveness. Inflation was similarly attributed to keynesian-inspired spending profligacy. As part of the same discourse, welfare state expansion was denounced, also as inflationary, and as undermining the work ethic. Postwar interventions left a legacy of 'sclerosis', at a time when a changing international division of production (more integrative) was demanding competitiveness, efficiency and reduction in political pretensions.

Surprisingly, the left adopted most of this interpretation and abandoned some of its own previous insights. Claus Offe, for example, criticized the contradictions of the 'keynesian welfare state' as if both types of increased public expenditure were commensurately irresponsible or ineffective or iatrogenic (1983). The misunderstanding was repeated in the 'third way' literature of the 1990s and then, improbably, in Jessop's own depictions of what he sees as a 'major discontinuity in capitalist development' (2007b, p.68). 'Crisis' does not accurately represent the politics of the repudiation of keynesianism. The refusal of governments to adopt keynesian investment and restructuring policies over a long period (and which became apparent at the end of the long boom in employment) is not the same as a failure of keynesianism. The end of full employment and beginning of the post-1974 stagflation could have been subjected to keynesian (and post-keynesian) measures but was not, despite their availability and consistent discussion in the post-keynesian literature.<sup>11</sup>

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<sup>10</sup> Data on unemployment and economic growth are from the same sources as in Figures 4 and 5; OECD unemployment for the period 1974-2004 averaged 6.4 percent. Labour productivity increases declined from 4.7 percent (yearly averages for 19 OECD countries) in the early 1970s to 1.7 percent in the 2000s (figures from OECD.stat July 2007).

<sup>11</sup> Notably in journals such as *Challenge*, *Cambridge Journal of Economics*, *Journal of Post-keynesian Economics*, *Review of Radical Political Economics*, and, for a while, *Capital & Class* and *Studies in Political Economy*.

Sober appraisals of keynesian management techniques always recognized that keynesianism implied a contradictory mission – to attempt through political means to generate (full and decently-remunerated) employment even though the capitalist nature of the economy recurrently generated the fluctuations in capital accumulation (investment) that would continue to cause structural change and unemployment. On this issue, keynesian and marxist accounts of capitalist crisis tendencies differ far less than is often supposed. The crisis and contradictions are in capitalism, not in political attempts to deal with them. Jessop seems to conflate political pusillanimity with a presumed propensity for politics to fail because it is politics. Colin Hay and others have argued that just as it is not globalization that forces the abandonment of political and policy deliberation, but the discourse over global change, it was not economic failings of state intervention that necessitated the anti-keynesian and monetarist counter-revolutions of the 1970s and 1980s, but the liberal narratives of state failure (2004, 2007, ch.4; Ryner 2002; Chang & Rowthorn 1995, ch.1; but see also Jessop 2008, pp.47-52 for some putative acknowledgement of this.

Much the same could be said of the ‘fiscal crisis’ which, in keynesian terms, was an unsupportable assertion that public revenues during the recession were destined to increase more slowly than demands on the state. The liberal equivalent was ‘government overload’. The simple solution was higher taxation, implying a (wagnerian) shift from private to public consumption. There was no crisis, since taxes across the OECD did increase sharply in real terms after 1974. There has even been a sort of ‘unintentional keynesianism’ as budget deficits slowly fell from about 3 percent of GDP in the 1970s and 1980s to about 2 percent since the late 1990s (across the OECD) – while all the time government spending has continued to rise. (Keynesianism does not object to fiscal deficits in times of high unemployment, provided they are reduced as full employment is approached. This is more or less what has happened in the OECD since 1974; despite higher spending, some countries are now experiencing substantial budget surpluses.)

Explication of a transition from fordism, from the era when production depended on commensurately-located consumption (and therefore on fairly high levels of equality, social cohesion, income compensation arrangements and more or less enlightened and institutionalized negotiation of labour-capital conflicts), from the postwar set of ‘spatio-temporal fixes’ (for example, keynesian counter-cyclical commitments or industry policies or state-finance sector deals) to another (liberal anti-keynesianism, for this is what delineated the new political ethos), constitute Jessop’s analysis (1994) of the transformation in relations between states and markets (from the former to the latter) that began in 1974. He refers to a transition from ‘structured coherence’ to ‘structured incoherence’.

However, in light of the stable trend in state-market relations, not just since 1974 but since 1945, this aspect of Jessop’s political economy appears unconvincing. The continuities in national clusterings of economic and political outcomes through the 1974-2008 period – one now conflating industrial and financial crises (and with wider inequalities, more insecurity and more disruptive competitiveness) - confirm developmental tendencies anticipated by the postwar generation of keynesians and institutionalists and nation-builders. Clearly the developmental trends were in place all through the twentieth century. Relentless efforts to transform societal expectations against observable changes have been disruptive but not successful. In Jessop’s terms, the ‘high-point’ of liberalism has passed, if not its ‘ecological dominance’, that is, its capacity to prevail in other spheres (2007b, pp.81-82). However, his acknowledgement that (even before 2008) there appeared to be no post-fordist or neo-liberal mode of regulation able to set in train a viable regime of accumulation for the future poses a problem for his analysis which the invocation of an ‘incoherent’ regime of regularization does little to disguise.

Jessop's scepticism towards the existence of 'varieties' of capitalism also appears misdirected (2007b, pp.68-69). If the state and the market economy exhibit the degree of mutual determination and interactiveness and co-evolution and 'strategic drift' that Jessop (and many others) allow, why should the partial 'autonomization of the state' (2007a, p.240), the possibility of changes in the balance of class forces (for example, from good times to hard times) and differential contingencies not result in enduring public institutions and societalized structures and economic competences (and their opposites)? It is also difficult to accept his claim that temporally-specific regularizations simply re-site problems to other nations. Not all economic activity (not even most) is at the expense of the (global) commons. Nationally-derived accumulations don't displace a 'tendentially emerging variegated global capitalism' nor the associated crisis-tendencies and fixes. Political possibilities persist, even if they're never set in concrete.

Much more plausible, and central to Jessop's argument, is that the neo-liberal upsurge of recent decades ultimately undermines substantive productive activity (because of the destructive logic and impact of financial criteria). The contradictions of capital (crises, conflicts and capital's resistance to ameliorative 'counter-tendencies' to crisis) are more apparent and potent when capital is disembedded from extra-economic supports, without 'moments' when material reproductive requirements are met. In other words, the liberalization, deregulation, privatization, and 'market proxies in the residual public sector' recreate tensions that were always features of capitalism but kept (temporarily) at bay by the frictions, fixes, constraints, regulatory interventions and compacts of what used to be called the 'mixed economy'. The associated 'reforms' are economic policies, oriented to internationalization, which cannot succeed in their own preferred terms. The 'politically-licensed plundering of public assets and the intellectual commons' leads to a 'growing disjunction' with the 'primacy of productive capital' and militates against longterm 'structured coherence of accumulation regimes' (Jessop 2007b, pp.81-85). That is, while neoliberalism appeared coherent, it was neither stable nor structurally viable.

## Conclusion

The state has not only increased in relation to the market, quantitatively; its capacities and institutional compass have evolved as well. In accordance with the emergent properties principle of evolutionary theory, the state in advanced capitalist polities now performs functions unanticipated by earlier generations of statist or reformers or their critics. The increase in decommodified social provision is a visible indicator of the evolutionary potential of modern state activity: the welfare state is now not so much a provider of compensation for lost income as a provider of services and amenities outside the market, thereby extending citizenship entitlement. In this way behaviours and collective possibilities have been transformed. Perhaps the evolutionary tendency – or tendential evolution towards enhanced state capacity, greater democratic potential, more production directly tied to politically or socially mandated need and expanded, more responsive, institutional management – has facilitated a transition in capitalist economies towards systems that can be more assuredly productive, albeit needing constant adjustment of regulatory arrangements every bit as sedulous as the incessant pressures for their dismantlement.

In my view, Jessop has not been as prepared to discuss the political possibilities (possibilities and compossibilities, he calls them, implying that conditions for existence need to be nurtured and protected) as his analysis permits. Frequently acknowledging the political openness of the future, and the substantive hollowness of the liberalizations of the past thirty years, his recasting of marxian state theory nonetheless preserves marxism's reluctance to advance optimistic conclusions. But marxian political economy has more to offer than defeatism – especially as a marxist reformism based on an understanding of the counter-tendencies to

crisis (that is, state attempts to manage the macroeconomy, state attempts to secure accumulation, state activity that results in decommodification, and state sponsorship of non-market auspices for economic development) seems a logical conceptual development.

The continuing growth of government, implying ongoing politicization of economies, and continuing expansion in social transfer and welfare state expenditures, implying greater decommodified provision, with continuing diversity in modes of regulation and country-clusterings in 'hard times' and in times of 'recovery' together suggest that the trajectory of institutional and state development (tendentially) instigated in the immediate postwar years remains extant. Jessop's emendations to marxist views on the state's relations to markets in contemporary capitalism have been important not just because they bring marxian thought on the state closer to non-marxian perspectives but also because they enrich both the conservative-statist tradition and social democratic reformism. Awareness of an imminent co-evolution of accumulation and regulation was always latent in political economy; today it promises to reveal enhanced opportunities to analysts and practitioners alike.

Realistic appreciation of the contradictions, conflicts and crisis tendencies in all market-driven economies is marxism's contribution to this project; willingness to contemplate ways around them ought now occupy the theorists of conservatism and social democracy. Integral to the social democratic political project is the need for social democratic institution-building to include an effective commitment to high-level (high quality, sustainable) private economic performance. This of course implies that social democratic governance sheds its occasional propensity to acquiesce to the apparent remorselessness of internationally-oriented financialization. Integral to conservative statism is the need to ensure institutional accomplishments are as resilient as possible in the face of the vicissitudes of political contingency, knowing that the 'precarious co-presence', of which the marxists are now also aware, does not easily inflame new rounds of discursive denunciation. Enduring societalization can never be guaranteed, even though structural conditions are making it ever more imaginable and viable. But simultaneously to maintain prosperity and civility and a progressive commitment to a lessening of inequality and exploitation and insecurity and the indifference of others is a serious challenge for any political programme.

The diversity of modes of effectively regulating contemporary capitalism over the past three decades or more, together with the survival and unfolding of trends established in the shadow of 1945, strongly indicate that the challenge is again conceivable. Once more we are forced to recognize that the intellectual and practical gap between saving capitalism and destroying capitalism has narrowed.

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