

# Social Policy, State, and “Society”



**Bob Jessop**

# Outline

- Offe's Paradox
- Putting Offe in his Place
- State Involvement in Economic and Social Policy
- The Keynesian Welfare National State
- The Listian Workfare National State
- Crises in the KWNS and LWNS
- Schumpeterian Workfare Post-National Regime
- Conclusions

# Offe's Paradox

## Offe's Paradox

“while capitalism cannot coexist *with*, neither can it exist *without*, the welfare state” (Offe 1984: 153).

## Wickham's Contrast

“The simplest difference between the USA and Europe is that we [Europe] have welfare states, and they do not” (Wickham 2002:1)

## Jessop's Answer

“Each variety of capitalism has its own way of coping with this paradox *for a time*; but each way leads sooner or later to crisis, and a search for new solutions” (Jessop 2002)

# Offe Illustrated - I

- 'The **high level of non-wage labour costs** [in the European Union is **prejudicial to employment**, exerting a dissuasive influence' (Commission of the European Union, 1994, p 154)
- '**Economic and social policy are inextricably linked**: they are two sides of the same coin ... **A new sort of welfare state is required** to required to match an investment-led industrial strategy' (Commission of the European Union, 1994, p 12)

# Offe Illustrated - II

- “Economists are inclined both to see the **financial burden** of social services and public transfers *and* to reduce the individual and public **costs of social exclusion and large inequalities** in particular in terms of public security and health.
- They rarely point to the **productive effects of the welfare state**, of social cohesion, general public education, public health services, and cooperative industrial relations” (Aiginger et al. 2007, i.e., before the current crisis became visible).

# Offe Illustrated - III

- A deep and prolonged **fiscal consolidation** process is needed to stabilise and then **reduce debt** levels to pre-crisis levels. In many countries, **pension systems are unsustainable** and must be reformed. In some European economies **sovereign debt** issue must also be addressed.
- We must **tackle high unemployment**. Better **activation** measures can help; **social welfare systems** must become more job friendly; **training** must increase labour market skills. **Such investments also promote competitiveness** (OECD 2011: *Growth, Competitiveness, Employment*).

# Interpreting and Explaining the Paradox

## The Paradox

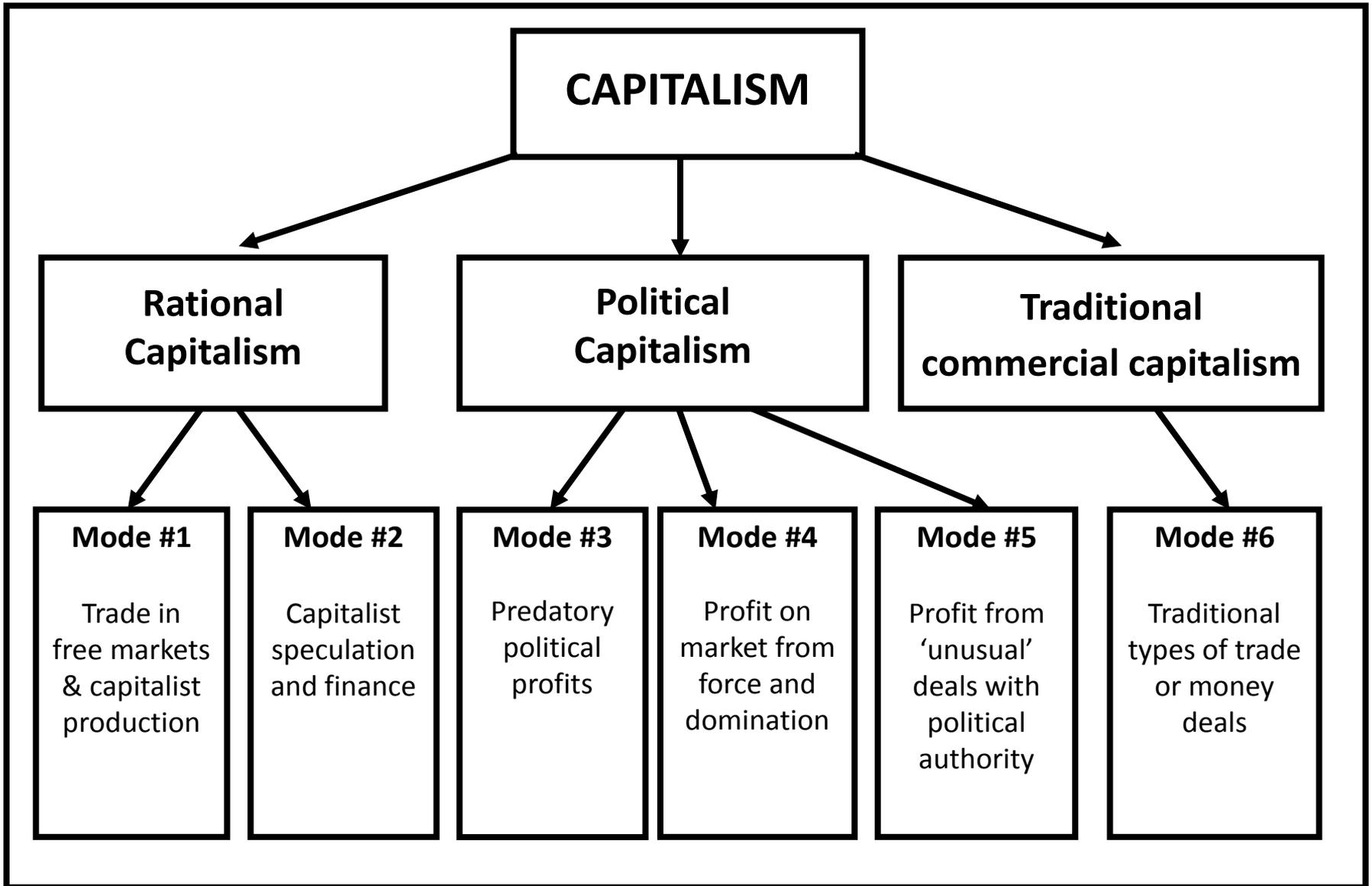
- “while capitalism cannot coexist *with*, neither can it exist *without*, the welfare state”

## Three Questions:

- What is capitalism? Is the paradox valid for all varieties?
- What is the (welfare) state? Are some welfare regimes more or less likely to display the paradox?
- Where does paradox originate? Does it arise from the capital relation, social policies, or their interaction?

# The Capitalist Mode of Production

- **Wealth** appears as immense accumulation of **commodities**
- **Commodity form** generalized to **labour-power** (which is a fictitious commodity but treated **as if** it were a commodity)
- Duality of labour-power as **concrete labour** and **labour time**
- A political economy of **time** (note especially the constant rebasing of *abstract time* → treadmill effects)
- Key role of **money** as social relation in mediating *and modifying* the **profit-oriented, market-mediated** accumulation process
- Essential role of **competition** in dynamic of capitalism
- Market mechanism **cannot** secure all conditions of capitalist reproduction (even ignoring labour process)



**Weber's Modes of Capitalist Profit Orientation (Based on Swedberg 1998)**

# Putting Offe in his Place - I

- **Analysing capitalism**
  - Varieties of **rational** capitalism
  - Varieties of **political** capitalism
  - Variegated capitalism in the world market
  - And don't forget pre- and non-capitalist relations
- **Bringing class relations and class domination back in**
  - Class relations (economic, political, ideological)
  - Managing the reserve army of labour
  - And don't forget social movements, intersectionalism

# Some Foundational Contradictions

Basic Form	Value Aspect	Material Aspect
Commodity	Exchange-value	Use-value
Labour-power	a) abstract labour as substitutable factor of production b) sole source of surplus value	a) generic and concrete skills, different forms of knowledge b) source of craft pride
Wage	a) monetary cost of production b) means of securing supply of useful labour for given time	a) source of effective demand b) means to satisfy wants in a cash-based society
Money	a) interest bearing capital, private credit b) international currency c) ultimate expression of capital in general	a) measure of value, store of value, means of exchange b) national money, legal tender c) general form of power in the wider society
State	“Ideal collective capitalist”	Factor of social cohesion

# The State as a Social Relation

- State combines: (a) *territory* controlled by the state, (b) an *apparatus* that makes collectively binding decisions, and (c) a resident *population* subject to state authority
- State capacities and state strength vary immensely
  - there is no general form of state and, in particular, there are important differences in welfare regimes
- “All states are equal but some are more equal than others”
  - some states have more power to shape the world market
  - state strength is linked in part to the state’s overall power resources, in part to choice of military vs welfare spending

# Putting Offe in his Place - II

- Analysing the state
  - Constitutional states and citizenship
  - Competitive party politics
  - Accumulation versus legitimation
  - Exceptional regimes and welfare policies?
- Or analysing governance/governmentality
  - Governmentality
  - Anatomico- and bio-politics
  - Metagovernance
  - State = government + governance in shadow of hierarchy

# States and Welfare States

- Economic and Social Reproduction
  - Reproduction of the **labour force** on daily, life course, and intergenerational basis (Marx, Polanyi, Esping-Andersen)
  - In welfare states, reproduction occurs in significant part **outside the market**: it is **de-commodified**
  - **Biopolitics**: reproduction of the **population** of a given state as individuals, families, and political subjects (cf. Foucault)
- Distinctive feature of Welfare States
  - Economic and social reproduction involves treating the workforce and population as **citizens** with legal, social, and economic rights, not as economic actors (T.H. Marshall)

# Offe's Paradox in Context

- Offe developed his analysis of the **contradictions of the welfare state** in relation to the **Keynesian welfare state** in the circuits of **North Atlantic Fordism** in post-war period
- How can we conceptualise the Keynesian welfare state to make it comparable with other types of welfare regime and to situate it in relation to other forms of differential accumulation?

# Dimensions of State Involvement

Economic	Social	Scalar	Governance
General economic functions in “capitalism”	General functions in <b>social reproduction</b>	Basic features of <b>territorialization</b> of political power	Modes of governance and <b>meta-governance</b>

## Distinctive Features as Basis of Typologies

Distinctive set of policies for securing <b>(private)</b> profit	Distinctive set of policies for reproducing labour power	Main sites of policy-making and interscalar articulation	Main means to counter market failure + state’s role in meta-governance
--	--	--	--

# Keynesian Welfare National State

Distinctive set of economic policies	Distinctive set of social policies	Primary scale, if any, for policy-making	Main means to compensate market failure
Jobs for all, manage demand, provide infra-structure to support mass production and Consumption	Collective bargaining and state action generalize norms of mass consumption. Expansion of welfare rights	Primacy of national scale in economic and social policy-making with local as well as central delivery	Market and state comprise a 'mixed economy'. State should compensate for market failure
<b>Keynesian</b>	<b>Welfare</b>	<b>National</b>	<b>State</b>

# Additional Features of KWNS

- Object of economic governance is a relatively closed *national* economy
- Local and regional economies are treated as *subunits* of this national economy
- Welfare policies are aimed at *citizens* of the national state and their families
- Political actors are *national* citizens (who often belong to national interest groups and support national political parties)
- Politics is oriented to '*national-popular*' projects and programmes

# An Alternative Typology for Western Europe

## Social Democracy

- Negotiated economy
- Universal social wage
- Solidaristic wage
- Mixed economy
- Competitive export sector
- General taxation

## Liberalism

- Market economy
- Residual welfare
- Wage differentials
- Social market economy
- Relatively closed economy
- Indirect taxation

## Christian Democracy

- Concerted economy
- Welfare tied to status
- Negotiated wage tariff
- Subsidiary economy
- Export-oriented economy
- Voluntary sector

## Southern Europe

- Dual economy
- Family welfare
- Dual wage
- Segmented economy
- Dependent development
- Indirect taxation

# Crisis *in* and/or *of* KWNS - I

- Internationalization makes it harder to treat national economy *as if* it were relatively closed and to pursue Keynesian demand management policies
- It is harder to treat wages as a source of local demand – they become a cost of international production
- The “social wage” (i.e., social policy) is said to become a competitive burden (‘we can’t afford welfare states’)
- The national scale is no longer primary – power gets transferred upwards, downwards, and sideways
- The state is also seen to fail (state failure) → search for new ways to compensate for both market and state failure

# Crisis *in* and/or *of* KWNS - II

- Loss of national sovereignty – relativization of scale
- Crisis in management of national economy
- Rediscovery of local and regional economies and their problems
- Immigration versus citizenship, crisis of traditional family form
- Crisis of national political representation (affects parties, unions, business)
- Crisis of ‘national-popular’ hegemony

# Developmental State

- Used to distinguish nature and role of state in late industrializing economies (initially Japan, later other East Asian cases)
- Focuses on state's autonomy in pursuing national economic interest and preconditions of this autonomy
- Differentiated from
  - predatory states (extractive, underdeveloping)
  - rentier states (extractive, developing)
  - weak states (lacking state capacities to be any of above)
- Subsequently used to refer to state at any level (e.g., local, regional, triadic) that prioritizes growth

# Listian Workfare National State

Distinctive set of economic policies	Distinctive set of social policies	Primary scale, if any, for policy-making	Main means to compensate market failure
<p>Catch-up export-led industrial growth based on supply-side policies &amp; neo-mercantilist demand management</p>	<p>Wage as cost of production, labour as human capital, high savings, occupational welfare, collective consumption for exportism</p>	<p>Primacy of national scale. National economy governed by a 'national security state'. Nationalist basis of state building</p>	<p>Government as primary mechanism. Secondary role for extended family and 'civil society'</p>
<p><b>Listian</b></p>	<p><b>Workfare</b></p>	<p><b>National</b></p>	<p><b>State</b></p>

# Crises in and/or of LWNS

- Internationalization makes it harder to pursue neo-mercantilist policies, especially as catch-up occurs and flexible innovation-oriented policies are required
- It is harder to treat wages just as cost of international production as mass domestic demand expands and as democratic struggles and democratization develop
- Economic cycles and decline of extended household make it harder to rely on company and/or informal 'welfare' → new 'workfare' forms and/or new welfare
- The national 'security state' loses legitimacy and new forms of state guidance develop based on economic, political, and social networks (*guanxi*)

# What Follows Fordism?

- Many suggestions about what follows Fordism: the hegemonic economic and political imaginary in the 1980s and 1990s was the knowledge-based economy.
- But finance-dominated accumulation, promoted by neo-liberal, transnational capital and financial capital oriented to maximizing exchange-value came to dominate the organization of the world market.
- These correspond to different kinds of welfare regime: Schumpeterian workfare post-national regime and the Ricardian workfare post-national regime respectively.

## Knowledge-Based Economy

Basic Form	Primary Aspect	Secondary Aspect	Institutional fixes	Spatio-temporal fixes
Capital	Valorize design- and knowledge- intensive capital	Capital as intellectual property	Competition state plus moderate IPR regimes	Knowledge-intensive clusters, cities, regions
Competition	Innovation-led, Schumpeterian competition	“Race to bottom” + effects of creative destruction	Wider and deeper global investment, trade, IPR regimes	Complex + multi-spatial with local and regional forms
(Social) wage	Production cost (for mental as well as manual labour)	Source of local or regional demand (hence flexible)	Flexicurity aids demand and global competitiveness	Controlled labour mobility, globalized division of labour
State	Competition state for innovation-led growth	‘Third Way’ policies to cope with new social exclusion(s)	Schumpeterian Workfare Post-National Regime	Multi-scalar meta-governance (e.g., EU type “OMC”)

# Schumpeterian Workfare Post-National Regime

<b>Distinctive economic policies</b>	<b>Distinctive social policies</b>	<b>Primary scale, if any, for policy-making</b>	<b>Main means to compensate for market failure</b>
Encourage innovation, entrepreneurship, competitiveness in a largely open economy	Subordination of social to economic policy (hence flexibilize and control cost of social wage)	Relativization of scale – no primary scale, struggles for primacy and interscalar articulation	Governance as main mechanism – increased role of governance of governance (i.e., meta-governance)
<b>Schumpeterian</b>	<b>Workfare</b>	<b>Post-national</b>	<b>Regime</b>

# Varieties of SWPR - I

## *Neo-Liberalism*

Liberalization: promote free competition

De-regulation: reduce role of law and state

Privatization: sell off public sector

Market proxies in residual public sector

Internationalization: free inward and outward flows

Lower direct taxes: increase consumer choice

# Varieties of SWPR - II

## *Neo-Statism*

Government as Agenda-Setter rather Planner

Guidance of National Economic Strategy

Audit Performance of Private and Public Sectors

Public-Private Partnerships under State Guidance

Neo-mercantilist Protection of Core Economy

Expand Role for New Collective Resources

# Varieties of SWPR - III

## *Neo-Corporatism*

Re-balance competition and cooperation

De-centralized 'regulated self-regulation'

Widen range of private, public, and other  
'stakeholders'

Expand role of public-private partnerships

Protect core economic sectors in open economy

High taxation to finance social investment

# Varieties of SWPR – IV

## *Neo-Communitarianism*

De-Liberalization – limit free competition

Empowerment – enhance role of third sector

Socialization – expand the social economy

Emphasis on social use-value and social cohesion

Fair trade not Free trade, Think Global, Act Local

Redirect taxes – citizens' wage, carers' allowances

# Four Types of Neo-Liberalism

- **Neo-liberal system transformation**
  - Shock therapy in post-socialist, market economies (ground zero)
- **Neo-liberal regime shift**
  - Principled roll-back of post-war settlements, roll-out of neo-liberalism
- **Neo-liberal structural adjustment programmes**
  - Imposed on “crisis-ridden” economies by external powers & forces
- **Neo-liberal policy adjustments**
  - Pragmatic adaptation of post-war growth modes to new conditions

# Neo-Liberal Regime Shifts

- Liberalization: promote free competition
- De-regulation: reduce role of law and state
- Privatization: sell off public sector
- Market proxies in residual public sector
- Internationalization: free many flows in and out
- Lower direct taxes: boost consumer choice
- [Also seen in structural adjustment programmes]

# Neoliberal Highpoint and After

- 1980s-early 1990s

All four forms of neo-liberalism evident and associated with the ideological celebration of neo-liberalism hegemony

- Mid-1990s

Failed system transformation, crisis in roll-back phase of neo-liberal regime shifts, limits of structural adjustment, conjunctural nature of neoliberal policy adjustments

- Late 1990s-early 2000s

First neo-liberal bubble bursts, 'rescued' by creating conditions for more bubbles

Growing imbalances in neo-liberal world market

# Why Neo-Liberalism Matters – I

- Prioritizes exchange-value aspect of capital's contradictions over its material substratum and, thus, associated fractions of capital, their overall strategies and specific policies
- Favours colonization of other systems & lifeworld through profit-oriented, market-mediated capital accumulation
- Eventually needs flanking-supporting mechanisms to limit its dysfunctions and contain backlash and resistance ('Third Way', roll-out neo-liberalism, "double movement", etc.)
- After highpoint and loss of hegemonic status, retains its path-shaping domination and ecological dominance

# Neo-Liberalism Summarized

- There are four forms of neo-liberalism: neo-liberal 'highpoint' formed by the contingently necessary coincidence of all four forms ended in mid-1990s
- Neo-liberalism was already being rolled back by late 1990s but not all forms are equal
- Neo-liberalism remains 'ecologically dominant' on a world scale by virtue of eco-dominance of finance capital, US economic space, and US imperial state
- Even crisis of neo-liberal regimes does not end impact of neo-liberalism because of its path-dependent effects

## Finance-Dominated Accumulation *en Régulation?*

Basic Form	Primary Aspect	Secondary Aspect	Institutional Fixes	Spatio-temporal fixes
Money / Capital	Fast, hyper-mobile money as general form (+ derivatives) as general form	Valorization of capital as fixed asset in global division of labour	De-regulation of financial markets, state targets price stability, not jobs	Disembed flows from national or regional state controls; grab future values
(Social) wage	Private wage plus household credit (promote private Keynesianism)	Cut back on residual social wage as (global) cost of production	Numerical + time flexibility; new credit forms for households	War for talents + race to bottom for most workers and 'squeezed middle'
State	Neo-liberal policies with Ordo-liberal constitution	Flanking plus soft + hard disciplinary measures to secure neo-liberalism	Free market plus authoritarian "strong state"	Intensifies uneven development at many sites + scales as market outcome
Global Regime	Create open space of flows for all forms of capital	Dampen uneven growth, adapt to rising economies	Washington Consensus regimes	Core-periphery tied to US power, its allies and relays

# Conclusions - I

- There are many ways to group welfare regimes: E-A's typology is limited by his choice of 18 countries and focus on de-commodification and is less useful for studying Southern Europe, Latin America, East Asia
- It is even less useful for largely agrarian societies with informal economies and weak or predatory states
- We need to break with Eurocentric and “politics and markets” approach to examine other ways to secure daily, life course, and intergenerational reproduction of labour power and bio-political governance of populations
- We must also allow for crisis-tendencies in these regimes and study scope for transitions among different types

# Conclusions - II

- Another way is to start from state's role in economic and social policy and to include scale of state action and primary means of compensating for market failure
- Jessop's KWNS-LWNS-SWPR scheme is an alternative and is good at capturing how welfare regimes are embedded in global dynamics of world market
- But it was rather Eurocentric and did not fully capture other ways to coping with market failure, such as
  - extended family model or the asset-based 'insurance' found in some East Asian economies (and, in practice, in neo-liberal, finance-led economic regimes in the West)

# Prebischian Workfare National State

<b>Distinctive economic policies</b>	<b>Distinctive social policies</b>	<b>Primary scale, if any, for policy-making</b>	<b>Main means to compensate for market failure</b>
ISI as principal means to generate growth and revenues for social and wider national development	Combine social and economic policy within limits of a dual economy and economic and political corporatism	Primacy of national scale in setting goals of national development but devolution to sub-national levels for delivery	State is main mechanism for development but state's weak infrastructural power means reliance on third sector too
<b>Prebischian</b>	<b>Workfare</b>	<b>National</b>	<b>State</b>

# From Debt Crisis to Sovereign Debt – I

A conventional story (Reinhart and Rogoff) based mainly on empirical observation over long historical period (which does not capture critical recent shifts in financial system)

- *Private debt surges* are common before banking crises; states often contribute to this stage of borrowing boom
- *Banking crises* (domestic and/or foreign in origin) often precede and/or coincide with sovereign debt crises
- *Public borrowing speeds up markedly* ahead of sovereign debt crisis; governments often have big “hidden debts”
- Shift to *short-term maturities* is also common feature of sovereign debt, increasing liquidity risks for refinancing

# From Debt Crisis to Sovereign Debt – II

Another story (alternative and/or supplement):

- De-regulation, internationalization, shadow banking lead to excess credit created via fractional reserve banking and new instruments, such as derivatives, in search of high and quick rewards (financial speculation > financial intermediation)
- Much of excess credit was fictitious capital (capital as property rather than functioning capital) that bore little relation to growth potential of underlying 'real economy'
- Liquidity and solvency crises resolved via state fiat money (backed by tax capacities of states) and rise of public debt then leads via bond markets to demand for austerity politics
- Crisis generalized through contagion effects of crisis in top currency and euro as negotiated currency

# Crises of Crisis-Management

- Policy failures can occur because of:
  - Arbitrariness of crisis interpretations
  - Inadequacy of instruments and institutions
  - Crisis in or of the broader policy context
- Economic crisis and political crisis
  - Crisis-management often involves state as addressee in last instances of calls for intervention
  - But state may lack state capacities to intervene, whether in material and/or semiotic terms
- Some dimensions of state crisis:
  - representational
  - steering capacities
  - output legitimacy
  - institutional integration

# Crisis of Crisis-Management - I

## Crises of crisis-management in the economy

- Pro-cyclical market mechanisms
  - Ponzi crisis (from euphoria to panic)
  - Liquidity crisis (generalized market distrust)
  - Mark to market (reinforcing market collapse)
  - Debt-deflation-default dynamics (double dip)
  - QE1-QE $\infty$  boost bank balance sheets, worsen public debt
  - Raw materials and commodities (search for yield)
- Don't panic, but if you do panic, panic first!
  - September-November 2008
  - Exceptional measures

# Crisis of Crisis-Management - II

## Crises of crisis-management in the political system

- From weakened state capacities ...
  - Dissolution of expertise and crisis-management units → dependence on financial expertise from private sector
  - Deregulation and liberalization → loss of steering ability
  - Quantitative easing and problem of exit strategy
  - Accumulated deficits and low interest rate policy
- ... to exceptional state triggered by economic crisis
  - loss of temporal sovereignty
  - loss of territorial sovereignty
  - concentration of economic policy-making power
  - problems of political paralysis