

**Social Democratic Welfare Capitalism Since 1970: Crises, Responses,
Divergences**

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Origins of Social Democratic Welfare Capitalism

In the early 20th century, out of a background of social dislocation and class conflict arising from industrialisation and associated technological change, in a few separate places more or less independent of each other, certain capitalists, labour union and social-democratic leaders, and liberal social reformers, tried to forge various forms of a *modus vivendi* to limit conflict and even to co-operate for national ends. Where these compacts occurred they typically included collective wage bargaining and wage protection, rudimentary social security, agricultural co-operation in various forms, agreement on national socio-economic goals, and expectations of a normal rate of return on capital, aided partly by protectionism. All were moves away from 19th Century laissez faire markets for labour, agricultural produce, services, and free trade where it existed. The capacity of the new social democratic capitalist state to manage and develop the national economy and society was being vigorously asserted. Essential prior developments were political liberalisation (including working class political parties), universal malehood suffrage (and in some places universal female suffrage), and substantive as well as formal legalisation of labour unions. The relative weakness of capitalist interests in these places and at the crucial times seems to have been important in their decisions to join or be forced into these compacts.

The desire for stability and certainty was a prime motivator on all sides and the desire for social fairness, relative prosperity, and *inclusion* was strong on the side of social democratic workers and small farmers. The role of social liberals was often crucial in brokering deals and the penetration of social democracy by liberal ideology was crucial. So too was the understanding by certain capitalists that there were advantages in such arrangements. The power asymmetry, market certainty, and profitability that capitalists wished for were being undermined by economic volatility and the rise of organised labour and so certain capitalists came to see that their interests could be supported or at least not seriously harmed by these arrangements for stabilisation. That is, it became apparent to many capitalists in these countries that the ‘settlements’ or ‘historic compromises’¹ that were the outcomes of socio-political conflicts and compromises with the emergent social democratic/labour/liberal nexus were not threatening the dynamic of capitalist accumulation. Indeed, these were not virulently anti-capitalist arrangements and some capitalists came to see that state/market regulatory arrangements served the interests of capital (cf Swenson 2002). Nevertheless, many capitalists and labour leaders chafed bitterly against these ‘settlements’ over the decades and social conflict continued although now strategically confined by the liberal democratic consensus. In other places, capitalist/fascist alliances destroyed the emergent social democratic forces in the interwar period and asserted a much stronger (repressive as well as developmental) state functionality.

¹ The appropriateness of the concepts ‘settlement’ and ‘historic compromise’ have been much debated with regard to the first such case, Australia in the first decade of the 20th Century. Cf Castles 2002, and Lloyd 2002 and 2003.

Thus while the democratic ‘settlements’² that occurred in, for example, Australasia, the Nordic region, The Netherlands, Belgium, and later with the American New Deal, seemed necessary because of, and were prompted by, high levels of economic difficulty and social conflict, they were consciously reformist rather than revolutionary strategies. Revolutionary strategies were also being proposed at the same time and the reformist agreements that emerged were in part a result of flanking operations by social democrats, liberals, and capitalists afraid of the growing power of revolutionary communism. But in some places in western, central, and southern Europe social democrats, liberals, and communists were all defeated by capitalist/fascist and agrarian alliances who then prevented or destroyed democracy; and in other places working class/social democratic interests failed to achieve either significant reforms to capitalism or were actually defeated. Thus the interwar period saw many violent struggles between organised labour, liberals, and capitalists and between alternative models of the labour/capital/state/nation nexus.

By the late 1930s there had been institutionalised, then, early forms of a social democratic welfare state, sometimes closely associated with centralised labour bargaining, with local variations, in Australia and New Zealand, the Nordic countries, The Netherlands, Belgium, Luxemburg, France, Switzerland, UK, USA, and Canada. But the Great Depression, while an important context for some of these settlements also made their survival and spread very uncertain. Local contingencies were still crucial. By the late 1930s these social compacts were under great pressure and their future was in doubt with the continuation of high unemployment and the external and internal Fascist and Communist threats stronger than ever.

The Second World War greatly altered the context for it caused an immediate return to full employment in many countries and a heightened demand for social justice and international regulation of capitalism in the western democracies. The 1945 election of the Attlee Labour Government and electoral loss of the revered wartime leader Winston Churchill in Britain was a significant symbolic example of this moment in the historic process of social democratic rise to dominance.

Thus the 1940s “conquest of Fascism” by the Western Alliance (and the Soviet Union) helped consolidate a social democratic consensus as the Western post-war ‘settlement’. Welfarism, Keynesianism, centralised industrial relations, Bretton Woods, and the United Nations (including the ILO) were all important interlocking elements of the new generic social democratic western model after the war. A convergence on this model occurred in the

² Not all were the result of bargaining in any straight forward sense, such as the American New Deal which was a legislated response to the Great Depression and was imposed on capital.

western democracies by the 1950s between most of the mainstream political parties, whatever their colour or name – that is, allegiance to the basic tenets was not confined to social democratic and labour parties³ – and between states in the advanced western countries.

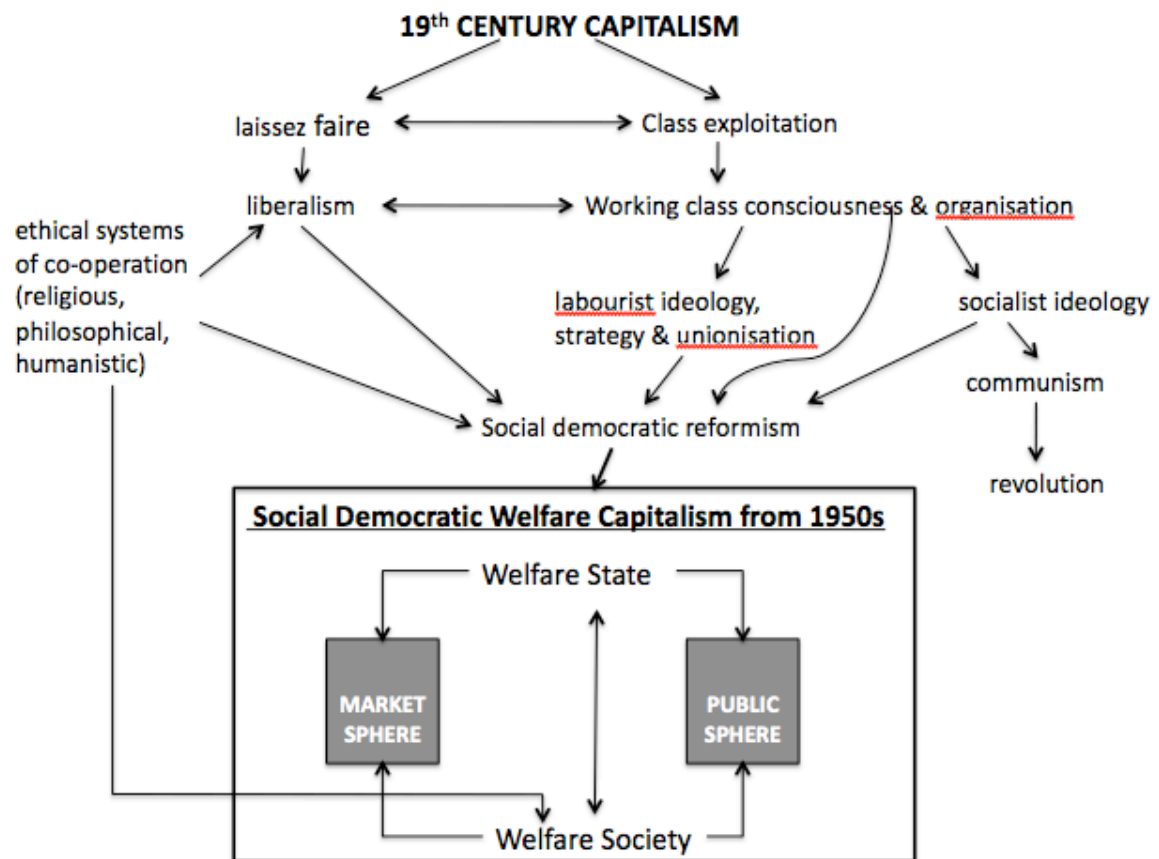
While a degree of contingency and local variability characterised the social democratic reformist outcomes in the Western capitalist ‘region’ they had certain key institutional features in common, especially national agreements about socio-economic goals, collective bargaining, social security, a social investment strategy, and democratic pluralism. These new arrangements evolved and converged to varying degrees, surviving major economic, political, and geopolitical crises, into a systemic new regime of capitalist economic, social, and political regulation and development, by the 1950s. Thus this system of Social Democratic Welfare Capitalism (SDWC)⁴, as we should call it, should be understood as a historically and geographically specific and evolving regulatory regime of capitalism (distinct among other historical and contemporary regimes of capitalism), which is much more than a welfare state, with important roots going back to the beginning of the 20th century or further.

³ In Britain this convergence in the 1950s between Labour and Conservative parties was called ‘Butskellism’ after the names of the Conservative Chancellor Butler and the Labour leader Gaitskell who shared ideological tenets. In Australia it was called from the 1920s ‘protection all round’ and supported by the three main parties of Labor, Liberal, and Country from the 1940s until the 1970s.

⁴ Similar concepts, particularly ‘welfare capitalism’, are used to describe more or less the same phenomena by, inter alia, Esping-Anderson 1990, Hicks 1999, Goodin et al 1999, Ebbinhaus and Manow 2001, and Estevez-Abe 2008. The concept of SDWC being sketched here is the beginning of an attempt to re-examine the general phenomenon of post-war western welfare states and their global significance by employing a long-run historical, institutional, structuralist, and regulationist approach. See also Lloyd 2009 and Lloyd 2010.

The historical process of emergence of SDWC can be represented by Figure 1

Figure 1.



The SDWC Model

Taking the argument a further step, we can see that Social Democratic Welfare Capitalism as a pure model or type can be conceptualised through an abstraction and generalisation from actual cases, so that it is defined essentially by the following features.

- i) The government/state/market relationship is one in which the establishment of social equality and the end to labour exploitation are the first and foremost aims, which are closely linked to the concept of social justice and secondarily and only later to efficiency. To achieve equality and redistribution, class conflict has to be minimised and eventually overcome and socialised investment increased either directly via the state or as a public/private co-operative developmental project. Either way, they require a degree of national planning, or at least agreement about key goals, and Keynesian-type fiscal policy to ensure full employment. Many markets are socially regulated and many social goods are provided via a non-market allocation system.

Consensus and co-operation (but not authoritarianism in any strong sense) by capitalist, labour, and civil society interests are significant underpinnings that are mediated via pluralistic parliamentary democracy.

- ii) Regulation of industrial relations via state-established or state-supervised collective bargaining at industry and/or national level which aims to civilise or institutionalise conflict, maintain and raise standards of living and work for workers and families, equalise standards throughout the society, and reduce societal inequality.
- iii) Extensive social welfare provisions that rely upon a provider/investor/redistributive state, augmented to varying degrees by quasi-privatised systems of welfare that are often regulated by state agencies. A welfare civil society, which has ethical/religious roots older than a welfare state, with a high degree of social capital, is an essential part of SDWC.
- iv) High and progressive taxation at sufficient levels to maintain a capacious state for provision of welfare and investment and maintenance of public infrastructure.
- v) Provision of welfare, services, and investment activities from a social/market mixture that aims at allocative efficiency within an egalitarian and inclusive framework.

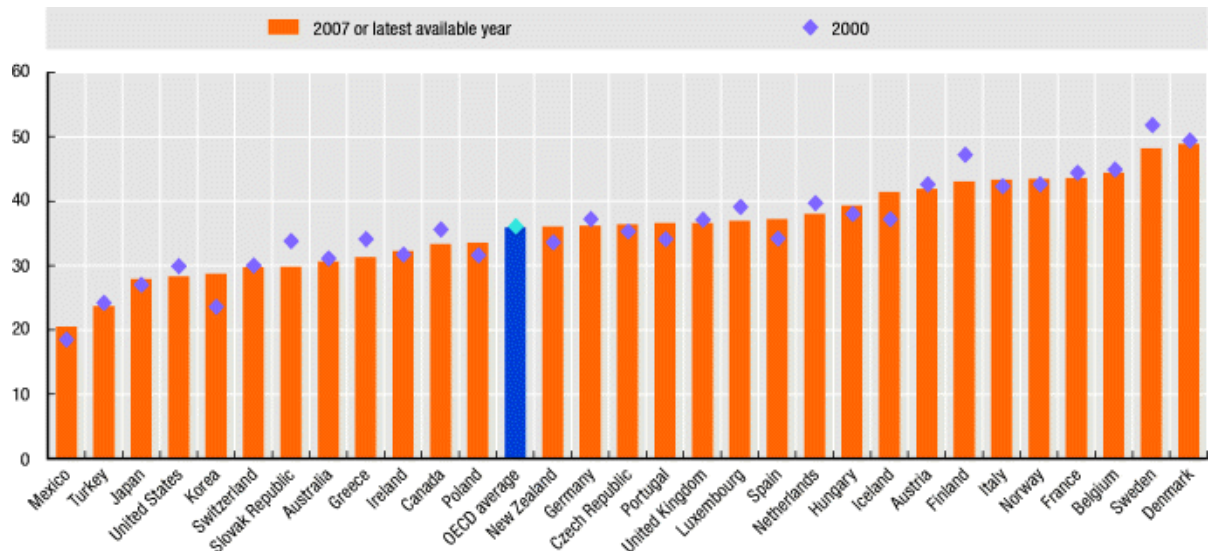
We can identify two sub-variants within this “standard model” – moderate and radical sub-variants. These vary according to the long-run aim of SD ideology. Moderate SD ideology aims to ameliorate or civilise capitalism and is a strategy usually pursued by labourists and some liberals. Social democratic parties in Anglo countries have tended to pursue this strategy. Radical SD ideology aims at a gradual democratic “take-over” of capitalism via socialisation of ownership and control. This strategy has been more closely associated with Nordic countries, especially in the 1950s and 60s.

As the list of SDWC attributes indicates, the state’s connection with capital is central to this model but the actual role of the state can vary a good deal. The Esping-Anderson (1990) tripology that separates the social democratic version from other liberal and corporatist versions of welfare states or welfare capitalism tends to obscure the fundamental sense in which all advanced western countries (no longer synonymous with the OECD group, which includes countries that cannot be described as SDWC) have converged in the post-war decades on extensively developed welfarism via a redistributive state, state/capital regulatory structures, and liberal democracy.

From the 1970s the model spread eventually to all of Western and Southern Europe. Iberia and Greece joined the “club” in the 1980s. Some former Yugoslav and Central European Communist bloc states have had more difficult experiences and greater ambivalence although some have made the transition to a more or less mature version of SDWC. One of the chief indicators of this development is the taxation to GDP ratio that reveals the state’s fiscal capacity, which can be considered a proxy of SDWC.

Figure 2

Total tax revenue As a percentage of GDP



However, six decades after the emergence of the post-war ‘settlement’ and two decades after the fall of communism, capitalism in most of the world – Asia, Latin America, Eastern Europe, Middle East, Africa – has not been reformed in the social democratic manner. The cases of South Korea, Japan, Taiwan, and Singapore are perhaps indicative of an alternative state/capital nexus in developed capitalist countries that provides a comprehensive form of welfare regime of a somewhat different type. (cf Kwon 2009, Walker and Wong, 2005) However, as Estevez-Abe (2008) has extensively argued, Japan can be included, because it does indeed have many of the features listed above although in a particularly inflected form. Indeed, every case of SDWC has its own peculiarities and none fit the model perfectly. The spread of social democratic welfarism to poorer countries and regions in Latin America, Asia, and Africa, is as yet rather limited and depends of course on prior liberalisation, which has had a very patchy record in most of these regions although improving in Latin America where there is much reason for optimism. (cf Sandbrook 2002)

Of course, state-based welfare regimes of various kinds were also constructed by Communist and Fascists states in the 20th Century but they were far from being SDWC regimes in a more general sense.

The political hegemony of social democracy in a generic rather than party political sense from the 1950s, eventually being supported by most mainstream political parties in the western world, can be attributed to, among other factors, its economic and social success,

underpinned by Keynesian and welfarist ideology and contextualised by Cold War geopolitical rivalry that produced a form of ‘military/space Keynesian’ within the American-dominated western alliance. Moreover, in the “golden age” of 1950-1974 the economic success of SDWC should be attributed to its regulatory structures and processes of equilibration and stabilisation, including its developmental role, that delivered a long period of capital accumulation, macroeconomic and income growth, egalitarianism, and relative social co-operation, to most Western countries. Since the mid-70s the economic and geopolitical trajectory has been complex but SDWC has survived. Whether these outcomes were more or less entirely the result of the SDWC regulatory structure is an open question, however, and one germane to its future.

In the 60 year era of SDWC dominance in the advanced West, the world economic and geopolitical system has been organised by a complexity of multiple structures of regulation and power of which western welfarism has been but one of many. How these intertwined structures will co-evolve in the new radically different context of the second decade of the 21st Century compared with the golden age of SDWC in the post-war decades – a context that now includes globalisation, economic stagnation, geopolitical dislocation, socio-cultural fragmentation and personal individualism and isolation, bureaucratic illegitimacy, decline of the traditional working class and its unions, and rapid climate change – are questions that must exercise the minds of all interested in the future of the world system.

Can SDWC continue to be so stable and such a powerful role model in the 21st Century or is its historical era drawing to a close? Or, on the other hand, is perhaps SDWC the long-run developmental tendency of all capitalism because of certain fundamental characteristics of both capitalism and of the stabilising role that social democratic regulation and welfarism provides that is in the ultimate interests of capitalists, labour movements, civil society organisations, political parties, and states? Under what conditions can this regime continue to survive and prosper and can it somehow ensure that those conditions continue indefinitely or at least that it can adapt to the new conditions of the world?

Particular SDWC regimes of political economy have certainly not always been very stable and major crises have disturbed them, raising the prospect of transformation at various times. Indeed, several streams of analysis have argued that the historical specificity of SDWC limits its capacity to adapt and it will be transformed. In its formative years, such as in Australia in the pre-WWI and interwar period and in Scandinavia and USA in the 1930s, it was not obvious that it would triumph. But the defeat of Fascism was important and 1944-45 represents a major turning point in which institutionalisation of social democracy became consolidated and greatly legitimised. The long boom of the postwar decades saw the social democratic alliance with capital become the dominant regime of socio-economic

development in western countries. Now events and developments of the early 21st century have brought new challenges and problems to the fore more strongly than for 60 years.

Since the mid-1970s the SDWC system has come under periods stress and although the recent economic boom enabled a period of prosperity and stability in the system this was a temporary phase. Indeed, the post-war era of western political economy has experienced three large phases – 1950-1974 (golden age or Bretton Woods age), 1974–1994 (stagflation and uncertainty), 1993-2008 (globalisation boom). Will the underlying contradictions of SDWC, so prominent in the late 1970s and early 1980s and again in early 1990s, come to the fore again during the economic downswing and will contradictions and crises and the responses to them become more obvious?

There seems little doubt that the history of SDWC in its various manifestations shows a pattern of convergences and then divergences during the past century and these differences have to be conceptualised adequately within a sufficiently broad as well as fine-meshed typology. Moreover, there is no substitute for detailed historical enquiry into the actual developments within countries rather than relying on aggregate cross-sectional data alone.⁵

Single or Multiple Paths of Capitalism?

One of Karl Marx's arguments, perhaps his most mature argument, was that the evolutionary trajectory of capitalism was towards self-transformation via its own structural 'logic', a 'logic', or what more accurately today we would today call an 'evolving path dependency', that powerfully circumscribes the future possibilities. That path tied together technological change, organizational change, cultural change, and political development in such a way that the most advanced forms of capitalism would show the way towards a 'natural' and inevitable socialistic tendency. This tendency would, he seemed to be clear, transform capitalism willy nilly into socialism; and capitalism would not survive in the long run although liberalism and parliamentary democracy could alter the process of transformation to electoral means.

⁵ This failing appears in much political economy that has grown out of or been influenced by orthodox neo-classical economics, including rational choice and game theory. See for example many of the chapters by Michael Wallerstein and others in Austen-Smith et al (2006), many of which show no attempt to disaggregate and delve into the complexities of organisation, power, events, and contingencies within unions and social democratic politics in particular cases. On the other hand, the works of Peter Swenson (eg 2002) and Francis Castles (eg 2002) show an admirable attention to historically contingent detail. Political alliances and power, ideologies, and cultures, should be fundamental to analysis but they are very difficult to quantify. It is only on the level of such empirical work, aided by concepts about which we should always remain sceptical, that we can get closer to understanding these complex processes.. On this point cf J. M. Keynes' comment: 'The specialist in the manufacture of models will not be successful unless he is constantly correcting his judgment by intimate and messy acquaintance with the facts to which his model has to be applied'. (Keynes to R. F. Harrod, July 1938, quoted in Sutch (2009)).

On the other hand, it can be argued that the incorporation of social democracy within capitalism has been essential to the survival and prosperity of liberal capitalism as a socio-economic system. The defeat of Fascism, made possible in part through labour and social democratic co-operation within the Western Alliance, was an essential step towards western advanced capitalism becoming in fact Social Democratic Welfare Capitalism throughout the heartland, cemented in part by the post-war western compact of Keynesianism and Bretton Woods. Furthermore, it can be argued that many developing countries are, to a greater or lesser extent, today following a similar trajectory in their developmental paths, in the broad manner in which Japan has followed such a path since the war. That is, SDWC has become somehow, according to this argument, the deeply determined and necessary path of capitalist development around the world, a trajectory that became fully apparent only in the 1990s with the collapse of Soviet Communism, the long economic upswing since the early 90s, the attendant globalisation process, and the development in recent decades of new rudimentary social democratic regimes and/or the reactivation of older moribund social democracies in parts of Asia, Latin America, and even the Middle East.

Taken one step further, this argument asserts that SDWC is the more or less inevitable path that capitalism will evolve along, especially wherever it achieves a certain degree of material success and liberal political institutions. The degree to which this path has developed as a consequence of historical contingencies and transmissions and/or somehow became necessary to the very nature of capitalism as a systemic equilibrating mechanism, is not agreed. Chief among the mechanisms of this historical process would seem to be the strength of working class industrial and political movements that have succeeded in western states since the 1940s and some Asian states (most notably Japan) in establishing social democratic welfare regimes that have become exemplars for socio-political actors in other countries. The two long periods of prosperity – 1950s-1970s and 1990s-2000s – that have seen a close alliance between liberal democratic and social welfare developments, have consolidated the ‘western model’. In those states there has been a strong degree of adaptation by all political and economic actors such that a powerful path dependency exists; and that paradigmatic mode of SDWC thinking has been carried, to greater or lesser extent, into certain influential international institutions such as OECD, ILO, EU, some UN agencies, and others. Some other international institutions, particularly the ‘Washington Consensus’ group of IMF, World Bank, and WTO, represent a different ideology of so-called ‘Neo-Liberalism’ that is intellectually (at least) hostile to SDWC. These competing ideologies of international political economy have engaged in a contest for world policy dominance that in 2009 seems to be resolving, thanks to the economic crisis, in favour of social market solutions.

An alternative argument to the view that there is a long-term convergence on a 'single route' of capitalism is that there are and will remain peculiar forms of capitalism in different major regions, particularly East Asia and South Asia, and perhaps Latin America and even Eastern Europe, in addition to the Western Advanced countries, such that the convergence or 'single route' theory of historical political economy is invalid. This argument says there is no necessary connection between capitalism, liberalism, and social democracy and that capitalism is compatible with many kinds of political systems and states. Perhaps only history will tell but the debate must take account of certain fundamental socio-political consequences of economic development, especially class conflict and pressure on states and ruling elites 'from below'. Can capitalism be stabilized in the medium to longer term by various state forms, such as one-party oppressive dictatorships as in China or Nazi Germany or comparatively benign quasi-dictatorships as in Singapore and Russia? The Nazi and Chinese cases would seem to indicate a great lack of stability but the Singapore case is more ambivalent and of great interest to the Party rulers of China. The Russian case is also rather problematic. We have seen the power of class pressures as capitalist industrialization has spread around the world and liberalization has also spread to many places and has often resulted in the development of rudimentary forms of Social Democracy, such as in parts of Latin America in the early and again in the late 20th Century. Some countries in Asia – such as Japan, South Korea, Taiwan, and Malaysia – are interesting in the sense of the consequences for social democracy of the emergence and consolidation of liberal parliamentary democracy following their rapid and successful development of industrial and service economies. Wherever economic development, legalization of unions, development of parliamentary democracy, removal or limitation of corruption and political oppression, have come together there has resulted the emergence of welfare state models that seem broadly to be converging on some sort of SDWC structure. Political pressure from below seems to result in liberalization, redistribution, and state social provision. Comparative historical research and theorization about regimes is essential to this question.

Sources of Instabilities, Contradictions, Crises in SDWC

Social Democratic Welfare Capitalism has essential tensions within it that arise from the basic fact that capitalism is a class-based, unequal system of wealth, power, and control. That SDWC has been able, remarkably, to manage and even disguise this fact for long periods has contributed to the stability of the regime. Furthermore, all systems of political economy are complex, potentially (and sometimes actually) chaotic, and evolutionary, and in all such systems, small disturbances can have large effects that are difficult to predict. But instabilities and contradictions do not necessarily lead to serious crises that are potentially or actually transformative. Why they do depends very much on specific and contingent local events, processes, and contexts.

The main sources of instability and contradiction in SDWC can be summarised by the following points:

- (i) Fractures between coalitions of organised labour and capital. The erosion of either a superficial or deeper harmony of interests over market regulation and the state's ownership of key assets and sectors can lead to major political conflict. Another way to put this is that weaknesses in cross-class alliances sometimes undermines solidarism and bargains
- (ii) Economic cycles of booms and depressions sometimes erode harmonisation leading to breakdowns in compromise bargains over outcomes. High and persistent unemployment can erode the commitment of unions to solidarist wage deals, just as inflation and rapidly growing sectors can also encourage wage "breakouts". These effects depend, of course, upon the more general context of wage bargaining and state regulation.
- (iii) Erosion of the state's fiscal capacity in recessions can undermine the public welfare & infrastructure system because of the necessity to find public savings when revenues decline. The fiscal pincer can seriously endanger the legitimacy of governments and states in times of crisis.
- (iv) Labour market rigidity makes responses to structural transformation slower. Structural changes due to booming and depressed sectors can undermine national wage bargains and the rigidity of the labour market. High unemployment benefits discourage work-seeking and mobility.
- (v) Overregulation of services (private and state) can make consumers discontented. Rise of consumer culture and individualism can lead to discontent with high taxes and poor service culture.
- (v) Endogenous cultural change, especially individuation, can undermine bureaucratic/state legitimacy. The importance of non-state/individualised culture has grown in all western countries.
- (vii) Exogenous pressures (eg geopolitics, globalisation, immigration, sudden supply and demand shifts) can undermine compromises and social cohesion.

From this list it can be seen that the foundational structure of SDWC – the compromise/compact nature of the 'bargain' – is itself the main potential source of instability in a world of rapid changes in economy, society and culture. The adaptiveness of the system is crucial to determining its viability. Neo-Liberals have always criticised SDWC for its rigidity and they have several powerful criticisms. Can it adapt to these pressures? Of course SD leaders have always maintained that SD is a long-run strategy requiring adaptiveness and the most important response in that sense has been the "efficient state" argument.

The 1970s Crisis Decade

The 1970s was a pivotal period for the fortunes of SDWC. The end of the long boom and subsequent stagflation, the partial collapse of the Bretton Woods system, cultural and ideological shifts – a multidimensional crisis that came as a shock to the Western system. A decade of more or less continuous stagflation, 1974-1984, threatened the future of SDWC. A low growth, high unemployment, high inflation decade undermined state ideological and developmental legitimacy. Of course economic stagflation was difficult to deal with in all systems of political economy. Two main ideological and policy responses were offered from within the OECD countries were Corporatism and Neo-Liberalism. The corporatist or solidarist response turned towards strengthening the coherence of the political economy by emphasising equality of sacrifice, maintenance of social cohesion, wages policy, and investment via an activist state. In other words, the SDWC framework was maintained and even reinforced, at least ideologically. The Neo-Liberal or New-Right response, on the other hand, emphasised diminution of the state and a return to 1930s type fiscal rectitude under the guise of monetarism, and the ‘liberation’ of markets and market behaviour, as the best way to reduce inflation and promote growth. Thus the two strategies approached the same problems of stagnant growth, unemployment, and inflation with very different policies concerning the interventionist role of the state in economic and social policy.

Divergences in SDWC since 1970s

The Western advanced countries can be seen as having been on convergent paths in terms of economic and social policy from 1945 to the 1970s. The Bretton Woods system, Keynesian macroeconomic management, improvements to social welfare, an activist state, were all part of the policy framework. But the 1970s led to a divergence in which the two main models emerged within the OECD countries – Corporatist and Neo-Liberal – and these two models became influential later in various parts of other regions as the decades continued.

Nevertheless, the argument here is that in spite of these divergences, which were real in several respects, especially so by the late 1980s and into the 1990s and beyond, the Western form of capitalism in advanced countries remained as SDWC throughout because of important structural continuities and imperatives. Indeed, these models were and are not simple descriptions of actual policy systems. Rather, in reality, we can see that sometimes they were used in combination and that actual policy frameworks have evolved everywhere since the 1970s.

The actual divergence that occurred from the 70s and into the 80s was between the “Anglo Model” and the “Continental European Model”, to use two convenient and somewhat simplified concepts. The Anglosphere of the developed world had always been different in

its political economy from the Continental region⁶ owing to the different long-run constitutional/legal/institutional history and economic history. But Australia, New Zealand, Canada, Britain, and USA developed forms of SDWC in the 1900-1930s period, which were consolidated after the war. However, their reaction to the 1970s crisis led to the “Anglo Divergence” on first ideological and then policy levels from the 1970s. The governments of Reagan, Thatcher, and Fraser led the way towards neo-liberalism or at least a public face of economic de-regulation and privatisation. In the 1980s there were wholesale transformations in the public sphere of the provider state in the Anglosphere – finance, telecommunications, transport, banking, insurance, housing, even unemployment services, were all privatised. This was far from the case in the Continental region. Thus a significant divergence in the state’s role occurred in the Anglo region, especially as a provider state, concomitant with a significant increase in regulatory activity by independent publicly appointed regulators. The concept of competitive, efficient markets became dominant and the concept of state control of the labour market became discredited, especially by the 1990s.

However, the Anglosphere was not entirely alone in its Neo-Liberalism. In the 1980s ‘Neo-Liberal’ ideology began to spread throughout the OECD to varying degrees from its Anglo heartland. There was a varying crisis of welfarist ideology across the whole system owing to a decline in the fiscal capacity of the state. But in spite of the rhetoric in fact there was no great retrenchments in welfare programs although privatisations did occur to some extent. State capacity was maintained in many places by state borrowing. In Norden, solidarist ideology produced attempts at new consensus in late 70s-early 80s, eg Finland’s Korpilampi Agreement of 1977. But the post-1990s globalisation era has been accompanied by significant liberalisation and marketisation in all SDWC countries.

The 1990s-2000s globalisation boom brought economic prosperity to all regardless of policy, which reinforced various ideological justifications– state or market – of success. The combination of varying degrees of privatisation, marketisation, and re-regulation across the whole advanced SDWC world raises the issue of re-convergence to some extent. Throughout the system there has been a major shift within SDWC from the 90s towards Regulatory Capitalism (Levi-Faur 2005, 2006, Braithwaite 2008) in which privatisation of regulation and an erosion of the distinction between state and private has been the central theme. The welfare state has survived and even prospered under conditions of economic growth and increased state capacity in the Millennial boom since 1993. But now that the capacious welfare state is again experiencing fiscal crisis in many places will SDWC be able to maintain its hegemony?

⁶ The Continental group includes France, Benelux, and Nordic countries, and from the 1950s Germany, Austria, and Italy, and later Iberia and Greece but not Switzerland, which shares more with the Anglos. The Irish case is one of a shift from the European to the Anglo group

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