American Political Economy in Global Perspective

This book is a guide to claims about the proper role of government and markets in a global economy. Moving deftly between systematic comparison of 19 rich democracies and debate about what the United States can do to restore a more civilized, egalitarian, and fair society, Harold L. Wilensky tells us how 6 of these countries got on a low road to economic progress. He specifies which components of their labor-crunch strategy are uniquely American. He provides an overview of the impact of major dimensions of globalization, only one of which – the interaction of the internationalization of finance and the rapid increase in the autonomy of central banks – undermines either national sovereignty or job security, labor standards, and the welfare state. Although he views American policy and politics through the lens of globalization, he concludes that the nation-state remains the center of personal identity, social solidarity, and political action. The book concentrates on what national differences mean for the well-being of nations and their people.

Drawing on lessons from abroad and from America's own past successes, Wilensky shows how we can reverse our three-decade decline. He argues that, in order to get off the low road, we must overcome the myths of "moderation," the rise of the "independent voter," and a rightward shift of the electorate. He specifies a feasible domestic agenda that matches majority sentiments in all rich democracies.

Harold L. Wilensky was Professor Emeritus of Political Science at the University of California, Berkeley. He was a Fellow of the American Academy of Arts and Sciences and was twice a Fellow at the Center for Advanced Study in the Behavioral Sciences. He is the author of 75 articles and 13 books, including *Industrial Society and Social Welfare* (1958, 1965), *Organizational Intelligence: Knowledge and Policy in Government and Industry* (1967, 1969), *The Welfare State and Equality* (1975), and *Rich Democracies* (2002). Before joining the University of California in 1963, he taught at the University of Michigan and the University of Chicago.

Advance Praise for *American Political Economy in Global Perspective*

"Wilensky's book is a major contribution to comparative politics. It is ideal for researchers and teachers on the impact of globalization. Written with analytical clarity and passion, the book comes across as a voice of sanity in the dysfunctional U.S. elite-political discourse – especially to European friends of America and outside observers."

– Einar Øverbye, Oslo University College

"The United States must get beyond polarization of the Left and Right, and nobody is better equipped to tell us how to do it than Hal Wilensky, with his 40 years of in-depth research on 19 rich democracies. In this brilliant summation of his life's work, Wilensky shows that neither the Left nor the Right is correct: globalization is not the culprit, and neoliberalism is not the solution. Centrist, activist, market-enabling, and work-facilitating governmental policies make rich democracies richer, and by enacting them, the United States can get on the high road to greater employment, growth, and social welfare."

– Henry E. Brady, University of California, Berkeley

"What is groundbreaking in this book is the detailed application of comparative policy analysis to a wide range of social and economic problems of the United States in a global economy. No treatment of the 'varieties of capitalism' presents data as rich and comprehensive as Wilensky offers, or provides the depth of understanding of the U.S. political economy and the possibilities for reform. His sections on education reform alone are worth the price of the book; they are superb, provocative, and timely. I would gladly use this book in graduate and upper-division undergraduate courses."

– Lowell Turner, Cornell University

"Wilensky offers a powerful message for the United States at a critical moment: we must get off the low road of underinvestment in human and physical capital, low wages, and high inequality, and we *can* do it. He combines careful research with incisive analysis and clear policy prescriptions. And he builds on a remarkable breadth of evidence – extensive data from 19 countries over 60 years – that gives his conclusions considerable weight."

– Steve Vogel, University of California, Berkeley

"The late Hal Wilensky was the dean of social scientists working on the political economy of the welfare state. The present volume is a powerful summary of that life's work and a practical road map to reforming public policies for the 21st century. The focus here may be on the United States, but the implications are much broader."

– Barry Eichengreen, University of California, Berkeley

American Political Economy in Global Perspective

HAROLD L. WILENSKY
Formerly of University of California, Berkeley

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Preface and Introduction

> One should really never say, "the state does this or that." It is always important to recognize who or whose interest it is that sets the machine of the state in motion and speaks through it.
>
> Joseph Schumpeter (1918)

> Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Soon or late, it is ideas, not vested interests, which are dangerous for good or evil.
>
> John Maynard Keynes (1936)

"Globalization" has become the all-purpose cause of our troubles and opportunities. Among the basic questions about its impact on public policy and human welfare, two are of great interest to both scholars and policy makers:

1. Is the nation-state eroding as a unit of social-science analysis and as the center of political action?
2. Do capital and labor flows across national boundaries threaten the social and labor policies of the rich democracies – especially job protection and good earnings and welfare-state benefits, such as government-guaranteed universal pensions and health insurance?

Because these questions assume that globalization gives countries with low labor costs and lean social policies a competitive advantage over their rivals, we must give an estimate regarding a third question:

3. Leaving aside the net contribution of the welfare state and labor policies to such values as dignity, security, equality, family well-being, social integration, and political legitimacy, what are the net effects of the welfare state, social policies, and job protection on productivity and economic performance?

Here is a preview of answers to these questions. First, every chapter in this book provides evidence of the persistence of striking national differences in domestic policy and politics from 1950 to today, before and after the changes labeled globalization are supposed to have weakened national sovereignty. At the outset of my 40 years of research on 19 rich democracies, prepared to uncover significant change whatever its causes and pace, I found instead amazing continuity in the contrasting institutions and paths of development of these countries. Of course, there is change, including some convergence in policies and politics, but not as much as most scholars and observers of globalization claim. The most important question for me (and the focus of more than half of this book) is this: In view of continuing national differences among rich democracies, what lessons can the United States learn from abroad about domestic politics and policies to cope with its mounting political and social problems, and which successful policies are transferable? Although I see these problems through the lens of global developments, I keep my eye on the primary arena for action, the nation-state.

If there is any problem that should be handled globally, it is energy policy and the environment. Yet Chapter 2, which deals in detail with global climate change and the environment, underlines the poor record of international agencies and organizations in this area. It suggests that each nation needs to take responsibility for its own energy policy now, looking to the life-cycle emissions of greenhouse gases from each of its energy uses. No rich democracy, least of all the United States, can delay action with the excuse that international agreements among 30 or 200 countries have not been consummated or that China, a large emitter of greenhouse gases, is not joining such agreements. The great day when scores of nations might adopt binding agreements with common enforceable standards is far, far away. That is why Chapter 2 covers the politics and policies of all 19 nation-states and shows which ones are performing best and worst and what we can learn now from the recent history of national and international policies. It begins with the contrasting strategies of the only two rich democracies that since 1980 have sharply reduced their vulnerability to external energy shocks while greatly improving their economic performance and leading in the reduction of greenhouse gas emissions – Denmark and Sweden. It then assesses alternative energy options, policies, and politics.

The second question – about the impact of capital and labor flows across national boundaries – is answered in detail in Chapter 6, an overview of six dimensions of globalization: capital flows, migration, deregulation of the labor market, outsourcing of jobs, the rise of multinational corporations, and the increased autonomy of central banks as related to the internationalization of finance. Capital and labor flows (including migration and immigration rates) are not new nor do they undermine the institutional and policy differences among the countries I compare. Similarly, the deregulation of the labor market in order to increase international competitiveness occurs in some countries and not in others. To demonstrate this by the relevant comparisons, I contrast countries with deregulated "flexible" labor markets and countries with "rigid" labor markets ("Eurosclerosis"), that is, strong job protection or job security. Then I explore the question, What jobs are now or can be outsourced with what effect? The conclusion: the greater job security of the more consensual democracies is a positive advantage for enterprise productivity and for national well-being. And outsourcing is not yet a major threat to labor standards or jobs, although much of this analysis, handicapped by deficiencies of data, remains speculative.

The fifth dimension of globalization is the growth of multinational corporations (MNCs). Regarding its impact, there is no support for the popular argument that MNCs undermine labor standards and collective bargaining if we compare nationals with multinationals and trace recent trends in the MNCs' investment targets; their ready adaptation to national laws and practices; and their policies on wages, union recognition, and consultation. In other words, Wal-Mart's sins cannot be generalized to the thousands of multinationals.

If the emergence of multinationals, the movement of migrants across national borders, and even the international flow of capital, as well as varied attempts to deregulate the labor market and the outsourcing of jobs, are only a moderate to small influence on the national bargaining patterns between labor, professions, management, government, and political parties, then what is there about globalization that *does* undermine national policy, politics, and well-being? The real culprit is the rapid rise in the power and ideology of the leaders of central banks, investment banks, insurance companies, and other financial institutions. This change is the one major force that threatens the collaborative bargaining through which labor and center-left and center-right party coalitions have tamed the "free market" for more than a century, thereby enhancing the real welfare of large majorities through decent labor standards, some job security, and a universalistic welfare state. Sections on the deregulation of finance and the financial meltdown of recent years conclude with a discussion of the Great Recession of 2007–2009 and the continuing near-Depression level of unemployment and underemployment in several rich democracies, including the United States.

The third question concerns the net effects of social policies, labor policies, and the welfare state on economic performance; it is answered in Chapter 1 (The Welfare State as the Center of Public Finance and Political Conflict) and Chapter 3 (What Trade-Offs Are Good and Bad for the Economy?).

Among the most solid generalizations from my project is that for the past 60 years the welfare state has been either good for economic performance or neutral, depending on the period analyzed. Even if we examine the impact of social spending or aggregate total government spending on debt and deficits, we find that the welfare-state leaders, the lavish spenders, are not spending themselves into the grave. Chapter 1 examines these connections and explains why among these 19 rich democracies there is little or no relation between spending and debt, except at great extremes of debt, rare among modern countries.

The record of the past 60 years offers little support for the argument that there is a sharp trade-off between job security, labor standards, social security, equality, and poverty reduction, on the one hand, and worker productivity, economic growth, and other measures of economic performance, on the other. What is often left out of the discussions of these alleged trade-offs are (1) systematic empirical observations of the economic performance of big spenders and lean spenders at a similar economic level; (2) the contrasting economic and political effects of particular types of spending and the types of taxes used to finance public spending; and (3) analysis of the impact of various economic and social policies on consensus or political legitimacy, as these in turn shape economic performance. The interplay between economic and political policies is evident in the recent history of the United States. For instance, the tax-cutting mania from Reagan to Bush II ultimately paralyzed government at every level, reducing the capacity to use fiscal policy for public purposes other than military, alienating citizens who had been educated to believe in free lunches, and putting too great a burden on monetary policy. Its radical escalation under President George W. Bush resulted in an explosion of deficits and debt. It polarized politics to its greatest intensity since the 19th century. As we have seen again in 2009, that makes it much more difficult to take timely action to deal with the health-care crisis and the climate change crisis, and to gradually reform Social Security (see Chapters 3, 7, and 8).

Mass resistance to cuts in the core programs of the welfare state combined with the universal popularity of government-guaranteed health care, pensions, disability insurance, family policies, and decent labor standards suggests that political elites so inclined can build on majority sentiments while they make these programs more efficient and fair. Chapter 4 analyzes the unhappy fate of politicians who are serious about cutback budgeting and the shape of issue-specific public opinion about taxing and spending – two forces that explain the recurrent success of a center-left agenda, sometimes embraced or at least tolerated by the center-right. Chapter 5 gives special attention to the convergence and reform of pension systems and explains why the peculiar U.S. health-care system is a lesson in what not to do. Proposals for reform of both of these big-ticket items often take the form of solutions in search of a problem. It is wise to start with diagnosis of the disease before plunging in with cures.

Regarding OASDI (government-guaranteed pensions, disability insurance, and survivors' benefits), where the United States has no crisis, the problem is two century-long trends: a decline in the age of exit of men from the labor force and an increase in healthy displaced older workers. Chapter 5 analyzes what the United States can learn from other rich democracies that have recently created flexible retirement systems to cope with this problem: how to provide incentives and opportunities for healthy older workers to continue to work without pressuring the worn-out workers to postpone retirement.

It is the same with health-care reform, where the United States does have an urgent need to act. The basic problem to be solved: increase mass access to doctors, drugs, hospitals, clinics, and public-health services and at the same time contain exploding costs and improve health performance. To do this we must follow the lead of every other rich democracy and move toward national health insurance. Among the 19 rich democracies, the United States is the odd-man-out in its health-care spending, organization, and results. In the past hundred years, with the exception of the United States, the currently rich democracies have all converged in the broad outlines of health care. They all developed central control of budgets with financing from compulsory individual and employer contributions and/or government revenues. All have permitted the insured to supplement government services with additional care, privately purchased. All, including the United States, have rationed health care. All have experienced a growth in doctor density and the ratio of specialists to primary-care personnel. All evidence a trend toward public funding. Our deviance consists of no national health insurance, a huge private sector, a very high ratio of specialists to primary-care physicians and nurses, and a uniquely expensive (non)system with a poor cost-benefit ratio. The cure: increase the public share to more than 65 percent from its present level of 45 percent. About two-thirds of the public is the lowest public dominance in the other 18 countries. Regarding funding the transition cost and the permanent cost of guaranteed universal coverage: no rich democracy has funded national health insurance without relying on mass taxes, especially payroll and consumption taxes. Whatever we do to begin, broad-based taxes will be the outcome. Three explanations of why there is no national health insurance in the United States are examined. The weakest and most misleading is the claim that American public opinion opposes it (see Chapters 4 and 5). The persuasive explanations accent the history of public policy choices since World War II and, most important, the fragmented decentralized structure and operation of the U.S. government.

The problem we face is how to stop two games played by commercial providers in a system where they account for 55 percent of total health-care costs: *cost shifting* and *risk selection*. Without a substantial increase in public-sector bargaining power, those games and the extraordinary administrative overhead they necessitate will continue to escalate spending while decreasing coverage and the quality of care for an increasing majority of Americans. As Chapter 5 shows, the runaway costs are not from Medicare; they are mainly commercial. Without containing the reach and political power of the medical-industrial complex, the United States will never be able to join the rest of the affluent democracies that have national health insurance with better health performance at much lower cost. Here is a case where fixing a broken system by avoiding the problem of public vs. private power – let's have more efficiency, tell doctors what the best practices are, tell the insurance companies and big consumers of health care to behave themselves, squeeze a third of a trillion dollars out of Medicaid and Medicare – will merely make things worse, ultimately undermining support for any serious reform. Discussion of the politics of health care appears in Chapters 5, 7, and 8 (National Health Insurance).

In sum, analysis of the impact of globalization on these national variations is captured in the phrase "the nation-state is alive and well"; it remains the ultimate object of allegiance and the main source of personal identity, social solidarity, and political action. National institutions continue to make a big difference for real welfare. After reviewing the impact of each of the six dimensions of globalization, Chapter 6 concludes that only the interaction of central bank autonomy and the internationalization of finance is a significant threat to job security, labor standards, and the welfare state. Even here, national responses vary depending on the institutions in place when these trends became dominant.

Although I continue to search for an understanding of the differences and similarities among rich democracies, more than half of this book is about American politics and policies as they shape the well-being of the nation and its people. Part II (Chapters 7 and 8) lists 13 ways in which the United States has adopted a low-wage, inegalitarian, labor-crunch strategy for economic growth. I compare extremes: the confrontational "low road" pursued by the United States and the "high road" pursued by the strongest consensual democracies of continental Europe, where social partners have negotiated real reforms in expensive social policies while preserving social cohesion. Both paths of development are compatible with good economic performance, but they have a drastically different impact on the lives of people. In the final chapter, I consider what the United States can learn from the experience of the more centralized, more consensual democracies and, most important, which of their successful policies can be transferred to the United States without major changes in the structure of our government and constitution. To address this issue, I specify the political conditions and coalitions necessary for adoption of policies that would get the United States off the low road toward a more civilized, equitable, and just society. After examining feasibility of alternative policies and political history from Truman through Obama's first two years, I conclude that on the basis of its dismal record of governing in recent decades, the Republican Party offers little hope for moving America off the low road (see discussion of Table 11 for a summary of the evidence) and turn my attention to the possible revitalization of the Democratic Party. I examine the myth of the rise of "moderation" and the related myth of the "independent voter," as well as the myth of the rightward drift of the American electorate. I then suggest a center-left agenda that reflects the issue-specific preferences of vast majorities of the electorate, with close attention to practical limits and possibilities.

I am convinced that the United States, despite its parochialism, is capable of learning from and adapting lessons from abroad. That new knowledge of issues discussed in this book makes its way in the long run is evident from the intellectual history of the past century or so. Both our past experience and our present crisis provide examples of successful borrowing and adaptation of social-science findings from academia transcending national boundaries. Consider these examples from comparative research in economics, industrial relations, sociology, and political science:

- The theories of John Maynard Keynes penetrated high policy in every modern country from the 1930s until now. Fiscal policy was greatly shaped by this basic research. Although FDR, elected on a budget-balancing platform, did not pay attention to Keynes and failed to extricate himself from the recession of 1937–1938, subsequent presidents benefited from the institutionalization of academic economics in the Council of Economic Advisers and, on average, did better. In addition, comparable advisory institutions in other modem democracies provided a channel for steady professional economic advice, thereby improving economic performance (Wilensky, 1967a: ch. 5).

- The labor economists and labor historians of the "Wisconsin School" during the first third of the 20th century mightily shaped U.S. social security laws and the National Labor Relations Act (Wagner Act) and related labor legislation. Again, the ideas emerged long before they were embodied in legislation. For instance, the early impetus for the Social Security Act of 1935 came from social scientists – economists, political scientists, and others – who were familiar with European social and labor policies; they were the original founders and leaders of the American Association for Labor Legislation (AALL), which was established in 1906 as a section of the International Association for Labor Legislation. Among the most active scholars in or around this association who shaped the public agenda of the 1930s were John R. Commons, labor economist of Wisconsin, who wrote eleven volumes under the title *Industrial Society* and advised Senator LaFollette on progressive social legislation before World War I; Commons's student and collaborator John B. Andrews, AALL's executive secretary from 1908 until his death in 1943; Edwin E. Witte, chief of Wisconsin's Legislative Reference Library when he taught economics at the university in the 1920s; and Arthur J. Altmeyer, former student and research assistant of Commons. Both Witte and Altmeyer helped Commons move the issue of unemployment insurance to state debates in the 1920s (Lubove, 1968: 29–34; Chambers, 1963: 174–175; Altmeyer, 1968: 7; Cohen and Lampman, 1962: xv–xvi). During the three decades before the New Deal, these scholarly advocates researched collective bargaining, labor law, industrial regulation, income maintenance, workers' compensation, unemployment insurance, and health insurance. They crafted laws, some of which were debated in the legislatures of Wisconsin, Ohio, and New York; later they directly shaped New Deal social legislation.[1] The persistence of the influence of these intellectuals on social legislation of the 1930s is symbolized by Wilbur Cohen's appointment as secretary of Health, Education, and Welfare (HEW) in the Johnson administration thirty years later. He studied at Wisconsin in the early 1930s, where he was fully exposed to the lively academic debates about labor and social legislation. From 1935 to 1969 he rose from research positions in the Social Security Administration to secretary of HEW in 1968–1969.
- Morris Janowitz's work on the military – his 1961 book, for instance – was unusual in the context of a discipline that was dominated by a vague pacifism and therefore ignored the serious study of the military. The related sociological research of Charles Moskos (1988) had considerable influence on the reorganization of the military. Their 1960s ideas about a national youth service corps directly shaped the political debate of the 1990s, with Senator Nunn and Governor Clinton embracing the idea – again, about a thirty-year time lag from sociological analysis to national public policy debate that loosely corresponds to political cycles.

Similarly, when political and economic conditions were favorable for the adoption of national health insurance in 2008–2009, many a congressional staffer and academic consultant dug out old memos, articles, and position papers based not only on the work of medical economists but also on research in the sociology of medicine and the professions and on comparative studies of the financing, organization, and delivery of medical services in other countries from several disciplines. Of course, after long neglect, Keynes was once again resurrected in the Great Recession, to good effect. Perhaps Ronald Reagan's social policies are a less benign example of the impact of theory coming many decades after its formulation; those policies were inspired not by the painstaking research on the roots of poverty but by the social Darwinism of Herbert Spencer. Sometimes ideas take a very long time to penetrate the higher circles of power – from Spencer to Reagan in one hundred years.

My research has shown that today the most easily transferable policies that have achieved much success abroad include the family policies of Sweden, Belgium, and France; the active labor-market policy of Sweden, Finland, and Germany; the rehabilitation emphasis of disability policies in Sweden; and the flexible retirement system of Finland. Chapters 5, 7, and 8 tell why these policies are likely candidates for transfer to the United States, whether they come from the little countries of Scandinavia that we can view as laboratories for socioeconomic experimentation or from large countries such as Germany and France.

This book summarizes and updates the main results of a long-term research project focused on the causes and effects of national variation in labor and social policies among all of the 19 rich democracies with a population of at least 3.5 million. By 1966 they had achieved a GNP per capita that put them in the upper sixth of the world's distribution – very rich, indeed. How rich can be grasped by looking at how much money to play around with each year comes from various GDP growth rates in the United States. An anemic growth rate of 1 percent in 2009 dollars when the GDP was $14.3 trillion yields $143 billion extra; a below-average growth of 2 percent brings $286 billion; 3 percent growth yields $429 billion, more than the annual Pentagon budget before the escalation of the George W. Bush years; 4 percent brings $572 billion in one year.

Current debates in the United States about major issues – the stimulus package of 2009; reforms of health care, energy, and the environment; labor law; education and job creation – often take the form "We can't afford this; it will explode the debt, ruin our children's future" and the like. Perhaps a single figure of the foregone income lost in the Great Recession (officially the four quarters of 2008 plus the first two quarters of 2009) will put these claims in perspective. The average real growth from 1975 through 2007 – after the first oil shock and worldwide recession and before the most recent meltdown – was 3.2 percent. With a more modest "normal" growth rate of 3 percent, the foregone real (inflation-adjusted) figure for the year and a half of the Great Recession is $1.16 trillion (calculated from Bureau of Economic Analysis, 2009: table 1.1.1). That is more than the entire Congressional Budget Office guesstimated cost of the final health-care bill over 10 years, including extra administrative costs. In short, restoring growth and investing in the productivity-enhancing social and labor-market policies discussed herein are far more effective ways to put debt on a sustainable track than an obsession with debt alone. Chapter 1 compares government spending in our 19 rich democracies with both deficits and debt/GDP and explains why the big spenders are not running up unsustainable debt levels, if we assume that the world recession of 2007–2009 is not permanent.

I have found two complementary theories useful in explaining the similarities and differences among these 19 rich democracies. First is convergence theory or "modernization" theory. It suggests that as the currently rich countries got richer, as they achieved high levels of technological and economic development, they became more alike in social structure, culture, and politics. It specifies the consequences of advanced and continuing industrialization (the increasing use of high-energy technology and inanimate sources of energy). The second set of theories suggests that rich nations, whatever their similarities, still vary greatly in their problems of consensus and conflict, the Madisonian problem of containing factional war, and the Durkheimian problem of threats to social integration. Everyone knows that Sweden is not the United States is not Japan. Plainly the 19 rich democracies discussed here, as they cope with the problem of aggregating interests and resolving conflict, differ greatly in their labor relations and in the interplay of politics, markets, and the nonprofit sector. They differ in the size and shape of their welfare states, in their patterns of taxing and spending, in the clusters of public policies they pursue, and in their effectiveness in implementing policies. Most important, they differ greatly in their system outputs – what all the taxing and spending, all the policy choices mean for the well-being of their people. Throughout the 40 years of this project, I have used convergence theory to explain similarities among rich democracies and types of political economy to explain national differences. This current work concentrates more on explaining the differences but attends to areas of obvious convergence.

Drawing on research analyzing similarities and differences among 19 rich democracies, this book compares the economic performance of big spenders and lean spenders at a similar economic level from 1950 to 2007. Going beyond aggregate public spending, it shows the contrasting effects of particular types of spending and taxing and specific social, labor, and environmental policies. I highlight the extraordinary continuity of the contrasting institutions and policy directions of these countries, finding that there is not one road to good economic performance but several. I specify five types of political economy, each with its own costs and gains in people's well-being, both economic and noneconomic. The types begin with national differences in the structure and interplay of government, political parties, the mass media, industry, labor, the professions, and religious institutions. Differences in degrees of centralization and bargaining arrangements among these groups generate three types of national bargaining. My classification ranks them as follows (Wilensky, 1976, 1981, 2002: ch. 2):

- Democratic corporatist: Austria, Netherlands, Belgium, Sweden, Norway, and Finland and, less strongly, Denmark, Italy, and Israel, with Germany a marginal case
- Corporatism without labor: Japan and, less strongly, France, with Switzerland a marginal case
- Least corporatist or most fragmented and decentralized: United States, United Kingdom, Ireland, Canada, Australia, and New Zealand

For variety, I shall use several labels interchangeably: "corporatist democracies" are consensual democracies; "least corporatist" are fragmented and decentralized or confrontational or noncorporatist. The types of political economy are completed by combining these variations in national bargaining arrangements with the power of mass-based political parties of long and continuous standing, principally left (typically labeled Socialist, Labor, Social Democratic) and Catholic (typically labeled Christian Democratic, Social Christian, Christian Socialist). The resulting five types are listed in Table 2; they are used to explain national outcomes throughout the book, both economic and noneconomic. Their historical origins are discussed in Chapter 3. Sources, concepts, and measures are further elaborated in the Appendix.

I have emphasized the advantages of more centralized systems of bargaining over the highly fragmented and decentralized system of the United States. Despite its radical federalism, an overview of the most successful policies of the United States shows that they are almost entirely financed by the central government, for instance, Social Security, Medicare, the GI bill, the racial integration of the armed forces, the electrification of the South via the Tennessee Valley Authority, progress in the cleanup of air and water and in the control of local vigilantes; while the most botched problems, the most inefficient and ineffective and periodically underfunded policies are fully or partly state and local – education, especially K–12 schooling, welfare reform, Medicaid, criminal justice, prisons, and policing.

There is no more complex problem in organizational theory than ideas about decentralization (Wilensky, 1967a: 58–62). If we go beyond the ideologies of populist Right and Left about the joys of decentralization and limited central government, we find that all rich democracies have large doses of both centralization and decentralization. They all have central financing of many programs; they all necessarily rely on regional or communal units for delivery of personal social services such as job training, education, and health care. The great variations are in exactly what is centralized or decentralized in what degree – functions, location, authority, financing, records, intelligence, loyalty – and with what effect on equity, equality, efficiency, service, citizen response, and degrees of corruption. Throughout this book I discuss these matters, emphasizing the differences between the moderately or highly centralized bargaining arrangements of corporatist democracies and the more-decentralized political economies.

Although the text discusses the main ideas and indexes used in this study, the Appendix provides convenient definitions, measures, and sources of such concepts as democracy, pluralism, cumulative party power, electoral systems, export dependence, and democratic corporatism (or negotiated political economies or consensual democracies) vs. fragmented and decentralized (or confrontational democracies). It also suggests the severe limitations of forecasts that are common in economics and demography and widely used in scoring the costs and gains of proposed public policies.

The project used both quantitative and qualitative methods: simple cross-tabulations of averages by types and periods; regressions or path diagrams where appropriate; studies of deviant or extreme cases; comparative historical context; and more than 400 interviews I conducted with top decision makers and their advisers. I concentrate on what governments do, not what they say. This does not mean that I ignore ideology as a source of government behavior. I show, however, that if ideology is not anchored in organizations and political parties that achieve substantial power, it has little effect on public policy. In other words, if I have to choose between the two quotations at the beginning of this introduction, I favor Schumpeter's accent on the interests of powerful groups more than Keynes's accent on ideology, although both capture part of the truth.

Because all of my research combines the perspectives of political economy (the interplay of markets and politics) and political sociology (the social bases of politics), because I maintain a deep concern with the public-policy implications of my findings, I hope that this book will be useful to both scholars and practitioners. It should not only interest students of globalization but should also find its way into courses in comparative political economy, comparative politics, European politics, public policy, social problems, political sociology, American government, political behavior, advanced industrial society, and labor and industrial relations.

This book was written well before the Republican gains of November 2010. Nothing I could see in the early reports of exit polls, election results, and subsequent economic performance changes any of my analysis, including Part II on American politics, economics, and policies.

Acknowledgments

The current work is based in part on my book, *Rich Democracies: Political Economy, Public Policy, and Performance* (Berkeley: University of California Press, 2002), especially chapters 2, 12, 13, 16, 17, and 18, extensively revised and updated. New material dealing with current issues and the period 1980–2009 is presented throughout. The 941 pages of *Rich Democracies* include 108 tables and figures covering various periods, policies, and measures of well-being in 19 countries; they support my conclusions in this book wherever I do not provide new data or discuss new topics. *American Political Economy in Global Perspective* is designed to be more easily accessible than *Rich Democracies* with more direct policy relevance. In fact, most of this book is about the recent politics, public policies, and peculiarities of the United States, including my analysis of how we might more effectively deal with our long-neglected social, political, and economic problems.

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Harold L. Wilensky
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