

Politics and Society in Western Europe

4th edition



Jan-Erik Lane and Svante Ersson

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Foreword

To the Second Edition

This second edition of *Politics and Society in Western Europe* not only brings its coverage of events up-to-date but also includes a number of major changes. First, the presentation has been broadened to include the output side of the West European polity and the trends towards intergovernmental coordination in Western Europe. Secondly, much of the technicalities in the first edition have been deleted in an effort to present easily accessible data. Thus, the political party chapter now presents information about each single party instead of the aggregated information in the first edition. Thirdly, the focus of the volume has been substantially broadened from a political stability approach to an elucidation of how a political sociology approach compares with the new institutionalist approach when employed as a framework of analysis for the understanding of West European politics.

Oslo and Umeå, July 1992

To the Third Edition

This third edition of *Politics and Society in Western Europe* contains several changes from the second edition. A number of tables, particularly in the Introduction and Chapters 6, 7 and 10, have been updated in so far as that is possible. New material has been added in various places, and some errors including the headings to Table 8.1 have been corrected.

Oslo and Umeå, October 1993

To the Fourth Edition

The fourth edition of *Politics and Society in Western Europe* involves a complete rewrite of several parts of the text. The volume has been completely revised by using a single analytical framework, that of Alexis de Tocqueville's theory of democratic stability. If the earlier versions of our textbook had a somewhat eclectic theoretical foundation, then it is hoped that reinterpreting Tocqueville in relation to today's realities will give coherence to the various empirical chapters, where the analysis has been

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fully updated, using the most recently available data about civil society, the state and the outcomes that Tocqueville focused upon: stability and equality. In addition to new data on the countries included in the earlier version, Iceland and Luxembourg have been covered as well.

Geneva and Umeå, March 1998

Introduction: A Neo-Tocquevillean Approach

In order to make sense of recent developments in the 1990s in West European democracies we begin by taking a long-term perspective on how democracy has developed in Western Europe since the end of the Second World War. Although the trends described below may appear highly disparate ones, one may go back to the first major theory of modern democracy to find a few clues as to how to present everything in a clear and neat manner. We refer to the analysis of democracy, presented by Alexis de Tocqueville in his two volumes: *Democracy in America I-II*, the first volume published in 1835 and the second in 1840. We argue that the profoundness of Tocqueville's analysis of modern democracy is yet to be fully realized, as he is not only the first theoretician to fully grasp the nature of modern democratic society and its democratic politics, but his analysis is still unsurpassed in terms of depth and comprehensiveness. For the purposes of understanding real life democracy in a market economy Tocqueville is – to us – more central than any other of the founders of twentieth-century social thought, including Marx, Durkheim and Weber.

Western Europe is today a prototype of what Tocqueville called 'la société démocratique'. Our universe of discourse is the set of larger states in Western Europe, as identified in Table I.1, which presents some basic empirical information about the states on the Western European scene as it emerged out of the Second World War on the basis of the important Yalta and Potsdam agreements on how the empire of the Third Reich was to be divided as well as how Europe was to be structured into two distinct parts: Western Europe and Eastern Europe up until the system transition initiated in 1989.

Western Europe comprises small and large countries with regard to both population and land area. The political constitutions of these countries are of different ages, as the constitutions of some of the West European countries are much older than the constitutions of others.

This book focuses on the politics of the larger 18 states, listed in Table I.1. Although the five smaller states are not without interesting features, they fall outside our ambition in this volume, which is to examine the variations in the democratic state and in civil society in order to state how they are related by means of a comparative analysis.

The purpose of this introductory chapter is to examine some longitudinal trends in West European politics and to state a framework for the analysis of

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TABLE I.1 *Population, area and present constitution*

	1950	1990	1995		Year of present constitution
	(000)			Area (km ²)	
Austria	6,935	7,718	8,063	83,858	1920
Belgium	8,639	9,967	10,064	30,528	1993
Denmark	4,271	5,141	5,223	43,094	1953
Finland	4,009	4,986	5,101	338,145	1919
France	41,736	56,735	58,172	543,965	1958
Germany	68,373	79,433	81,912	356,974	1949
Germany West (BRD)	49,986	62,649	–	248,709	1949
Germany East (DDR)	18,387	16,433	–	108,333	1968
Greece	7,566	10,161	10,493	131,957	1975
Iceland	143	255	269	102,819	1944
Ireland	2,969	3,526	3,590	70,285	1937
Italy	47,104	56,749	57,386	301,309	1948
Luxembourg	296	382	409	2,586	1868
Netherlands	10,027	14,952	15,487	41,526	1983
Norway	3,265	4,241	4,355	323,878	1814
Portugal	8,405	9,896	9,906	92,135	1970
Spain	27,868	38,798	39,188	504,783	1978
Sweden	7,041	8,559	8,826	449,964	1975
Switzerland	4,715	6,712	7,039	41,284	1874
United Kingdom	50,290	57,561	58,586	244,110	–
Andorra	6	53	63	468	1993
Liechtenstein	14	29	31	160	1921
Malta	308	354	370	316	1974
Monaco	22	30	30	2	1962
San Marino	13	23	25	61	1600

Sources: EB (Encyclopaedia Britannica) 1991, 1996

these trends in the set of 18 countries (see also Gowland et al., 1995; Edye and Lintner, 1996; Rose, 1996; Budge, Newton et al., 1997; Ismayr, 1997; Mendras, 1997; Rhodes et al., 1997).

Longitudinal trends

Characteristic of European politics in the post-war period has been the swing back and forth between change and continuity in institutions and politics. Political events change so rapidly in Western Europe that it almost seems that each decade has had its own and somewhat unpredictable logic. During some intervals of time political systems may give the appearance of continuity and rest. However, hardly has the appearance of solidity and calm been interpreted in ideas about the apolitical nature of society, the coming of a technocratic society or the end of ideology, when signs of instability appear, indicating major change. Politics feeds on conflicts arising from social heterogeneity – cleavages – as well as on competition between the

variety of organized groups in civil society. Change in Western Europe has been greatly driven by the advancement of modernity, or the coming of a post-industrial society (Waters, 1995; Hirst and Thompson, 1996; Rifkin, 1996; Krugman, 1997), further accentuated in the last decade by a strong tendency towards globalization.

1950–65: End of ideology, and apathy

It was believed that the post-war political systems of Europe had stabilized after an unruly transition period at the end of the Second World War. France during the Fourth Republic was a divergent case, but once de Gaulle had created the Fifth Republic France appeared to fit the dominant mode among European democracies. No doubt the state of Italy was also deviant, but scholars interpreted the lack of strife and the overall stability of systems like the United Kingdom, or those in Scandinavia and the Federal Republic of Germany, as due to the disappearance or reduction in ideological conflict (Tingsten, 1955, 1965; Aron, 1957; Shils, 1958). Other scholars identified the development of a technocratic and administrative welfare society that would present its inhabitants with security and reduce the disruptive consequences of cleavages (Dahrendorf, 1959; Crozier, 1964; Bimbaum, 1975). The iron curtain was firmly established in the 1950s after considerable turmoil in some of the new people's republics and the East European countries began to embark on the road to economic recovery by means of a planned economy. The introduction of NATO in 1949 was paralleled by the creation of the Warsaw Pact in 1955, setting the parameters for the divided Europe that lasted until the fall of the Berlin Wall in 1989.

It was argued that the politics of the post-industrial society would be different from political life in the industrial society (Bell, 1974; Kumar, 1995). West European nations were all thriving in terms of economic growth, leadership seemed remarkably stable and law and order prevailed to an extent that would make analysts of the late 1950s and the 1960s underline stability and continuity. The legitimacy of political institutions was not questioned as political authorities stayed in power for relatively long periods of time, and the regimes or the constitutions of these democracies were regarded as hallmarks of a long constitutional development. The political community or the political territory of the various democratic states was not questioned by minorities.

Major interpretations of the relationship between society and politics during the 1950s and the early 1960s talked about apathy (Berelson et al., 1954; Lane, 1965; Milbrath, 1965). However, during the 1960s the opposite of apathy – participation – became the focus of research (Di Palma, 1970; Dahl, 1971). Participation became a major goal of the political systems in Western Europe: it was seen not only as a way of challenging the centralist bias of the industrial state but also as a vehicle of latent cleavages that became manifest during the 1970s.

1965–80: Rejection of political authority

The politics of the late 1960s and early 1970s meant not only that participation replaced apathy; cleavages believed to be fading away emerged to an extent that had not been predicted. During the 1950s and the 1960s the prevailing theme of modernization implied that ethnic and religious cleavages would diminish as a source of conflict because societies that were modernizing would be dominated by economic or, as they called it, functional orientations (Deutsch, 1961). What actually happened created a need for an analysis of cleavages, in particular the challenges presented to political parties and political systems by the resurrection of traditional loyalties of an ethnic or religious nature. The theories of the end of ideology, the apathy of the electorate and the modernization of society when confronted with the turbulence and change of the late 1960s and 1970s suddenly appeared to be rather obsolete.

The late 1960s and the early 1970s showed convincingly how fragile political structures are and how easily the legitimacy of political institutions may be eroded. Signs of change conducive to political instability cropped up in most European democracies. Not only did leaders meet significant difficulties in staying in power for longer periods of time, but the very principles of how the political system of a nation was to be built up became a central political issue in several democracies. Compared with the 1960s there were strong voices demanding changes in government policy and leadership as well as in the structure or the principles of political decision-making. In several European democracies the legitimacy of traditional decision structures was called in question, especially by the strong leftist current in 1968, including student revolts. Demands for a change of regime were raised in several authoritarian regimes: Spain, Portugal and Greece in the early 1970s.

Criticism of the political decision-making systems resulted in demands for institutional autonomy in countries like the United Kingdom, Belgium and Spain. Systems such as those in Sweden, France and West Germany faced the demand for decentralization of political authority to local government and neighbourhood groups (Sharpe, 1979). In some systems the demand for participation implied decentralization of political authority to the local and regional levels; demands for increased local and regional autonomy appeared during this decade to an extent that surprised the adherents of an efficient centralized welfare state. The reaction to the progressive development of an industrial state brought out profound cleavages of various kinds: ethnic, religious as well as class-orientated. The modern capitalist state implies centralization of decision-making structures. Concentration of power and resources may bring about a higher level of affluence, but affluence is not a general remedy for contention. In fact, once economic and class cleavages have been attenuated, other kinds of cleavage such as post-materialism may become stronger (Inglehart, 1977, 1997).

Participation also involved the demand for greater representation for various organized groups in decision-making structures, in particular at the national level; demands which implied that European democracies begin to display increasingly accentuated corporatist features (Schmitter and Lehmbruch, 1979; Beyme, 1980; Lehmbruch and Schmitter, 1982). Besides the demands for representation of various elites, a striking feature of the late 1960s was the demand for new types of representation in the form of direct democratic procedures (Pateman, 1970).

Dissatisfaction with government manifested itself in the founding of new political parties or political movements. Party innovation implies that the established structure of parliamentary parties has difficulty in accommodating the appearance of new cleavages or the reappearance of old ones. In some countries new parties indicated new directions in the pattern of voter behaviour, changing citizen alignments profoundly (Pedersen, 1983). Sometimes the established parties adapted to the reorientation in voter attitudes by making new kinds of policy. Sometimes protest cropped up in loosely organized movements eager to safeguard new values: environmentalist groups, anti-nuclear power groups and various local groups – the new social movements (Kriesi et al., 1995).

The party systems of the European democracies seemed highly stable in the mid-1960s, some scholars stating that these systems had undergone little change since they were created in the beginning of the twentieth century (Lipset and Rokkan, 1967a; Rose and Urwin, 1970). However, in the mid-1970s the traditional political parties in Western Europe faced some difficult decisions: not only were they challenged by new political parties and new social movements but they also had to accommodate to a political environment that was growing more complex and more uncertain. Traditional ideologies had to be reinterpreted to give direction for the new issues of the 1970s. Increased volatility has characterized the party systems in Western Europe (Mair and Smith, 1989; Mair, 1997).

The image of the welfare state is that it can deliver policies in response to vital citizen needs. However, its effectiveness has been questioned. In some countries the legitimacy of the political system was challenged because of lack of efficiency, for example in Italy. The instability of West Germany and the United Kingdom during the 1970s was of a different kind. A new phenomenon in West European politics was the emergence of social disorder that threatened vital state functions. It was believed that guerrilla warfare had its natural roots in underdeveloped countries; the 1970s in Europe showed not only that bloodshed and civil war were possible in advanced societies but that it has proven difficult even for states with large military resources to put an end to the operations of urban guerrillas, for example in Northern Ireland and in Spain. A legitimacy crisis appeared in various nations, though in different shapes.

Countries such as Greece, Portugal and Spain underwent vast changes in their political systems during the 1970s as these nations replaced an authoritarian system of government with a democratic regime, engaging in

rebuilding institutions. The profound institutional change in Spain, Portugal and Greece was accomplished by revolutionary processes involving severe tension between various groups. During this decade on the one hand democratic regimes faced demands for changes in policy, leadership and the structure of the party system as well as of the political system, demands that called for changes in democratic institutions. On the other hand there were democratic transformations of authoritarian political systems. The introduction of democratic institutions in countries which have been under an authoritarian regime for long or short periods has meant a political transformation of the European scene; these new democratic systems faced not only the challenge of authoritarian forces eager to turn back to the traditional way of life but also the momentum for change characteristic of the democratic regimes (Linz, 1979b; O'Donnell et al., 1986).

1980–95: Crisis of the welfare state and European integration

During the 1980s and early 1990s the economies of Western Europe have undergone vast changes compared to the period of growth after the Second World War. The rate of expansion has slowed down, growth figures being relatively meagre, and economic stability has become difficult to achieve with inflation and unemployment figures running high. The certainty and optimism that used to characterize macroeconomic policy-making in the wake of the breakthrough of Keynesian principles were shattered during the 1970s as it became increasingly difficult to explain the new phenomenon of 'stagflation'. New ideas in the field of macroeconomic management were introduced – monetarism, supply side economics and new classical economics – and tried in almost all West European countries (Whiteley, 1986; Barro and Grilli, 1994).

Economic difficulties in the advanced capitalist economies were triggered by the shock increase in oil prices in the 1970s. But the economic problems in Western Europe were aggravated even though, or perhaps because, governments were beginning to accumulate huge national deficits to pay for a sustained expansion in the public sector. Some of these public sector deficits reflect the macroeconomic crisis, as higher rates of unemployment and inflation drive up public expenditure. But the coming of a state fiscal crisis had other sources also, mainly large-scale public spending. The expansion of the public sector in the various West European nations after the Second World War was made possible by the rapid increase in income and the taxation revenues derived from income. However, as the rate of economic growth declined since the 1970s, public sector expansion did not adjust; instead the public sector resorted to deficit spending on a scale not seen during the post-war years. The result was a growing concern about the capacity of the welfare state to deliver – a kind of efficiency crisis that interacted with the legitimacy problem.

Up until the mid-1980s many were impressed by the doings of governments at various levels. Public policy seemed to be able to deliver when

markets failed or even to deliver in a socially more acceptable or even more efficient manner than markets could manage. However, the turn to big government has resulted in government overload and a growing impression of policy ineffectiveness and policy failure (Wildavsky, 1986). In the 1980s a new right-wing market philosophy attracted widespread attention, replacing the leftist bias of the late 1960s and early 1970s, Thatcherism or market liberalism not being challenged until the late 1990s by perhaps a new surge in the relevance of social liberalism.

Conspicuous evidence of public sector imbalance was the resort to deficit spending as a response to the fiscal crisis of West European nations. Whereas most of these nations used to run overall public sector surpluses, if not central government surpluses, the picture after 1980 is much more gloomy. Governments in Western Europe have increasingly faced a serious economic predicament of either inflation or unemployment, and the addition of a public sector fiscal crisis to the private economy problems meant that there was growing concern about the ability of the welfare state to meet policy demands in a mixed economy. The welfare state in Western Europe has matured at a steady state level although considerable country differences in welfare state ambitions remain (O'Connor and Brym, 1988). It seems that these differences have grown smaller in the 1990s as the welfare state in Northern Europe is under reconsideration whereas the welfare state in the new democracies in Southern Europe will be expanded to concentrate on either resource allocation or government consumption.

The West European countries began in the early 1950s to move towards interstate cooperation, which soon resulted in the formation of one economic community – the EEC effective from 1958 – and another trade association – EFTA, in 1960. The Economic Community proved to provide a set of viable organizations for the future of Western Europe where interdependencies of various kinds kept growing at a high pace. Disregarding the outburst of conflict between governments now and then, the EC has grown in strength. At the outset the Rome agreement comprised six countries: France, the Federal Republic of Germany, the Netherlands, Belgium, Luxembourg and Italy. In a first move six more countries entered into the EC: the United Kingdom (1973), Denmark (1973), Ireland (1973), Greece (1981), Spain (1986) and Portugal (1986). Austria, Sweden and Finland became members in 1995. The unification of Germany and the abolition of the Warsaw Pact after the fall of the Communist regimes in Eastern Europe has created the possibility that the integration process will cover the whole of Europe.

Now, in European integration extension has been combined with deepening. Several of the plans for wide-ranging European cooperation in economic, cultural and political matters were accomplished by the ratification of the Maastricht Treaty in 1993 and furthermore envisaged in the draft Treaty of Amsterdam in 1997. This constitutional fabric is based upon an *acquis communautaire* resulting in a European Union with three pillars of European integration: the single market and a European Social Charter; common foreign and security policy; police and judicial cooperation in

criminal matters. In addition there is the 1990 Schengen Convention on the abolition of border controls, covering all EU countries (except the UK) as well as Norway. Apart from arriving at a comprehensive treaty, the Economic Area Agreement (EAA), between the EC and the EFTA countries which makes a few EFTA countries part of the internal market, it is now certain that the EU will include at least four or five East European countries, but far more uncertain how it will handle future applications from countries with an Islamic culture.

Andersen and Eliassen have argued that the *Europeanization* of the nation states in Western Europe has gone so far that one can question their independent existence (Andersen and Eliassen, 1993, 1996). The 18 West European states that we examine face in addition the challenge of rapid globalization, but we maintain that they remain distinct enough for a comparative analysis of institutions and outcomes.

In a longitudinal analysis of developments in West European politics one may observe certain cyclical patterns. Periods of stability are replaced by years of extensive change, periods of calm by periods of conflict as well as years of public sector expansion by years of public sector retrenchment and market values. We need a theoretical framework in order to interpret these trends and how they work themselves out differently in the various individual countries (Hirschman, 1982).

Framework: democratic institutions in a market economy

Democracy as a political regime has reasserted itself with enormous strength in post-Second World War Europe. The legitimacy of democratic political institutions has been strongly institutionalized in Western Europe. The future of West European politics is uncertain only in the sense that it remains an open question how strong the institutions of the EU will become. At the same time as the institutions of the public sector are firmly anchored in the democratic regime, the institutions of the private sector adhere to the idea of an efficient market economy. Yet West European politics displays much variation when it works itself out within the institutions of democratic government and the market economy. How can we capture these immense national variations in terms of a single model? Let us consult Alexis de Tocqueville.

Following Tocqueville and his expression '*la société démocratique*', we will focus on two major aspects of these countries: civil society and the state. Typical of the major countries in Western Europe is their combination of a set of strongly institutionalized democratic state procedures with a vibrant civil society founded upon a market economy. A proper framework for the analysis of country variations in Western Europe in these two foci was suggested by Tocqueville, who predicted in the early nineteenth century the growth of a democratic society to replace the aristocratic society. To Tocqueville, writing between 1835 and 1840, the evolution of democracy

implied both the putting into place of a democratic state and the emergence of a democratic society, i.e. a civil society founded upon the institutions and dynamism of the market economy.

Tocqueville's two books, *Democracy in America I and II*, are really very different, both in style and in content, which may have contributed to the impression that Tocqueville presented numerous insights but never arrived at a final theory, based upon a parsimonious model. We argue that there is such a model contained in the two volumes, especially in Volume II which discusses the interaction of the democratic society and the democratic state in a most general fashion. Perhaps there has been a little too much focus on Volume I with its close interpretation of the American version of democracy, its sources and institutions, which contains Tocqueville's famous predictions about the development of the United States, all of which have come true.

Let us here focus upon Tocqueville's basic model, which posits a democratic society – civil society – versus the democratic state, stating how these two entities interact as well as tend to develop over time (see Figure I.1).

Tocqueville's model involves two entities: the democratic society and the democratic state, or in other words: the private sector or civil society, and the public sector. And he suggests two hypotheses linking these two entities, one linking civil society with democratic government, and the other linking the democratic state with civil society, in order to arrive at his theory about the stability of the democratic polity – involving two equilibria.

Tocqueville employed the classical concepts of liberty and equality to interpret how democratic politics works in an industrial mass society, involving the danger of authoritarianism or totalitarianism. Industrialization and urbanization will improve the living standards of all citizens and create a civil society with a vibrant private sector, adhering to the institutions of the market economy and involving a huge carpet of voluntary associations. Such a civil society will foster a democratic polity, but it will also increase

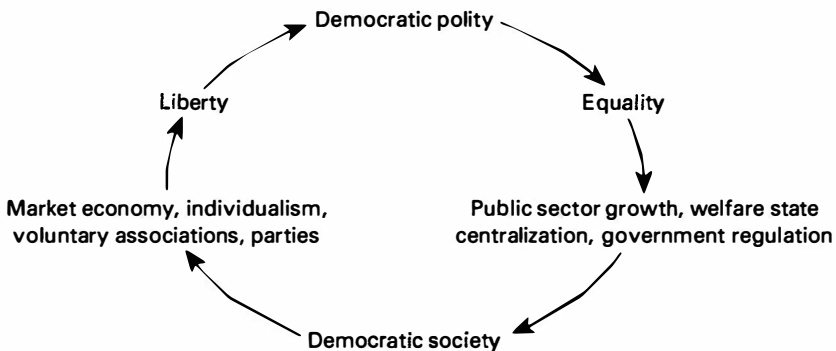


FIGURE I.1 *Tocqueville's model of democracy*

individualism which may develop into alienation or anomie. If the voluntary associations are not forthcoming, the anonymity that the market economy creates will be conducive to the risk of dictatorship in various forms.

A democratic polity requires institutions that emphasize decentralization in order to secure democratic stability. Decentralization takes two forms with Tocqueville. First, democracy requires a strong private sector with numerous associations that can withstand public power. Without a vibrant civil society, founded upon a market economy, freedom cannot last. Secondly there must be decentralization within the public sector, accompanying the overall decentralization to the benefit of the private sector. Thus, democratic government needs numerous institutions that decentralize power in the public sector, for instance federalism, regionalism, local government autonomy, separation of powers, referendum institutions, the rule of law, legal review, etc.

In the long run democratic politics favours equality ahead of liberty, and this seminal preference calls for continued public sector intervention, meaning the growth of the public sector in the form of a welfare state. The outcomes of the democratic society and democratic politics are a sharp rise in affluence but also the possible danger of the centralization of power and the loss of liberty in an authoritarian development of mass society. The stability of a democratic polity requires not only political decentralization but also a flourishing civil society, independent of the state.

In the democratic society, people favour real equality more than formal equality, which preference calls for state intervention in markets, enhancing positive liberties more than negative liberties. Thus, there will be continued public sector expansion, which may restrain private sector development. If civil society decays, then the increasing tendencies versus anonymity and solitude, which the formal equality of the democratic society implies, will result in political instability. As real equality is what most citizens value the most, state intervention into markets will be a prominent feature of the democratic society. The welfare state promotes real equality by means of its huge tax state and its many programmes that enhance positive liberties.

The key concepts in Tocqueville's model are civil society, political decentralization and political outcomes in the form of liberty, equality and political stability. Let us apply these concepts to Western Europe today. The Tocquevillean analysis of the democratic society is highly relevant to the basic purpose of this book – to interpret democratic politics in Western Europe today. What is referred to as modernity or post-modernization (Crook et al., 1992) actually fits Tocqueville's starting point surprisingly well:

As social conditions become more equal, the number of persons increases who, although they are neither rich nor powerful enough to exercise any great influence over their fellows, have nevertheless acquired or retained sufficient education and fortune to satisfy their own wants. They owe nothing to any man, they expect nothing from any man; they acquire the habit of always considering themselves as

standing alone, and they are apt to imagine that their whole destiny is in their hands. (Tocqueville, 1990: II, 99)

If this is the democratic society, then what is its major developmental trend?

One may understand Tocqueville's argument better if one employs two simple distinctions, first between negative and positive liberty and second between formal and real equality. In a democratic society formal equality is an absolute necessity as in the one man, one vote institution, because the lack of formal equality or the existence of formal inequalities is characteristic of the aristocratic society with its estates or castes. Formal equality dominates not only the private sector and its market economy with its numerous consumers and producers but also the public sector and its treatment of all citizens as equals under the law. In a democratic government, negative liberty is a necessity, the state respecting human rights as an ultimate restriction upon its power to act by means of public officials and its legislative supremacy. Thus, formal equality goes together with negative liberty in the democratic era.

The interaction between the democratic society and the democratic political regime depends upon how vibrant civil society is and to what extent the state is decentralized. Tocqueville argues basically that a rich market economy is conducive to a flourishing civil society with numerous free associations, which form the bedrock of democracy. At the same time, a market economy feeds individualism, which in turn gives rise to self-interest-seeking and casual and instrumental relationships. Thus, civil society both connects people and enhances solitude. It is a matter of balance between two outcomes which may be tipped one way or the other. We need to pay attention to both forces, one creating ties between individuals in the form of free associations, and the other promoting loneliness in the mass society. Civil associations in a lonely crowd – that is the democratic society. Whereas free associations promote democratic stability, individualism may end in alienation, solitude and anomie, all of which result in democratic instability.

A democratic government, predicts Tocqueville, will seek to promote real equality. It can do so only by state intervention, creating public sector programmes which enhance positive liberties. It is an open question whether public sector expansion could be so strong that it hurts negative liberty, not only by the rise of a tax state, but also by centralization of decision-making and extensive state intervention into markets and civil society. Equality is one of the two major outcomes of the democratic process. The second major outcome is political stability. What sets the stage for democratic politics is civil society, where the operations of the market economy set a tone which profoundly affects political life. If the economy generates richness, then there will be a deep web of civil associations energizing politics. However, if the economy fails, then the probability of authoritarian developments

increases dramatically. Yet, political stability is not only a function of richness; there is also the risk of anomie.

Here, we have our themes for this volume: the market economy promoting civil society, the nature of the free associations, the coming of an individualistic society, the democratic state with its negative liberties and its need for internal decentralization, the search for more real equality by public sector expansion. What all these forces come down to at the end of the day is a theory with two *equilibria* about political stability in democracies, which is as relevant today as it was truly original, if not revolutionary, in the nineteenth century.

Social structure versus political institutions

The interpretation of European politics calls forth a number of problems concerning how politics is related to non-political phenomena. Focusing on political parties, election outcomes and government activities in Western Europe we try to show how parties constitute intermediary links between civil society and public sector outcomes. West European democracy is very much based on open competition between political parties for the allegiance of the voter in free elections recruiting a legislative assembly that shares in the exercise of power with other government institutions in a national setting. How much of politics reflects society and its divisions and how much is due to public institutions?

The classical political sociology approach sees politics as reflecting the cleavages operating in the social structure (Lipset and Rokkan, 1967b; Rokkan et al., 1970). Here there is the danger of *structural determinism*, which involves political phenomena being looked upon merely as a function of the structure of society. The opposite approach assumes that politics has a logic of its own expressed in political institutions – institutionalism (March and Olsen, 1989, 1995). Political institutionalism focuses on the organization level, looking at how public institutions have a life of their own maintaining themselves over time in an interorganizational setting. The concept of the state is crucial in the new institutionalist movement (Evans et al., 1985; Almond, 1988), the basic argument being that the structuring of the state has to be understood not by means of political sociology but rather in terms of a political culture framework (Inglehart, 1990, 1997). The institutionalist approach may run into the problem of *social indeterminism*, meaning that the social context of political phenomena is overlooked. Political behaviour in an organized democracy focuses on *issues* which derive, more or less, their sense from the social cleavages between various groups in civil society. The distinction between social structure and public institutions will loom large in the various chapters below.

What are the implications of social structure for political phenomena? According to one hypothesis social structure fragmentation has a profound impact on politics by means of the so-called *cleavages*. Let us look closely

at this theory of social structure determinism, which explains various political phenomena with direct reference to cleavages. We begin in Chapters 3–5 with the hypothesis that political parties are very much a reflection of the cleavage structure in society. Later on, in Chapters 10–11, we will deal with the theory that political outcomes depend upon the social structure.

We organize our interpretation of West European politics in terms of the concepts of civil society, democratic states and political outcomes. Civil society offers the raw materials of politics which political parties mould, by aligning themselves in terms of a party system facing the electorate in competitive elections. Public institutions offer decision-making mechanisms for handling issues that somehow relate to the cleavages in civil society. And the making and implementation of public policies is the result of what goes on in political decision-making mechanisms. Empirical research on the nations in Western Europe presents us with more specific knowledge of what different kinds of cleavage there are and how alternative political decision-making systems may be structured. It also provides us with the possibility of testing hypotheses about the conditions for outcomes such as political stability or public sector size.

Although all West European countries adhere to a democratic regime, there are various modes of political decision-making mechanism. Democracies may be structured differently. Conceptually, one may distinguish a set of mechanisms which provide for *influence* as well as for *autonomy*. On the one hand, into the set of influence mechanisms enters the system of election and representation rules that governs the recruitment of legislative assemblies and the appointment of governments as well as the possibility in some countries of direct citizen participation in political decision-making via the referendum mechanism. On the other hand, political systems also comprise mechanisms that afford different degrees of *individual* autonomy and *institutional* autonomy.

Democratic political systems provide their citizens with a space for individual decision-making, for freedom. The autonomy of individuals is often formalized in legal documents stating the liberties of a nation. Democracies not only offer freedom of thought, speech and contract but foster the autonomy of organizations and institutions. Institutional autonomy may be a property of national, regional or local institutions' regionalism in a wide sense. We describe various influence mechanisms and degrees of personal autonomy and institutional autonomy in our 18 political systems and we analyse the interaction of influence and autonomy. Institutional autonomy may have a *territorial* orientation, which implies a focus on the amount of autonomy of regions and localities. Or it may have a *functional* orientation, which means that autonomy concerns an activity.

Whereas civil society in general and cleavages in particular initiate the political process, where decision-making mechanisms offer instruments for conflict resolution of issues, public policies may be regarded as the result of the operation of various decision-making mechanisms. The structure of the

public sector in West European nations is very much tied up with the West European welfare state and its ambition to deliver a number of goods and services to its citizens by means of public programmes as well as to maintain a certain level of income in the face of individual adversity. Just as there is a country variation in cleavages, party systems and decision-making mechanisms, so there is a country variation in public policies that is related to the different ways in which the tax state may be institutionalized. We analyse the country variation in public policies by distinguishing between a few major categories related to the politics of welfare spending.

Within a neo-Tocquevillean framework one must bring in the concept of political stability when one approaches West European politics, although it presents some difficulties of its own. There are two major problems inherent in a political stability approach. First, it is not at all clear how the concept of political stability is to be defined, or more specifically which properties of political systems are to be included or excluded when 'political stability' is applied to real life phenomena. Secondly there is the question of an implicit value bias, meaning that the concept of political stability implies a narrow focus on system continuity and a lack of understanding of the importance of change in political life. Here, we will pin down the concept of political stability to a few manageable dimensions which will allow us to point out certain pertinent differences between political systems in Western Europe without placing any explicit or implicit valuation on system maintenance.

Conclusion

The focus on the variation between institutions of political democracy and their sources in civil society as well as their consequences for political outcomes creates a certain logical structure for the contents of the volume. The fundamentals of civil society are surveyed in Chapter 1. Chapter 2 presents a picture of the social cleavages in Western Europe. The numerous political parties are portrayed in Chapter 3, while Chapter 4 deals with the ties between parties and voters and Chapter 5 with party systems. These chapters constitute the basis for the analysis of the social sources of the operation of democratic institutions. We turn in Chapters 6 and 7 to the description of fundamental properties of the decision-making systems of West European democracies. Chapter 8 is devoted to the institutions of European integration, and issues are analysed in Chapter 9. After the analysis of governmental institutions we come to political outcomes in the neo-Tocquevillean framework, i.e. equality and political stability. Chapter 10 is devoted to the analysis of political stability, whereas public policies or the structure of the public sector in the West European countries is considered in Chapter 11. In the conclusion we review the major findings of the separate chapters in relation to Tocqueville's model.

The database includes 18 European democracies. The former authoritarian states have been included only in so far as they practise democratic

Civil society	Democratic political institutions	Political outcomes
The market economy	Autonomy <ul style="list-style-type: none"> – individual – institutional 	Political stability
Cleavages:		
Religion	Mechanisms of influence	
Ethnicity	– elections	
Class	– government formation	Welfare state
	– machinery of government	
Free associations:		
Political parties,		
Interest organizations	Issues:	
	– structural	
	– non-structural	

FIGURE I.2 *Framework of analysis*

principles of government. Thus, Spain and Portugal will be studied mainly after the period of the collapse of authoritarianism whereas Greece is covered before and after the authoritarian regime between 1967 and 1974. The era covered is mainly the post-Second World War period meaning that the 'old' West Germany is covered more than the 'new' Germany. Figure I.2 presents a simple overview of the framework arrived at in this volume.

Our aim in this book is to present a comprehensive analysis of political life in the West European democracies, 18 countries in all. What sets these countries apart from many of the political systems in America, Africa and Asia is the continued and legitimate operation of democratic political institutions. A liberal democratic political order is combined with a vibrant civil society, founded upon a market economy. How democracy actually operates in the form of party government within the constitutional institutions of the West European state interacting with forces within civil society and its market economy is the topic of this volume. At the same time there are vast differences between these countries in terms of both institutions and outcomes. To understand the differences in political stability as well as welfare state effort, we not only look at institutional variation or the cleavage pattern, but also analyse national variation in behavioural factors, such as political party support, the pattern of government formation and occurrence of issues.

PART I

CIVIL SOCIETY

1 The Market Economy

As the West European democracies experienced staggering economic growth after the Second World War scholars began to speak of the affluent society (Galbraith, 1958) and the welfare state (Wilensky, 1975). These developments are connected with the immense growth of the market economy in Western Europe, as predicted by Tocqueville. He stated that the acquisitive spirit of industrial society gave social relations a special character:

When everyone is constantly striving to change his position, when an immense field for competition is thrown open to all, when wealth is amassed or dissipated in the shortest possible space of time amid the turmoil of democracy, visions of sudden and easy fortunes, of great possessions easily won and lost, of chance under all forms haunt the mind. (Tocqueville, 1990: II, 150)

The amount of resources to be allocated to the population in West European societies has grown in a way that has made poverty much less visible thanks to the expansion of the market economy in Western Europe.

The market economy constitutes a major part of civil society as this concept was conceived in the nineteenth century. Today 'the distinction between the state (and its military, policing, legal, administrative, productive, and cultural organs) and the non-state (market-regulated, privately controlled or voluntarily organized) realm of civil society' is again very topical (Keane, 1988). The market economy, when operating on the size characteristic of Western Europe, has been conducive to a specific socio-economic structure – or socio-economic modernization. The advanced socio-economic structure in the post-industrial society is often called 'modern' or even 'post-modern', but then one also includes cultural attitudes. Here, we deal with the economic attributes of modernization in Western Europe.

The purpose of this chapter is to examine the basic features of the market economies in Western Europe, their long-run features in terms of affluence,

industrialization and regional disparities as well as their short-run characteristics in the form of economic growth, unemployment and inflation.

The market economy

It is true that the West European economies display many institutional differences, reflecting their past legacies of various forms of state intervention and government management (Dyker, 1992; Whitley, 1994). Yet, all the economies in our 18 countries have institutionalized the basic mechanisms of the so-called capitalist system (Williamson, 1985), i.e. they strongly endorse private property rights, allow for the full-scale operation of joint stock companies and have functioning capital and currency markets including stock exchanges, where private enterprises are evaluated moment by moment.

European integration has accelerated the pace with which the institutions of the market economy have spread over Western Europe, enhancing the free movement of capital, including the convertibility of currencies and equity. A vibrant market economy is conducive to socio-economic development, which in Western Europe has resulted in a so-called post-industrial society.

Institutions

Important as national legacies in institutional configurations of the economy, state intervention and state ownership may be, it is still the case that on all scales tapping the relevance of the institutions of the market economy in Western Europe today, all countries rank high. See Table 1.1 for various measures for the institutionalization of the principles of the market economy.

The small differences in Table 1.1 reflect different traditions of state intervention into the market, for instance protection of certain sectors and special treatment of state enterprises in countries which have practised economic nationalism (Southern Europe) or which have had far-reaching industrial policies (France, Norway). One may note a few differences in the way of measuring the occurrence of market institutions in Western Europe: Switzerland scores high on the Gwartney scale but lower on the scale in Freedom House, whereas Sweden comes high in the latter but lower in the former.

During the last two decades the amount of economic freedom has increased in several countries: Austria, Finland, France, Iceland, Italy, Norway, Portugal, Spain, Sweden and the UK. This reflects the prevailing policy tendencies towards deregulation, incorporation and privatization. There is no ranking available for Luxembourg, but the country has traditionally been orientated towards a free market economy, given its huge and international banking sector. The sharp rise in the scoring for Portugal and

TABLE 1.1 *Economic freedom in Western Europe*

	1975	Fraser Institute				Freedom House
		1980	1985	1990	1993	1995
Austria	4.8	5.1	5.1	6.0	6.3	15
Belgium	6.3	6.8	5.9	6.7	7.1	15
Denmark	4.1	4.2	4.1	5.5	6.8	16
Finland	4.0	4.9	4.8	5.5	6.2	14
France	4.4	4.5	3.8	6.2	6.7	15
Germany	6.5	6.7	7.0	7.0	7.1	15
Greece	3.6	3.7	3.4	3.5	4.9	12
Iceland	2.6	3.2	3.2	5.0	6.1	.
Ireland	4.2	4.5	4.8	5.4	7.4	15
Italy	3.9	3.7	3.9	5.9	6.1	13
Luxembourg
Netherlands	6.4	6.4	6.6	6.7	7.2	16
Norway	3.7	3.7	4.2	5.4	6.4	15
Portugal	2.1	3.1	3.7	4.0	5.8	14
Spain	3.5	3.9	4.3	4.7	6.3	15
Sweden	3.9	3.9	4.9	5.2	6.1	16
Switzerland	7.1	7.4	7.8	7.7	7.9	14
United Kingdom	4.8	4.8	6.9	7.1	7.6	16

The higher the index, the more economic freedom.

Sources: Fraser Institute, 1975–93; Gwartney et al., 1996; Freedom House, 1995; Messick, 1996

Spain reflects the move of these countries out of Fascist autarchy. The only country with a low ranking today is Greece. It generally holds true that the West European market economy has produced considerable affluence, especially after the Second World War. And rising affluence entails socio-economic modernization. Can we pin down what modernization amounts to? Let us look at the substantial modernization literature.

Socio-economic modernization

In modernization theory it has become commonplace that the growth of the economy results in grand-scale socio-economic development, called ‘modernization’, which deeply affects political life sooner or later. The concept of modernization belongs to a category of grand social science concepts operationalized by means of a host of indicators. One may distinguish one narrow conception and one broad. We favour the use of the former, as the latter easily becomes too unwieldy:

Modernization presumably involved industrialization, urbanization, increasing literacy and mass media consumption, economic growth, greater social and occupational mobility, and related processes. (Huntington and Dominguez, 1975: 4)

Thus, the concept is often used not only for the analysis of socio-economic development but for the description of almost all kinds of social change.

Zapf and Flora talk about subdimensions of the modernization process including cultural transformation, political development, economic development, social mobilization and integration, psychic mobilization and transformation of international relations (Zapf and Flora, 1973:172). When the concept is used in such a wide fashion as to be almost synonymous with the general notion of development of or change in social systems, then it loses much of its discriminatory power.

The critical need in relation to the concept of socio-economic structure is to specify a number of indicators (Banks, 1970: 406; McGranahan, 1971: 70; Jackman, 1975: 35; Mughan, 1979: 29) that may be employed to measure in a more exact manner how socio-economic structure varies from one country to another or over time. When one speaks of modernization as a 'process of social change whereby less developed societies acquire characteristics common to more developed societies' (Lerner, 1968: 386), then the potential set of indicators would be large indeed. In the West European scene the countries that were already industrially advanced in the interwar period have been transformed into super-technological societies, with the others following suit.

However, we prefer a more narrow concept of modernization:

Modernization, therefore, is the process of social change in which development is the economic component. Modernization produces the societal environment in which rising output per head is effectively incorporated. (Lerner, 1968: 387)

The narrow concept of modernization is employed by scholars dealing with the political implications of socio-economic change. They use 'modernization' as a summary variable covering socio-economic change to state the consequences for political life of such changes. Problematic in the narrow use of the concept is the specification of a set of indicators that may be employed to analyse the variation in socio-economic structure among West European countries.

Let us look more closely at how one theoretician has utilized the concept of modernization in order to state implications for politics, namely for democratic stability. Lipset's *Political Man* deals with a topic that is basically Tocquevillean: 'democracy as a characteristic of social systems' (Lipset, 1959: 9).

Whatever indicator is used – average wealth, degree of industrialization or urbanization and level of education – the hypothesis of a relationship between socio-economic modernization and democracy or democratic stability receives a fairly substantial degree of empirical confirmation. What kind of theoretical interpretation could account for the empirically established relation? The positive correlation between socio-economic development and democratic regime has been much researched. Lipset regards socio-economic development as an independent variable explaining the dependent variable, democracy. However, he also accounts for the relationship by means of an intervening variable – cleavages or conflict divisions between social groups, to be analysed in Chapter 2.

Lipset states that 'The study of the conditions encouraging democracy must therefore focus on the sources of both cleavage and consensus' (Lipset, 1959: 21). Cleavages result in conflict whereas consensus mitigates the disruptive consequences of conflict by defining rules of democratic government to which the contending parties adhere. Democracy implies government as well as opposition; thus democracy cannot exist without cleavages. Yet, too much conflict resulting from fundamental cleavages may strain democratic regimes. Adherence to norms, consensus, is a remedy for societies characterized by deep cleavages.

Lipset proposes a number of factors as conducive to democratic stability: socio-economic development, the class structure, the party system, cross-cutting affiliations, the political system and the historical development of conflict resolution, but he emphasizes modernization:

Economic development, producing increased income, greater economic security, and widespread higher education, largely determines the form of the 'class struggle', by permitting those in the lower strata to develop longer time perspectives and more complex and gradualist views of politics. (Lipset, 1959: 61)

Economic development tempers class-based cleavages and contributes to consensus. Poverty in itself is not the main cause of radicalism, but the visibility of poverty when exposed in comparison with the affluence of some strata of the population or with the affluence of other nations affects class-based cleavages. Lipset relates democratic stability to the stratification system: the less hierarchical the stratification of a country's population, the higher the probability of democratic rule. The class structure or the stratification system affects positively a number of factors conducive to democracy, and economic growth inserts equality into the stratification system. In particular Lipset mentions the contribution of a large middle class to democratic viability, tempering conflict by rewarding moderate and democratic parties and penalizing extremist groups.

One may mention in addition that Lipset also states that the nature of political institutions matters, as some institutions enhance a more vital democracy than others, such as two-party systems rather than multi-party systems, the election of officials on a territorial basis rather than proportional representation, and federalism more than a unitary state (Lipset, 1959: 90). Thus, a two-party system fosters a special kind of party the operations of which are conducive to democracy. He distinguishes between representative parties and integrating parties. By their very nature parties in a two-party system try to pick up support from various groups, thus tending towards the middle. The idea that proportional representation may weaken democracy is but a variation of the same theme, since proportional representation operates against a two-party system.

Moreover, Lipset argues that there is a positive relationship between cross-cutting cleavages and democracy. The cross-cutting cleavage hypothesis states that a necessary condition for democracy is the presence of cleavages which do not reinforce each other but engage different groups at

different times and contribute to cross-pressure on the citizen. The contribution of the party system and the political system to democratic rule is explained theoretically: that these factors are conducive to the existence of cross-cutting cleavages. It is their effect on the cleavage structure, moderating it and creating positive conditions for consensus, that accounts for the relationship between these factors and democracy. An interpretation of the argument about the resolution of historical conflicts gives the same result as the interpretation of the idea that the party system and the political system affect democracy. Resolution of historical conflicts is an intervening variable between cross-cutting cleavages and democracy, because conflicts that remain unresolved in one way or another have a cumulative effect, reinforcing cleavages instead of cross-cutting ones.

Lipset's model of political stability is in effect a hypothesis about two factors, the stratification system and the cleavage structure, both being conducive to democratic rule. These basic factors – low degree of stratification in the class structure and the existence of cross-cutting cleavages – operate on Lipset's basic concepts of cleavages and consensus in a way that satisfies his initial aim to find the sources of variety as well as of social cohesion that are necessary for democratic rule. Democracy works nicely when there are enough cleavages to create space for contention and opposition, and also when these cleavages display a structure that does not exclude consensus on the legitimacy of the rules defining democratic procedure. Socio-economic modernization in the narrow sense of this concept increases the probability that this will take place.

Socio-economic structure and socio-economic development are believed to be major explanatory factors in the analysis of political life. How does one identify and measure the West European social structure and its various modes in different countries?

The socio-economic structure in Western Europe

The employment of the concept of socio-economic structure for systematic description must start from the fact that there is no generally accepted definition of the concept. When the socio-economic environment of politics is spoken of the meaning of the concept often remains implicit and a variety of operational indicators are considered relevant. To the socio-economic structure of a country belong variables that come under various headings: income, employment, education and population statistics. By looking at the standard literature we arrive at a list of variables typically included in the concept, from which we select a small set of socio-economic dimensions that may be employed for the analysis of West European nations (Hofferbert, 1968; Morgan and Lyons, 1975; Banks, 1981).

The comparison of socio-economic differences between European democracies refers to the post-Second World War period and is based upon two major socio-economic dimensions with data for the 18 countries at distinct

points in time: 1950, 1960, 1970, 1980, 1990 and around 1995. These two dimensions – affluence and industrialization – account for much of the variation in the standard indicators on socio-economic structure in Western Europe. To the static aspect which is thus well covered must be added a dynamic aspect. Typical of modern society is a rapid change in the socio-economic structure (Hradil and Immerfall, 1997).

Affluence

In order to measure the affluence dimension we employ various data about GDP (Gross Domestic Product) per capita for the years 1950–94. Table 1.2 presents the comparable country data where the impact of currency fluctuations has been cancelled out. Besides establishing the immense growth in economic output during the post-war period when looking at the variation in affluence as measured by the indicator GDP per capita (constant prices) at various times since the Second World War, we find that national variation as measured by the coefficient of variation has gone down as prosperity has increased considerably in each country. At the same time the wealth of West European nations still varies considerably, and national variation has a conspicuous North–South appearance. Among the most affluent nations in 1994 were Switzerland, Luxembourg and Denmark, which also ranked high in 1950.

TABLE 1.2 *Affluence 1950–94: GDP per capita expressed in 1990 US\$*

	1950	1960	1970	1980	1990	1992	1994
Austria	3,731	6,561	9,813	13,881	16,792	17,160	17,285
Belgium	5,346	6,779	10,410	14,022	16,807	17,165	17,225
Denmark	6,683	8,477	12,204	14,645	17,953	18,293	19,305
Finland	4,131	6,051	9,302	12,693	16,604	14,646	14,779
France	5,221	7,472	11,558	14,079	17,777	17,959	17,968
Germany	4,281	8,463	11,933	15,370	18,685	19,351	19,097
Greece	1,951	3,204	6,327	9,139	10,051	10,341	10,165
Iceland	5,014	—	—	—	17,380	—	—
Ireland	3,518	4,368	6,250	8,256	11,123	11,711	12,624
Italy	3,425	5,789	9,508	13,092	15,951	16,229	16,404
Luxembourg	7,919	—	—	—	20,145	—	—
Netherlands	5,850	8,085	11,670	14,326	16,569	16,898	17,152
Norway	4,969	6,549	9,122	13,755	16,897	17,543	18,372
Portugal	2,132	3,095	5,885	8,251	10,685	11,130	11,083
Spain	2,379	3,437	7,291	9,539	12,170	12,498	12,544
Sweden	6,738	8,688	12,717	14,935	17,695	16,927	16,710
Switzerland	8,939	12,286	16,671	18,520	21,661	21,036	20,830
United Kingdom	6,847	8,571	10,694	12,777	16,302	15,738	16,371
CV	0.349	0.363	0.280	0.218	0.197	0.192	0.191

Real GDP per capita is adjusted for differences in the purchasing power of currencies, i.e. efforts have been made to enable intercountry comparisons. CV=standard deviation/mean.

Source: Maddison, 1995

On the other hand Portugal, Greece, Spain, Ireland and Italy are to be found among the less affluent countries, within this set of rich countries. The position of a country may certainly change. Look at the cases of the UK and Sweden, which have declined relatively speaking, whereas the advance of Norway is striking; this also holds for war stricken West Germany.

Switzerland, Luxembourg, Germany and Denmark appear to be the most affluent countries in Western Europe. But how much richer are they than the countries in Southern Europe? Note that Italy deviates from the overall pattern as it is in fact on a par with the UK. Comparing affluence in various countries, one may employ a variety of indicators on GDP or GNP (Gross National Product). Table 1.3 complements the table above by stating GDP numbers in current prices and not in fixed prices. One may translate current price measures into purchasing power parities to cancel out differences in costs of living.

When data about GDP at current prices are examined, one could claim that the Scandinavian countries are more than twice as affluent as the countries in Southern Europe, except Italy. One also detects an East–West dimension in that the UK and Ireland are far below the richest countries, i.e. those of Central Europe. France has not been doing badly, lagging not far behind Germany. The same applies to Finland, though it is not close to Denmark or Norway.

TABLE 1.3 *Affluence 1970–95: GDP per capita at current prices*

	GDP per capita at current prices and current PPPs*			GDP per capita at current prices and current exchange rates in US\$		
	1970	1990	1995	1970	1990	1995
Austria	3,048	16,623	20,773	1,936	20,527	28,997
Belgium	3,197	16,467	20,792	2,616	19,440	26,556
Denmark	3,551	16,552	21,529	3,209	25,122	33,144
Finland	2,885	16,193	17,787	2,365	27,037	24,467
France	3,576	17,347	19,939	2,814	21,070	26,445
Germany	3,156	15,991	20,497	2,662	20,665	29,542
Greece	1,973	9,187	12,174	1,372	8,160	10,936
Iceland	2,784	17,271	21,938	2,563	24,486	26,366
Ireland	1,871	11,402	17,228	1,376	13,016	17,965
Italy	3,029	16,257	19,465	1,996	19,281	18,984
Luxembourg	4,028	22,809	31,303	3,573	27,083	42,298
Netherlands	3,469	15,958	19,782	2,604	18,973	25,597
Norway	2,948	17,497	22,672	3,161	27,199	33,535
Portugal	1,576	9,372	12,457	812	6,818	10,060
Spain	2,230	11,767	14,226	1,109	12,662	14,272
Sweden	3,837	17,004	18,673	4,186	26,822	26,096
Switzerland	5,139	21,020	24,809	3,308	33,258	43,233
United Kingdom	3,262	15,847	17,776	2,226	16,947	18,799
CV	0.275	0.221	0.226	0.368	0.345	0.366

PPP = Purchasing power parities

Source: OECD (1997) *National Accounts*, Vol. I, pp. 136–7, 152–3

The remarkable affluence created in Western Europe during the post-war period – in many countries amounting to more than a tripling of the GDP – stems no doubt from its vibrant market economies. Affluence has also been the economic foundation of the West European welfare state, which will be described in Chapter 11. The steady expansion of economic output in Western Europe has been accomplished by means of vast changes in the employment structure. It is not only that more people work (Table 1.4 shows this information) but they have to a large extent changed the sector in which they work.

Data on the changes in the employment rate taken from the OECD and the EU show that it has been modest, reflecting the increased participation of women in the labour force. At the same time the sharp increase in unemployment lowers these numbers for the 1990s. In general, countries in Southern Europe have lower rates than countries in Northern Europe, reflecting to some extent differences in female emancipation. However, the changes in the employment structure between different sectors have been dramatic (Haller, 1997).

Industrialization

The industrialization dimension may be measured by the amount of industrial employment in relation to the other two major forms of occupation, the agricultural sector and the post-industrial sector (Table 1.5). The overall

TABLE 1.4 *Employment rate (= total employment/working age population 15–64)*

	1960	1970	1980	1990	1993	1990(a)	1995(a)
Austria	69.4	66.4	63.4	65.5	68.7	69.7	70.8
Belgium	58.8	60.8	58.0	57.1	55.7	54.7	56.6
Denmark	69.8	74.4	75.1	77.1	73.4	77.6	75.6
Finland	76.9	70.7	72.9	74.1	61.3	74.9	61.7
France	69.4	66.1	63.8	60.6	59.5	62.9	60.6
Germany	69.6	69.1	66.3	64.8	65.1	65.9	63.6*
Greece	61.8	55.4	54.3	55.0	54.2	56.6	56.4
Iceland	67.3	67.5	74.1	76.8	81.0	–	–
Ireland	63.5	61.9	57.8	52.4	55.0	53.5	55.5
Italy	62.9	56.3	56.2	55.7	52.1	53.7	51.2
Luxembourg	61.7	63.1	63.7	60.6	59.0	70.9	77.2
Netherlands	61.2	58.7	54.2	61.7	64.3	62.2	64.0
Norway	63.5	63.6	74.0	73.9	74.0	–	–
Portugal	58.3	65.3	65.0	72.0	65.7	66.2	65.4
Spain	60.1	60.1	50.8	49.9	45.9	49.7	46.4
Sweden	73.1	73.2	79.4	80.9	71.1	82.8	72.1
Switzerland	75.0	76.8	74.3	77.6	79.2	–	–
United Kingdom	71.1	70.8	70.2	71.8	67.8	72.6	70.0

*stands for New Germany

Sources: 1960: OECD (1985a); 1970, 1980: OECD (1995a); 1990, 1993: OECD (1996a); 1990(a), 1995(a): EC (European Commission) (1996a)

TABLE 1.5 *Industrial employment as percentage of the labour force*

	1950	1960	1970	1980	1990	1995
Austria	36.6	41.7	41.4	40.3	36.8	32.1
Belgium	48.8	45.0	42.6	34.7	28.3	28.2
Denmark	33.3	36.9	37.8	30.4	27.5	27.1
Finland	27.7	32.6	34.6	34.6	31.0	27.6
France	32.9	38.4	39.2	35.9	30.0	27.0
Germany	44.9	47.0	49.3	43.7	39.8	36.0 ^a
Greece	19.4	17.4	25.0	30.2	27.7	23.2
Iceland	30.6	34.7	34.4	35.4	29.8	26.1 ^b
Ireland	24.3	23.7	29.9	32.5	28.6	27.8
Italy	32.1	33.9	39.5	37.9	32.7	32.1
Luxembourg	39.5	44.9	44.3	38.1	30.5	25.6
Netherlands	36.9	40.5	38.9	31.4	26.3	22.6
Norway	36.4	35.6	37.3	29.7	24.8	23.1 ^c
Portugal	24.9	31.3	32.9	36.6	34.5	32.2
Spain	25.5	30.3	35.5	36.1	33.4	30.2
Sweden	38.2	40.3	38.4	32.2	28.9	25.8
Switzerland	46.7	46.5	46.0	38.1	35.0	28.8 ^b
United Kingdom	49.1	47.7	44.7	37.7	28.6	27.4

^a New Germany; ^b 1994; ^c 1993.

Industry includes employment in mining and quarrying, manufacturing, electricity, gas and water, and construction.

Sources: 1950: Mitchell (1981); 1960: OECD (1985a); 1970, 1980, 1990: OECD (1995a); 1993, 1994, 1995: OECD (1996a), EC (1996a)

trend is a sharp reduction in industrial employment, especially in the affluent North and Central Europe. The variation in the industrialization dimension is not as extensive as the variation noted in the affluence dimension, and industrialization does not vary along the North–South axis. Heavy industrialization characterizes in particular Central and Western Europe: Austria, Belgium, Germany, Switzerland and the United Kingdom. In Northern and Southern Europe the socio-economic structure is not distinguished by comparatively high levels of industrial employment, but for different reasons. In Portugal and Greece there is still a substantial amount of employment within the agricultural sector whereas in the Scandinavian countries and Finland the modern sector has expanded at the expense of industrial employment.

It appears once again that the differences between the West European countries have become less pronounced as their economies have developed along similar lines during the post-war period. Yet, there is a persistent national variation at the same time as the data indicate substantial changes in industrial employment since 1945. The third sector has expanded rapidly during the post-war period, while the agricultural sector only accounts for a tiny portion of the population. In Northern Europe, public sector employment has increased rapidly whereas in Southern Europe there are still sizeable portions of the labour force in agricultural employment.

Perhaps the most conspicuous finding concerning the socio-economic structure of West European nations is that affluence and industrialization have been almost completely independent of each other since the 1980s. Whereas affluence varies along the North–South axis, the degree of industrialization has a different geographical connotation (see Figure 1.1).

From Figure 1.1 it appears that these two socio-economic dimensions – affluence and industrialization – divide European democracies into roughly four clusters: a high level of affluence and a low level of industrialization distinguishes Luxembourg, Sweden, Iceland, the Netherlands and Norway; a medium level of affluence and industrialization sets Finland, Ireland, Denmark, Belgium, France, and the United Kingdom apart; Switzerland, Austria, Italy and Germany are characterized by a high level of industrialization and a high level of affluence whereas a low level of affluence as well as industrialization is to be found in Spain, Portugal and Greece. Industrialization used to produce affluence but Figure 1.1 does not corroborate this hypothesis. Perhaps the old truth about wealth as a function of industrialization is not false but simply old.

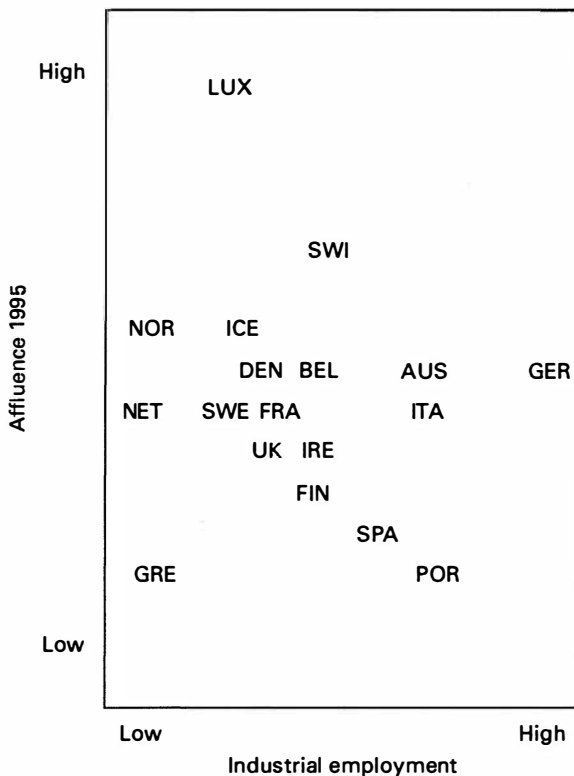


FIGURE 1.1 *Affluence and industrial employment in 1995*

Interestingly, the correlation coefficient between affluence and industrialization displays a variation that indicates some fundamental facts about West European social structure. During the expansion period of the welfare state the relationship between wealth and industrialization is strong; in 1950 the association is $r = 0.73$ (Pearson's coefficient), in 1960 it amounted to 0.80 and in 1970 we find $r = 0.75$. However, in 1980 the link between affluence and industrialization was broken, as indicated by the absence of any real association between the two dimensions, viz., $r = 0.17$, or for 1990, $r = 0.01$. In 1995 the correlation between affluence and industrialization is actually negative: -0.14 .

Affluence used to be dependent upon industrialization, but this is no longer the case. The expansion of the private service sector and the public sector implies not only a continued decrease in agricultural employment but also a reduction in industrial employment, which is accompanied by a further increase in affluence. The findings in Figure 1.1 confirm the early observations of the coming of a post-industrial society (Myrdal, 1961; Galbraith, 1967; Bell, 1974).

Economic growth

The post-war period in Western Europe is the period of the coming of an abundant society; the rate of transformation of the level of affluence has been most spectacular, as Table 1.6 showing growth data indicates. All West European nations have experienced this growth in wealth, although not to

TABLE 1.6 *Real GDP growth: year to year*

	1965-69	1970-74	1975-79	1980-84	1985-89	1990-94	1994	1995	1996
Austria	4.5	5.4	2.8	1.4	2.7	2.3	3.0	1.8	1.1
Belgium	4.3	5.1	1.8	1.5	2.5	1.6	2.3	1.9	1.3
Denmark	4.2	2.5	2.5	1.7	2.0	1.9	4.4	2.8	1.9
Finland	4.4	5.4	2.3	3.3	4.1	-1.6	4.4	4.2	2.5
France	5.2	5.1	3.1	1.5	3.1	1.2	2.8	2.2	1.3
Germany	4.3	3.5	3.0	1.0	2.6	2.9	2.9	1.9	1.1
Greece	7.5	5.5	5.3	1.1	2.5	0.8	1.5	2.0	2.2
Iceland	2.2	7.8	3.4	2.8	3.7	0.6	3.5	2.1	5.4
Ireland	4.5	4.5	4.7	2.6	3.6	4.7	6.5	10.3	7.0
Italy	5.8	4.2	2.4	1.7	3.1	1.0	2.1	3.0	0.8
Luxembourg	3.6	5.4	1.0	2.1	4.6	2.3	4.2	3.7	2.4
Netherlands	5.2	4.7	2.3	0.7	2.8	2.3	3.4	2.1	2.7
Norway	4.4	4.2	4.8	3.1	2.3	3.1	5.0	3.3	5.1
Portugal	6.0	7.2	3.6	1.2	5.0	1.4	0.8	2.4	2.6
Spain	6.7	6.2	1.9	1.3	4.3	1.5	2.1	2.8	2.1
Sweden	3.6	3.4	1.5	1.7	2.4	-0.3	3.3	3.6	1.7
Switzerland	3.6	3.6	-0.7	1.5	3.1	0.5	1.0	0.1	-0.3
United Kingdom	2.5	2.8	2.0	0.8	4.0	0.8	3.8	2.4	2.4
Average	4.6	4.8	2.7	1.7	3.2	1.5	3.2	2.9	2.4

Sources: OECD, 1985b, 1995b, 1996b

the same extent. The weakening of the association between affluence and industrialization has implications for the average growth rates in the economy. Some nations that have a quite substantial positive change in affluence display a negative trend in the relative size of the population working in industrial employment. Belgium and Norway can be mentioned as examples of this combination. On the other hand, among the nations where there has been a substantial increase in industrialization we also find a high rate of growth in wealth, for example Greece and Spain up until 1990.

Growth rates vary considerably both over time and between countries. It seems as if each West European country has experienced a golden period, which has been limited in time. There have been ups and downs for each country besides the fluctuations that reflect the development of the world economy. It is true that the 1950s, the 1960s and the 1970s up until the first oil shock displayed much higher average growth rates than the 1980s and 1990s. At the same time some countries have adapted more successfully than others to international depressions. Compare Ireland with Sweden in the 1990s, or look at the decline of economic growth in Germany and France. For each country there is a decade of strong expansion of output but also a 'lost' decade.

The average rate of economic growth varies not only between countries but also with regard to the time period studied. Looking at the developments since 1960 countries with a low starting point in terms of affluence tend to grow at a faster rate than countries at a high level of affluence: compare Spain, Portugal and Greece with Switzerland. Countries with oil resources have done very well in the last couple of decades – Norway, Denmark and the UK. The growth crisis in Western Europe in the 1990s appears clearly in the data, which are almost as dismal as the data on the rise of unemployment during the same period. The relationship between affluence and employment is, however, far more complex than the simple interpretation that low levels of unemployment result automatically in high levels of economic growth.

Aggregate national data on economic output in the form of either growth rates or information about absolute levels say nothing about regional differences within a country. Much of the debate about the West European market economy has focused on how skewed the income distribution is within a country, speaking territorially.

Regional disparities

Regional economic disparities have always existed in Western Europe. They may constitute a source of political conflict as regional differences in affluence become politicized. When religious and ethnic conflicts take on a territorial dimension a process of interaction is often initiated in which regional economic disparities and territorial identities, defined ethnically or religiously, reinforce each other. Although it is important to separate region as a superficial dimension in social conflict that is the outcome of the operation of other conflicts such as those of ethnicity or religion, and region