Critique Internationale **n° 27, avril 2005**

US AND EUROPEAN MARKET ECONOMIES AND WELFARE SYSTEMS:

THE DIFFERENCES IN STATE STRATEGIES, POLITICAL INSTITUTIONAL CAPACITY, AND DISCOURSE

Vivien A. Schmidt
Jean Monnet Professor of European Integration
Boston University

States in all advanced industrialized countries have undertaken tremendous reforms of their market economies and welfare states in the last thirty years or so, all seemingly in the same direction. State policies have promoted the privatization and deregulation of business, the deregulation of labor markets, and the rationalization of the welfare state. State practices have led to the retreat of the state through the reduction of interventionism and industrial policy, the decentralization of wage-bargaining, and the rebalancing of the traditional postwar compromise between labor and business to the benefit of business. And state discourses have sought to persuade the public of the necessity and appropriateness of such changes, often by reference to globalization and Europeanization (in the EU).

For all this, however, there has been no convergence in state strategies, let alone in national market economies or welfare states. The highly significant postwar differences in state strategies have certainly narrowed, but they have not disappeared. States are still differentiable along a continuum from 'intervening' to 'hands-off', except that the continuum has extended its margins on the hands-off end and reduced them on the intervening end. State strategies that were interventionist in the postwar period are now ‘enhancing’ (*promoteur)*, the case of France as well as Italy; those that were ‘enabling’ (*facilitateur)* remain so, as in Germany, the Netherlands, Sweden, and Denmark; and those that were ‘liberal’(*libéral)* are even more so, the cases of Britain and the United States. But while all states have moved along the continuum from *faire* toward *laissez-faire,* by doing less on their own and leaving more room for market actors to act on their own, this has not meant a slide all the way to *laissez-faire*. Rather, states have largely turned to *faire faire*, through state direction of what market actors should do. But many also engage in *faire avec*, by doing a lot in collaboration with market actors.

Institutional legacies or path dependencies with regard to state strategies are only part of the story, however, since some countries have moved much farther along the continuum than others even when they share similar legacies in terms of postwar market economies and welfare systems. These differences are related to states' differing capacities for reform, which is in turn best explained in terms of a number of other mediating factors. These include countries' differential levels of economic vulnerability; actors' preferences, whether to maintain or to change long-standing policies and practices in the face of economic pressures; states' political institutional capacity to either negotiate or impose reform; and public discourse, which may enhance political institutional capacity by persuading societal actors not only of the necessity of reform in the face of crisis but also of its appropriateness. As we shall see, even countries that share similar configurations in terms of state strategies, market economies, and welfare systems differ greatly in reform capacity, based on these mediating factors. Thus, among ‘liberal’ states, the UK has demonstrated greater reform capacity than the US; among ‘enabling’ states, the Netherlands reformed more than Germany, and Denmark than Sweden; and among ‘enhancing’ states, France reformed its market economy earlier, Italy, its welfare state.

It is important to note that the EU is yet another factor in the explanation of changes in the strategies of its member-states. The EU is a ‘regional state’ which has had some impact on national employment and social policies through European Court of Justice decisions, for example, on women's pay equality or pensions for non-nationals; through EU directives on occupational safety and health and on part-time and temporary employment; or through the 'open method of coordination' in which member-states cooperate in non-binding agreements to meet self-set targets for reforms in employment and social policy. However, there is no room here to expand on the EU's effects (but see Schmidt 2002; Schmidt 2004).

In what follows, after a brief introductory section on the continuing divergence in state strategies, I consider in turn liberal, enabling, and enhancing state strategies with regard to national market economies and welfare systems. In each of the three types, after providing a general overview of the evolving configuration of state, market, and welfare system, I examine matched pairs of cases to show the importance of the above-mentioned mediated factors for change. I end with a comparison of the US and the EU, taken as a whole.

EXPLAINING CONTINUING DIVERGENCE: STATE STRATEGIES, POLITICAL INSTITUTIONAL CAPACITY, AND DISCOURSE

Although similarities in state policies, practices, and discourse seem to suggest tremendous convergence toward a one-size-fits-all neo-liberal model of market economy and welfare system, tremendous diversity in fact remains. The most important factor to explain this is the institutional legacies of different countries, which can be usefully, but loosely, categorized according to three kinds of state strategies related to the three main postwar varieties of market economies and the three families of welfare states, all of which have continued to evolve along lines of development from the postwar institutions. However, one cannot explain the variation among countries within categories without taking into account another set of mediating factors: economic vulnerability, policy preferences, political institutional capacity to reform, and public discourse.

Conceptualizing divergent state strategies

State strategies can be best understood at their most general level when situated along a continuum from 'intervening' to 'hands-off' (see Figure 1). At the hands-off end are the 'liberal' states characteristic of Anglo-Saxon countries like the United States, Britain, Ireland, New Zealand, and Australia, which since the mid-l970s only moved farther in a hands-off direction, becoming more liberal, often through radical reforms. In the middle are the 'enabling' states, characteristic of a wide range of Continental European and Scandinavian countries, which have on average moved only marginally in a liberal direction, although some countries have moved much farther than others. At the intervening end are the 'enhancing' states, characteristic of countries like France, Italy, and other Mediterranean countries in Europe but also of Korea, Taiwan, and Japan to a lesser extent (which could be seen as half-way between enabling and enhancing). These are countries which, often called '*dirigiste*' or developmental states during the postwar years, have undergone transformation through the subsequent retreat of the state, although these states still tend to intervene more than either liberal or enabling states.

[Figure 1 about here]

This way of conceiving of the changes in state strategies, while useful to give a sense of the market-oriented direction of reform, is nevertheless somewhat misleading, since it could give the impression that all states are moving toward a *laissez-faire* approach to economic governance. In fact, no state has ever been that close to the hands-off end of the continuum, including liberal states. Rather than *laissez-faire*, as the hands-off moniker would imply, states have been more focused on moving away from *faire* to *faire faire*, or having markets actors perform functions that the state generally did in the past, with clear rules as to what that should entail, rather than leaving everything up to market actors, as *laissez-faire* implies. Deregulation, as we know, does not mean eliminating all regulation, it means creating a different kind of regulation, one in which the state has more arms' length relations with market actors through independent regulatory agencies or through laws that establish the kinds of rules market actors must follow. Thus, for example, the deregulation of labour markets has involved creating new rules governing work conditions and employee contracts while the reform of the welfare state has often meant setting the rules for the pension responsibilities that have been shifted to employers.

Equally importantly, however, reforms of state strategies can also mean creating more opportunities for *faire avec* or state action in cooperation with market actors. States that have always played an 'enabling' role have generally continued to prefer this approach, even though they have also often added some *faire faire*. States that moved from a directive role to an 'enhancing' one have generally sought to withdraw from active control over market and welfare-related matters either by setting the rules for market or welfare action through *faire faire,* much as in liberal states, or by doing more with market actors through *faire avec,* as in enabling states. In this latter case, they have sought to create the conditions in which the 'social partners'—employers' associations and unions—would interact either alone or with the state as co-equal in the negotiation of employment contracts and work conditions as well as in oversight of pension funds. Even liberal states have on occasion turned to this kind of *faire avec*, although often without lasting success.

As a result, rather than staying with the conceptualization of the differences among state strategies as only along a continuum from intervening to hands-off, we would perhaps do better to add a conceptualization of such differences in terms of overlapping circles clustered around two axes, with *faire* and *laissez-faire* on the y axis, *faire avec* and *faire faire* on the x axis (see Figure 2). This is because, while these three varieties of state strategies follow quite different internal logics, they nevertheless adopt policies that fit across all four quadrants, although differences in policy emphasis ensure that they inhabit the quadrants to differing degrees.

[Figure 2 about here]

The differences in internal logics are related to the fact that states' strategies follow from the different varieties of market economies and families of welfare states in which states are embedded. In the following section, brief thumbnail sketches of how state strategies are connected to the different market economies and welfare states will be provided. But before turning to this, it is first important to recognize that the institutional legacies of states, markets, and welfare systems are only one of a number of factors that help explain the dynamics of change in state strategies over time. Although path dependence certainly matters, it cannot account for the fact that countries have followed different trajectories even with the same groupings.

Beyond Institutional Legacies: Political Institutional Capacity and Discourse

To explain the dynamics of change, it is useful to point to four other mediating factors in addition to the institutional legacies that follow from long-standing state strategies (see Table 1): The first is economic vulnerability since, in the expression of the US south, 'if ain't broke, don't fix it': only where countries are experiencing economic problems are they likely to even consider changing their policies. However, if it is 'broke', the next question is: how do you fix it? This depends upon a state's policy preferences, based on interests and values, that involve whether to continue with long-standing strategies on the assumption that the crisis is a momentary one remediable by the old strategies—or to shift to new ones. Most importantly, though, even if it is 'broke' and you know how to fix it, can you fix it? For this, states have to have the political institutional capacity either to impose or negotiate reform. But even if a state has such capacity and prefers certain policies, can it have the discourse required to persuade the relevant actors—the policy actors most affected by the reforms as well as the electorate—not only of the policies' necessity but also of their appropriateness, such that the reforms take hold and last? While institutional legacies, economic vulnerability, and policy preferences are reasonably straightforward, and therefore need little further elaboration, political institutional capacity and discourse are more complicated variables, and thus require further elucidation.

[Table 1 about here]

Political Institutional Capacity

A state's political institutional capacity involves not only the interrelationships of power and interest among major policy actors and the public at any given time but also the institutional arrangements that set the context for the political interactions. In single-actor constellations where governmental power is concentrated in a single authority—the result of unitary institutional structures, statist policymaking processes, and majoritarian representation systems, as in the UK and France—the state is generally able to impose reform. This is subject, however, to the sanctions of elections (e.g., UK and France) and protest in the streets (esp. France). In multi-actor constellations where governmental power is instead more dispersed through multiple authorities—the result of federal or regionalized institutional structures, corporatist policymaking processes, and/or proportional representation systems, as in Germany, Belgium, Italy, Denmark, the Netherlands, Sweden, and the US—the state cannot impose. It must therefore negotiate widely, or risk not gaining agreement on reform.

In both kinds of institutional settings, some countries have been more successful at bringing about reform of work and welfare than others. Single-actor UK had greater political institutional capacity than multi-actor US. But single-actor systems do not always come out ahead, especially if one judges reform success not just by government ability to impose but public willingness to accept, which is generally more likely if there has been wide-scale negotiation ahead of time among the most affected policy actors. This helps explain reform success in Italy in the 1990s as well as the Netherlands, Denmark, and Sweden at various junctures. But negotiation does not always spell reform success, as evident in the cases of Germany in the 1990s and Italy in the 1980s.

Discourse:

Most political scientists would stop at these four factors: legacies, vulnerability, preferences, and capacity. But this leaves a number of questions unanswered: For example, why did some countries regain the capacity to reform after a decade or more of crisis (as in the Netherlands and Italy) whereas others lost it despite years of success (as in Germany)? What enabled some countries to gain public acceptance of reform and others not? Why were some countries able to reform despite little political institutional capacity (such as Italy) while others were not despite high levels of seeming capacity (such as France)?

To answer these questions, I add a fifth factor: discourse. This is because state strategies are also contingent on the presence or absence of a persuasive discourse that serves to generate and legitimate reform. In terms of substantive content, such discourse normally needs to address not just the necessity of change but also its appropriateness through appeal to values.

Discourse, however, is not just about ideas. It is also an interactive process, consisting of both a 'coordinative' discourse among policy actors that serves to generate such ideas and a 'communicative' discourse to the public to inform and deliberate about those ideas. Different institutional contexts tend to frame the discourse, however, determining whether the coordinative or communicative discourse has greater emphasis. Single-actor states with a concentration of power and authority in the executive such as the UK and France tend to privilege the "communicative" discourse directed toward the general public, to legitimate the ideas generated by a restricted policy elite so as to avoid electoral sanctions or protest. Multi-actor states with greater dispersion of power and authority such as the US, Germany, the Netherlands, and Denmark tend to emphasize the "coordinative" discourse directed toward the wide range of actors involved in policy construction in order to gain agreement—although in bigger states the communicative is also very important, especially in the US. But whether coordinative or communicative, the discourse serves to enhance political institutional capacity to impose or negotiate reform by persuading key policy actors and/or the public to shift their preferences in the face of economic crisis, even if this means going against long-standing policy legacies (see Schmidt 2000, 2001, 2002a, chapters 5 and 6, 2002c, 2003; Schmidt and Radaelli 2004).

THE CONTINUING DIFFERENCES IN STATE STRATEGIES

To understand how these mediating factors affect changing state strategies in both market economies and welfare systems, in what follows I consider in turn 'liberal,' 'enabling,' and 'enhancing' state strategies (see table 2). After a short thumbnail sketch of state strategies, I go on to show the differential trajectories of reform, related to the mediating factors discussed above, but with special emphasis on political institutional capacity and discourse. At the end of this section, I briefly explore the 'regional' state strategies of the EU, how these affect European member-states' state strategies, and how the developing EU regional state compares to the US nation-state.

[Table 2 about here]

Liberal state strategies

Countries with 'liberal' state strategies are generally characterized by 'liberal market economies' in which inter-firm relations are market-driven and labour-management relations are market-reliant (see Hall and Soskice 2001). They tend to be accompanied by 'liberal' welfare states in which welfare is assumed a matter of individual responsibility, distinguishable according to need, provided by the state for the poor, with a comparatively low level of benefits and services (other than health and education—with the exception of the US) (see Esping-Anderson 1990). In these countries, the traditionally 'hands-off' state has become even more liberal through radical reforms of both market economy and welfare system—even though this has never excluded ad hoc interventionism.

Liberal states' reformist strategies beginning in the 1980s sought to reduce the state's interventionist role by turning to more indirect ways of promoting or ensuring state ends, and by getting private actors to create public goods and carry out public goals, with more *faire faire* in place of *faire*. Reforms in the market economy were primarily focused on market preservation, as state strategies sought to develop framework legislation to locate decision-making power in companies and to limit the power of organized labor (Wood 2001; King and Wood 1999). For most liberal states, including the US and the UK, this entailed strategies that involved privatizing and deregulating business, crushing union power in order to promote the decentralization of the labour markets, and passing laws that gave firms maximum flexibility to hire and fire. However, for Ireland it also meant adding a moderate form of corporatism in negotiating wages and work conditions, suggesting that even liberal states can allow for some '*faire avec'*.

Reforms in the welfare arena were equally ambitious. 'Liberal' state strategies with regard to the employed reinforced individual responsibility for welfare provision as basic pensions became even more basic and pensions were partially privatized above the basic minimum. For the unemployed, while in the 1980s the focus was primarily on reducing unemployment compensation and cutting social assistance, by the mid to late 1990s the focus had shifted to getting people off the welfare rolls through workfare while improving equality of opportunity.

Together, these reforms have produced a situation in which the market economy is characterized by high workforce participation rates, high labour mobility, low job security, big wage inequalities, but also low unemployment. In the welfare arena, the main challenge is poverty, especially because social transfers do not bring the poverty level down sufficiently (see Scharpf and Schmidt 2000, vol. 1, Conclusion). But despite these general similarities, countries have had different trajectories and different levels of success in their reform efforts, largely due to differences in political institutional capacity and discourse.

The reform success of a single-actor state like the liberal UK can be explained in large measure by its political institutional capacity to impose reforms beginning in 1979. The Thatcher government's capacity depended upon a combination of the traditional institutional concentration of power in the executive, given the Westminster system; statist policymaking processes where a highly restricted political elite makes policy; and a majoritarian electoral system that, given a divided opposition and an unelectable Labor party, allowed the government near dictatorial powers until the next set of elections. The government's radical reforms of the organization of the economy and work were accompanied by significant albeit more much modest reforms of the welfare state, especially with regard to health and education. This was mainly because it feared electoral sanctions in areas where the public (and in particular its own electorate) was clearly strongly opposed to any cuts (Pierson 1994; Rhodes 2000; Schmidt 2002a).

But although the Conservative government's single-actor political institutional capacity in the l980s helps explain the swift imposition of radical neo-liberal reform, its lasting success cannot be understood without reference to the transformative power of its communicative discourse with regard to the market economy. [1] This served to persuade the public not only that reform was necessary, given the economic crisis of the country and that 'TINA…there is no alternative', but also that it was appropriate, given Victorian values in which people had a 'right to be unequal' and should 'get on your bikes'. Proof of discursive success can be shown not only in the opinion polls that by the mid to late l980s show a shift toward greater acceptance of individual responsibility, materialism, and inequalities of income, despite continued support for the universalistic services of health and education (Hetzner 1999; Schmidt 2001). It can also be seen in the election results, and in particular in the fact that the opposition Labor party did not return to power until it had largely embraced the policies and the values with a 'third way' discourse which explained that 'New Labour' sought to "promote opportunity instead of dependence" through positive actions (i.e., workfare) rather than negative actions focused on limiting benefits and services, and by providing 'not a hammock but a trampoline,' not 'a hand out but a hand up' (Schmidt 2000a, 2002 chapter 6).

The more modest success of the multi-actor, liberal US in reforming the market economy and welfare state by comparison with single-actor UK can be explained by the US' much lower political institutional capacity. This is the result of federal institutional structures in which the Congress had greater say than the President over reform efforts and the states could counter such efforts by their own programs; of a pluralist system in which business interests groups and lobbies had tremendous power to block reform and labour little power to promote it; and of a political system that has ensured that there would rarely be any agreement on reform, given two weak political parties that were fragmented internally on the left-right dimension as well as regionally by geographical interests that cut across partisan divides (Howard 1997; Steinmo 1994; Dobbin 2002). In consequence, the US government has had little capacity to introduce strong government-run programs, and has instead largely left to societal actors the public goods tasks generally administered by states in other countries. This is not *laissez faire* but *faire faire*, however, since the state specified the guidelines which societal actors would need to follow, whether corporate actors in carrying out their programs or the courts in resolving disputes about those guidelines (Dobbin 2002).

The US as a result has consistently been less able to impose radical change than the UK (see King and Wood 1999). In the case of the weakening of the labour unions, although Thatcher and Reagan were equally effective in crushing labour symbolically in the early 1980s, with the air traffic controllers' strike in the US matched by the coal miners' strikes Britain, only in the UK was this followed by the government's imposition of strong anti-union laws that effectively broke the back of labor. In the case of the health care reform effort led by Hilary Clinton in the early 1990s, the only recent case in which the US government actually sought to impose reform in a manner akin to single-actors systems like France and the UK, the result was disaster because of the failure to negotiate reform with Congress or industry lobbies, with a side problem the complexity of the reform package at the outset. In way of contrast, Bill Clinton's success with regard to welfare reform can be attributed to the fact that it was a negotiated package that decentralized welfare to the benefit of the states, going from a system of *faire* through entitlements programs to *faire faire* that was actually *laissez-faire* to the benefit of the states, which gained block grants which enabled them to allocate the fixed sums as they saw fit (Martin 2000).

Here, by contrast with the UK, the presence of a strong communicative discourse did not have a significant impact, whereas the absence of a successful coordinative discourse was a problem. The US is arguably the only multi-actor system where the communicative discourse is as important as the coordinative, especially with regard to reframing the coordinative discourse in order to promote agreement in a country where the political institutions almost militate against it. But nevertheless, neither Reagan, the ‘great communicator’, nor Clinton, were able to overcome the institutional constraints that ensure against rapid reform in the US—although Reagan’s communicative discourse did arguably better than Clinton’s in leaving a lasting influence on the American system, the result of the conservative bias of the institutions and the historically liberal values of the culture that makes it much easier for the state to retreat than to intervene (Dobbin 2003).

Enabling state strategies:

Countries with ‘enabling’ state strategies are generally characterized by ‘coordinated market economies’ in which inter-firm relations are collaborative and labour-management relations are cooperative (see Hall and Soskice 2001). But they may be tied to one of two welfare state constellations: Continental European countries for the most part have conservative welfare states in which welfare is a matter of family responsibility, differentiable according to gender and social status, based on work history, and provided by intermediary groups and the state, with a reasonably high level of benefits but not of services. Scandinavian countries have social-democratic welfare states in which welfare is a matter of collective responsibility, equally accessible to all citizens, to be provided by the state for all at the highest level of benefits and services (see Esping-Anderson 1990).

Since the 1980s, the ‘enabling’ state has not changed its overall strategy even as it has sought to liberalize its market economy and welfare system. Thus, in the coordinated market economy, the state continues to see its role as promoting greater economic competitiveness without jeopardizing non-market coordinating institutions, especially the cooperative relations between employers’ associations and unions (Wood 2001). As a result, enabling states’ reform strategies entailed liberalizing, deregulating, and privatizing in consultation and coordination with business and labor rather than, as in liberal states, by state *fiat*. This has ensured that, rather than any significant move to *faire faire* in the work arena, new rules have continued to support *faire avec*.

In the welfare arena, by contrast, enabling states' reform strategies divide between social-democratic and conservative welfare states. Scandinavian social-democratic welfare states did little to jeopardize their basic commitments to equality and universality of access, with benefits and services maintained at a very high level of generosity despite across-the-board cuts in benefits, the introduction of user fees, and even some recourse to privatized pensions—ensuring that the challenge is not poverty, as in Anglo-Saxon liberal welfare states, but rather in maintaining the welfare state at such a high level (see Scharpf and Schmidt 2000, vol. 1, Conclusion).

Reforms of Continental conservative welfare states have done more to jeopardize the traditional bases of the welfare state, and for good reason. Its grounding in the male breadwinner model, which expects full-time work over a life-time to ensure a decent pension for the male worker and his spouse, is not suited to contemporary needs for greater labour market flexibility and demands for women's workforce participation. Reforms have for the most part been modest, although here too there have been increases in part-time and temporary employment and some partial privatization of pensions. The main challenge for these enabling states is neither poverty nor sustainability but, rather, unemployment, since the structure of the conservative welfare state discourages the move to services (and part-time or temporary work) where growth in employment lies.

Generally speaking, then, enabling states have maintained their cooperative market interrelationships and generous welfare despite reforms. But whereas Scandinavian enabling states have retained the highest rates of workforce participation and reasonably high labour mobility through active labour market policies with comparatively low wage inequalities and low unemployment, many Continental enabling states still confront low rates of workforce participation, low labour mobility and increasing wage inequalities with high unemployment—but not poverty. These general patterns, however, do not tell the whole story, since countries differ in trajectories and levels of reform success, again, due to differences in political institutional capacity and discourse.

In Germany, where governmental authority is dispersed and reforms must be negotiated among a wide range of actors—the result of corporatist relations with the social partners (business and labor) and the federal division of power with the Länder (the federal states)—the story has been one of little movement toward reform. Although economic vulnerabilities increased dramatically beginning in the early 1990s (a result of the costs of unification as much as the competitive pressures of globalization), the federal executive had little political institutional capacity to negotiate reform with business, which pushed for more far-reaching reforms, and labor, which resisted (Manow and Seils 2000).

This lack of political institutional capacity was exacerbated by the failure of the coordinative discourse among federal government, Länder, and social partners to produce any extensive agreements on reform. Moreover, in the face of such failure, neither the conservative coalition government led by the Christian Democrats before l998 nor the subsequent center-left coalition government led by the Social Democrats managed to construct a communicative discourse capable of reframing the terms of the coordinative discourse. What attempts there were mostly failed, as when the Chancellor Schroeder sought to borrow from the British discourse of the third-way in summer l999 and then the French socialist discourse in the fall before settling back into the traditional discourse by the end of the year—none of which did much for the government's reform effort. Only when the government made appeal to values of intergenerational solidarity in gaining agreement for a freeze on the rate of increase in pensions in 2000 did the discourse help (Schmidt 2002a, Chapter 6; see also Cox 2001). But generally speaking, what progress there has been—and this only in 2003 with 'agenda 2010—has come without the benefit of a legitimating discourse capable of persuading key policy actors, in particular the unions, of the appropriateness of altering the traditional system.

By comparison, the Netherlands has been the great success story, despite a multi-actor system in which negotiations are even more complicated than in Germany. The economic vulnerabilities of the l970s and the collapse of the corporatist industrial relations system were background conditions to the introduction of flexibility into the labour markets in the early l980s, which was made possible by the renewal of the social partners' political institutional capacity to negotiate cooperatively (Hemerijck, Visser, and Unger 2000). Such capacity was enhanced by a successful coordinative discourse among the social partners, the kick-start for which was the incoming Prime Minister Ruud Lubber's communicative discourse, which raised the credible threat of government intervention because his new conservative-liberal government was 'there to govern' (Hemerijck, Visser, and Unger 2000; Schmidt 2000).

Subsequent reform in the l990s of the Dutch welfare state, in crisis due to runaway costs and a disability system in which one in seven workers was out on disability pay, can instead be credited in large measure to the creation of a more single-actor constellation in which coalition governments had the political institutional capacity not only to act (given a unitary state), despite the lack of participation of the social partners, but also to persist in the face of striking unions and even major electoral defeat in l994 (Hemerijck, Visser, and Unger 2000; Schmidt 2003a). Here, while the government's single-actor capacity explains its ability to impose reform, the government's communicative discourse explains both its 1994 electoral defeat and its subsequent 1998 landslide victory. The reforms instituted in the early 1990s because the Netherlands was "a sick country" in need of "tough medicine" generated increasing dissatisfaction which the discourse did little to address. The disastrous defeat of the conservative leader of the conservative/liberal/left coalition can be attributed at least in part to the unbalanced, neo-liberal content of the electoral campaign discourse which promised to freeze pensions for four years—despite an electorate that was one-third elderly.[2] By comparison, the left-liberal coalition government's resounding electoral success in l998 was due not only to the improved economic environment and to policies that produced 'jobs, jobs, and more jobs' as promised but also to normative arguments that expounded on the way in which government policies were safe-guarding social equity even as they produced liberalizing efficiency, for example, by attacking inefficient inequities such as paying disability to the able-bodied (Levy 1999; Cox 2001; Hemerijck, Visser, and Unger 2000; Schmidt 2000).

Sweden following the economic crisis of the early 1990s showed similar 'single-actor' political institutional capacity to impose reform. The marginalization of the social partners, combined with unitary institutional structures and politically unified governments enabled successive governments to enact labor laws and pension reforms largely alone, without the cooperation of unions or business, even though the unions continued to have a *de facto* veto over certain kinds of reforms (Iversen 1996; Benner and Vad 2000). However, the case of Denmark shows that success is not entirely contingent on institutional structures that give governments the power to act on their own and political interactions that consolidate governments' political unity. Denmark instead gained in its capacity to reform beginning in the 1980s not despite but rather because of governmental disunity, which enabled reform after reform to be negotiated via ad hoc government coalitions that engaged in "policy and party shopping" (Benner and Vad 2000; Schmidt 2003a).

In the discourse as well, the contrast between Sweden and Denmark is enlightening. In welfare reform, Sweden as a single-actor constellation was arguably as successful as the Netherlands in generating a communicative discourse for reform of the welfare state. In the face of economic crisis in the l990s and in the absence of a coordinative discourse with the social partners, successive governments engaged in communicative discourses that spoke of the need for social solidarity and the acceptance of moderate cutbacks in the generosity of transfers (Rothstein 2001). Reforms were made more publicly acceptable even in the absence of a coordinative discourse by the fact that the government sought to consult widely in an open process of deliberation, where objections were heard and, if possible, incorporated prior to the decision. But because Social-Democratic governments in the 1990s consistently presented themselves as defending basic welfare state values of equality even as they cut benefits in order to 'save the welfare state', such a process has meant that Sweden has been unable to go nearly as far with reforms of the welfare state as Denmark, leaving its sustainability more in question (Benner and Vad 2000). Danish discourse which justified reform by a greater focus on creating equity and efficiency meant that reforms could go deeper (see Cox 2001; Schmidt 2000).

'Enhancing' state strategies:

Countries with 'enhancing' state strategies are characterized by 'state-enhanced market economies' which have evolved from the *dirigiste* 'state-led' capitalism of postwar France (Schmidt 1996, 2002a), the failed state capitalism of Italy,[3] or the 'developmental states' of postwar South Korea and Taiwan (Weiss 1999, 2003a; Woo-Cumings 1999).[4] In these countries, state strategies have been transformed, as the interventionist state of the postwar period which sought to organize inter-firm collaboration, direct business investment, and impose labour-management cooperation gave up on all of this as it liberalized, deregulated, and privatized (see Schmidt 20002a; Weiss 2003b). As a result, the formerly intervening state has taken on an 'enhancing' role. In this role, even as it seeks to create and preserve market institutions that locate decision-making power in companies, much as in liberal states, the enhancing state continues to intervene strategically to protect business and/or labour from the worst effects of the markets, including trying to create something akin to the non-market co-ordination of the enabling states. Thus, although the state has largely moved away from *faire* to *faire faire* and even, in some cases, to *faire avec*, it still retains more capacity and willingness to intervene, or *faire,* than in either other kind of state.

In their market economies, France and Italy have both moved very far in a *laissez-faire* direction. But both continue to intervene much more than either liberal or enabling states. The French 'enhancing' state continues to intervene strategically to bail out business or to 'moralize' the markets through rules that serve to protect labour and not just business. Privatization, for example, was a highly state-controlled affair, as the state chose the group of 'hard-core' shareholders in order to provide stability and protect against take-over—in great contrast to liberal states in which privatized firms' shares were all simply floated on the markets (Schmidt 1996). Notably, Italy as well as Spain followed the French example (della Sala n/a).

The French state's attempts to institute labour market coordination, or *faire avec*, however, have ultimately led to much more *laissez-faire* through the radical decentralization of the labour markets, much like in liberal states such as the UK and the US. The difference is that whereas the liberal state actively crushed the unions, the French 'enhancing' state simply stopped organizing wage bargaining (Schmidt 1996). Italy's 'enhancing' state, by contrast, most notably engineered cooperative management-labour relations, or *faire avec*, that led to highly successful rounds of corporatist wage-bargaining and pension reforms in the 1990s (Ferrera and Gualmini 2004; Natali n/a).

Although Italy's reforms were admittedly modest, they were nevertheless milestones for a multi-actor state that had long suffered from political institutional *in*capacity, given long-standing state paralysis and business and labor conflict that obviated any reform to speak of through the 1980s, despite deepening fiscal crisis (Ferrera and Gualmini 2000; Natali n/a). Italy's new reform capacity, however, resulted not only from political institutional gains resulting from the collapse of the old party system and electoral reforms that reduced the amount of proportional representation but also from new discourse. Governments used the communicative discourse about European integration as their main rationale for change, with the external constraint involved in meeting the convergence criteria of the EMU presented not only as a matter of economic necessity but also as a question of national pride. This Europe-focused discourse, moreover, acted as background to the more specific communicative discourse about the necessity of welfare reform, given the need for a return to financial health and efficiency, and its appropriateness, given the obligation to return to social equity, to end unfairness and corruption, as well as to give "more to the sons, less to the fathers" (Radaelli 1998; Sbragia 2001; Ferrera and Gualmini 2004; Schmidt 2000). In the mid-l990s, this communicative discourse complemented the coordinative discourse between the government and the unions, which also involved rank and file members in an extensive deliberative process culminating in a referendum to seal agreement on pension and workplace reforms (Baccaro 2000).

In single-actor France, where one might have expected even greater political institutional capacity for reform than in multi-actor Italy, given institutional arrangements that give the executive the power to impose change, welfare reform came significantly later. Governments of the left as much as the right which had had little problem reforming the market economy, by imposing monetarism, privatization, deregulation, and the decentralization of the labor market in the l980s, had great difficulty with welfare reform (Schmidt 1996). Policies floated beginning in the early l990s by governments of the right proposing reductions in pension benefits, cost-cutting in healthcare, or partial privatization of public services were repeatedly sanctioned by protest in the streets, culminating in the massive strikes against the Juppé government's social security reform bill that paralyzed Paris and the provinces at the end of l995. Only with the return of a government of the left in the surprise election victory l997 did welfare reforms proceed, albeit slowly, as the Jospin government began to negotiate with business and labor as opposed to simply trying to impose (Levy 2000; Schmidt 2002a, Chapters 4 and 6). Most significant, however, has been the capacity of the Raffarin government to institute public sector pension reform—something the Jospin government didn't even try—which was related to his ability to split the union opposition by buying off some of the unions through separate settlements while holding out against others (Natali and Rhodes 2004).

French governments' long lack of capacity with regard to welfare reform has much to do with the absence of a transformative communicative discourse. Beginning in l983, while successive French governments of left and right were eloquent on the necessity of neo-liberal reform, they remained very sketchy on its appropriateness, doing little more than vaguely proclaiming to continue to protect national values of social solidarity and the obligations of the "Republican State." This worked so long as the welfare state continued to expand but not as of the early l990s, once governments sought to institute major reforms in the welfare arena in response to continuing economic vulnerability and the need to meet the convergence criteria of the EMU. Time and again reform initiatives were proposed then withdrawn in the face of major protests by governments of the right which failed to speak to the reforms' appropriateness. The protests subsided and reforms proceeded only when the newly elected Jospin government in l997 began a communicative discourse that argued that it was possible to reconcile neoliberal policies with the values of social solidarity and even egalitarianism and redistribution. This it claimed to do by balancing economic efficiency with social equity, for example, through privatizations that secured investment and guaranteed jobs while involving the unions in the negotiations, through tax changes that provided for greater redistribution toward the poor without raising spending, and through the creation of private pension funds administered by the social partners (rather than private companies, as proposed by the right) (Levy 2000; Schmidt 2000a). The relative lack of protest as well as the historically high popularity ratings of Prime Minister Jospin in his first three years in office attest to the success of the discourse as well as of the reform efforts. But he did not reform public sector pensions, although he did institute a coordinative discourse by way of a committee attached to the Prime Minister's office to build agreement on reform. Public sector reform was left to Raffarin, whose political institutional capacity was arguably enhanced by the previous decade's surfeit of communicative discourse about the necessity and appropriateness of reform.

CONCLUSION

State strategies, in short, started in different places, have taken different routes to adjustment, and have ended up in different places, with different continuing challenges with regard to work and welfare. This is due not only to the institutional legacies of the postwar period but also to the mediating factors which made some countries more vulnerable to the economic pressures than others and left some with less political institutional capacity to reform, whether because of opposing preferences or insufficiently legitimating discourses. Table 3 sums up just how different the success rates related to the differential impact of the mediating factors. What it shows is that lasting reforms generally require both significant political institutional capacity and transformative discourse, although sometimes a transformative discourse can facilitate reform even where there is little political institutional capacity, while political institutional capacity without a transformative discourse rarely produces lasting reform

[Table 3 about here]

REFERENCES

Albert, Michel (l991) *Capitalisme contre Capitalisme* Paris : Albin Michel.

Baccaro, Lucio (2000) "Negotiating Pension Reform with the Unions: The Italian Experience in European Perspective". Paper presented at the 12th International Conference of Europeanists, Chicago, Ill. (March).

Benner, Mats and Vad, Torben (2000). 'Sweden and Denmark: Defendong the Welfare State', in Fritz W. Scharpf and Vivien A. Schmidt (eds), *Welfare and Work in the Open Economy. Vol. II: Diverse Responses to Common Challenges*. Oxford: Oxford University Press.

Cox, Robert Henry (2001). 'The Social Construction of an Imperative: Why Welfare Reform Happened in Denmark and the Netherlands but not in Germany', *World Politics* 53: 463-98.

Crouch, Colin and Streeck, Wolfgang (eds), (1997) *Modern Capitalism or Modern Capitalisms*. London: Pinter.

Della Sala, Vincent (n/a) "The Italian Model of Capitalism: On the road between globalization and Europeanization," *Journal of European Public Policy* (forthcoming)

Dobbin, Frank (2002) "Is America Becoming More Exceptional? How Public Policy Corporatized Social Citizenship" in *Restructuring the Welfare State: Political Institutions and Policy Change* eds. Bo Rothstein and Sven Steinmo. New York: Palgrave.

Dore, Ronald, Robert Boyer, and Zoe Mars *The Return to Incomes Policy* (London: Pinter, l994)

Esping-Andersen, Gosta (1999) *Social Foundations of Post-Industrial Economies* (Oxford: Oxford University Press,

Esping-Andersen, Gosta (l990) *Three Worlds of Welfare State Capitalism* (Cambridge: Polity Press)

Ferrera, Maurizio, and Gualmini, Elisabetta (2004) *Rescued by Europe? Social and Labour Market Reforms in Italy from Maastricht to Berlusconi* Amsterdam: Amsterdam University Press.

Hemerijck, Anton and Schludi, Martin (2000). 'Sequences of Policy Failures and Effective Policy Responses', in Fritz W. Scharpf and Vivien A. Schmidt (eds), *Welfare and Work In the Open Economy, Vol. I: From Vulnerability to Competitiveness*. Oxford: Oxford University Press.

Hemerijck, Anton, Visser, Jelle, and Unger, Brigitte (2000) 'How Small Countries Negotiate Change: Austria, the Netherlands, and Belgium' in Fritz W. Scharpf and Vivien A. Schmidt (eds), *Welfare and Work in the Open Economy, Vol. II: Diverse Responses to Common Chgallenges*. Oxford: Oxford University Press.

Hetzner, Candace (l999) *The Unfinished Business of Thatcherism* (New York: Peter Lang,)

Hollingsworth, Roger, Schmitter, Philippe, and Streeck, Wolfgang (eds), (1994) *Governing Capitalist Economies*. Oxford: Oxford University Press.

Howard, Christopher (1997) *The Hidden Welfare State: Tax Expenditures and Social Policy in the United States* Princeton: Princeton University Pres.

Iversen, Torben (l996) "Power, Flexibiilty and the Breakdown of Centralized Wage Bargaining: The Cases of Denmark and Sweden in Comparative Perspective," *Comparative Politics* vol. 28: 399-436

King, Desmond and Wood, Stewart (1999) 'The Political Economy of Neoliberalism: Britain and the United States in the l980s' in Kitschelt *et al*. (eds), *Continuity and Change in Contemporary Capitalism*. New York: Cambridge University Press.

Levy, Jonah (1999a). *Tocqueville's Revenge: Dilemmas of Institutional Reform in Post-Dirigiste France*. Cambridge, MA: Harvard University Press.

Levy, Jonah (2000) "France: Directing Adjustment?" in *Welfare and Work in the Open Economy. Volume II. Diverse Responses to Common Challenges* eds., Fritz W. Scharpf and Vivien A. Schmidt (Oxford: Oxford University Press).

Levy, Jonah (l999b) "Vice into Virtue? Progressive Politics and Welfare Reform in Continental Europe," *Politics and Society* 27: 239-273.

Manow, Philip and Seils, Eric (2000). 'Adjusting Badly: The German Welfare State, Structural Change and the Open Economy', in Fritz W. Scharpf and Vivien A. Schmidt (eds), *Welfare and Work in the Open Economy, Vol. II: Diverse Responses to Common Challenges*. Oxford: Oxford University Press.

Martin, Cathie Jo (2000) *Stuck in Neutral* Princeton: Princeton University Press.

Natali, David (n/a) “Europeanization, Policy Arenas, and Creative Opportunism: The Politics of Welfare State Reform in Italy” *Journal of European Public Policy* (forthcoming)

Natali, David and Rhodes, Martin (2004) “Trade-Offs and Veto Players: Reforms Pensions in France and Italy,” *French Politics* vol. 2: 1-23.

Pierson, Paul (l994) *Dismantling the Welfare State: Reagan, Thatcher and the Politics of Retrenchment in Britain and the United States* Cambridge: Cambridge University Press.

Radaelli, Claudio (1998) Networks of Expertise and Policy Change in Italy. *South European Society and Politics* 3: 1-22.

Rhodes, Martin (2000). ‘Restructuring the British Welfare State: Between Domestic Constraints and Global Imperatives’, in Fritz W. Scharpf and Vivien A. Schmidt (eds), *Welfare and Work in the Open Economy. Vol. II: Diverse Responses to Common Challenges*. Oxford: Oxford University Press.

Rhodes, Martin and Van Apeldoorn, Bastiaan (1997). “Capitalism versus Capitalism in Western Europe,” in *Developments in West European Politics no. 1* eds. M. Rhodes, P. Heywood and V. Wright. London: Macmillan.

Rothstein, Bo (2001) “Social Capital in the Social Democratic Welfare State,” *Politics and Society* vol. 29, no. 2, pp. 207-241.

Rothstein, Bo (l998) *Just Institutions Matter: The Moral and Political Logic of the Universal Welfare State* (New York: Cambridge University Press,)

Sbragia, Alberta (2001) “Italy and EMU” in *Transforming Europe: Europeanization and Domestic Change* eds. Maria Green Cowles, James Caporaso, Thomas Risse. Ithaca: Cornell University Press.

Scharpf, F. W. (2000*a*). *Governing in Europe*. Oxford: Oxford University Press.

Scharpf, F. W. (2000b). ‘Economic Changes, Vulnerabilities, and Institutional Capabilities’, in Fritz W. Scharpf and Vivien A. Schmidt (eds), *Welfare and Work In the Open Economy. Vol. I: From Vulnerability to Competitiveness*. Oxford: Oxford University Press.

Scharpf, Fritz W. (2002b) “The European Social Model: Coping with the Challenges of Diversity,” *Journal of Common Market Studies* 40, 4: 645-70.

Scharpf, F. W. and Schmidt, Vivien A. (eds) (2000). *Welfare and Work in the Open Economy. Vol. 1: From Vulnerability to Competitiveness; Vol. 2 Diverse Responses to Common Challenges*. Oxford: Oxford University Press.

Schmidt, Vivien A. (1996) *From State to Market? The Transformation of Business and Government in France* Cambridge: Cambridge University Press.

Schmidt, Vivien A. (2000) “Values and Discourse in the Politics of Adjustment” in *Welfare and Work in the Open Economy: Vol. 1* eds., Fritz W. Scharpf and Vivien A. Schmidt. Oxford: Oxford University Press.

Schmidt, Vivien A. (2001) “The Politics of Adjustment in France and Britain: When Does Discourse Matter?” *Journal of European Public Policy* vol. 8, no. 2: 247-264.

Schmidt, Vivien A. (2002a) *The Futures of European Capitalism* Oxford: Oxford University Press.

Schmidt, Vivien A. (2002*b*) “Europeanization and the Mechanics of Policy Adjustment,” *Journal of European Public Policy* 9, 6 (2002): 894-912.

Schmidt, Vivien A. (2002c) “Does Discourse Matter in the Politics of Welfare State Adjustment?” *Comparative Political Studies* vol. 35, no. 2: 168-193.

Schmidt, Vivien A. (2003a) “How, Where, and When does Discourse Matter in Small States’ Welfare State Adjustment?” *New Political Economy* vol. 8, no. 1 (March).

Schmidt, Vivien A. (2003b) “The Boundaries of ‘Bounded Generalizations:’ Discourse as the Missing Factor in Actor-Centered Institutionalism” in Renate Mayntz and Wolfgang Streeck, eds., *Die Reformierbarkeit der Demokratie: Innovationen und Blockaden* (Frankfurt a. m.: Campus)

Schmidt, Vivien A. (2004) “The European Union: Democratic Legitimacy in a Regional State?” *Journal of Common Market Studies* vol. 42, no. 4 (forthcoming December).

Schmidt, Vivien A. and Radaelli, C. (2004) “Conceptual and Methodological Issues in Policy Change in Europe.” (co-authored with). Introduction to Symposium issue: “Discourse and Policy Change in Europe” of *West European Politics* vol. 27, no. 4 (March): 1-28.

Steinmo, Sven (1994) “Rethinking American Exceptionalism” in Larry Dodd and Calvin Jillson, eds. *The Dynamics of American Politics: Approaches and Interpretations* Boulder, CO: Westview Press.

Visser, Jelle and Hemerijck, Anton (l997) *‘A Dutch Miracle’ Job Growth, Welfare Reform and Corporatism in the Netherlands* (Amsterdam: Amsterdam University Press,)

Weiss, Linda (1999). ‘State Power and the Asian Crisis’. *New Political Economy*, 4: 317–42

Weiss, Linda (2003b) “Guiding Globalization in East Asia: New Roles for old Developmental States” in *States in the Global Economy: Bringing Domestic Institutions Back In* ed., Linda Weiss. Cambridge, UK: Cambridge University Press.

Weiss, Linda (ed.) (2003a). *States in the Global Economy: Bringing Domestic Institutions Back In* Cambridge, UK: Cambridge University Press.

Woo-Cumings, Yung-en (ed.) (1999) *The Developmental State*. Ithaca, Cornell University Press

Wood, Stewart (2001). ‘Business, Government, and Patterns of Labor Market Policy in Britain and the Federal Republic of Germany’, in Peter A. Hall and David Soskice (eds), *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage.* Oxford: Oxford University Press.

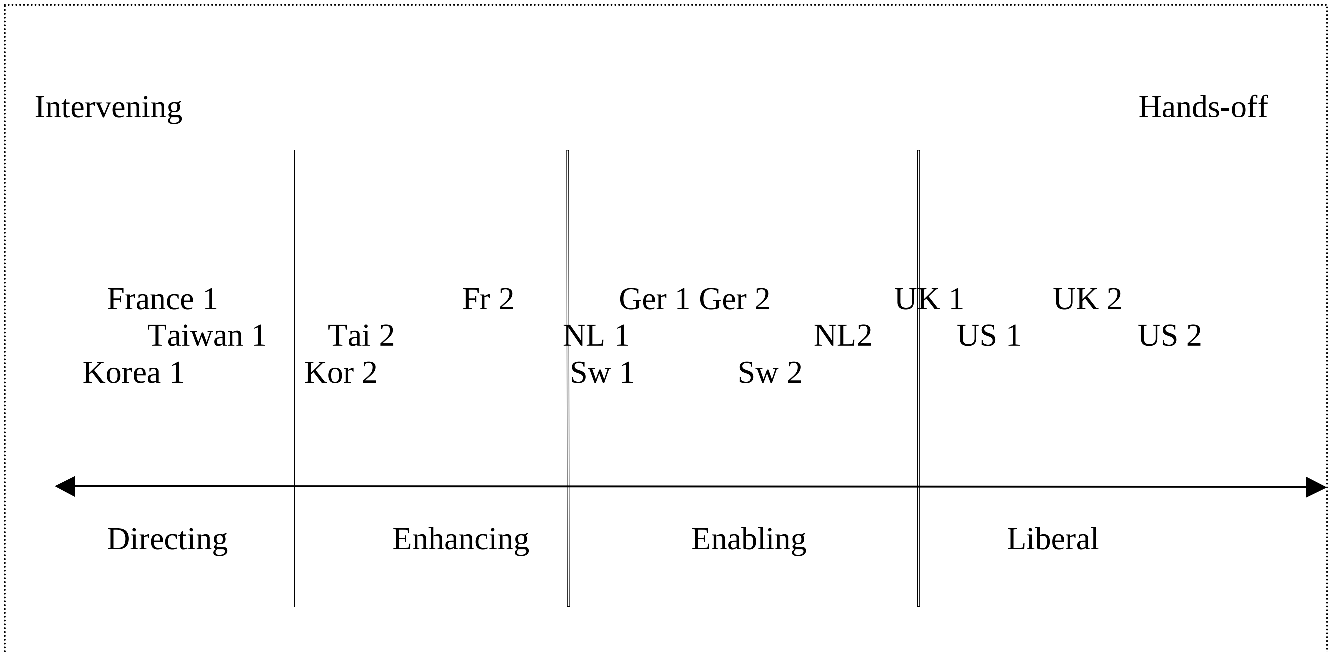

Figure 1: Continnuum in State Strategies toward Welfare and Work
from Intervening to Hands-off (1 for postwar period, 2 for recent years)

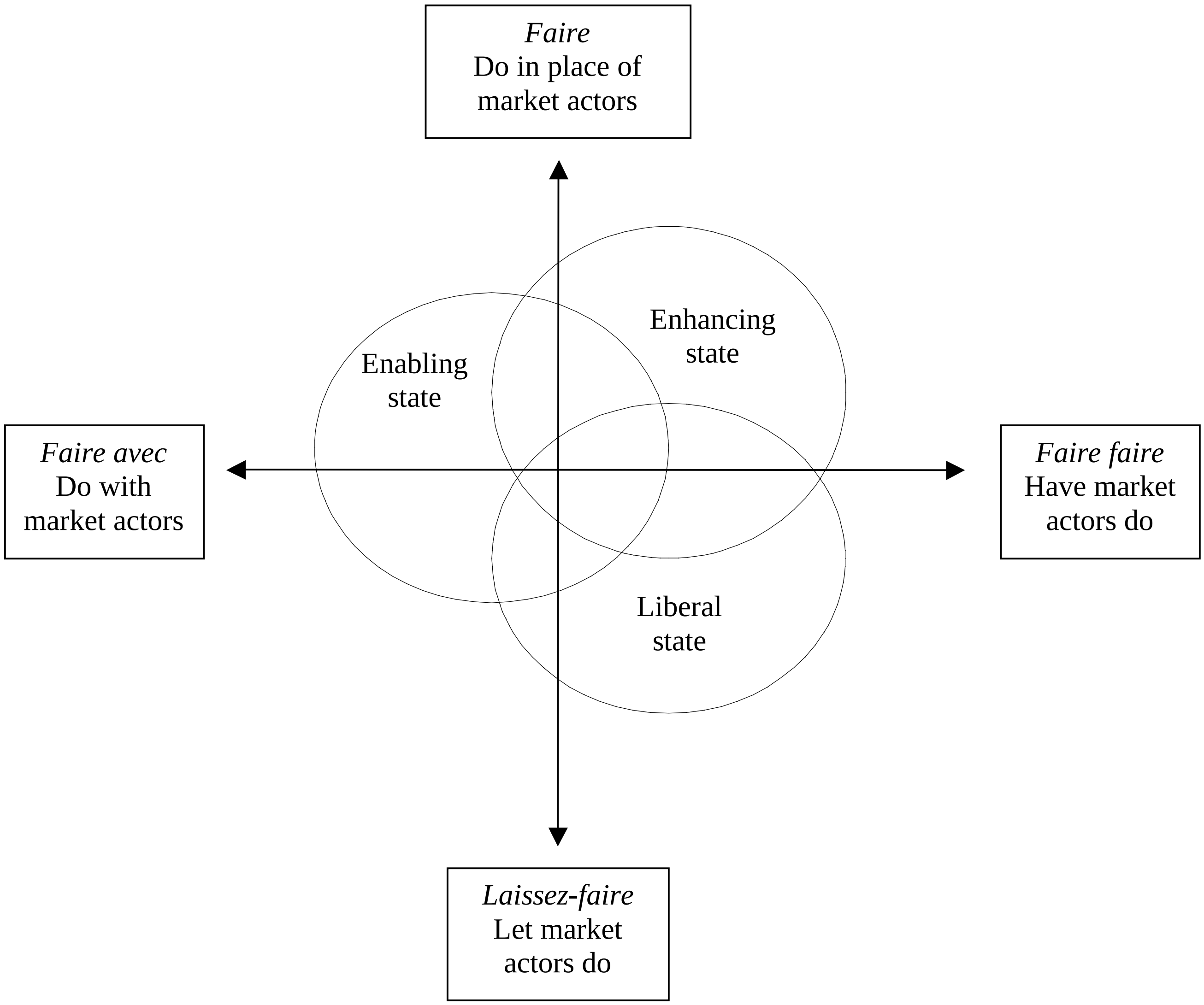

Figure 2: State Strategies on a four fold scale from *faire* (do in place of market actors) to *faire avec* (do with market actors) to *faire faire* (have market actors do) to *laissez faire* (let market actors do)

Table 1: Mediating factors in state strategies in work and welfare: Legacies, Vulnerability, Preferences

Institutional legacies	Long-standing policies and institutions: Liberal, enabling, enhancing
Economic vulnerability	Presence or absence of economic crisis
Policy Preferences	Hold to old policy preferences based on interests and values, following pattern of instit legacies, or open up to new
Political institutional capacity	States' ability to impose or negotiate change depending upon political interactions and institutional arrangements Single-actor constellations—UK, Fr (and NL, Sw on welfare in 90s): impose change (given unitary states, statist policymaking, majoritarian rep) subject to sanctions of elections (UK, Fr) and/or protest (Fr) Multi-actor constellations—US, Ger, It, Dk, NL, Sw: negotiate change (bc federal/regionalized states, corporatist policymaking, proportional rep) subject to sanctions of lack of agreement (Ger, US, Dk) or protest (It)

Discourse	Ability to change preferences by altering perceptions of economic vulnerabilities, policy legacies and thereby enhance political institutional capacity to impose or negotiate change Ideas: speak to necessity of strategies and appropriateness in terms of values Coordinative discourse among policy actors to generate ideas and reach agreement; > multi-actor systems…many voices—speak in harmony or cacophony Communicative discourse b/w politicians, general public to inform, legitimate ideas > single-actor systems….UK single voice, Fr sometimes two;

Table 2: Differences in Strategies toward Work and Welfare in Liberal, Enabling, and Enhancing States

State Strategies	Variety of Mkt Econ	Strategies for Market Economy	Family of Welfare State	Strategies for Welfare
Liberal US UK	**Liberal mkt Econ**	***faire* to *faire faire*** mkt preservation ; locate decision-mkg in firm, limit power of org'd labour (except Ire, *faire avec*)	**Liberal** indiv responsibility low benefits, services Prob: **poverty**	**Cut lo level** > indiv respons < benefits, > private services workfare
Enabling DK Sw	**Coordina-tive mkt Econ**	***Faire avec* and some *faire faire*** pro competitiveness w/o jeopardizing non-market coordinating institutions, esp. coop mgt-lab relations	**Social Democratic** Collective respons Very hi benefits & services Prob: **Sustainability**	**Retain hi level** retain universality, equality modest cuts, user fees public sector jobs/ active lab mkt pol
NL Ger			**Conservative** Family respons Hi benefits, lo services Prob: **Unemploy** (except NL)	**Maintain level** > indiv respon modest cuts, no new services need > services, > lab mkt partic, esp. female
Enhancing	**State-Enhanced mkt Econ**	***Faire* to *faire faire*** (Fr) **and some *faire avec*** (It)	**Conservative** Family resp (Italy) and state (Fr) Hi benefits,	**Maintain level** > indiv respon modest cuts dereg/priv '*services*

Fr It		mkt creation/ preservation; locate decision-mkg in firms, intervene to bail out bus, moralize labour mkt	lo services (It) hi services (Fr) Prob: **Unemploy**	*publics'* need much > lab mkt partic, esp. female (Italy)

Table 3: Influence of Various Mediating Factors for Success of State Strategies toward Work and Welfare

State Strategies & Legacies	Countries' main reform initiatives	Institutions Single Actor	Institutions Multi Actor	Political Instit'l Capacity	Discourse Coord-inative	Discourse Commun-icative	Reform Success
Liberal States	US Reagan						
	work early '80s		+ +	+	- - - -	+ + +	+ +
			+ + + +	- -	- - - -	+ + +	+
	welf mid '80s		+ + +	- -	- - -	+	-
	US Clinton		+ + +	+	+	+ + +	+ + +
	work mid '90s	+					
	welf late '90s						
	UK Thatcher						
	work '80-'87	+ + +		+ + +	- - -	+ + +	+ + +
		+ + +		+ + +	- - -	+	+
	welf '85-'90	+ + +		+ + +	- - -	+ + +	+ + +
	UK Blair welf '97-'02						
Enabling States	NL work '80s		+	- - -	+ + +	+	+ + +
	welf '94	+		+ +	+	- -	+
	welf '98	+		++	+	+ + +	+ + +
		+					

	Germany work/welf ‘90s work/welf ’03-	+ + + + + +	+ +	- - - - - +	- - +
	Denmark work/welf ‘80s- ‘90s	+ +	+ + +	+ + + - -	+ + +
	Sweden work/welf ‘90s	+	+ +	- - + +	++
Enhancin g States	Italy work/welf ‘80s Berlusconi ’94 Dini ‘95 Berlusconi ‘04	+ + + + + + + + + + +	- - - + + -	- - - - - - - - - - + + + + + + -- +	- - - - - - + + -
	France work ‘80s Juppé welf ‘95- ’97 Jospin welf ‘97- ‘02 Raffarin welf ‘03	+ + + + + + + + + + + +	+ + + + + + + +	- - - + + + - - - - - - + + + + - + +	+ + + - - + + +

FOOTNOTES

[1] A very telling contrast is with New Zealand, which resembled the UK in all mediating factors except that it lacked a persuasive discourse—or any significant discourse at all that spoke to the appropriateness of reform. The result was a public revolt that led to a referendum which changed the very election system that had allowed the government the political institutional capacity to reform agains the will of the electorate (see Schmidt 2000c).

[2] This, at least, is the view of Ruud Lubbers, the former Prime Minister, about the discourse of his successor, Brinkman—Conversation, Cambridge, MA, 1 May, 2000.

[3] Italy was the ideal-typically unsuccessful state, given a paralyzed state with runaway welfare costs and highly adversarial labour relations that did more to hinder than lead business and was incapable of controlling labour—such that the economy was 'state-led by indirection' (Schmidt 2002a, pp. 109, 117).

[4] Most 'varieties of capitalism' scholars see either two varieties divided between LME (liberal market economies) and CME (coordinated market economies) (Hall and Soskice 2001) or many (Hollingsworth, Schmitter, and Streeck 1994; Crouch and Streeck 1997). Those who see only two varieties tend to dismiss countries that don't fit as anomalies, as a geographically defined and indistinct 'Mediterranean capitalism', including Italy, Spain, Greece, and even Turkey (Hall and Soskice 2001, p. 21), or as stuck between Anglo-Saxon and Rhinish capitalism (Albert 1991). Instead, I see at least three varieties of capitalism, the third of which is 'state-enhanced' market economies (see Schmidt 2002, Chapters 3 and 4). A few scholars also note these three varities, including Coates (2000) and Rhodes and Apeldoorn (1997) who describe a 'Latin' variety with a greater role for the state.