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Political Change in 16 Advanced Capitalist Countries

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Globalization, Class Compromise, and American Exceptionalism: Political Change in 16 Advanced Capitalist Countries

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ABSTRACT

The social science literature contains competing theories on the relationship between economic globalization and class compromise. According to supporters of the “strong globalization thesis,” over the last few decades many important national-level economic processes have been subsumed into a worldwide “borderless” economy in which global market forces, rather than electorates, now dictate national economic policy. This argument implies that globalization has significantly eroded the ability of democratic governance to create a genuine class compromise. Conversely, supporters of the “weak globalization thesis” maintain that the strong version of globalization is largely a “myth,” and that as a result national economic policy geared towards egalitarianism is still possible. After analyzing changes

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in four social and political indicators associated with class compromise – for 16 advanced capitalist countries over the period of 1960 to 1999 – I find qualified support for the weak globalization thesis. In particular, the data reveal that countries with substantially mixed economies and high levels of market regulation have participated in the global economy without substantially eroding their preexisting levels of class compromise. Conversely, for countries with low levels of state involvement in the economy, globalization has seemingly undermined class compromise. This is especially true in the United States. The paper concludes by suggesting that the unique structure of the American political economy explains the exceptionally low levels of class compromise found in the United States.

Introduction

Many scholars believe that economic globalization has placed new constraints on the possibilities for genuine class compromise in the advanced capitalist countries. Over the last several decades, with national economic borders becoming more porous, networks of capitalist production and exchange have increasingly moved beyond the political jurisdiction of any given nation-state. Although this economic transformation has not altered the centuries-old concept and practice of state sovereignty *per se*, some scholars believe it has weakened and constrained the ability of states to act autonomously (Held 1995; Held et al. 1999; Sassen 1995). If governments lose control over certain activities that occur within their borders – either because capital is mobile, the activities are transnational in scope, or the activities are regulated by international governmental agencies – the lines between domestic policy issues (which states control) and transnational processes with significant domestic effects (which states cannot control) become blurred. To the degree that this happens, a commensurate amount of political power – defined as the ability to influence decision-making processes that substantively affect society – shifts from national electorates and their state representatives to unaccountable executives in transnational corporations and international bureaucracies. In this way, globalization creates a fundamental problem for national forms of democracy: increasingly the processes that determine life-chances in a given country transcend the spatial boundaries of the nation-state, and in doing so, these transnational processes, whether intentionally or unintentionally, weaken the democratic chain that holds decision-makers accountable to the electorate.

This paper assesses the degree to which the emergent global economy affected class compromise in three types of advanced capitalist countries.

Drawing on different perspectives within the literature, I begin by summarizing the debate on the relationship between globalization and the nation-state, paying particular attention to the ability of government officials to implement economic regulations and social welfare policies in accordance with the desires of their electorates. Following a brief description of the different types of advanced capitalist economies, I next show that, due to differences in national political economies, globalization produced significant – albeit uneven – changes within the 16 countries analyzed in this study. Specifically, the data reveal that the United States experienced the greatest deterioration in four macro-level indicators of class compromise. I conclude the paper by arguing that the unique structure of the American political economy explains the declining effectiveness of democracy in the United States, and that countries with substantially mixed economies and high levels of market regulation can more easily participate in the global economy without eroding preexisting levels of class compromise.

Does Globalization Undermine National Democracy?

The social science literature contains competing perspectives on the relationship between economic globalization and class compromise in the advanced capitalist countries. Much of the debate centers on the degree to which transnational networks of capitalist production and exchange undermine the sovereignty of the nation-state, especially as it relates to the ability countries to democratically implement economic regulations and social welfare policies. The following section summarizes four perspectives on this phenomenon.¹

The Strong Globalization Thesis

According to scholars advancing what can be called the “strong globalization thesis,” a single global market is rapidly supplanting the international system of nation-states as the primary institution of human governance (Greider 1997; Friedman 1999; Korten 2001; Ohmae 1995, 1999; Reich 1991; Sivanandan 1997; Strange 1996). This view of globalization maintains that a qualitatively different economy emerged over the last few decades, one that has subsumed many important national-level economic processes into a worldwide “borderless” economy in which free market forces have rendered corporatist and social democratic economic policies ineffectual. It is argued that, regardless of the desires of the electorate, national policymakers around the world must adopt a common set of market

¹ For a somewhat different perspective on the globalization debate, see Held et al. (1999:2-10) and Guillén (2001).

institutions and neoliberal economic regulations. If a particular country fails to implement suitable policies, mobile asset holders can quickly relocate their investments, which when done on a large scale can severely weaken a country's economy. The threat of this harsh retribution places countries in what Friedman (1999:87) calls "the golden straitjacket," a "one size fits all" neoliberal economic system that must be adopted and maintained in order for a country to successfully participate in the global economy. From a political perspective, such circumstances imply that global market forces, more than the electorate, now dictate national social welfare and economic policy, an outcome that Guéhenno (1995) interprets as the end of democratic politics (see also Barber 2000; Cerney 1999; Schmitter 1999).

This interpretation of globalization portends a bleak future for the welfare state policies that underpin class compromise. Some scholars believe that generous social welfare provisions and stringent labor regulations – the hallmarks of the welfare state – cannot be reconciled with the open economic borders associated with globalization (Gray 1996; Habermas 1998). As a consequence of global market pressures, these scholars posit that countries with strong welfare states must either deregulate and privatize markets, which ends the class compromise that welfare capitalism was designed to engender, or endure a large outflow of mobile capital, which will shrink the tax-base required to sustain the welfare state. Either option, it is argued, effectively ends welfare capitalism as it currently exists. The empirical work of several scholars supports this argument, showing that the countries of Scandinavia, responding to a severe economic recession in the early 1990s, have initiated reforms programs designed to reduce the scope of welfare state (Johansson 2001; Wilks 1996).

The Weak Globalization Thesis

Many scholars disagree with the strong version of globalization. Hirst and Thompson (1999), in the most thorough articulation of what can be called the "weak globalization thesis," contend that recent economic changes have not produced a truly global economy. Rather, they assert, these economic changes are merely an expansion and intensification of the capitalist production and exchange networks that have for centuries characterized the international economy. Specifically, their empirical analysis reveals that, despite a recent upswing in international economic activity, most trade still occurs within and between three regional trading blocs, centered on Western Europe, Japan, and North America. These findings, they claim, imply that a diverse array of national political strategies, oriented towards a variety of social goals, is still possible.

The work of several scholars supports this argument. Research shows that, while globalization has altered the dynamics of national markets,

countries with generous welfare states can overcome many of these new challenges and constraints without undermining their economic performance or their egalitarianism (Garrett 1998; Kuhnle 2000; Pierson 2001). Moreover, others have shown that the economic policies of the advanced capitalist countries have not converged into a single neoliberal model (Kenworthy 1997). For these reasons, some scholars describe the strong version of globalization as a “myth,” one that helps legitimate free-market allocations of wealth by making policies that promote egalitarianism seem quixotic and infeasible (Hirst and Thompson 1999; Weiss 1998; Wood 1997). If the weak globalization thesis is correct, then democratic governance remains a viable means of fostering class compromise.

Transformational Thesis

Occupying a middle ground in this debate, adherents to what can be called “the transformational thesis” argue that globalization is transforming – not destroying – society’s major institutions (Beck 1997, 1999; Giddens 2000; Held et al. 1999). These scholars are united by their belief that, due to the contradictions and unintended consequences of globalization, the political outcomes associated with this economic transformation cannot be predicted accurately. They believe that, with certainty, globalization will continue to produce a myriad of far-reaching societal changes. Some of these changes, they contend, may create new opportunities for prosperity and individual freedom, while others most certainly will create novel threats to society’s well-being. Importantly, from this perspective, globalization is transforming many seminal institutions of the 20th century – such as the welfare state, national democracy, and competitive markets – making them more compatible with a global social order.

Globalization as American Hegemony

Another perspective, cutting across the debate on the intensity of globalization, emphasizes America’s dominant role in the global economy. According to Arrighi and Silver (1999), the United States plays an indispensable role in organizing and rationalizing the global economic system. Particularly during times of crisis, the American state, using its dominant political and military power, suppresses discordant plans arising from competing states and implements “system-level solutions” for “system-level problems.” This, they believe, makes the United States the world’s “surrogate government.” Other scholars have reached similar conclusions, arguing that American policymakers have largely constructed globalization through a series of purposeful policy decisions (Cohen 2001; Gray 1998), and that American policymakers, working alone or through international organizations that they influence, often intervene into the domestic politics of

countries around the world (Panitch 2000). This perspective on globalization implies that, as a result of American hegemony, countries worldwide will move towards institutional forms and cultural values associated with American-style capitalism.²

Methodological Concerns and Research Design

An empirical analysis of the theoretical questions raised in this paper requires a new and innovative method of measuring changes in democratic governance. Most comparative research uses a small number of well-established indices of political democracy to quantify cross-national difference in governance. Perhaps the best known index, by Bollen (1980), scores over 100 countries on various constitutional structures and political practices associated with democracy, such as freedom of the press, freedom of association, and open and fair elections. The resulting cumulative scores place countries on a high-low continuum of democracy. Other scholars have produced similar indices – either by altering the number of countries, historical span, or criteria for democracy.³ Yet despite their widespread use, these indices have substantial methodological limitations, which become evident when we consider the theorized effects of globalization. Some scholars believe globalization undermines existing forms of democracy – not by directly changing the constitutional rules that underpin political institutions, but by altering political power in a way that leaves formal democratic processes incapable of engendering a genuine class compromise. Since all of these indices equate democracy with an invariant set of formal constitutional rules, they can neither confirm nor falsify claims within the globalization literature, because global market forces cannot alter constitutional rules *per se*.

To surmount this methodological problem, I use Lipset's (1960) notion of "the democratic class struggle" to define democracy as a governing system that facilitates a distribution of material and political resources in a manner consistent with *class compromise*. Besides being theoretically congruent with the general thrust of the conflict paradigm of sociology,

² Some scholars have challenged this view of globalization. For example, Hardt and Negri (2000) describe globalization as a qualitatively new, "decentered," and "deterritorialized" form of imperialism. Rather than American hegemony, they see a complex web of private, national, and supranational organizations, working together to orchestrate economic exploitation on a worldwide scale. Similarly, Robinson (2000) argues that globalization represents the transnationalization of capitalist class relations, and that now the American state and other governmental organizations organize and secure the interests of a global ruling class.

³ For a thorough discussion and critique of the various indices of political democracy, see Munck and Verkuilen (2002).

this definition enables claims in the literature – such as the assertion that economic globalization renders the nation-state and its attendant governing institutions ineffectual – to be converted into empirically testable propositions. Thus, if we equate democracy with a governing system that equitably mediates class conflict, globalization's effect on democratic governance can be observed through changes in social and political patterns associated with class compromise.

To analyze the theoretical questions raised in this paper, I select four macro-level social and political indicators – income inequality, voter participation rates, incarceration rates, and union membership – to measure changes in outcomes theoretically linked to effective democratic governance. These indicators, I argue, reflect an underlying capacity of a particular democratic system to facilitate class compromise. If all or most of the indicators changed in similar ways, then we can assume that the latent power structures that mediate class conflict have changed as well. In using this research design, I follow Lijphart (1999:258-300), who employs a similar approach to measure cross-national variations in what he calls “the quality of democracy.” The study proceeds by addressing each indicator separately: first discussing its merits as a proxy for measuring democratic class compromise, and then analyzing the degree to which that indicator changed over time and across different countries.

To facilitate comparison of 16 countries, I use Esping-Andersen's (1990, 1999) typology of welfare capitalism to aggregate the country-level data into one of three corresponding types of advanced capitalist countries. These three “regime types,” as Esping-Andersen calls them, are distinguished from one another by their underlying political cultures, the size of the state's involvement in the economy, and the degree to which the state “decommodifies” society's distribution of wealth (Table 1). The *social democratic model*, used in the Scandinavian countries, has the most generous social welfare benefits, typically distributed on a universalistic basis, and the highest levels of state market participation. The *corporatist model*, found in the Continental European countries and Japan, represents a middle ground in terms of decommodification and state market participation. Here, more than the other regime types, the welfare state attempts to promote social stability and uphold national traditions. Compared to the other regime types, the *liberal model*, used by the Anglo-dominated countries, relies heavily upon free market mechanisms to allocate society's wealth and resources. When the liberal welfare state does provide assistance, prior labor market participation, rather than the rights of citizenship, usually determines eligibility for benefits. This is the case, for instance, with unemployment and old age insurance.

Table 1
Welfare State Strength in Advanced Capitalist Countries

	(1) De- Commodification Score ¹	(2) State Administrative and Welfare Expenditures, Percentage of GNP in 1995	(3) Combined Score of Welfare State Strength ² (1 + 2)
Social Democracies			
Sweden	39.1	23.03	62.13
Denmark	38.1	23.40	61.50
Norway	38.3	18.38	56.68
Finland	29.2	19.94	49.14
<i>Average</i>	36.2	21.19	57.36
Corporatist Democracies			
Austria	31.1	19.27	50.37
Belgium	32.4	13.08	45.48
Germany	27.7	17.50	45.20
Netherlands	32.4	12.22	44.62
France	27.5	16.20	43.70
Switzerland	29.8	13.43	43.23
Italy	24.1	14.49	38.59
Japan	27.1	8.85	35.95
<i>Average</i>	29.1	16.42	43.39
Liberal Democracies			
United Kingdom	23.4	18.32	41.72
Canada	22.0	17.87	39.87
Australia	13.0	15.21	28.21
United States	13.8	12.03	25.83
<i>Average</i>	18.05	15.86	27.45

Source: Esping-Andersen (1990:52), World Bank (1998).

Notes: 1. Higher scores indicate higher levels of de-commodification. 2. Countries arrayed within their corresponding regime type by the combine score of welfare state strength (column 3).

I identify the United States as a special case within Esping-Andersen's typology of welfare capitalism. Although it is considered a liberal democracy, the United States has been singled out for possessing a more extreme form of liberalism – one that couples a particularly unregulated free market economy with moral conservatism (Lipset 1996; Zafirovski 2001). These characteristics manifest in the U.S. welfare system, which ranks last among the advanced capitalist countries for its combined levels of de-commodification and social welfare spending (Table 1, column 3). To control for the possibility that the American model of capitalism produces aberrant social

and political outcomes, during the empirical analysis I separate the United States from the other three liberal democracies. Since each of the three regime types uses distinct systems of social welfare and economic regulation to mediate and buffer the effects of market forces, as I demonstrate next, globalization has produced different political consequences among the various types of advanced capitalist countries.

Changes in Four Indicators of Class Compromise

Income Inequality

Almost by definition, a country's prevailing level of income inequality is a strong indicator of class compromise. A variety of studies have shown that countries with strong democratic institutions tend to have egalitarian class structures (Muller 1988, 1995; Rueschemeyer et al. 1992). In particular, Muller (1988) finds a negative correlation between the number of years a country was governed democratically and its level of income inequality, and a positive correlation between rising levels of income inequality and the probability of an authoritarian takeover of a previously democratic regime. In relation to this analysis, these findings imply that countries governed by strong democratic institutions should exhibit low levels of income inequality, while conversely, countries with less effective democratic institutions should have higher levels of income inequality.

To examine this proposition, data on income inequality were gathered from national statistical agencies and other sources for each of 16 countries in this study. (See the appendix for a full list of the data sources.) Here income inequality equals the ratio of the top quintile as compared to the bottom quintile of the national income distribution. For example, in the United States during 1995, the top quintile of households received 48.7% of the before-tax national income, while the bottom quintile of households received 3.7%, meaning that the top quintile received 13.16 times more before-tax income than the bottom quintile. The latter figure is the measure of income inequality. Cross-national inquiries into income inequality are complicated by the fact that some countries use after-tax income and others use before-tax income when reporting their national distribution of income. Fortunately, the United States does both. But, since the other 15 countries in this study do not, income inequality calculations have been divided into two groups to facilitate comparison: those based upon after-tax income (Table 2) and those based upon before-tax income (Table 3).

The tables compare average income inequality between two periods – the years 1960 to 1972, and the years 1982 to 1992. These two periods were chosen after reviewing rates of economic growth, unemployment, and inflation for each of the 16 countries. Data collected by the Organisation

Table 2

Changes in After-Tax Income Inequality in Advanced Capitalist Countries:
1960-1972 and 1982-1992

Regime Type	1960-1972	1982-1992	Percent Change
Social Democracies	6.45	5.40	-16.28
Corporatist Democracies		4.59	
Liberal Democracies	6.03	6.41	6.30
USA	8.67	9.59	10.61

Source: National Statistical Agencies (see appendix).

Table 3

Changes in Before-Tax Income Inequality in Advanced Capitalist Countries:
1960-1972 and 1982-1992

Regime Type	1960-1972	1982-1992	Percent Change
Social Democracies		6.77	
Corporatist Democracies	7.79	6.38	-18.10
Liberal Democracies	5.52	7.27	31.70
USA	10.58	12.09	14.27

Source: National Statistical Agencies (see appendix).

of Economic Cooperation and Development (various years) and the World Bank (1998) indicate that most advanced capitalist countries were experiencing significant economic problems from 1973 through 1981. For this reason, the year 1972 was chosen to represent the end of national capitalism, and the year 1982 was chosen to represent the beginning of global capitalism. Due to its economic instability, the intervening period between 1973 through 1981 was not analyzed. Moreover, the years following 1992 were omitted, because income inequality data were not available for most countries.

With the significant exceptions of the United States and Australia, after-tax income inequality increased only moderately, and in some cases it has even declined (Table 2). In the United States and the other liberal democracies, average after-tax income inequality increased by 10.61% and 6.3%, respectively, but over the same period of time, income inequality declined by 16.28% in the social democracies. The corporatist democracies exhibited the least after-tax income inequality, while the United States is at the other end of the array, with income inequality nearly twice the level of the corporatist and social democracies, and nearly 50% higher than the

other liberal democracies. The ordering of the regime types remains the same when using before-tax income inequality (Table 3).⁴

Voter Participation

Although elections are a cornerstone of democracy, the relationship between voter participation and a political system's legitimacy is not fully understood. Conceivably, low voter participation rates could reflect the electorate's general satisfaction with the prevailing political order. Some politicians and scholars have advanced this argument, equating low voter turnout with a "politics of contentment" (BBC 2001), or interpreting non-participation as a healthy Durkheimian division of labor between "political experts" and the general citizenry (Horowitz 1991). Yet most of the literature on political participation conflicts with this argument, suggesting instead that (at least in most cases) widespread non-participation reflects a serious legitimation problem. Rueschemeyer et al. (1992:297), in their cross-national study of capitalism and democracy, articulate the rationale for this interpretation of non-voting:

Even if we exclude sham democracies, in some formal democracies the economically powerful are able to exert sufficient control over the political process that political decisions rarely challenge their interests. The masses respond by failing to show up at the polls to make electoral choices that appear to them to make little difference in the policy output of the government.

Much of the support for this interpretation of non-voting rests on significant class differences found within political participation. Scholars have consistently found that, both over time and across countries, non-voters tend to have lower incomes, lower levels of education, and lower occupational status than individuals who regularly vote (Lipset 1960:80; Lijphart 1997; Piven and Cloward 2000). These class differences in political participation are most pronounced in the United States, where they have intensified throughout the 1970s and 1980s (Rosenstone and Hansen 1993:238-41). Now, with a deindustrialized economy "leaving behind" a sizable portion of the workforce (Harrison and Bluestone 1988; Reich 1991), and with electoral politics offering fewer and fewer alternatives to existing economic policy (Huber and Inglehart 1995), the long-standing class bias in electoral participation will likely intensify. To the degree that this occurs, voter turnout should decline further, as more members of the working class stop voting, because they believe that the outcomes of the electoral process only nominally alter the government's future policies. If

⁴ After-tax and before-tax income inequality cannot be compared within regime types, because the regime types averages in Table 4 and 5 are comprised of different countries.

the salience of electoral politics has declined, as the strong globalization thesis suggests, then we would expect to see declining voter⁵ participation rates across the advanced capitalist countries during the 1980s and 1990s.

Over the period in question, the different regime types experienced varying degrees of deterioration in their voter participation rates (Figure 1). While differences between the social and corporatist democracies during the 1960s were negligible, by the mid-1970s, the rates of participation in corporatist democracies began to decline more rapidly, leaving them with rates similar to the liberal democracies by the late 1980s. Despite declining participation rates in most advanced capitalist countries, a phenomenon that became more pronounced during the 1990s, voter participation rates in the United States trailed the other regime types by 20 to 30 percentage points throughout the 40-year period. When examining the voter participation rates of individual countries, the United States was last out of the 16 countries. During the 1990s, the United States had an average voter participation rate of 43%, followed by Switzerland with 44%, Japan with 67%, and France with 68%. During this same period, the highest levels of voter participation were found in Denmark, Italy, and Sweden, each having rates of approximately 85%.

Incarceration Rates

High levels of incarceration can infer a breakdown in class compromise. From the perspective of the conflict paradigm of sociology, the more unequal and stratified society becomes, the more likely dominant groups, working through the state, will resort to organized repression as a means of stabilizing the social order. Recent research, finding a positive relationship between economic inequality and the magnitude and severity of state-sponsored coercion, supports these claims (Wilkins 1991; Jacobs and Carmichael 2002). Since democratic governance should generate a social order characterized by consent and compromise, not structural inequality and coercion, high levels of state repression suggest an underlying deficiency in the effectiveness and inclusiveness of democratic processes. If the strong globalization thesis is correct, and global capitalism has undermined the democratic political institutions that foster class compromise, then we could expect to see an increase in national incarceration rates across the advanced capitalist countries, beginning sometime after the mid-1970s.

⁵ Australia and Belgium have been excluded from this section of the analysis because they have mandatory voting requirements. The irregularities in the line representing the United States arise from the differences between voter participation rates in presidential elections (the peaks) and mid-term elections (the nadirs).

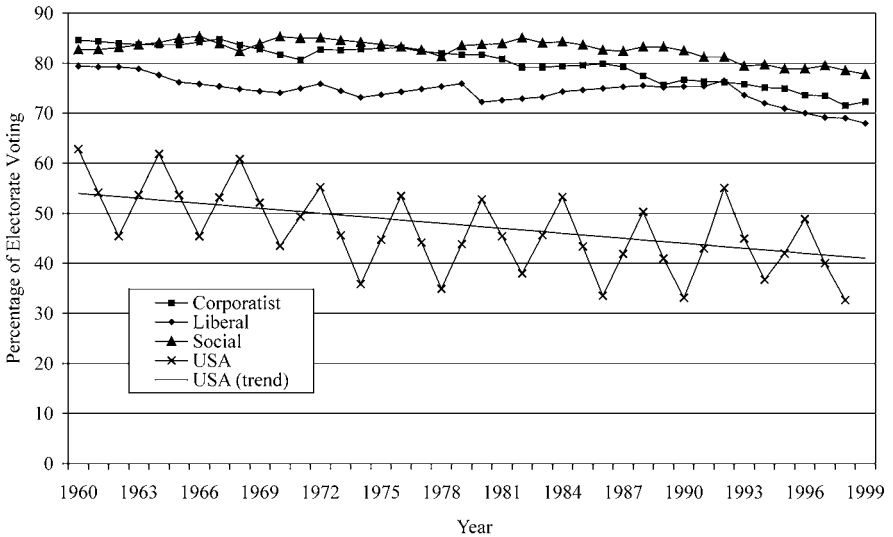


Figure 1. Average Voter Participation Rates by Type of Advanced Capitalist Country: 1960 to 1999. *Source:* Lopez-Pintor and Gratschew (2002).

This, however, has not been the case. Except for the United States, and to a lesser extent the United Kingdom and Australia, average incarceration rates in most countries have not varied much between 1960 and 1999 (Figure 2). While the three regime types had similar incarceration rates in 1960, somewhere around 80 prisoners per 100,000 people, over the next 40 years incarceration rates in the liberal democracies increased slightly, while they declined modestly in the corporatist and social democracies. But, during this same period, the United States experienced the opposite trend. In 1960, the United States had an incarceration rate of 184, which then slowly declined to 169 by 1972. After that, the U.S. incarceration rate steadily increased, reaching nearly 700 by 1999. This dramatic increase left the United States with an incarceration rate that is many times higher than other advanced capitalist countries. For example, in 1999 the U.S. incarceration rate was 5.7 times larger than the next country, United Kingdom, with an incarceration rate of 122, and 15.9 times higher than the lowest country, Japan, with an incarceration rate of 44. Moreover, the incarceration boom in the United States displays a pronounced racial disparity, with a nearly 7 to 1 difference between the African-American incarceration rate of 3,095 and the white incarceration rate of 449 (U.S. Department of Justice 1999). While the American incarceration expansion coincides more or less with rise of the global economy and its attendant forms of flexible accumulation, most other advanced capitalist countries

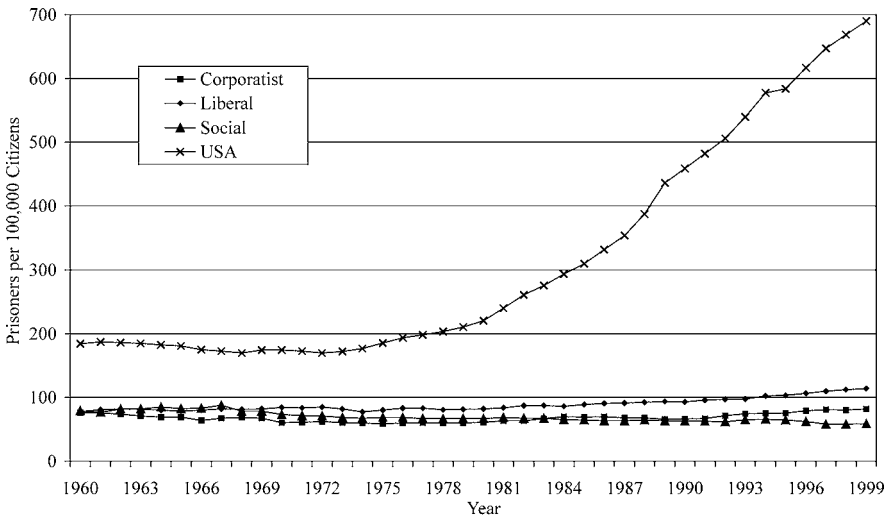


Figure 2. Average Incarceration Rates by Type of Advanced Capitalist Country: 1960 to 1999. *Source:* Council of Europe (various years); Home Office of the United Kingdom (2002); Australian Bureau of Statistics (various years); Statistics Bureau (various years); Statistics Canada (various years); U.S. Census Bureau (various years).

apparently managed the social and economic disruptions associated with globalization without resorting to imprisonment.

The increase in state-sponsored coercion, which took place in the United States and to a lesser extent in the United Kingdom and Australia, has been linked to neo-conservative social policies that emphasize repression rather than traditional social welfare programs as a means of managing the social consequences of market failures. Garland (2001:100), in his analysis of the Anglo-American penal systems, suggests that the Reagan and Thatcher administrations stood the post-war class compromise on its head, changing the Keynesian system of “economic control and social liberalism” into its opposite, a neo-conservative system of “economic freedom and social control.” Other scholars have reached similar conclusions, noting that, as economic liberalization reinforced rather than reduced social inequality, the U.S. penal system became a reactionary form of state market intervention (Beckett and Western 2001; Western and Beckett 1998, 1999). According to this argument, in a deindustrialized economy, where living wage jobs for the less educated are scarce, and in a political climate that eschews traditional social welfare policies, incarceration became a viable means of managing the unemployment problem in the United States. This strategy works by taking surplus workers out of the labor market, which then lowers

the conventional measurement of unemployment. But if one counts the incarcerated as unemployed, then in 1995 the United States had a higher unemployment rate than Austria, Denmark, Germany, the Netherlands, Norway, and Switzerland (Western and Beckett 1999:1041) – all countries supposedly suffering from “Eurosclerosis.”

Moreover, inmates have become a cheap source of labor for certain segments of the corporate community in the United States. In 1979, the U.S. Congress legalized private-sector prison labor, enabling corporations to “hire” inmates for the production of consumer goods and services. Currently in the United States, profit-seeking enterprises employ over 81,000 inmates – at wages ranging from \$1.73 to \$43.23 a day, of which the government may garnish from 50% to 70% for court fines, child support, or victim restitution (Chang and Thompkins 2002:57).

Union Density

Organized labor plays an important role in facilitating class compromise in democratic countries. As economic institutions, unions help workers increase their share of the prosperity generated by economic growth, which in turn creates a more egalitarian class structure and stabilizes macro-economic growth by increasing aggregate consumer demand. As political institutions, unions play a crucial role in helping workers gain collective representation within the workplace and the institutions of government. For these reasons, unions have been described as important “equalizing institutions” (Levy 1998), and as a crucial “countervailing power” to corporate interests (Galbraith 1952). Hence, for class compromise to prevail in advanced capitalist societies, organized labor must be sufficiently powerful to represent workers in the political institutions that regulate the economy.

Within the advanced capitalist countries, union strength has varied substantially over the last few decades (Figure 3). Across the three regime types, union densities – a measure of union strength that equals a nation’s total union membership as a percentage of its workforce – rose from the 1960s through the early 1980s. At this time, union densities began to diverge, with union strength declining in the liberal and corporatist democracies, while continuing to climb through the early 1990s in the social democracies. As a result of opposite trajectories, by the late-1990s, the social democracies had a union density more than twice as high as the liberal and corporatist democracies and more than 6 times higher than the United States, where union strength began to decline in the mid-1970s. When looking at union densities in individual countries during the late 1990s, France had the lowest average at 10%, followed by the United States with 12%, Japan with 19%, and the Netherlands and Switzerland

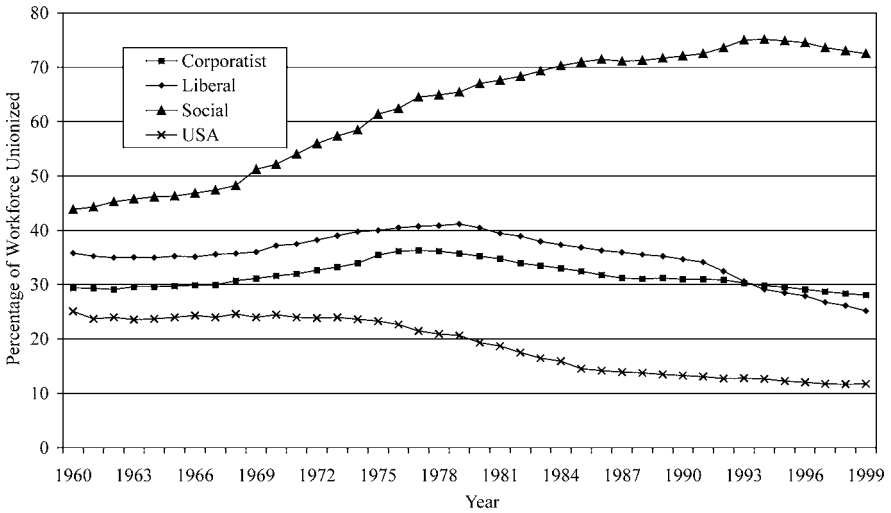


Figure 3. Average Union Density Rates by Type of Advanced Capitalist Country: 1960 to 1999. *Source:* Ebbinghaus and Visser (2000); Australian Bureau of Statistics (various years); Statistics Bureau of Japan (various years); Statistics Canada (various years); U.S. Census Bureau (various years).

each with 24%. During this same period, the highest union densities were found in Sweden with 86%, and Finland and Denmark each with 77%.

Towards and Explanation of “American Exceptionalism”

Why has globalization apparently undermined class compromise in the United States more so than the other 15 countries analyzed in this paper? While more research is required to answer this question precisely, the unique structure of the American political economy provides some general answers. First, more so than other advanced capitalist countries, the constitutional structures of the United States – particularly federalism, the presidential system, and the single-seat plurality electoral system – enable elites to dominate the policy decisions of the government (see e.g. Lazare 1996). Of these three constitutional structures, the American electoral system stands out as the most overtly biased against less powerful interests. Although most major democracies use proportional representation, in the United States legislative representatives are elected one per district, with the winner being the candidate who receives a plurality of the votes.⁶ While this voting scheme, known as a single-seat plurality electoral

⁶ All the countries analyzed in this paper use proportional representation, except France and Australia, which use majority voting, and Canada, United Kingdom, and the United States, which use plurality voting (Lijphart 1999:145).

system, appears to be highly democratic, on closer inspection its fairness is suspect on several levels. Since the winning candidate represents the whole district, everyone casting ballots for a losing candidate – a group that can easily comprise more than 50% of the electorate – is left without representation. Bestowed with disproportionate control over the cultural and material resources needed to compete in the electoral process from the outset, this arrangement allows powerful groups to monopolize official political power by merely garnering a plurality of the votes. Furthermore, the “winner-take-all” system creates an entrenched two-party monopoly over political representation, because minority parties can rarely garner sufficient resources needed to win elections. The end result is a form of democracy that systematically over-represents powerful groups, while leaving large blocs of the electorate with little or no representation (Amy 1993; Guinier 1994).

Second, the United States government plays a smaller role in the economy and provides its citizens with lower levels of decommodification and social welfare spending than is typical of other similar countries (Table 1). This has a direct and indirect effect on the general welfare of the American populace. Directly, this prevents the state from effectively shielding its citizens from the social problems associated with market economies. Indirectly, this leaves the vast majority of the country’s material sources in the hands of the private sector – an arrangement that enables corporate elites to constrain the policy options available to elected officials, because the former control the material resources the latter need to govern effectively. Thus, despite electoral outcomes that change the governing party, in a country in which the private sector dominates the economy, the state’s economic policies will disproportionately reflect the desires of the corporate community. The lack of a left-labor party in the United States only exacerbates this tendency. In a cross-national survey of political parties, Castles and Mair (1984) found that United States is the only advanced capitalist country without a left-labor party in government. The study labeled the Democrats a centrist party and the Republicans a center-right party. Additionally, the United States is the only country in this study that, except for the rarest occasions, only has two parties that hold seats in the national legislature (Mackie and Rose 1991; United Nations Development Programme 2000). Of course, all of these factors are interrelated in complex ways, with one reinforcing the other. For example, the lack of proportional representation in the United States creates an entrenched two-party system that prevents left-labor alliances from entering government. Yet, with limited access to official power, left-labor alliances cannot effectively challenge the interests of corporations. This, in turn, results in government policies that favor the status quo. Thus, it appears

that an interlocking set of structures within the American political economy – such as the single-seat plurality electoral system, a weak welfare state, a dominant private sector, and the lack of a viable left-labor party – make democracy in the United States particularly vulnerable to the increased political power wielded by capital in a global economy.

Conclusion

Most scholars agree that the emergent global economy, with its geographically dispersed networks of production and exchange, enables capital to more easily escape the regulations imposed upon it by the democratic process of any one country. Yet, far from been a homogenizing social force, the data presented in this analysis suggest that globalization's effect on class compromise differs across the various types of advanced capitalist countries. Specifically, the data show that the social democracies have participated in the global economy without substantially eroding their pre-existing levels of class compromise. In fact, during the 1980s and 1990s, many of these countries experienced modest improvements in many of the indicators examined by this study except for voter participation. This, however, has not been the case for most other countries. While most corporatist democracies experienced mixed results, with income inequality and incarceration rates holding steady, but voter participation and unionization rates falling moderately, most liberal democracies experienced a noticeable retrenchment in all four indicators. But, by comparison, changes in class compromise in the United States were far more troubling. Unlike the other liberal democracies, the United States experienced a sharp deterioration in all four indicators. During the 1960s, the United States was similar to most other advanced capitalist countries, as measured by the four indicators of class compromise used in this study. But, by the late-1990s, the situation had drastically changed, leaving the United States with social and political patterns characteristic of quasi-democratic countries in the less developed regions of the world.

Importantly, these findings help clarify the debate on globalization. With the significant exception of the United States, and to a lesser extent the other liberal democracies, the results of this analysis conflict with the political corollary of the strong globalization thesis, namely that global market integration leaves domestic political systems incapable of producing class compromise. Instead, the data suggest that countries with substantially mixed economies and high levels of market regulation can participate in the global economy without significantly undermining preexisting levels of class compromise. Whether this will remain true in the future is uncertain. But, nonetheless, these findings imply that, rather than becoming insignificant in an era of global market forces, domestic politics still matter.

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Appendix

The data on income inequality, voter participation rates, incarceration rates, and union densities were collected from the following sources:

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