

Economic Institutions and the Satisfaction of Human Needs¹

The purpose of this chapter is to evaluate different economic systems using as a criterion their ability to satisfy human needs. The conceptual basis is the theory of human need developed in Doyal and Gough (1991), summarised in Chapter 1. To assess the potential of economic systems to satisfy human needs, thus defined, I use a family of theoretical approaches from different disciplines broadly labelled 'new institutionalist' or 'new political economy'. The economic systems to be investigated are distinguished according to their dominant organising principle: the market, the state and the community. Recognising that 'pure' models of each are historically and logically impossible, I evaluate combinations of institutions that are as close as possible to the pure model: minimally regulated capitalism, state socialism and variants of communitarianism. After summarising my conclusions at that point, I then, in the next three sections, go on to consider three variants of 'mixed economy' capitalism: statist capitalism, corporatist capitalism and neoliberal capitalism. Again I evaluate each according to our criteria of need satisfaction, before drawing some general conclusions.

Since this is an extremely ambitious project, it has necessary limits that should be emphasised. First, the sole criterion according to which economic systems are compared is the optimum satisfaction of universal human needs. Second, the focus is on need satisfaction within, not between, nation-states. It excludes global linkages between nation-states. Effectively, this limits my focus to the developed world, though I believe that some of the arguments are relevant for developing nations too. Third, it is concerned only with the ability of economic systems to satisfy present levels of need satisfaction: issues of economic sustainability and intra-generational redistribution are left to one side. These are serious limitations, but they are made necessary by the scope of the

investigation that remains. The chapter is necessarily broad and relies on secondary sources to buttress many of its claims.

Need-satisfaction as a measure of welfare outcomes

This chapter attempts to evaluate socioeconomic systems and institutions according to the anticipated welfare outcomes enjoyed by their citizens. Welfare outcomes are conceived in terms of the level of satisfaction of basic human needs. This approach thus differs from much contemporary research in both comparative social policy and economics. The former has sought to explain variations in 'welfare states' by analysing specific welfare inputs, such as levels of state expenditure on social security, or more recently, welfare outputs, such as the specific social policies or the 'welfare state regimes' that characterise syndromes of social policies.² Much economics research, on the other hand, has concerned itself with the final outcomes of policies but has traditionally defined these rather narrowly, such as, for example, rates of economic growth, monetary stability, rates of unemployment employment and productivity growth (Strümpel and Scholz 1987; cf. Putterman 1990). Freeman (1989) undertakes a much broader and more sophisticated evaluation of four 'political economies', yet he still restricts his evaluative criteria to two: growth rates and distributional equity.

Both these approaches tend to ignore the final impact of all these factors on the levels and distribution of well-being of the populations concerned (though this gap has been recognised by some such as Alber et al. 1987). The major reason for the lack of progress here is an inability to agree on concepts and measures of well-being that have cross-cultural validity. The post-war period has witnessed a growth in research that utilises concepts such as the 'level of living', 'social indicators', 'basic needs' and 'human development' and that has informed comparative evaluation of welfare outcomes in the Third World. However, this work has had little impact due in part to the changed political and economic climate of the 1980s. It has also been criticised as lacking a unifying conceptual framework (Sen, 1987) and more particularly for incorporating western cultural and political biases in the very notions of universal need and social progress (Rist, 1980; Doyal and Gough, 1991: ch. 8). Though some of these issues have been addressed in some of the philosophical literature on need, there has existed a barrier between this literature and the more applied development literature.

The absence of a theoretically grounded and operational concept of objective human need has inhibited the development of a common

calculus for evaluating human welfare. On the contrary, there is a widespread scepticism that human needs exist, or a belief that all needs are relative. Typical of the first view are neoliberals, such as Hayek and Flew, together with the dominant strand in neoclassical economics. The second view, that needs exist but are relative, takes a variety of forms. For many Marxists, human needs are historically relative to capitalism; for various critics of cultural imperialism, needs are specific to, and can only be known by, members of groups defined by gender, race, and so on; for phenomenologists and some social researchers, needs are socially constructed; for postmodernist critics and 'radical democrats', needs are discursive and do not exist independently of the consciousness of human agents (Doyal and Gough, 1991: ch. 1). Clearly, if any of these perspectives are correct, then any common yardstick of welfare is unattainable and cannot be used to compare and evaluate different economic institutions and systems.

Our theory attempts to overcome these limitations. The theory is both substantive and procedural: *substantive* in defending, conceptualising and operationalising the idea of universal human needs; *procedural* in recognising the inevitable social determination of products, policies and processes that satisfy needs and thus in recognising the necessity for procedures for resolving disputes in as rational and democratic a way as possible. Our substantive theory is summarised in Chapter 1. My purpose here is to investigate *theoretically* the contribution of different social institutions to the satisfaction of these needs, which leads me on to the procedural dimension of our theory. Here, we identify universal *procedural* and *material* preconditions for enhancing need satisfaction (Doyal and Gough, 1991; chs. 7 and 11). These are attributes of social systems, and it is these with which I am principally concerned in this chapter.

Procedural preconditions relate to the ability of a group to identify needs and appropriate need satisfiers in a rational way and to prioritise need satisfiers and the need satisfactions of different groups. In the face of radical disagreements over the perceived interests and needs of different groups, how can this best be achieved? To answer this we draw upon the works of Habermas and Rawls to sketch out certain communicational and constitutional preconditions for optimising need satisfaction in practice. Habermas outlines a theory of communicational competence that emphasises the importance for the rational resolution of debates – including debates about need satisfaction, of the best available understanding and of truly democratic debate (Habermas, 1970; Roderick, 1986). With modifications to his three principles, we argue

that Rawls (1972) identifies the constitutional framework that will enable citizens to engage in such debate.

In what follows, I will summarise our procedural preconditions under three headings.

- P1. *Rational identification of needs.* Needs are defined, and distinguished from wants, by appealing to an externally verifiable stock of codified knowledge, for example, knowledge about nutrition, child-rearing or environmental control. The ability to tap and rationally to utilise this stock of codified knowledge – to engage in collectively identifying common human needs – is a first precondition for improving need satisfaction.
- P2. *Use of practical knowledge.* At the next level, appropriate need satisfiers have to be selected. Here we argue that the codified knowledge needs to be complemented by the experientially grounded understanding of people in their everyday lives. For present purposes, we will assume that this knowledge can be tapped in one of two basic ways. First, there is participation in market relations, where these are relatively unconstrained by contingencies of power or ignorance. Second, there are various forms of political participation and ‘claims-making’ (Drover and Kerans, 1993) – the process whereby people collectively identify their dissatisfactions, name their felt needs and make claims against a variety of institutions.
- P3. *Democratic resolution.* If a rational policy to identify and prioritise need satisfiers must draw on both codified and experientially grounded knowledge, then the inevitable disagreements that result must be confronted and resolved in a forum as open, as democratic and as free of vested interests as possible. This is the third procedural precondition by which different socioeconomic institutions will be evaluated.

Next, ‘material preconditions’ refer to the capacity of economic systems to produce and deliver the necessary and appropriate need satisfiers and to transform these into final need satisfactions. We argue that there is a strong moral case for codifying the intermediate needs identified earlier in the form of state-guaranteed rights. However, the *de jure* codification of social or welfare rights is no guarantee of their *de facto* delivery. To assess the latter, we develop a cross-cultural model of material production (Doyal and Gough, 1991: ch. 11) that yields four material preconditions for improved need satisfaction. These are:

- M1. *Production.* The greater the total quantity and quality of need satisfiers produced, the greater the potential need satisfaction. The efficiency by which need satisfiers are produced is thus the first of our material preconditions.
- M2. *Distribution.* Next, need satisfaction is maximised if these satisfiers are distributed in line with the needs of individuals. This normally entails individuals in households, though for certain collective satisfiers the unit of consumption is different and larger.
- M3. *Need transformation.* These satisfiers are then transformed into individual need satisfactions, a process that predominantly takes place within (various sorts of) households. This, we argue, will reflect the distribution of satisfiers within the household, in particular the degree of equality between men, women, and children. Final levels of need satisfaction will also be affected by the direct effect of production processes and the quality of the natural environment on human welfare.
- M4. *Material reproduction.* The above processes take place through time, requiring that the stock of capital goods, natural resources, and human resources be at least maintained in order to ensure further rounds of production and need satisfaction in the future. Though difficult issues of sustainability are raised here, a theory of human need must encompass material reproduction and must extend beyond short-term horizons.

However, I have already indicated that to simplify the analysis, this fourth material precondition is unfortunately omitted here. Thus I am left with three procedural and three material criteria with which to evaluate different economic systems.³

A theoretical framework for macro-social analysis

Different economic arrangements are to be evaluated according to these criteria. To do this requires a set of theories and associated knowledge with two major characteristics. First, they should be broadly applicable to a variety of socioeconomic systems, yet be sensitive to the institutional variations between them. Second, they should bridge the central fault-line in social science between the disciplines of economics and sociopolitical science. I will use for this purpose a body of works that can be grouped under the labels of 'comparative political economy' and 'the new institutionalism'. This body of work has arisen at the confluence of economics and socio-political science as a critique of the

dominant paradigms in each: rational choice theory in economics and functionalism/behaviourism in sociology (Cammack, 1989). It represents a return to the central concerns of classical political economy of Smith and his followers and to the critique of that political economy by Marx. Both were concerned with the relation between the economy and the state and with the effect of such relations on human welfare (Esping-Andersen, 1990: ch. 1; Gough, 1979: ch. 1). It also embraces the economic sociology pioneered by Weber (Holton, 1992). Let me briefly consider both strands separately.

On the one side, institutional *economics* emerged, initially in the United States with the work of Commons and Veblen, who were dissatisfied with neoclassical economics and desired to reformulate the discipline in at least three directions.⁴ First, technology and preferences are no longer conceived of as exogenous. The economic environment is recognised as affecting access to information and the way that information is processed. This undermines the view that individual agents are continuously maximising or optimising in any meaningful sense since their preferences are continually adapting in the light of their experience. Therefore, second, the neoclassical assumption of equilibrium is replaced with the idea of agents learning and acting through real historical time. Economic life is characterised by structural, not just 'parametric' uncertainty, which imposes on actors a reliance on routines and habits. These durable patterns of behaviour define social institutions. The third characteristic of institutional economics is thus a recognition of the role of institutions in economic life and a rejection of essentialist arguments about 'the market'. Self-seeking action and institutional structures combine to generate a process through time characterised by long periods of continuity punctuated by rapid breaks or institutional shifts. This paradigm also directs our attention to the institutional contrasts between different economic systems.

Within *social and political science*, developments from a very different starting point have resulted in a rather similar set of propositions. In explaining state activity within capitalist societies, the dominant paradigm was some form of structuralism, whether framed by the requirements of industrial society and its economic, demographic and bureaucratic correlates, or the requirements of capitalist society for the performance of accumulation and legitimation functions. In both cases, the economy was conceptualised as isolated from social and political institutions, and the latter were accorded no sources of autonomous development.

One attempt to overcome some of these problems can be traced to central European scholars such as Polanyi (1957)⁵ and Schumpeter (1976), for whom the interdependence of the market economy with the state and the community was a *sine qua non*. Another source of alternative thought has been the work of those scholars who, in the tradition of Mill and de Tocqueville, recognise the impact of democracy on state development. More recently, there has been the project of 'bringing the state back in' with its emphasis on the state as an autonomous or independent actor, with certain specific interests, that can act creatively to define problems and develop policy (Evans et al., 1985; Skocpol, 1985). All these approaches attach little weight to the role of particular classes or social agents in explaining state activity (Esping-Andersen, 1990: ch. 1). A common idea is that of institutional persistence and its corollaries. Institutions are enduring, which means that at any time any particular institution, including state structures, can be 'suboptimal' or, to use a more explicit and loaded term, 'dysfunctional' for the system as a whole (Cammack, 1989).

Another strand in the reaction to structuralist perspectives in social and political theory has identified social classes as a key political agent. Developing from social democratic theorists of the Austrian School, this strand has emerged as the class mobilisation thesis associated with various Scandinavian writers (Korpi, 1983; Esping-Andersen, 1985). Another source has been a 'contradictory' Marxist analysis that stresses the role of class conflict in shaping social and state development (Gough, 1979). Alongside and partly critical of these, a broader, more diffuse institutionalism has developed in recent years which recognises the role of other institutions, including firms, other economic organisations and bodies representing class interests. This sociological institutionalism varies according to whether or not it countenances an explicit role for structural or environmental forces alongside institutional behaviour in explaining policy developments.⁶

One prominent characteristic of all these socio-political or 'historical-structural' schools of new institutionalism is a view of institutional change as discontinuous, contested and problematic. Another is the situation of societal and state-centred variables within a more systemic framework. For example, according to Hall (1986), the major components in explaining changes in public policy are the organisation of capital, labour, the state and the political system, and the position of the nation within the international political economy. Within this field, however, institutions resist change and develop in a path-dependent manner.⁷

Taken together, these 'new institutionalist' theories mark a convergence between economic and socio-political analysis, which provides a fertile framework for a macro-social analysis of economic institutions. In particular, they enable comparisons to be made of different socioeconomic systems and different stages of development. It is this framework of institutionalist thinking that I will use to derive hypotheses concerning the impact of different economic systems on levels of need satisfaction.

A taxonomy of economic institutions

Economic debate and policy prescription today are dominated by the respective merits of markets and public planning, so much so that it is tempting to focus on free market capitalism, centrally planned economies, and various sorts of market-planning mix. However, this would neglect a third set of economic relationships currently being rediscovered in the economics literature, that can be gathered under the label 'community'. The list of writers thus distinguishing *three* fundamental forms of economic organisation is long. It includes economic historians (Polanyi, 1957: ch. 4; Boswell, 1990), political scientists (Streeck and Schmitter, 1985), sociologists (Bradach and Eccles, 1989), organisational theorists (Powell, 1990) and institutional economists (Thompson et al., 1991). Table 2.1 illustrates the key concepts identified in some of these taxonomies.

Drawing on Polanyi (1957) and Putterman (1990: ch. 1) we can substantively define the economy as the sphere of social activity in which people produce, distribute and consume the material requirements to meet their wants and needs. This generates recurring interactions among elements and agents in the system. According to all the major

Table 2.1 Taxonomies of economic systems

Author	Principle	Market	State	Community
Polanyi	Forms of integration	Market exchange	Redistribution	Reciprocity
Streeck/ Schmitter	Principles of coordination	Dispersed competition	Hierarchical control	Spontaneous solidarity
Bradach/ Eccles	Economic control mechanisms	Price	Authority	Trust
Powell	Forms of economic coordination	Markets	Hierarchy	Networks

representatives of classical political economy, including Smith and Marx, a major feature of such interaction is a division of labour, both within 'enterprises' and between them. This division of labour raises productivity, but in turn requires some mechanism or mechanisms for coordinating the actions of the numerous interacting agents. It is to this fundamental question that the three solutions identified above have emerged over the course of human history.⁸

First, I look at markets. Here private agents exchange entitlements to goods and services with each other. Where a large number of such commodity exchanges regularly take place we can identify the social institutions of a market. This form of coordination entails private rights in the use, consumption, disposition and fruits of economic resources and goods and the rights to transfer these rights, except the ownership of labour (Putterman, 1990: 59–60). The prices or terms at which these exchanges take place is determined solely by the free negotiation of the parties concerned. Thus, economic coordination is decentralised, *ex post* and unconscious.

The second form of coordination is by authoritative regulations issued in hierarchical organisations. Where these organisations are themselves coordinated by authoritative regulation backed by coercion, we may speak of a state system of coordination. Such a system normally entails state ownership of the means of production, apart from labour. Coordination here is thus centralised, *ex ante* and conscious.

The third ideal-type form of economic coordination is more difficult to specify. Nowhere in the modern world does it provide a general mode of economic coordination, though it exists within certain sectors such as some voluntary organisations and social movements. When 'community' is advocated as a normative model of a desirable economic system it appears in different guises. Excluding those who explicitly identify community with pre-modern, hierarchically organised, status-bound societies,⁹ we are still left with a great variety of views. First, there is the idea of communism held by radical socialist thinkers such as Marx, Morris and Kropotkin (Miller, 1989). This idea has been revived in the last three decades in response partly to the belief that developments within capitalism are laying the foundations for communitarian economic relationships (in, for example, the work of Gorz (1982) and van der Veen and van Parijs (1987)). Second, at the opposite pole, there is the libertarian view of community espoused by Nozick (1974). Here membership of a community is voluntary and self-chosen. Third, there are new attempts to conceptualise a 'democratic communitarianism' drawing upon the currents of decentralised socialism, personalist Christian

democracy, ideas of corporatism and civic humanism (Boswell, 1990). This strand tends to equate community in the modern world with national citizenship (Miller, 1989). The last two conceptions have been explicitly concerned to augment those of market and state, not to replace them.

However, underlying these differences are some common themes distinct from the other two modes. Economic coordination within communities is by democratic negotiation. Solidaristic sentiments of loyalty and reciprocity within social groups facilitate such consensus-building. The opposition between separatist individualism and state collectivism is overcome by a new focus on the quality of human relations. Coordination may thus be conceived as decentralised, *ex ante* and conscious.

In the next three sections I will evaluate the potential contribution of these three forms of economic coordination to the satisfaction of human needs. The intention is to try, so far as is possible, to abstract from real-world complexities by considering these three economic systems as 'ideal types'. However, this is not strictly possible. According to the 'impurity principle' any actual socioeconomic system will contain, alongside its dominant principle, at least one other economic structure based on different principles for the whole to function (Hodgson, 1984: 85–9 and 104–9). Thus, market economies must incorporate a system of authority and operate within a set of specific social relationships. A pure market society is a logical contradiction. Similarly, a centrally planned economy encounters contradictions that can only be resolved via decentralised market and civil relationships. In these two cases, then, I consider models that incorporate the minimum degree of 'impurity' or contamination by other principles, drawing on empirical and historical evidence where appropriate. The third form of economic coordination, via community networks, poses different problems since it has not existed as an even modestly self-sustaining form in the modern age. I will consider briefly conceptions of community as an overarching principle of economic coordination before again pointing out the dependence of such a principle on the other two modes of economic coordination.

Free market capitalism

The defining characteristic of a free market economy is that economic coordination is decentralised, emerges as a result of various individual actions and is not consciously controlled. Free market capitalism is used here to refer to a combination of this form of coordination and private

property ownership. It is this that I will now briefly evaluate according to the societal preconditions for optimising need satisfaction sketched earlier.

Our first procedural precondition is excluded by definition. There is no collective sphere of economic decision-making. Free market capitalism is an economic system that responds to consumer wants backed by money – a system in which literally nobody makes decisions on the composition of output and its relation to human needs. Against this it can be argued that capitalism extends, to the maximum feasible extent, people's freedom to negotiate about human needs. If individuals are sufficiently well informed and have the freedom to act on that information, then it can be claimed that subjectively defined wants will closely approximate generalisable human needs.

The second procedural precondition – that the practical knowledge of people be effectively tapped in identifying improved need satisfiers – constitutes a strong claim for markets. Markets make use of the dispersed knowledge of millions of actors, and the continual process of discovery that they are free and able to make engenders the restless innovation and productivity of capitalism.

The third condition – a democratic forum within which debates over how best to meet needs can take place – is also claimed for capitalism. The conjoint development of capitalism and of certain forms of representative democracy in much of the world stems from the decentralisation of decision-making and power in market society. Furthermore, decentralised 'claims-making' is facilitated if citizens have the rights and capacities to form associations to press their own perceptions of needs and satisfiers within the political arena.

Against these claims must be set much recent analysis of unregulated markets and their political implications, which is relevant to our first procedural precondition. Wants can diverge from needs in significant ways, abetted by market society. Markets are an inefficient source of knowledge and can interfere with the communication processes necessary for human needs to be identified and agreed upon. For example, it can be in the interests of individual producers to supply distorted information if this will maximise profits and if they are able to do so. The sheer number of commodities produced in developed market societies means that consumers have inadequate knowledge of their characteristics and insufficient time to find out. Furthermore, it has been argued that unregulated market society undermines communal ties around which less individualistic conceptions of need can form. If wants are endogenous to the economic system, this undermines any simple view

of the market as a response mechanism to autonomous consumer desires.¹⁰

Unregulated markets can also distort the nature of democratic debate within the political sphere. It is rational for actors to attempt to pursue their interests within the political sphere, resulting in democratic abuses such as clientelism and worse. On the other hand, markets offer commodified need satisfiers to those who can afford them, and that undermines their incentive to participate in political debate over alternatives. Opportunities for exit reduce voice. Last, the reliance of all existing market societies on a gendered division of labour constrains the ability of women to participate in democratic fora (Bowles and Gintis, 1986: chs. 4–5). The implication of these critiques is that either authoritative regulation or collective sentiments or both are necessary correctives to the unconstrained pursuit of individual self-interest in market settings if human needs are to be recognised and prioritised.

Turning to material preconditions, the claims of market capitalism are strong. Markets not only utilise the dispersed knowledge of millions of separate actors, but they also provide them with incentives to act on that information in such a way as to maximise efficiency at a moment of time (Hayek, 1948; Gray, 1992: ch. 2). Though the strong claims of Pareto efficiency require unrealistic assumptions, the argument that markets enhance productive or ‘x-efficiency’ remain. The ability of capitalism to produce goods in prodigious quantities and to innovate totally novel kinds of products is of considerable relevance in assessing its contribution to the satisfaction of human needs. However, it is not real-world capitalism that is investigated here, but a model of a minimally regulated market economy.

This model has several major weaknesses according to a long history of economic analysis. The failures of unregulated economic markets to satisfy consumer wants are so well known that I will not detail them here. They include tendencies to monopoly, the inability of markets to supply public goods, the self-defeating production of positional goods and the inefficiency, or diswelfares, caused by the tendency of markets to meet wants in commodified forms (Penz, 1986). Laissez-faire capitalism may be an efficient system for satisfying *certain* wants by means of *commodities*, but that is all. There are further limitations stemming from the untrammelled pursuit of individual self-interest. This engenders profound uncertainties, results in ‘prisoners’ dilemma’ situations where all lose out in the absence of cooperation, and encourages opportunism and short-termism, which harm longer-term conceptions of self-interest.

Second, the distribution resulting from the operation of unregulated markets cannot, even in rich societies, offer entitlements to basic need satisfiers to all citizens (Sen, 1981). Regarding our third material precondition, need transformation, market society will tend to dissolve non-capitalist relations, including those between the sexes. However, recent scholarship contends that gender inequalities are perpetuated via the conjunction of paid and unpaid work and the institution of monogamous marriage. A market economy requires altruistic, collective behaviour on the part of women in the household because their unpaid labour provides a flexible cushion that permits men to respond to market signals (Elson, 1988). Thus, formal equality coexists with gendered inequality, that in turn affects the levels and distribution of need satisfactions in society (Pateman, 1988; Bowles and Gintis, 1986: ch. 4). Furthermore, capitalism can harm those needs directly met in relations either at work or in the community. The autonomy of workers may be undermined once firms and factories become established institutions in market societies and the technical division of labour is extended (Wood, 1982). At the same time, the erosion of community bonds creates new diswelfares for which more and more commodities cannot necessarily compensate (Hirsch, 1976).

To conclude, then, a minimally regulated, free market capitalist society suffers from many drawbacks as an institutional setting within which human needs can be satisfied. On both procedural and material grounds it is found wanting. As Polanyi has argued, a strict market economy (even with the concessions to the existence of other institutions made here) is neither desirable nor logically possible. The implication of much institutional economic analysis, as well as of political science and sociology, is that to realise their procedural and material potential market relations need complementary regulation by public authorities and by networks of more solidaristic relations in civil society – what Etzioni calls the ‘social capsule’ (Etzioni, 1988; cf. from different standpoints Wolfe, 1991, and Gray, 1992). It is much more interesting to investigate various forms of mixed economic systems. But before I do that I should turn to another relatively homogenous economic system – a centrally planned economy.

State socialism

Here the dominant form of economic coordination is planning by a central authoritative apparatus. Though this rules out private property ownership, it does not entail any single form of collective ownership.

However, in historical practice (except in what was Yugoslavia), *de jure* ownership of the bulk of capital and land has been vested in the central state. Again, the extent to which this economic system presupposes a specific political form of the state is disputed. However, in all real-world cases since 1917, and before the revolutionary reforms of 1989, representative democracy was denied and official communist parties exercised a pervasive and powerful role in the state apparatus. It is these forms of property ownership and state that will be assumed in what follows.¹¹

State socialism, inaugurated in 1917, had as its conscious goal to replace market-determined production for profit by planned production for human needs. Of course, such a system can have, and has had, different goals, such as victory in war or crash industrialisation. Moreover, Marx and his followers drew a distinction between communism and socialism, between the terminus and a station along the way. But let us accept, for the purposes of this argument, that Marx's slogan 'To each according to his needs' is indeed the final goal of socialist society. How well is the model state socialist economy sketched above able to realise this goal?

It forms a stark contrast with the previous model of unregulated capitalism. Centralised planning to meet needs takes centre-stage, whereas citizen participation, whether as economic or political actors, is marginalised. In light of our procedural preconditions, there are benefits and disadvantages. On the one hand, codified knowledge can in theory be utilised effectively to identify needs and to marshal resources to meet them, especially in conditions of underdevelopment and scarcity. On the other hand, there are few sites where the experientially grounded knowledge of people can be utilised. They are denied a creative role in the economic sphere. They are also prevented from making claims in civil society and within the workplace. Finally the absence of civil and political rights undermines the capacity of the political process rationally and democratically to adjudicate on different ways of improving need satisfaction.

All these are clear procedural defects. What is more, the one positive feature, a planning apparatus committed to improving human welfare, has in practice severe limits. The political elite is relatively insulated from other points of view, that results in a distortion of the codified knowledge upon which planning is based. The bureaucratic planning apparatus acquires considerable power to pursue its own interests, establishing in the process what has been called a 'dictatorship over needs' (Feher et al., 1983).

As regards our material preconditions, state socialism exhibits several advantages in principle over unregulated capitalism, at least at low levels of development. The planning apparatus can prioritise the production of basic need satisfiers such as basic education, primary health care, basic foodstuffs or family planning services. Entitlements to these can be ensured via such measures as a radical redistribution of land assets, full employment policies and direct public provision of services (though regional variations in distribution are often harder to combat). Need transformation can also be enhanced via policies to educate and improve the status of women, to control births, and to provide alternative forms of child care.

Against this must be set the case that central planning encounters growing problems of coordination, and notably so as economic development proceeds. Centralised planning, even aided with the most modern computers, cannot effectively coordinate economic transactions in a modern economy where the number of different products runs into the millions. The result is that large-scale projects and homogeneous products are given priority at the expense of many essential yet disparate need satisfiers. Compartmentalisation of interests within the planning apparatus interferes with the adjudication between projects. More problematic, at the enterprise level it is extremely difficult to set targets to motivate managers and workers to produce what the plan requires. Where targets are expressed in physical terms, factories have an incentive to distort products in order to achieve target specifications. This results in shortages and poor quality, that embraces many key need satisfiers such as housing (Nove, 1983).

At the distribution level too, the commitment to work-related rewards can discriminate against those, especially women, with a more tenuous link with paid labour, while special nonmonetary benefits for the elite undermine overall equality. There is no countervailing system of distribution to that determined by the official economy (Szelenyi, 1978). Despite a formal commitment to political and economic equality for women, the structural properties of state socialism deny this in practice. Shortages and the attendant queues add to the double burden stemming from a gendered division of domestic labour. Not only does this harm the need satisfaction of women, it can interfere with the effectiveness of the need transformation process and thus the overall levels of need satisfaction.

As with market economies, analysis and evidence suggest that a relatively pure command economy is neither desirable nor feasible, according to our need-related yardstick. This is perhaps more surprising since

both the intent and ideology of state socialism have proclaimed the meeting of human needs as an explicit and high-priority goal. Yet the conclusion is clear: markets and networks in civil society are necessary to overcome the deficiencies of a pure central planning model. And indeed, this is what was found in all state socialist societies between 1917 and 1989, albeit it in distorted forms. All exhibited, alongside the official economy, what Markus (1981) calls 'second' and 'third' economies. The second economy was comprised of self-employed and private production units together with 'moonlighting' and other unlawful enterprises. The third economy embraced the system of 'tolkachi' – networks of informal relations between and within the bureaucracy and state enterprises formed to overcome the mutual problems that they faced.

Community, communitarianism, communism

If community as a generalised system harks back to a mythical past, communism reaches forward to a utopian future. As developed by the utopian socialists and even their critic, Marx, it is a society of absences: without markets and money, without state, without hierarchical, horizontal and sexual divisions of labour, without inequality and scarcity. The tension between individual self-interest and collective interest is overcome through the transformation of social relations and human identity. For many critics, this vision is not logically realisable: it is 'evasive, confused and problematic' (Soper, 1981: ch. 9). In particular, it overlooks the constraints stemming from human psychology, human biology and the limits to the biosphere. Yet the last two decades have witnessed a renewed interest in communitarian alternatives, partly in response to a view that technology and other trends make possible a post-industrial society of one form or another. These take on board some of the above critiques, but hold on to some of the basic tenets of a communitarian position: principles of spontaneous solidarity, relations of reciprocity and small-scale communities with participatory democracy. An example is Gorz's (1982) vision of a dual society, which combines a 'heteronomous' domain of work and authority alongside an autonomous domain of self-determined activity, where the latter is dominant.

In terms of our procedural preconditions, such a model has one major advantage. It permits what Miller calls 'dialogic democracy', a form of negotiation in which genuine learning takes place including learning about basic needs and how to meet them. People's experiential know-

ledge can be tapped, but sectional interests can be negotiated in a forum that would encourage the reaching of a democratic and rational consensus (Miller, 1989: ch. 9; Doyal and Gough, 1991: ch. 7). Moreover, such democratic negotiation would extend beyond the formal political arena to embrace work relations and certain other relations within society.

It is likely that such an arrangement would also permit the utilisation of both codified and experiential knowledge in the domain of production. The deficiencies of markets and state planning can be mollified if networks and negotiation generate alternative sources of information and motivation. This is more probable if they are based on relations of trust, reciprocity and moral obligation (Boswell, 1990: ch. 2). Such a moral solidaristic community could prioritise the production of need satisfiers, distribute them according to urgency of need, and re-order interpersonal relations to develop gender equality and more effective need transformation. In this way, collective needs can be asserted over individual wants as the dominant goal of a communitarian economy.

Against this must be set several fundamental problems. First, if such communities are 'all-embracing' like medieval monasteries, they risk coercing their members into agreement about the ends of life and the goals that individuals ought to value and pursue. Individuals are 'engulfed' by the community – in other words, one of their basic needs, autonomy, is severely restricted (Plant et al., 1980, ch. 10; Miller, 1989: ch. 9). This can be overcome if membership of communities is voluntary, as Nozick (1974) recommends. But then another problem is faced: some individuals – 'misfits' and outsiders – would not be accepted by any community. Excluded from the only social systems that offer participation and sustenance, it is almost certain that their need satisfaction would be threatened. A more general procedural problem arises because solidaristic communities create distinctions between insiders and outsiders, which inhibits the fostering of universalisable interests and thus the identification of true human needs. To overcome this requires some higher level of authority that is separate from and superordinate to the separate communities.

In terms of our material preconditions, communitarianism appears at first sight superior to the other two alternatives. But again, this is to simplify the relations of modern economies (or implies turning one's back on the whole process of modernisation and the progress in meeting needs that this has sustained). Most communitarian solutions pay insufficient attention to the problem of coordination. For Gorz, local exchange of the products of small-scale enterprise would be via the

medium of 'labour-time vouchers'. But as Nove (1983) has argued, either this requires very small-scale production, in which many of the productive advantages of contemporary capitalism are lost, or the value of the vouchers would need to fluctuate according to supply and demand, in which case they would be indistinguishable from money. Intercommunity relations on a broader scale are still more intractable.¹² Moreover, communitarian advocates like Gorz tend to evince a romantic view of unpaid, communal and household labour, ignoring much recent feminist scholarship and its argument that 'community is fundamentally a gendered concept' (Finch, 1984: 12).

For these and other reasons not adequately covered here, 'communities', even democratic and need-prioritising ones, cannot by themselves mobilise the resources necessary to optimise the need satisfaction of their members. I have spent a short time on this third set of economic institutions to disabuse any lingering belief that 'community', 'reciprocity', 'networking' or 'negotiation' can by themselves provide a third alternative to economic organisation and a surer way to meet human needs. It also sets the scene for an integration of community with market and state, as proposed by some recent writers.

Summary so far

Table 2.2 summarises the pros and cons of the three 'pure' or paradigmatic systems of economic coordination as frameworks for the optimisation of need satisfaction. We may summarise their deficiencies another way by returning to the ideas of need that they each embody. Free market capitalism essentially equates needs with wants, an equation that is logically flawed and morally untenable (Doyal and Gough, 1991: chs. 2 and 6). State socialism by contrast operates with an idea of universal and objective need but equates this with the views of the party and state functionaries. Need is identified with one particular form of codified knowledge, which reflects constellations of power incompatible with the pursuit of truth. Communitarian models interpret need as those interests defined by particular cultural groups or communities. They thus make relative the idea of universal human need and denude it of an evaluative or moral role. None of the three systems embodies a notion of human need that is universal and objective, yet open-ended and cumulative.

I now turn to see how far this ideal can be realised within various forms of mixed or 'impure' economic systems. I focus here solely on mixed *capitalist* systems, that is, where markets have a dominant role in

Table 2.2 Evaluation of three 'pure' economic systems

Criterion	Market: unregulated capitalism	State: state socialism	Community: communism
P1. Rational identification of needs	Absent. Unregulated markets weaken 'social capsule'/ collective ethic	Prioritisation of, but dictatorship over, needs	Rational use of codified knowledge but incorporation of individuals
P2. Use of practical knowledge	Markets tap but distort dispersed knowledge	Absent and discouraged	Rational use of dispersed knowledge within, but not between, communities
P3. Democratic resolution	Representative democracy weakened by market exit and inequality	Certain social rights but absence of civil and political rights	Widespread dialogic democracy but absence of codified rights
M1. Production of need satisfiers	Efficiency in commodity production but market failures and absence of non-commodity forms	Prioritisation of need satisfiers but information and motivation failures	Prioritisation of need satisfiers but coordination problems between communities
M2. Distribution according to need	No entitlements to need satisfiers	Entitlements distorted by abuse and labour market links	Entitlements to need satisfiers within, not between, communities
M3. Effective need-transformation	Potential for autonomous learning harmed by inequality in work and unpaid household labour	Autonomous learning restricted at work, in consumption, and via unpaid household labour	Greater free time plus autonomous domain but gendered/ household inequalities?

economic coordination and where private ownership of the means of production is the dominant form of property ownership. According to the tripartite model developed above, this generates two fundamental forms of capitalist mixed economy. The first is *statist* capitalism, where market coordination is accompanied by a substantial degree of state steering of the economy. The second is *corporatist* capitalism where the market is accompanied by coordination via networks of negotiation

between key economic actors. Where both of these are absent, or weakly developed, or deliberately undermined we may identify a third variant: *neoliberal* capitalism.

I now look at each of these in turn. Though we are here moving from 'as pure as possible' economic systems to 'impure' or mixed systems, I continue to abstract from the complexities of the real world and to analyse models of idealised mixed systems. A real-world economy, such as Germany's, will in practice exhibit features drawn from all these in a bewildering array.

Statist capitalism

Statist capitalism may be interpreted as a return to seventeenth- and eighteenth-century mercantilism. But it can claim at least three intellectual and historical sources since the emergence of industrial capitalism in Britain in the later eighteenth century. First, and most important, is the continental European perspective of statism associated with the writings of Weber, Hintze, List and Wagner, among others (Skocpol, 1985). This stresses the existence of 'states' (as distinct from 'governments') that develop extensive capacities and a wide range of roles. These states engage in relations with other states, promote economic development deemed essential for the competitiveness of second-order industrialising countries, and develop social policies to enhance social integration. This case for statist capitalism is essentially integrative and developmental. Second is the 'socialised liberalism' of Anglo-Saxon thought, beginning with J. S. Mill and continuing in the writings of other 'reluctant collectivists' such as Keynes and Beveridge. Here the case for state intervention may be typified as pragmatic and reactive. Third is the strategy of welfare statism developed by Fabian social thought and social democratic politics in the twentieth century. Here the state's role is proactive and egalitarian. These three strands – conservative, liberal and socialist – have thus generated different conceptions of the economic and social role of the state. There has been no single route to statist capitalism.

To help define the concept of statist capitalism further, we need to consider in more detail the distinctive roles of the state in economic and social intervention. These can be classified in various ways. According to Putterman (1990: ch. 2.5), capitalism can be modified by means of four types of intervention. First and, he argues, least contradictory to the essence of capitalism, is to correct for market failures such as monopoly, externalities and the inability to provide public goods. Second is to modify the distributive results of market mechanisms combined with

private ownership via an assortment of redistributive policies. Third, there is a set of reactive macroeconomic interventions intended to correct for systemic market failures in the factor markets for capital and labour, of which Keynesianism is the best-known example. This third form indicates that the market cannot be self-regulating in important areas of activity. Fourth, there are proactive interventions to steer the economy in a desired direction. These last, including indicative planning and specific industrial policies, attempt to provide direction to economic activities at the industry or enterprise level. I will define statist capitalism, as an ideal type, as a system where all four levels of state intervention are practised.¹³

Let us now evaluate statist capitalism according to our procedural and material preconditions for optimising welfare. In theory, it can overcome the deficits of laissez-faire capitalism. In terms of our procedural preconditions, collective interests can be defined in a non-utilitarian way and asserted over powerful sectional interests. State planning can provide the means to prioritise certain basic needs as goals of policy and can act to modify or steer the market where it prevents their achievement. Democratic, educational and administrative processes can supplement, or where necessary override, self-interested action in the market to impose universal, need-oriented values over the pursuit of private wants and sectional interests.

In the material domain, market failures can be compensated or regulated to improve the composition of output in a welfare-oriented direction. Thus, monopoly and externalities can be taxed or regulated by public authority. At the same time, the strengths of markets as mechanisms for identifying need satisfiers, notably those that take the form of commodities and are congruent with wants, are retained. At the distribution stage, the lack of entitlements of the poor and the maldistribution of resources according to need can be corrected by using the familiar instruments of the welfare state. These can include not only taxation, social security benefits and public services, but also wage and price, and training policies designed to alter the distribution of primary incomes. Last, the effectiveness of the need transformation process can be improved in at least two directions. Equal opportunities legislation, public support for child care and other family-support policies can diminish gender inequalities, while employment programmes of various kinds can reduce unemployment and thus directly enhance economic participation with benefits for individual autonomy.

These potential benefits of a 'mixed economy welfare state' have come under attack in recent years from proponents of the New Right, who

contend that government failure is always and everywhere both more likely and more pernicious than market failure. In practice, they contend, none of our procedural preconditions is met in a mixed economy, even if they were desirable. State intervention is not rational because it cannot concentrate the dispersed knowledge of actors in a single body; to imagine otherwise is to suffer a 'synoptic delusion'. Nor is such intervention universal in intent, since governments are susceptible to numerous pressures from organised interest groups seeking to advance their own interests and these pressures are self-reinforcing. At the same time, state action weakens the effectiveness of markets and thus their ability to identify those needs that are congruent with wants. State intervention also generates inefficiency and 'sclerosis' in production to meet needs, both directly within the public sphere and indirectly by harming the efficiency of the private sector in a variety of ways. Thus, democratically managed capitalism negates its own goals and undermines the material basis for satisfying its citizens' needs.

Many of these criticisms have in turn been criticised by writers within the institutionalist school. The public choice models of Downs, Olson and others do not in fact predict human behaviour very well. People often act unselfishly or in 'unproductive' ways by voting in elections, by not cheating when nobody is looking, and so on. Furthermore, these neoliberal critics adumbrate an essentialist view of the market and the state. Neither is situated in relation to the other, or in the context of the moral and social order of which it is a part.¹⁴

Nevertheless, a new institutionalist analysis would recognise certain elements of truth in the neoliberal critique and add some more defects of its own. An interventionist state entails a danger of clientelist politics, wherein special interest groups can lobby or 'capture' state agencies to pursue their specific interests. This danger is especially pronounced when state intervention expands from the first to the fourth of the categories above – from parametric regulation to enterprise-specific regulation. Rather than the state representing the public interest and imposing generalisable goals over sectional interests, sectional interests may extend the pursuit of their goals through political as well as market means (Skocpol, 1985; Rueschemeyer and Evans, 1985). By definition, this will impede the identification of universal needs. At the same time state, intervention may lack legitimacy and stability. Neither bureaucratic nor technocratic rationality is adequate once state intervention shifts from allocative to productive activity (Offe, 1975; Mayntz, 1983).

Turning from procedural to material preconditions for improved need satisfaction, statist capitalism is still vulnerable, although it exhibits

several advances over minimally regulated capitalism. States may lack either the willingness or the capacity to intervene in the appropriate ways (or both). The former requires a minimum degree of autonomy from dominant forces in civil society, thus making it vulnerable to the problems discussed above. It also requires bureaucratic capacities, including material resources, a bureaucratic *esprit de corps* and access to relevant expertise, which are not always forthcoming. Moreover, where they are forthcoming, they may well generate further limits. The limits of bureaucratic state regulation are by now well rehearsed. The lack of detailed, 'thick' information, or experiential knowledge, leads to the formal application of rules which can generate inefficiencies (Rueschmeyer and Evans, 1985). Where the state is directly delivering need satisfiers in the form of public services, this can lead to the abuse of clients and the provision of inappropriate satisfiers (Doyal and Gough, 1991: ch. 14). Together these procedural and material defects can generate an authoritarian, corrupt and (what is referred to in Brazil and elsewhere as) an 'anti-welfare state', which acts to protect the interests of powerful groups at the expense of the needs of the mass of the people.

At best, a proactive state is no more than a means for the achievement of a needs-oriented policy: it may be a necessary condition, but it cannot be sufficient. Statist capitalism may be more conducive to meeting human needs than unregulated capitalism, but the answer is indeterminate in the absence of further information on the direction and nature of state policy. To answer this we must turn to the nature of civil society and the case for a third mode of economic coordination.

Corporatist capitalism

Institutionalist economics argues that successful market relations need to be 'embedded' within not only a system of public authority, but also a network of relations in civil society. Market transactions in conditions of uncertainty require a degree of trust between the parties that they will behave according to the agreement (Bardach and Eccles, 1991). On this basis, networks of relationships that sustain trust are featured as a third form of economic coordination. In contrast to market or hierarchy, these coordinate through less formal, more cooperative and negotiated means. These in turn enhance a longer-term perspective and a broadened conception of self-interest, which help reproduce the networks over time.¹⁵

The other major contributor to a renewed interest in such a 'third way' has been the emergence of democratic 'corporatism' notably in

Western Europe in the 1960s and 1970s, which has been theorised by Schmitter, Lehmbruch, Streeck and others (see Williamson, 1989 for a survey). There are two basic components: first, the centralised organisation and representation of major interest groups in society, and their mutual bargaining, and second, the regular incorporation of these groups into the policy-making process via bargaining with the state and political parties (sometimes called 'concertion'). Katzenstein (1985: 32) adds a third feature of democratic corporatism: an ideology of social partnership that integrates differing conceptions of group interest with vague but firmly held notions of the public interest.

This third form of economy has been conceptualised as a distinct 'associative' logic of social order by Streeck and Schmitter (1985) and as a 'democratic communitarian' third way by Boswell (1990). Both recognise various historical antecedents, including Durkheim's writings on solidarity and corporations, personalist Christian democratic thought, the doctrines of the Roman Catholic Church (in particular the papal encyclicals of 1891 and 1931), and the associationalism of Saint Simon and early socialists. Boswell has done most to theorise this third way as a derivative of communitarian thought. Rejecting all-inclusive communities, for reasons similar to those advanced above, he argues in favour of fostering 'fraternity' and participation in larger groups. He claims that the nation-state is still the prime site of such community identification today (Boswell, 1990: ch. 3). This is close to Miller's (1989: ch. 9) argument that nations are the only possible form in which an overall community can be realised in modern societies, so long as this community is sited within a political organisation of citizenship.

Economic forms of such a national community can be fostered in various ways, including corporate public responsiveness and collaborative industrial relations. In all these examples, 'external colloquy' is the crucial element that prevents organisations from pursuing their own narrow goals and from defying the public interest. Perhaps the most notable modern-day example of this 'public cooperation' is corporatist participation in certain European countries. This parallels Streeck and Schmitter's (1985) characterisation of 'associationalism' as a distinct model of social order in the modern world.¹⁶ Here collective actors of functionally defined interest associations are constrained and enabled to relate and negotiate with each other. 'The central principle is that of concertation, or negotiation within and among a fixed set of interest organisations that mutually recognise each other's status and entitlements and are capable of reaching and implementing relatively stable

compromises (pacts) in the pursuit of their interests' (Streeck and Schmitter, 1985: 10).

To explain the emergence and persistence of these structures of 'public cooperation' or 'responsible associative governance', two distinct approaches have typically been adopted drawing on Durkheim and Marx respectively. The first looks for features in the social structure that enhance solidarity, such as the continuity of organisations, their numbers in relation to the size of the nation, the background proximities between decision-makers and the salience of communitarian beliefs (Boswell, 1990: chs. 5–9). The second, however, explains them in terms of class structure, power and conflict. Workers have an incentive to unite and pursue collective action to overcome their individual powerlessness in the labour market. The two dominant power resources that they can construct are trade unions and class-based political parties. According to Przeworski (1986), it would be rational for a workers' movement, under plausible assumptions about the behaviour of capitalists and workers, to pursue a strategy of accommodation with capital. Thus corporatism is another label, and a confusing one, for societal interclass conflict and bargaining (Korpi, 1983; Esping-Andersen, 1985, 1990).

On the basis of this second perspective, Katzenstein (1985: ch. 3) distinguishes two fundamental forms: *liberal corporatism* and *social corporatism*. The former is found where powerful and centrally organised business communities confront relatively decentralised and weak labour movements. The latter is found where there exist strong, centralised and politically powerful labour unions, with or without an equivalent business community.¹⁷ The work of Esping-Andersen (1990) suggests that liberal corporatism is often combined with the influence of Christian democratic ideology, whereas social corporatism is the associate of social democratic ideology. Thus, the two explanations may be combined to explain in different ways the persistence of two distinct forms of corporatism, concertation and public cooperation. Both, however, envisage corporatist arrangements as a complement to the role of market and state. Most analyses also assume a substantial proactive role for the state. Associationalism is thus, in practice, combined with statism to form a hybrid third form of capitalism.

What, then, are the pros and cons of corporatist capitalism as a procedural and material framework for the improvement and optimisation of need satisfactions? At a procedural level corporatist capitalism offers several advantages. By encouraging reciprocity, shared norms and trust, it nourishes a rational yet democratic process of identifying

collective interests and thus, potentially, universal human needs. By retaining the informational mechanisms of the market it enables practical knowledge to be tapped. Yet by fostering dialogic democracy, it discourages a short-term view of economic self-interest and the incentive for those with money to exit while enhancing the mechanisms of voice. Furthermore, Offe and Wiesenthal (1980) argue that in the process of class struggle and bargaining workers' organisations can only achieve their interests by partially redefining them. This 'dual logic of collective action' means that the labour movement interprets material well-being broadly, moving beyond sectional economic interests toward something approaching a conception of broader human needs. This suggests that institutions of social corporatism will tend to pursue need-related goals to a greater extent than those of liberal corporatism.

Against this must be set several risks. In the absence of a universal framework for public cooperation, corporatist practices can degenerate into cartels, particularism and clientelism. Both a relatively autonomous state and a shared normative framework are necessary to counteract these threats. Bargaining between organised groups by definition excludes unorganised groups, that are likely to comprise those whose needs are most clearly ignored and whose 'claims-making' needs to be most encouraged. This also contributes to an imbalance of power, which undermines the effectiveness of democratic practices. It is probable, however, that social corporatism promises a more inclusive and equal system of interest representation than liberal corporatism and is therefore less open to these criticisms. Lastly, the national basis of associationalism today threatens to exclude outsiders, such as migrant workers, from the benefits of citizenship and participation.¹⁸

Our material preconditions for need satisfaction are more likely to be met in several respects than under the previous economic systems considered here. By supplementing market and state mechanisms with networks of interest intermediation, corporatism offers several gains in the production of need satisfiers. Information passed through networks is 'thicker' than information obtained in the market and 'freer' than that communicated in a hierarchy (Kaneko and Imai, as quoted in Powell, 1991; cf. Elson, 1988). Longer-term perspectives will also foster the production of more efficient services and programmes to meet needs. According to Streeck and Schmitter (1985), 'private interest government' more effectively combines policy formation with policy implementation and thus enhances the delivery of specific need satisfiers.¹⁹

As regards distribution, democratic communitarianism is likely to prioritise policies to eliminate poverty, defined as a degree of deprivation

that seriously impairs participation in one's society (Boswell, 1990: ch. 3). In so far as this is so it will aid the distribution of satisfiers according to need. Social corporatism is likely to go further and add a more radical redistribution to its agenda. The emphasis on worker participation is likely to promote the pursuit of need-related policies within the production process. However, the impact of corporatist capitalism on the need transformation process is at best neutral or indeterminate. In so far as it prioritises production-based interest groups, it could act to marginalise women and the household sphere. The historic influence of Catholicism in European variants of liberal corporatism has imparted a bias against gender-equality policies that is absent in social corporatism.

Neoliberal capitalism

The 1980s have witnessed a reaction against *both* statist and corporatist capitalism on the part of those arguing for a restoration of minimally regulated capitalism. This combines elements of liberal and conservative thought in a novel combination, dubbed 'the free economy and the strong state' by Gamble (1988). This New Right programme is of course associated with the Thatcher and Reagan administrations in the United Kingdom and the United States. In many Third World countries, it has been imposed from the outside via IMF-led structural adjustment programmes.

I will deal with this third form of contemporary capitalism briefly, since it seeks to re-establish a system of minimally regulated capitalism that has already been surveyed. However, it does introduce a new element: the paradoxical development of the powers of the state in order to 'roll back the state'. This stems in particular from the argument of public choice theory, that interest group, bureaucratic and electoral pressures generate a continually expanding but inefficient set of state interventions in the economy and society. Thus, the modern democratic state subverts the freedom of the market order (Dunleavy and O'Leary, 1987: ch. 3). To overcome this requires a strategy to reduce the powers of both the state apparatus and organisations in civil society. Thus, two characteristic policies flow from this: on the one hand, deregulation, privatisation and tax cuts, and on the other, a restatement of the rule of law and a reduction of the powers of trade unions and other institutions that lie between the state and the individual (Gamble, 1988: ch. 2).

It is likely that such a combination of policies will prove to be harmful to our procedural and material preconditions for need satisfaction. The advantages and deficiencies of minimally regulated capitalism have

already been rehearsed. To the negative overall balance must here be added, however, the deliberate use of state power, not to further collective, generalisable goals, but to buttress the pursuit of individual interests and the market order. Furthermore, state power is also used to disperse the networks of corporatist negotiation that might form the alternative basis for the emergence of generalisable interests. Bereft of the countervailing power of public authority and of networks of public cooperation, we would predict that this form of capitalism will serve less well as a societal framework for improving human need satisfaction than corporatist capitalism and many forms of statist capitalism.

Conclusion

Table 2.3 summarises the pros and cons of the three mixed forms of capitalism. Neoliberal capitalism, I predict, would be no more conducive to human flourishing than minimally regulated capitalism. Indeed, its defining feature according to Gamble (1988) – a combination of ‘free market and strong state’ – promises a poorer performance. It is bereft of both the countervailing power of public authority and the networks of public cooperation. This form of capitalism has a poor chance of realising the procedural and material framework for improving human need satisfaction identified earlier.

The potential impact of statist capitalism on human well-being is, I conclude, indeterminate. While it has a potential to correct for the tunnel vision and market failures of minimally regulated capitalism, it also contains a potential for authoritarian, clientelist and bureaucratic features that distort both procedural and material effectiveness. At best, a proactive state is no more than a means for the achievement of a needs-oriented policy: it may be a necessary condition, but it cannot be sufficient. Statist capitalism may be more conducive to meeting human needs than unregulated capitalism, but the answer is indeterminate in the absence of further information on the direction and nature of state policy.

In principle, corporatist capitalism permits the dominant market mechanism to be regulated by both public action and social constraints collectively negotiated by key economic actors. Thus, it has the potential to overcome market and state failures in the material realm and to foster some form of dialogic democracy in the procedural realm. Against this must be set the danger that unorganised groups will remain excluded from the corporatist decision-making bodies, and thus that their needs will be overlooked or overridden. Though this danger is

Table 2.3 Evaluation of three mixed economic systems

Criterion	Statist capitalism	Corporate capitalism	Neoliberal capitalism
P1. Rational identification of needs	Identification of certain collective interests but elite domination	Social capsule and collective ethic favour identification of needs	Absent. Both market and state weaken 'social capsule'/ collective ethic
P2. Use of practical knowledge	Indeterminate potential to improve market effectiveness	Potential to combine market and network knowledge but exclusion of unorganised	Market-based knowledge fostered; claimsmaking discouraged
P3. Democratic resolution	Wider domain of public sphere but bureaucratism/ clientelism	Nurtures dialogic democracy but exclusion of unorganised	Market and state used to restrict democratic public sphere
M1. Production of need satisfiers	Potential to overcome market failures but bureaucratic failures	Potential to overcome market and bureaucratic failures	Efficiency in commodity production but market failures and absence of non-commodity forms
M2. Distribution according to need	Indeterminate potential to redistribute according to need	Social entitlements to basic need satisfiers likely	No social entitlements to need satisfiers
M3. Effective need-transformation	Indeterminate potential to improve labour and gender inequality	Social corporatism: potential to improve labour/ gender inequality	Market and gender inequalities in labour and household

greater under liberal corporatism, it is still present under social corporatism, particularly for groups identified according to extra-economic criteria such as women and ethnic groups.

To arrive at some definitive ranking of these different sets of economic institutions is not possible in the absence of explicit trade-offs between our six preconditions. While we argue that Rawls (1972) and the work of some of his followers, such as Pogge (1989), provide some important signposts to help in answering this question, we do not pretend to advance a comprehensive solution (Doyal and Gough, 1991: chs. 7 and 11). My own view is that the weight of argument emanating from institutional or political economy theory favours corporatist capitalism

on both procedural and material grounds, and within this category it favours social over liberal corporatism. Neoliberal capitalism appears to offer the poorest framework for optimally satisfying universal human needs, while statist capitalism is indeterminate.

Let me conclude by noting the two ways in which this analysis could be advanced. One is normative and entails enquiring whether feasible alternative socioeconomic arrangements could perform better than social corporatist capitalism in meeting human needs. It is important to repeat here that only mixed *capitalist* systems are considered here. The claims of market socialism or the economics of partnership, for example, are not investigated.²⁰ The second route is empirical. It entails constructing operational indicators of these idealised economic systems that can be applied to real-world national economies. These can then be correlated with the historical record of substantive need satisfaction of different nation-states. In this way, the conclusions reached in this paper can hopefully be tested against real-world evidence (see Chapter 5).

Notes

- 1 First published in *The Journal of Economic Issues* 28(1), 1994, pp. 25–66. Reprinted from the *Journal of Economic Issues* by special permission of the copyright holder, the Association for Evolutionary Economics.
- 2 For a survey of research on the former, see Wilensky et al. (1987). For a critique and the case for a focus on policy outputs, see Alber et al. (1987) and the work of Esping-Andersen (1990).
- 3 For the moment, too, we leave open the question of whether all six of these societal preconditions are compatible, or whether there are conflicts between any of them.
- 4 See Hodgson (1988) and Etzioni (1988). The labels are confusing here. ‘The new institutionalism’ usually refers to modifications of neoclassical economics, which take into account such factors as the dynamic nature of all economic life as an adjustment to uncertainty (Hayek, 1948, and the Austrian School) or the problems stemming from information and transaction costs and the incentives these give for the establishment of durable economic institutions (Coase, 1937, 1960; Williamson, 1985). These all, however, retain a commitment to rational, maximising individuals as the basic units of analysis, a feature explicitly rejected by the American institutionalist school of Commons, Veblen and others described in Mayhew (1987).
- 5 However, Polanyi can be criticised for failing to ‘embed’ the concept of the market itself within social relations and for thus retaining an essentialist idea of markets. See Lie (1991).
- 6 Examples include Katzenstein (1985), Hall (1986), and Weir et al. (1988). For a general analysis, see March and Olsen (1984).

- 7 As Cammack (1989) notes, this second strand is close to an 'integrated Marxist account' that combines class organisations and a relatively autonomous state acting within a field or general logic of international capitalism. Nor does the first strand necessarily entail the second, or vice versa. Yet, as Cammack points out, some notion of systemic prerequisites, or 'environmental incentives', is necessary if one is to assess the extent to which institutions are functional or dysfunctional. For this reason, and because the two are so often intertwined, I will take the two strands together as constituting the structural-historical strand of new institutionalism.
- 8 For a related but different taxonomy, see Sjöstrand (1992). As I will argue below, no real-world economy or mode of production relies solely on only one of these mechanisms; and this applies also to most real-world institutions such as the family.
- 9 As do Streeck and Schmitter (1985). As a result of this identification they posit a fourth 'associative' model of social order distinct from that of 'community'. However, I will argue below, following Boswell (1990), that their associational order can be considered as a subset of a broadly communitarian mode of economic coordination.
- 10 This paragraph draws in particular on Hodgson (1988: chs. 7–9), Penz (1986), Liess (1976), Hirsch (1976) and the essays in Ellis and Kumar (1983), notably those by Crouch, Ellis and Heath, and Kumar.
- 11 This section draws on Westoby (1983), Nove (1983), Feher et al. (1983), Nove and Nuti (1972), Kornai (1980), and Hodgson (1984: ch. 11).
- 12 One person to address these issues is Devine (1988), who proposes a comprehensive system of interest representation at national, regional, industry and enterprise levels, coupled with an institutionalised form of 'negotiated coordination' to determine all investments and capacity changes in production units. He also specifies the roles of a democratic state in regulating the economic system. However, if this system is designed to *supplant* market-determined prices in many parts of the economic system, it is extremely likely that familiar problems of interest group behaviour would be encountered. For example, the demands such a committee system would make on citizens' time would encourage many, especially the least organised, to opt out. If it is advocated as a third form of coordination to *supplement* state and market relations, then it has much to offer in developing a mixed form of economic system discussed below.
- 13 On this basis, Katzenstein (1985: 20) regards Japan and France as exemplars of statist capitalism in the developed capitalist world, though his conclusion is dependent on the existence of the third category of corporatist capitalism discussed below. See also Shonfield (1965: chs. 5 and 7) on France.
- 14 At times, this generates a marked inconsistency between the analysis of interest group formation and the requirement for restraint and virtue in the public sphere, an inconsistency that Hayek overcomes by advocating traditional values and a 'strong state' to restrain the rationalist pursuit of self-interest. This recognises and reinstates the interdependence of markets on state and community, but in a way that threatens our third procedural precondition.
- 15 Complementarity, accommodation and reciprocity are said to characterise successful network relations in economic production such as those in Japan.

See readings in Thompson et al. (1991) and Hodgson (1988). It is interesting that the genesis of reciprocity is explained in two different ways, corresponding to the division between economic and sociological/anthropological paradigms discussed above. On the one hand, game theory shows how cooperative behaviour can enhance individual interest-satisfaction. On the other hand, anthropologists emphasise the normative standards and obligations that sustain exchange relations. The centrality of cooperation and networks is agreed, but for very different reasons (Powell, 1991).

- 16 Streeck and Schmitter (1985) are explicit that associations signal a fourth order of economic coordination distinct from market, state and community. However, elsewhere they see them as a series of pragmatic adjustments within capitalist society (1985: 23), with historical antecedents in late medieval cities (1985: 10). They also share several features in common with the community order, for example, a logic of interdependence between actors, compared with one of independence in markets and dependence in hierarchies (1985: 11) and a central role for negotiation between roughly equal entities – the difference being that the entities are organisations rather than individuals. For these reasons, and in the light of Bowell's (1990) arguments, I consider that they are better conceived of as modern forms of community order within mixed capitalist economies.
- 17 Kohli (1987) argues that the balance of class forces also explains differences in the alleviation of poverty between three states in India, considering that the Communist regime in West Bengal acted like a third world social-democratic government. Penz (1993) considers that this, along with similar historical examples of class conflict, invalidates the 'consensual' perspective developed here. However, the fact that inter-group bargaining develops out of protracted class struggle does not undermine the fact that a new mechanism of coordination has evolved. Moreover, as in the rest of this chapter, my arguments on social corporatism do not translate directly and without mediation to real economies in the real world.
- 18 For an interesting debate on some of these issues, see the paper by Cohen and Rogers (1992) and replies to it in a special issue of *Politics and Society*.
- 19 More recently, Streeck and Schmitter (1991) have argued that the age of national corporatism ended in the 1980s in the face of shifts in the global economy, the demise of national sovereignty, and the decay of traditional interest associations. For indirect evidence that corporatist national policy regimes continue to persist, see Pfaller, Gough and Therborn (1991). More strongly, it is contended that corporatism is a national form without any international equivalent in the advanced capitalist world let alone the Third World. In the introduction to this paper I note that I cannot tackle these international issues here though they are undoubtedly of profound importance for the viability of the negotiated coordination model. The answers to these points do not undermine the case for corporatist capitalism as a framework for satisfying human needs but they do raise questions about its feasibility.
- 20 These issues are well explored in Elster and Moene (1989) and Meade (1989).