

CONTRADICTIONS OF THE WELFARE STATE

By Claus Offe

Edited by
John Keane

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Volume 16

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CLAUS OFFE

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JOHN KEANE

 **Routledge**
Taylor & Francis Group
LONDON AND NEW YORK

First published in 1984 by Hutchinson & Co. (Publishers) Ltd

This edition first published in 2019

by Routledge

2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN

and by Routledge

711 Third Avenue, New York, NY 10017

Routledge is an imprint of the Taylor & Francis Group, an informa business

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British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-138-61373-7 (Set)

ISBN: 978-0-429-45813-2 (Set) (ebk)

ISBN: 978-1-138-61301-0 (Volume 16) (hbk)

ISBN: 978-0-429-46482-9 (Volume 16) (ebk)

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Contradictions of the Welfare State

Claus Offe

Edited by John Keane

Hutchinson

London Sydney Melbourne Auckland Johannesburg

Hutchinson & Co. (Publishers) Ltd

An imprint of the Hutchinson Publishing Group
17–21 Conway Street, London W1P 6JD

Hutchinson Group (Australia) Pty Ltd
30–32 Cremorne Street, Richmond South, Victoria 3121
PO Box 151, Broadway, New South Wales 2007

Hutchinson Group (NZ) Ltd
32–34 View Road, PO Box 40–086, Glenfield, Auckland 10

Hutchinson Group (SA) (Pty) Ltd
PO Box 337, Bergvlei 2012, South Africa

First published 1984

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Photoset in 10 on 12 Times Roman by
Kelly Typesetting Ltd, Bradford-on-Avon, Wiltshire

Printed and bound in Great Britain by
Anchor Brendon Ltd,
Tiptree, Essex

British Library Cataloguing in Publication Data

Offe, Claus

Contradictions of the welfare state – (Contemporary politics series)

1. Public welfare 2. Welfare economics

I. Title II. Series

338.4'7/361 HB846

ISBN 0 09 153430 5 cased
0 09 153431 3 paper

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Acknowledgements

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Westdeutscher Verlag for ‘“Crises of crisis management”: elements of a political crisis theory’, which appeared in M. Jänicke (ed.), *Herrschaft und Krise* (Opladen 1973); and for ‘Social policy and the theory of the state’, which was published in C. V. Ferber and F. X. Kaufman (eds.), *Kölner Zeitschrift für Soziologie und Sozialpsychologie*, special issue, **19** (1977).

Surkamp Verlag for ‘“Ungovernability”: the renaissance of conservative theories of crisis’, which was first published in Jürgen Habermas (ed.), *Stichworte zur Geistigen Situation der Zeit* (Frankfurt 1979). The English translation reproduced in this volume is © 1983 by Massachusetts Institute of Technology.

New German Critique for permission to use their earlier translation of ‘Theses on the theory of the state’.

Basil Blackwell Publishers Ltd for ‘Some contradictions of the modern welfare state’.

Studies in Political Economy for ‘The separation of form and content in liberal democracy’.

Das Argument, Zeitschrift für Philosophie und Sozialwissenschaften, **128**, edited by Frigga Haug and Wolfgang Fritz Hau (1981), for ‘Political culture and Social Democratic administration’.

Zeitschrift für Verbraucherpolitik and Suhrkamp Verlag for ‘Alternative strategies in consumer policy’.



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Editor's preface

This volume consists of a selection of the most important essays written by Claus Offe during the last decade. They cover a wide range of subjects related to the present crisis of the welfare state, including the failure of social democracy, the rise of the New Right, corporatism, social policy, political parties, trade unions and new social movements, and the future of democratic socialism. The collection also includes a closely edited interview with Claus Offe, conducted especially for this volume by David Held and myself during the latter months of 1982. It should be emphasized that the essays selected and arranged here have been published and originally presented in a variety of contexts – as research summaries and conference papers, as contributions to books and journals, and (in one case) as a radio broadcast. I have not attempted to render these essays into a falsely homogeneous whole; accordingly, their varying difficulty and rather divergent styles persist. While quite a few of the essays are already available in English, their republication in one volume seemed to be justified by the widespread interest in Claus Offe's writings, by the well-known difficulty of procuring them, and by the growing uncertainty about the future of welfare state capitalism. Several essays are published here for the first time in English. Every other existing translation has been checked carefully and either amended or retranslated entirely.

I should like to express my gratitude to Claus Offe, whose convivial assistance made this project all the more pleasurable. I am indebted to Andrew Buchwalter and Jon Rothschild for their help in the translation work. I am very grateful to Sarah Conibear and Claire L'Enfant at Hutchinson for their highly competent and helpful editorial assistance. For their critical advice and encouragement in preparing this volume, I should also like to express my thanks to Boris Frankel, Ian Gough, David Held, Matjaž Maček, Paul Mier, Chantal Mouffe, James O'Connor, Anne Rogers, Anne Sassoon, David Wolfe and Nancy Wood.

John Keane
London
1983

Foreword

The majority of the essays in this volume were written during years in which the future of the entire political arrangements associated with the welfare state were much less the object of doubts and public debates than they have become today. In as much as all of them anticipate, explore and seek to systematize these doubts, their collation and republication seemed to have some justification. The various arguments presented in this collection have been edited, revised and sometimes expanded, although not to the extent necessary to eliminate their points of overlap and divergent emphases. More recent references and data have not been added to update the texts, most of which rely to an obvious, and perhaps disproportionate extent on the West German social-scientific and political debates of recent years. Thanks are due to Hutchinson for their interest in publishing this collection and, most of all, to John Keane. He has not only translated nearly all of the essays that were written in German, but also edited those written originally in my own Teutonic English. I also benefited from his thoughtful comments and friendly advice at many points. During the past year, the Netherlands Institute for Advanced Study (NIAS) has kindly provided me with the time and facilities to rethink and rework some of these essays.

Claus Offe
Wassenaar
The Netherlands
1983

Introduction

John Keane

The limits of crisis management

These essays on the 'contradictions' of the welfare state appear at a time of considerable uncertainty about its future. Everywhere, and from all sides, there are mounting attacks on the orthodox welfare state policies of stimulating private investment, reducing unemployment, securing 'national defence' and administering various social needs. All that seemed settled and certain about these policies during the last four decades has become controversial. The conditions of international political stability and profitable economic growth, upon which all West European and North American welfare states relied during this period, have been seriously eroded. At the same time, welfare state interventions have become the object of new types of social and political resistance. Nowadays, few are willing to project a certain future for the welfare state.

The origins and consequences of this disruption of the post-war settlement are of central concern to Claus Offe, whose political writings appear here for the first time in one volume in English.^{1*} For readers unfamiliar with these writings, the following remarks may serve as a brief guide to several of their most important arguments. To begin with, it should be emphasized that this volume is not a work of normative political philosophy. Offe's critique of the welfare state does not take sides in the growing philosophical controversies about social justice, needs, rights and the state's responsibility for the welfare of the community.² Although concerned to precisely define and critically analyse the growth and functioning of the welfare state at a rather generic level, he does not speak directly for or against the view that it is a guarantor of well-being and citizenship rights within a more 'just' and 'egalitarian' society. Nor

* Superior figures refer to the Notes and references at the end of each chapter.

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does Offe accept those narrowly descriptive approaches – strongly evident in much of the welfare state literature – which narrate the historical landmarks of state policies or specify their growth and operation using quantitative indicators of expenditures on particular public policies.³ Offe rejects these normative and narrowly descriptive approaches. His theoretical and empirical research is unique, in so far as it attempts to carefully analyse and explain the mechanisms and conditions that lead to systematic *failures* in welfare state policy-making and administration. Offe's desire to clarify the *limits* of the welfare state merges with his overall understanding of the role of social scientific inquiry. While social science is incapable of directly prescribing valid political norms, he proposes that it can nevertheless engage in a form of 'indirect' normative criticism of the system of welfare state capitalism. Social scientific inquiry is capable of questioning the false 'common sense' beliefs that presently serve to sustain this system. Thereby, social science can promote an awareness among social groups of the need for more adequate and desirable decision-making arrangements. According to Offe, this form of indirect normative criticism is possible only in so far as the contemporary social sciences disengage from their present role as pragmatic servants of power. Charged with the function of stimulating democratic action and promoting public awareness of the deficiencies of the present system of welfare state capitalism, the social sciences must abandon their attempt to become providers of clear-cut advice and 'practical' information to policy-makers and administrators. They must instead orient themselves to raising discussion about *crisis tendencies* and, thus, to deliberately identifying *more* problems than the ruling elites in politics, administration and business are capable of accommodating and 'solving'.⁴

Guided by this interpretation of the *critical* function of the social sciences, Offe uses a revised version of systems theory to analyse the present difficulties of the welfare state. This systems-theoretical approach, which draws upon Marxism and the work of the leading German systems theorist, Niklas Luhmann, is especially evident in his earlier writings (see essay one in this volume). Late capitalist societies are analysed as systems structured by three interdependent but differently organized subsystems. These subsystems include the structures of *socialization* (such as the household) which are guided by normative rules; the commodity production and exchange relationships of the capitalist *economy*; and the welfare

state, organized by the mechanisms of political and administrative power and coercion. The welfare state is interpreted, from this perspective, as a multi-functional and heterogeneous set of political and administrative institutions whose purpose is to manage the structures of socialization and the capitalist economy. Offe rejects the narrow and conventional understanding of the welfare state as the provider of social services.⁵ He argues that, since the end of the Second World War, the political subsystem has performed a co-ordinating role which is central to the whole social system. Welfare states have been broadly defined by the goal of 'crisis management', that is, the regulation of the processes of socialization and capital accumulation within their adjacent or 'flanking' subsystems. For example, welfare states have sought to guarantee the survival of privately-controlled exchange processes by minimizing their self-paralysing tendencies. In turn, this economic strategy has depended upon the formal recognition of the actual power of trade unions in the process of collective bargaining and public policy-making and administration. Welfare state administrations have also sought to correct and regulate the processes of socialization through, for example, legal transfers of resources to various groups whose life chances had been damaged systematically by market exchange processes.

Offe points out that the former popularity and effectiveness of these welfare state policies of crisis management has been derived, to some extent, from their multi-functional character and reliance upon various techniques of intervention, such as bureaucratic regulation, monetary transfers and professional expertise. This need of the welfare state to pursue many goals, often through conflicting strategies, has become one of its fundamental sources of weakness in the present period. Its vulnerability is highlighted by the critical systems-theoretical approach, which draws attention to the mutual 'interference' and conflict-ridden interactions between the socialization, economic and political subsystems of late capitalism. Simply stated, Offe's inquiries focus upon the persistent 'boundary disputes' between these different subsystems. The consequence of this analysis, to anticipate Offe's arguments, is that the 'epicentre' of the present contradictions of the welfare state is no longer traced back to the economy and its class struggles (as in many recent Marxist discussions).⁶ Instead, these contradictions are seen to derive from the antagonistic *relationship* between the three subsystems of late capitalism and, more precisely, from the *inability* of

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the administrative-political system to separate itself from its 'flanking' subsystems in such a way that it can facilitate their undisturbed and independent functioning. Offe argues that welfare states are rapidly ceasing to be a viable solution to the socio-political problems generated by late capitalist societies because the systems of economic and social life are not in harmony with the requirements of the administrative-political system. The 'panacea' of state intervention and regulation itself becomes controversial. Welfare state systems generate more policy failures, political conflict and social resistance than they are capable of resolving; the crisis management strategies of the welfare state themselves become subject to new forms of crisis tendency.

Decommodification

This thesis, which has strongly influenced the writings of Habermas,⁷ proposes that the limitations of the welfare state are neither passing phenomena nor random events which have a contingent origin. On the contrary, their systematic and deep-seated character derives from fundamental contradictions within the mode of operation of all welfare state systems. These contradictions implicate welfare states in a process of cumulative self-obstruction. Of decisive importance – the 'primary contradiction' – is the fact that the various branches of the welfare state are compelled to perform two incompatible functions *vis-à-vis* the economic subsystem: commodification and decommodification.⁸ On the one hand, Offe argues, the policy-making and administering activities of the welfare state are constrained and limited by the dynamics of the sphere of economic production. Welfare state policies are supposed to be 'negatively subordinated' to the process of capitalist accumulation. The fact that property in labour power and capital is for the most part private means that welfare state institutions are unable to directly organize the production process according to political criteria. This independence of the capitalist-controlled economy is reinforced by the constant threat of private capital exercising its power *not* to invest – whose aggregate exercise, as we know from the present period, is synonymous with economic crisis. The administrators of the welfare state therefore have a 'self-interest' in giving preferential treatment to the capitalist economy, because the healthy functioning of this economic subsystem (capitalist investment and 'full employment' of labour) is a crucial

condition of the 'mass loyalty' to the welfare state and, indirectly, the vital source of its revenues (which are generated through indirect and direct taxation, tariffs and borrowing from banks). Dependent upon the processes of commodity production and exchange, which are beyond its immediate power to control and organize directly, welfare state administrators must therefore be concerned with preserving the 'private' power and scope of these commodification processes. In sum, the welfare state is required to be a *self-limiting* state.

Offe reasons that this imperative of respecting capital's independent powers of investment and control over the economy cannot in practice be realized. The Keynesian welfare state must 'positively subordinate' itself to the capitalist economy. It is required to both *intervene* in this subsystem and create, through non-market or *decommodified* means, the pre-conditions of its successful functioning. That the welfare state must play a more 'positive' and interventionist role *vis-à-vis* the capitalist economy is evidently a consequence of the latter's self-crippling, cyclical dynamics. In Offe's view, the processes of capitalist accumulation cannot be reproduced through the 'silent compulsion of economic relations' (Marx). Rather, capitalist exchange processes exhibit a constant tendency to paralyse the commodity form of value; the likelihood that elements of labour power and capital will find opportunities for employment and exchange on the market is continually threatened.

In view of the recent controversies about the present crisis of the capitalist world system, it is surprising that Offe does not analyse the self-paralysis of the commodity form in any great detail. Whether, for example, these self-paralysing tendencies are the product of squeezes on the rate of profit due to the improved bargaining power of organized labour, a consequence of monopoly capital's search for investment outlets on a global scale, or the outcome of demand saturation and declining rates of productivity resulting from the exhaustion of the potentials of scientific and technical innovation, remains an obscure point in his analysis. Referring generally to the 'cyclical dynamics' or 'anarchic' character of capitalist accumulation processes, his thesis tends to rely upon a version of the familiar Marxian theory of the 'socialization of production' (essays two and three). Capitalist economic processes are said to accelerate the growth of forms of *collective* action to remedy the consequences of the operations of *individual* units of capital. In other words, the 'movement of private capital'

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systematically produces collectively-experienced outcomes, such as the decay of inner cities caused by capitalist disinvestment and real estate policies, the pollution of regional ecosystems, and a rise in unemployment levels due to the capitalist 'modernization' of industry. While these outcomes can obstruct or threaten the privately-controlled exchange process, they *cannot* be remedied or neutralized by the actions of individual units of capital.

The implication is that the overall survival of the 'unregulated' sphere of capitalist exchange depends upon the continuous application of forms of 'collective regulation'. These self-paralysing tendencies of the capitalist economy also threaten the effectiveness, popularity and fiscal viability of state policies, which are thereby forced to transcend and therefore contradict their self-limiting character. The welfare state must seek to universalize opportunities for the 'free' or unregulated exchange of labour and capital by *intervening* within that exchange process. The maintenance and generalization of 'private' exchange relationships depends upon decommodified (i.e., non-market, state) policies which effectively and efficiently promote the investment of capital and the saleability of labour power through public infrastructure investment, mandatory schemes of joint decision-making and social policy, and the application of various administrative regulations and incentives. In a word, welfare state policies are required to do the impossible: they are forced to reorganize and restrict the mechanisms of capitalist accumulation in order to allow those mechanisms to spontaneously take care of themselves.

This contradiction between commodification and decommodification helps to explain why very few areas of life are now outside the sphere of welfare state policy-making and administration. It also helps to explain why this state performs a multiplicity of roles, some of which have openly 'decommodifying' effects. At any one point in time, Offe contends, the welfare state seeks to maintain the economic dominance of capital, to challenge and erode its power, and to compensate for its disruptive and disorganizing consequences. The intrusion of decommodifying welfare state policies into the economic subsystem is a particularly significant development, for it indicates that the processes of commodity production and exchange are being directly eroded and threatened. Compared with the 'liberal' phase of capitalist development, and in relation to the total social labour power available, the scope and power of wage-labour-capital relationships have been considerably

decreased; processes of commodity production and exchange are both dominant *and* recessive. Within the economy, the freedom of capital to invest and deploy labour power in the interests of profitable accumulation has been weakened, because the 'factors of production' (nature, labour power, capital) once assumed as given have increasingly become the object of specific state policies. The exploitation of labour power and other categories of the population by market processes dominated by capital has become more complicated and, therefore, less predictable and certain.

Offe does not consider whether the present transnational migration of industrial capital to the peripheral capitalist countries is a direct response by capital to this encroachment upon its power.⁹ He prefers to indicate (essays four and six) that the welfare state has increased the 'means of resistance' that are available to social groups in their attempts to minimize the exploitative effects of capital's control over the means of production. For example, state-subsidized housing makes it possible for low income groups to live in better (and otherwise unaffordable) accommodation; the universal provision of health or dental services weakens the significance of factors of chance, profitability or ability to pay in matters of bodily care; the corporate pollution of the local environment ceases to be a private affair, and instead becomes a matter subject to state regulation; various forms of labour protection legislation, unemployment insurance and social security benefits increase the chances of male and female workers successfully resisting their employers and the disciplinary effects of the 'reserve army of labour' mechanism; and so on.

It can be suggested, in response, that this thesis is excessively generic, and that it therefore underestimates the importance of the new forms of social inequality and unfreedom instituted by welfare state policies. For example, the specification of minimum standards of social security provision for citizens typically depended upon the distinction between 'insurance' and 'welfare assistance'. Means-testing, stigma and inadequate and uneven provision were important features of welfare assistance for the 'undeserving poor'. Second-class citizenship and 'poverty traps', in other words, have always been an endemic feature of the post-war extension of 'citizenship rights'. There is also some evidence that Offe understates the degree to which legal-bureaucratic and professional forms of state intervention *weaken* clients' capacity for self-help by continually redefining and monitoring their 'needs'. As a consequence

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of state intervention, workers and other groups are indeed acknowledged to have the status of 'citizens' – citizens who are, none the less, expected to assume the role of passive objects of administrative care and surveillance.¹⁰ Finally, by making the welfare *state* coterminous with decommodified welfare provision *in toto*, Offe's thesis neglects the continuing importance of non-state forms of provision. Private enterprise, charitable and 'voluntary' forms of welfare regulation are not merely 'survivors' of an earlier age, and thus cannot be subsumed under the general rubric of 'state intervention'. The links between state and non-state forms of social administration often involve intricate relations of interdependency, and must be theorized as such.

Offe's novel and suggestive thesis nevertheless remains plausible. He argues forcefully that policies of state intervention, designed to secure and enhance the capitalist-directed processes of commodification, in fact directly or indirectly threaten the collective power of capital. State policies considerably decommodify the daily lives of the population by replacing 'contract' with political status and 'property rights' with 'citizen rights'. This daring thesis has far-reaching implications, and explains why he refuses to speak of the welfare state as a Leviathan-like instrument for the 'reproduction of the relations of production'. He argues that, contrary to the claims of state-derivationist and functionalist Marxism, welfare state policies do not necessarily or automatically 'serve' the 'interests' of the capitalist class. Indeed, in the contemporary period, the continuation of the capitalist economy is no longer vitally dependent – as it was in the 'liberal' phase of capitalism – upon the creation and *expansion* of exchange relations *vis-à-vis* pre-capitalist 'remnants'. On the contrary, capitalist exchange processes are increasingly faced with the inverse problem of behaving *defensively*. They are compelled to shield themselves against the growth of forms of administrative and political power which are not *immediately* determined by the processes of commodity production and exchange.

The fiscal problems of the state

The entanglement of the welfare state within this contradictory development is deepened, Offe proposes, by several closely-related difficulties. At least three of these 'subsidiary contradictions' are identified in this collection of essays. They can be usefully introduced here, because they clarify his more general claim that the

effectiveness and legitimacy of the interventionist welfare state are *systematically* restricted.

One important source of this ineffectiveness and illegitimacy, Offe explains, is the chronic fiscal problem of the welfare state.¹¹ This state's attempts to administer its economic and socialization subsystems has become extraordinarily expensive. The continuous expansion of state budgets is due indirectly to the fact that the viability of capitalist growth (especially within the oligopoly sector of the economy) depends upon ever larger investment projects, huge research and development subsidies, and a continuous rise in the costs of providing 'social overheads', such as health, transportation and energy systems. In order to encourage private capital investment, welfare states must 'socialize' these continuously increasing costs and outlays. One consequence of this is that the borrowing and taxation powers of the state tend to impinge upon the profitability of the capitalist sector. The likelihood of permanent fiscal deficits also grows because there is a contradiction between the ever-expanding costs associated with the welfare state's 'socialization' of production and the continuing *private* control over investment and the appropriation of its profits.

Under conditions of welfare state capitalism, thus, state expenditures persistently tend to outrun state revenues. The point may even be reached where capital openly resists the taxing and borrowing powers of the welfare state and where, consequently, it may be in this state's 'self-interest' to rationalize or 'cut back' its *own* expenditure patterns. These permanent fiscal deficits are evidently difficult to control or reduce. Offe does not consider whether the constant and dangerous growth of armaments production and militarism is partly responsible for these permanent fiscal problems of the welfare state – a lacuna, it may be added, that is symptomatic of his more general failure to analyse the external ordering of welfare states within the global system of nation-state power and conflict. Despite this weakness, his discussion of the inertia of welfare state overspending is highly provocative. In his view (which is also found among neo-conservative critics of the welfare state, as essay two indicates), the identification of the welfare state as an important socializer of the costs of production produces an additive effect. Various power groups within the economic and socialization subsystems come to regard the state as if it were an unlimited liability insurance company. It is supposed to be capable of underwriting all possible risks, 'needs' and failures. This

addiction effect tends to be exacerbated by the difficulty of co-ordinating and controlling state expenditures centrally. The cost-benefit accounting of these expenditures, a portion of which are used up in feeding state institutions themselves, is also a notoriously difficult task. Finally, attempts by state administrators to reduce the size of the public purse by increasing the effective rates of corporate taxation are also very dangerous.¹² Any state strategy oriented to the diversion of greater portions of value into what business considers 'unproductive' expenditures runs the risk, particularly under the present conditions of economic stagnation, of producing flights of capital – of increasing the possibility that capital will engage in a general investment strike.

Planning failures

This ability of capital to exercise a private power of veto against the welfare state's policy-making and administrative activities continually endangers their fiscal viability. It also contradicts and threatens their coherence and self-consistency. Welfare state planning systematically produces unforeseen difficulties, 'bottlenecks', policy reversals and challenges to its effectiveness and legitimacy. Offe does admit that disjoined, incremental types of state planning may be a necessary feature of all 'complex' societies. Under the specific conditions of welfare state capitalism, however, the attempt by the state to 'finely tune' and co-ordinate its economic and socialization subsystems is typically marked by an *excess* of failures and unplanned outcomes. In some measure, this surplus of planning failures is a consequence of various forms of organized resistance to state power. In particular, long-range bureaucratic planning is continually pushed and pulled by social and political forces. Social turbulence and political resistance is continually internalized *within* the welfare state apparatus. Disputes over wages and conditions within the state sector; the international transfer of capital; the struggles of trade unions against capitalist enterprises; and the opposition of social movements to state decisions are *specific* and *concrete* forms of resistance that tend to hinder or 'privatize' attempts by the welfare state to engage in 'public' planning guided by *general* or synoptic rules.

This limit upon welfare state planning is compounded by the typical lack of co-ordination between various state bureaucracies, and by the inability of the administrative branches of the state to

secure their independence from the rules and outcomes of representative democratic institutions and party competition. As a consequence of all these factors, welfare state policies are marked by clumsy and fluctuating patterns of intervention, withdrawal and compromise. This 'muddling through', which encourages state administrators to rely upon often ineffective discretionary policies and indirect controls and incentives, is only aggravated by the fact that one set of priorities of the welfare state (its attempt to maintain the privately-steered accumulation process) is typically accommodated *within* every other form of policy planning and public administration. Because the welfare state is committed to giving preferential treatment to the capitalist economy, there is a high probability of planning failures within other policy areas. Thus, there is a contradiction between the welfare state's attempt to rationally plan its 'decommodifying' activities and the continuing private control over capital investment within the economy. By virtue of their powers of (non-)investment, the elements of capital can define and limit the boundaries of 'realistic' public planning and administration. The guiding criterion of private control of production for profit is not easily subjected to external controls, and this means that state planning can only ever be partial and incomplete. The welfare state is supposed to fulfil all its self-designated tasks (recognizing the power of trade unions, ensuring economic growth, national 'defence', the provision of collective commodities, the amelioration of existing patterns of social inequality, etc.) without encroaching upon the private power of capital, a move that would violate the logic of the capitalist economy as a profit-oriented system of commodification. In other words, the welfare state has to refrain from planned interventions within the privately controlled accumulation process, upon whose cyclical dynamics and disruptive consequences, however, this state's planning and administration continue to depend.

Offe is convinced that this contradiction constitutes a serious limit to state policy-making. He therefore rejects those evolutionary accounts of the history of the welfare state which suppose that, in contrast with the erratic and inconsistent character of earlier state policies, the contemporary welfare state can be described as a coherent complex of measures guided by synoptic calculations.¹³ In his view, the welfare state cannot function in this self-consistent and comprehensive way. It is not a class-conscious political organ which self-consciously and comprehensively arranges its economic and

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socialization subsystems, delivering planned gains to selected beneficiaries at the expense of selected losers. Welfare state institutions are incapable of becoming an 'ideal collective capitalist' (Engels). Victimized by an economic subsystem whose organizing principle is private control over investment and production, welfare state planning is marked by a surplus of 'compatibility problems' and disjointed and self-contradictory measures.¹⁴ It is this routine 'anarchy' and 'ineffectiveness' that encourages the administrative apparatus to become dependent upon powerful and organized social interests (for example, employers' associations, professional organizations, trade unions), whose co-operation is vital for social order and effective administrative planning. It is also for this reason (essays seven and eleven) that the traditional liberal-democratic institutions of conflict articulation and resolution – elections, political parties, legislatures, judiciaries – are increasingly supplemented or replaced by informal 'corporatist' schemes of functional representation and bargaining. According to Offe, the effectiveness of welfare state policies comes to depend increasingly upon informal and publicly inaccessible negotiations between state planners and the elites of powerful social interest groups.

Mass loyalty problems

There are good reasons for doubting whether the popular *legitimacy* of this latter form of welfare state policy-making can be sustained. Offe's concern with the contradictions of the welfare state forces him to re-examine a problem first raised in the German sociological tradition by Max Weber and the *Verein für Sozialpolitik*, namely, whether state policies can effectively legitimate the socio-political institutions of organized capitalist societies. He proposes that the contradictions of the welfare state mentioned above are in fact intensified by permanent and deep-seated legitimation difficulties. Under welfare capitalist conditions, mass loyalty to the existing system of administrative and political power tends to disintegrate to a serious extent. The normative rules and resources necessary for the functioning of this system of state power are not produced in sufficient quantities by existing processes of socialization.

This thesis is rather incomplete, and it is for that reason not one of the most convincing arguments presented in this volume. Offe speaks of mass loyalty as a 'regulatory resource', as the ability of the

structures, processes and policy outcomes of the political-administrative system to be 'genuinely accepted' (essay one). It should be mentioned that the reference to *genuine* (as distinct from false or enforced) loyalty is not systematically analysed in these essays. Unlike Habermas, for instance, Offe is not concerned with the subject of moral-practical reasoning and the conditions under which 'interests' and normative validity claims can be considered as warranted or 'true'.¹⁵ Moreover, Offe does not engage current advances within the analysis of ideology and discourse. This is one reason why he undervalues the contemporary importance of certain ideological discourses (for example, nationalism and militarism) and strategies of consensus building (such as plebiscitarian leadership). Especially problematic is his failure to systematically consider whether, in the present period of social and political disorganization, there can emerge widespread nostalgia for decaying ideological traditions, a nostalgia which can, in turn, be strategically nurtured and manipulated by the ruling groups of dominant institutions.

Offe's thesis none the less remains important and provocative. He insists that welfare state capitalist systems can legitimate their relations of command and obedience only to a very limited degree. The welfare state is thereby caught within a further contradiction: the more its policies 'close in' on the systems of socialization and economic life, the more they tend to be regarded by various actors within those domains as heteronomous and illegitimate. Several explanations for this permanent legitimation problem are proposed in this volume. First, there is the suggestion that the 'liveliness' or meaningfulness of pre-modern traditions (such as Christianity and patriarchal family life) is seriously eroded by contemporary processes of commodification and decommodification. The operations of the economic and political subsystems destroy the 'naturalness' of these traditions. In contrast to the 'liberal' phase of capitalism, these traditions can no longer so easily serve as sources of mass loyalty to the welfare state (essay two). The probability of mass loyalty problems is further increased by the fact that the welfare state becomes systematically 'overloaded' with demands which it has directly sanctioned. Compared with 'liberal' capitalist state forms charged with fewer functions, the welfare state has in some measure raised expectations about what it *can* achieve. It visibly assumes responsibility for a much wider gamut of functions – from the management of human and physical resources to securing the

commodification process, weakening its scope, and compensating for its dysfunctions. As life increasingly becomes 'life by political design', these functions can no longer so easily be considered by electorates as inevitable or 'natural'. The claims of those who continue to advocate welfare state policies are subjected to direct 'reality-testing', especially when pressured by the decommodification, fiscal and planning contradictions mentioned above (essay nine). As a result, the potential and actual level of frustrations caused by policy failures tends to increase. Unable to effectively execute decisions for which they claim responsibility, welfare state administrators become victims of their own 'false promises'.

This process of demand creation and frustration tends to be reinforced, or so Offe claims, by the fact that the decommodifying activities of the welfare state seriously weaken the convincing power of norms which were formerly associated with capitalist exchange processes. The decline of the ideology of possessive individualism or the 'achievement principle' is of particular interest to Offe. He argues that, throughout early modern Europe and the New World, this ideology legitimated the spread of commodified relations of production and exchange guaranteed by formal law and the constitutional state. Through the prism of this ideology, the everyday life of (male) individuals was seen to be properly determined by the ethos of competitive achievement, the pressure of status-seeking, and the unlimited accumulation of property guaranteed by law. In the achieving society, the power, wealth and status of individuals were supposed to depend upon their performance within the commodified sphere of production and exchange. Offe suggests that, when compared to the heyday of liberal capitalism, the achievement ideology is much less convincing to the populations of welfare state countries (essay four). Contrary to certain schools of modernization theory, welfare capitalist systems do not effect continuous victories for the achievement principle. In some measure this is because the welfare state's provision of transfer payments and 'compensatory' subsidies (to the young, old, unemployed or disabled) has contributed to a rupturing of old assumptions about the direction relationship between the achievements of individuals and their remuneration for those achievements by 'the market'. In many zones of social life, 'work' and 'pay' are less closely interrelated, as individuals find themselves temporarily or permanently outside the sphere of the labour market. These individuals' former dependence upon the vicissitudes of markets is

replaced by a sense of their growing dependence upon welfare state compensation. Offe suggests that the rationale of market exchange processes is further undermined by the direct intervention of state power into the economic subsystem. State policies which attempt to reproduce the commodity form (i.e., the profitable exchange of labour and capital) through decommodified means have the unintended effect of undermining both the institutionalized power and legitimacy of commodification processes. Within the state sector, for example, material conditions of life are determined only indirectly by the exchange relations which obtain in the competitive and oligopolistic sectors of the economy. While state-sector workers are dependent upon wages, it becomes evident to them that the state neither 'purchases' their labour power at an 'equilibrium price' nor 'sells' the products of their work. The welfare state's interventions into an economy which continues to be dominated by exchange values also facilitates the questioning of these exchange values by *other* social groups (essays seven, ten and twelve). Having considerably expanded the scope and power of decommodified institutions, welfare state administrators make themselves the possible focus of conflict over the social costs and utility of state-sector labour power, capital investment and scientific research and development within fields such as military planning, nuclear energy and health.

Alternatives to welfare state capitalism

Embedded within the problems of decommodification and fiscal and planning deficits mentioned above, these legitimization conflicts have in the contemporary period become an endemic feature of welfare state, capitalist societies. They have provoked a growing debate about the achievements and limits of the welfare state – a debate which is, in turn, bound up with struggles to develop *alternatives* to welfare state institutions. Offe remains convinced throughout these essays that these controversies and struggles will not easily lead to the replacement of the welfare state by fundamentally new arrangements. This state has become irreversible, in the precise sense that it performs functions essential for both the capitalist economy and the life chances of many social groups. In the face of whatever remains of the blind optimism about the future of the welfare state, Offe nevertheless seeks to theoretically determine its *limits*. He is concerned, in other words, to indicate and

clarify not only what the welfare state has achieved but also what it *cannot* achieve. He therefore insists that the present contradictions of the welfare state are not merely 'dilemmas', if by the latter we mean problems which could be 'solved' or 'managed' by improved strategies of choice or temporary policy reforms. To be sure, these contradictions do not lead to the automatic, blind and irreversible collapse of welfare state capitalism. In his view, the contradictions of the contemporary welfare state are better understood as responsible for generating destabilizing situations or crisis tendencies, the deepening or overcoming of which continuously depends upon social struggles and political manoeuvrings.

The very great importance of these present-day struggles generated by the contradictions of the welfare state is registered in several of the essays in this volume. It is significant that in his more recent writings (for example, essays six and eight), Offe considerably de-emphasizes or even abandons his earlier reliance upon systems-theoretical categories. The limits and future viability of welfare state policies are no longer analysed as the outcome of the contradictory interplay of anonymous societal structures and subsystems. Instead, *state* policies are viewed as dependent upon the existing matrix of *social* power, which in turn is seen to be constantly subject to transformations by the activity of *social* power groups and movements. Welfare state institutions are, thus, viewed as both the medium *and* outcome of struggles over the distribution of power within the realms of society and the state.

At the most general level, Offe discusses three different forms of contemporary resistance to the welfare state. One obviously important source of this resistance is the so-called New Right. Supported by sections of large capital and the traditional middle classes, the goal of this *laissez-faire* coalition is the recommodification of social life. It seeks to *decrease* the scope and importance of decommodified political and administrative power by resuscitating 'market forces'. Those sectors of the economic subsystem unable to survive within the commodity form, it is argued, should also be allowed to fall victim to 'market pressures' and, at the same time, urged to 'modernize' by transforming themselves into marketable commodities.

Offe strongly doubts the viability of this *laissez-faire* strategy for depoliticizing the accumulation process and recommodifying the functions of the welfare state. It should be noted that his arguments neglect the considerable degree of success the New Right has had in

strengthening the power of the state and popularizing the ideology of the 'free' – patriotic, lean, familial – society. Offe also fails to consider the possibility of an irreversible weakening of trade union power by the *laissez-faire* strategy of generating high rates of so-called 'natural' unemployment. He instead points out that the policies of the New Right are not universally favoured by big business, which frequently depends for its survival upon state contracts, special transfer payments and subsidies. Moreover, he claims that the policies of the New Right opposition to the welfare state are most strongly favoured by precisely that power group – the old middle class of farmers, shopkeepers and others – whose social base is at present very much in decline. Above all, Offe reaffirms his thesis that the frontiers of the welfare state cannot easily be 'rolled back' in the face of the self-crippling tendencies of the capitalist economic system. While the timing, scope and volume of state policies can be altered, welfare capitalist societies cannot be remodelled into 'pure market societies' (essay three). Privately-controlled capitalist economies could not continue to function successfully (or even at all) without the extensive state provision of 'public goods' such as housing, health services and education. These state policies are an indispensable condition of an economy which for instance concentrates labour power in conurbations, weakens the independence of households and persistently 'disorganizes' social life through its investment strategies. The New Right defence of 'reprivatization' is therefore impossible, because it is self-contradictory. According to Offe, it fails to recognize that capitalism is both endangered *and* made possible by welfare state interventions.

Given the probable failure of strategies of *large-scale* recombination, a greater reliance upon state-supervised, 'corporatist' forms of policy-making and administration cannot be excluded as a second, and possibly complementary, response to the present contradictions of the welfare state. This strategy of corporatism, Offe contends, is concerned with reviving the commodification process and alleviating the fiscal and planning problems of the welfare state. It seeks to exclude 'excessively political' demands and to institute state-supervised and informal modes of bargaining between representatives of key interest groups such as labour and capital (essays eleven and twelve). Corporatist policies are designed to develop a consensus among power elites in order to readjust welfare state policy-making and administration to the requirements of the

economic subsystem. Corporatist mechanisms rely upon arcane and highly inaccessible elite negotiations and increased political repression and surveillance, rather than upon autonomous public discussion and accountability. They are supposed to strengthen the forces of discipline and constraint, especially through measures (such as statutory incomes policies) designed to contain the wage and social consumption demands of trade unions.

Offe notes that the growth of corporatist or 'tripartite' forms of decision-making is encouraged by the relative decline of conventional liberal-democratic mechanisms (such as legislatures) which formerly functioned to articulate and secure agreement upon policy programmes. However, the strategy of restructuring the welfare state through greater reliance upon corporatist mechanisms is not without serious difficulties. Offe incisively points out, for example, that those corporatist mechanisms which are supposed to embody the principle of *paritätische Mitbestimmung* (the equal representation of capital and labour) typically disadvantage organized labour and other non-represented social interests. This is because the outer limits of what can become the object of 'realistic' bargaining and decision-making within a corporatist framework are strongly conditioned by the power of investment or non-investment of the representatives of capital. This power typically serves to define which issues or demands *can* be negotiated and which *must* be excluded as excessively controversial or 'unworkable'. Because of this 'class bias', which is frequently challenged as such by organized labour and other social groups, corporatist forms of policy-making tend to disequilibrium. They generate new patterns of conflict between organized labour, social movements, the state and capital.¹⁶ These conflicts concern, for instance, the degree to which decisions reached through corporatist arrangements are equitable or *equally* binding. This tendency is strengthened by the permanent legitimacy problem of corporatist schemes of functional representation. These schemes are difficult to justify to the populations of welfare state countries. Apart from pragmatic necessity, it is unclear why *certain* groups or *particular* agendas or procedural rules are to be attributed a special status within the bargaining and decision-making process. This legitimization problem is only made more acute by the fact that corporatist schemes of functional representation and bargaining visibly erode the institutional boundaries between 'civil society' (the household, economy and social power groups) and the state. This increase of the *social* character of

welfare state institutions contradicts the classical liberal-democratic notion of politics as the struggle for organized state power. Spheres of life once considered as 'natural' or 'pre-political' become the possible object of state policy and social conflict. Under pressure from these problems of parity and legitimation, corporatist solutions to the present contradictions of the welfare state seem to be neither equitable nor viable. According to Offe, corporatist mechanisms are most feasible when national traditions of opposition by capital and labour to the state are weak, when there are high levels of political repression and, finally, where a 'positive sum game' between capital and labour is made possible by uninterrupted economic growth. However, these conditions are rarely, if ever, found together.

These doubts about the viability of corporatist solutions prompt Offe to consider proposals for a third – democratic and socialist – alternative to the welfare state (essays ten, eleven and twelve). His stimulating discussions of democratic socialism are introduced through a question that is a mark of the socialist tradition: are there indications that the present self-paralysing tendencies of the welfare state are *also* constructive of a possible democratic socialist alternative to welfare state capitalism? Offe does not consider the *international* economic and political dimensions of this question. Once again, his account of the limits of the interventionist welfare state is too strongly bound to the single nation-state unit. Questions about the new international economic order and the perilous tensions within the nation-state system are inadequately considered. He does however suggest that an alliance of democratic-socialist forces is not altogether impossible under contemporary conditions. If such an alliance could gain the support of key sections of the trade union movement and the new middle classes, it might effectively reconstruct welfare state capitalism into an egalitarian 'welfare society', whose 'needs' would be autonomously determined through decentralized and publicly-controlled forms of social production and political organization.

Offe contends that this goal of a democratic and socialist welfare society is in some measure facilitated by the growth of new social movements, such as feminism, environmentalism and pacifism. Frequently engaging in direct forms of social action, these movements articulate and defend such 'post-material' values as gender identity, democratic rights and environmental safety. Significantly, their support does not derive from peripheral or marginal social

strata but, rather, from groups whose co-operation is central to the overall management and functioning of welfare capitalist systems. The recent growth of these movements is seen by Offe as being not only a consequence of the general erosion of mass loyalty to welfare state capitalism. It is also the result of the relative displacement of political parties as an important focus of political consensus-building. This circumvention and loss of legitimacy of political parties is, of course, a complex development. In this volume, several important factors behind this development are analysed in some detail (essays eight and twelve). Offe considers the growing displacement of territorially-defined political institutions by functional (i.e., corporatist) forms of representation, as well as the de-activation of rank-and-file membership by the bureaucratization and professionalization of patterns of party leadership and recruitment. Consideration is also given to the transformation of governing parties into public relations agents for the particular government executive which they in fact only nominally 'control'. Finally, Offe points to the growth of the 'catch-all' party, whose overriding concern with 'winning a majority' is seen to produce a selective blindness towards controversial issues and particular demands, a loss of distinctive party identities, and a deepening sense among electorates that intra-party differences may be greater than differences between parties, or even that *all* parties 'fudge' the significance of *particular* issues.

These factors tend to greatly diminish the trust popularly accorded to political parties. In turn, this cynicism and distrust tends to promote the growth of autonomous social movements, which address various problems and issues (urban renewal, sexual domination, peace, environmental decay) that have been marginalized or 'screened out' by official party and state procedures of consensus-building. Offe reasons that the democratic socialist potential of these movements is enhanced by the fact that, under welfare state conditions, there is a marked increase in the social character of politics (essay eleven). As a consequence of its manifold interventions into the economic and socialization sub-systems, the scope of state power is spread wider and thinner. No longer institutionally 'separated' from its social environment, the political system becomes highly differentiated and, therefore, potentially more vulnerable to interest group disputes, the withdrawal of compliance or active resistance by organized labour and the new social movements.

A socialist civil society?

It can be argued that Offe's analysis of this 'withering away' of a coherent and strictly circumscribed apparatus of state power contains two very important implications for democratic socialist politics. On the negative side, it warns that *dirigiste* strategies of socialist transformation are not only undesirable – as the New Right ideologues emphasize – but also ineffective and unrealistic. His analysis provides the reminder that the political-administrative system has become so highly differentiated and complex that there is simply no single centre of state power which could be 'occupied' and used to radically transform the systems of socialization and economic life. More positively, Offe's discussion implies that the highly differentiated and disunified character of welfare state interventions renders non-statist strategies of socialist resistance and transformation more viable in the present period. It is not only that 'the welfare state' is sufficiently in one place to be 'seized'. In so far as this state penetrates all spheres of civil society, social resistance to its misformulated, inequitable and often repressive policies can and must also be everywhere. The 'parliamentary road' can no longer be seen as privileged, as occupying the centre stage of socialist politics. Especially on the peripheries of the welfare state – for instance at the level of the 'local state' – countervailing networks of democratic communication and mobilization are easier to develop and considerable advantage can be taken of the contradictions within welfare state policies. In these regions of civil society, decommmodifying *state* institutions are accessible and highly vulnerable to the *social* initiatives of clients and workers. The expanding scope and power of these state institutions makes them more susceptible to redefinition and transformation by works councils, producer, health and housing co-operatives, refuges for battered women, neighbourhood organizations and other democratic, grass-roots institutions. No doubt, these spheres of democratic autonomy do not automatically secure more decentralized, horizontally-structured and egalitarian patterns of social life. It is also certain that vigorous political protection and legal recognition are necessary conditions of their survival and expansion. The recent emergence of these democratic initiatives nevertheless points to a paradoxical outcome of the welfare state settlement of the past four decades. This self-paralysing settlement not only becomes vulnerable to the reactionary crusades of the New Right. It

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also makes possible a new type of democratic socialism, which could effectively call into question the old uneasy compromise between capitalist production and administrative surveillance and control. In other words, welfare state policies of reform have the unintended effect of breaking their own spell. They encourage social struggles to develop new forms of mutual aid within a *socialist* civil society mobilized against the power of private capital and the interventionist, disciplinary state.

Notes and references

- 1 Offe's dissertation, a study of work organizations and the 'achievement principle', has been translated and published as *Industry and Inequality* (London 1976). A collection of his essays on trade unions, labour market policies, corporatism and the future of work will shortly appear as *Social Class and Public Policy* (London 1984).
- 2 Cf. John Rawls, *A Theory of Justice* (Oxford 1972); Robert Nozick, *Anarchy, State and Utopia* (New York 1974); Raymond Plant *et al.*, *Political Philosophy and Social Welfare* (London 1980).
- 3 These two types of descriptive approaches are represented in Maurice Bruce, *The Coming of the Welfare State* (London 1968), and Jürgen Kohl, 'Trends and problems in post-war public expenditure development in Western Europe and North America', in Peter Flora and Arnold J. Heidenheimer (eds.), *The Development of Welfare States in Europe and North America* (New Brunswick 1979).
- 4 See, for example, 'Praxisbezüge der Sozialwissenschaft als Krisenwissenschaft', in Christoph Hubig and W. von Rahden (eds.), *Konsequenzen kritischer Wissenschaftstheorie* (Berlin and New York 1978), pp. 234–51; 'Die kritische Funktion der Sozialwissenschaften', in Wissenschaftszentrum Berlin (ed.), *Interaktion von Wissenschaft und Politik* (Frankfurt 1977), pp. 321–9; and 'Sozialwissenschaften zwischen Auftragsforschung und sozialer Bewegung', in Ulrich Beck (ed.), *Soziologie und Praxis. Erfahrungen, Konflikte, Perspektiven* (Göttingen 1982), pp. 107–13.
- 5 This understanding is evident in the classic definitions provided by Asa Briggs, 'The welfare state in historical perspective', reprinted in C. Schottland (ed.), *The Welfare State* (New York 1977), and Richard Titmuss, *Essays on 'The Welfare State'* (London 1976), p. 42.
- 6 See, for example, John Fry, *Limits of the Welfare State* (Westmead 1979); Ulf Himmelstrand *et al.*, *Beyond Welfare Capitalism* (London

- 1981); Nicos Poulantzas, *State, Power, Socialism* (London 1978); and the essays on the German 'state derivation' approach in John Holloway and Sol Picciotto (eds.), *State and Capital. A Marxist Debate* (London 1978).
- 7 Jürgen Habermas, *Legitimation Crisis* (Boston 1975), Part 2.
 - 8 Offe's thesis that state intervention has considerably weakened the sphere of commodified production and exchange is considered at greater length in John Keane, *Public Life and Late Capitalism. Essays Towards a Socialist Theory of Democracy* (Cambridge and New York 1984), essay 3.
 - 9 Cf. the important study of Folker Fröbel *et al.*, *The New International Division of Labour* (Cambridge 1980).
 - 10 This point generates a surprising amount of agreement among socialist and neo-liberal critics of the welfare state. See, for instance, Pierre Rosanvallon, *La Crise de L'Etat Providence* (Paris 1981); Joachim Hirsch, *Der Sicherheitstaat. Das 'Modell Deutschland', seine Krise und die neuen sozialen Bewegung* (Frankfurt 1980); David G. Green, *The Welfare State: For Rich or for Poor?* (London 1982); Frances Piven and Richard A. Cloward, *Regulating the Poor. The Functions of Public Welfare* (New York 1971). It can be noted here that whenever Offe discusses the problem of welfare state surveillance (see essay twelve) he tends also to underestimate its contingency. His conviction that certain forms of social administration are *irreversible* is reinforced by his reliance upon systems theory arguments. According to Offe, there is a genetic relationship between the complexity of social systems, their vulnerability to 'deviance' and increasing welfare state control. From this standpoint, 'complex' welfare capitalist societies are highly sensitive to the effects of 'deviant' social action, which it is therefore *necessary* to monitor and bureaucratically control.
 - 11 This argument draws upon the earlier work of James O'Connor, *The Fiscal Crisis of the State* (New York 1973).
 - 12 This point is developed (with Volker Ronge) in a study of the West German construction industry, 'Fiskalische Krise, Bauindustrie und die Grenzen staatlicher Ausgabenrationalisierung', *Leviathan*, 1, no. 2 (1973).
 - 13 cf. Derek Fraser, *The Evolution of the British Welfare State* (London 1973). Offe is also critical of the view of orthodox systems theorists that, under the complex conditions of modernity, welfare state administration has a general competence to process information and decisions and steer other social subsystems. This view is proposed, for instance, in the earlier writings of Niklas Luhmann, *Politische Planung* (Opladen 1971), and *Demokratie und Verwaltung* (Berlin 1972).

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- 14 Compare Offe's comments on the 'unplanned, nature-like' character of state policy-making in his introduction (with W.-D. Narr) to *Wohlfahrtsstaat und Massenloyalität* (Cologne 1973); *Strukturprobleme des kapitalistischen Staates* (Frankfurt 1972), Chapter 4; and *Berufsbildungsreform – Eine Fallstudie über Reformpolitik* (Frankfurt 1975), especially Chapters 3 and 6, where Offe discusses the systematic limits upon different forms of state planning, with particular reference to unsuccessful Social Democratic Party attempts to rationalize the provision of vocational training.
- 15 Jürgen Habermas' most recent restatement and elaboration of this subject appears in the two volumes of *Theorie des kommunikativen Handelns* (Frankfurt 1981).
- 16 cf. Offe's analysis of these unintended consequences of corporatism in 'Die Institutionalisierung des Verbandseinflusses – eine ordnungspolitische Zwickmühle', in Ulrich von Alemann and Rolf G. Heinze (eds.), *Verbände und Staat* (Opladen 1979), pp. 72–91; the introductory remarks to Rolf G. Heinze, *Verbandepolitik und Neokorporatismus*. *Zur politischen Soziologie organisierter Interessen* (Opladen 1981), pp. 7–9; Wolf-Dieter Narr and Claus Offe, 'Was heißt hier Strukturpolitik? Neokorporatismus als Rettung aus der Krise?', *Technologie und Politik*, 6 (1976), pp. 5–26; 'The attribution of public status to interest groups: observations on the West German case', in Suzanne Berger (ed.), *Organizing Interests in Western Europe* (Cambridge 1981), pp. 123–58; and (with Helmut Wiesenthal) 'Two logics of collective action: theoretical notes on social class and organizational form', *Political Power and Social Theory*, Vol. 1 (1980), pp. 67–115.