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Labor and the Limits of the Welfare State

The Politics of Intraclass Conflict and Cross-Class Alliances in Sweden and West Germany

Peter Swenson

Does control of state power by the left always help it strengthen working class organization? Does social democracy's progress, measured by welfare state development, necessarily help reinforce the unity of its organized constituency?¹ If not, and if in fact the economics and politics of the growing welfare state were to divide the working class, would the resulting disunity and decentralization of labor organizations always impair allied left-wing political parties?² Conflicts within Swedish and West German labor about the costs of the welfare state in the 1980s, analyzed here in historical perspective, suggest some answers.

Recent Swedish and German politics show that the large and growing welfare state tends to divide organized labor, its core organizational constituency. But events also show this very division can provide the opportunity for a realignment of political forces enabling the left to regain or maintain political power though it loses forward momentum as a transformative force. The evidence and argument presented here about these events suggest that the organizational pillars of the welfare state, social democratic labor unions and parties, are likely to impose limits on the welfare state. They are likely to do so in conflict with themselves, and in alliance with outside interests.

In the tradition of Max Weber, capitalism's anxious intellectuals like Joseph Schumpeter repeatedly ask whether in the long run capitalism can maintain its political, institutional, and ideological defenses in the era of the democratic welfare state.³ Even before coming to fruition, reform movements in the Soviet bloc have stirred worries among conservatives that dissipating fear of communism will weaken right-wing solidarity against state encroachments. However, contrasting analyses of the contradictions of the welfare state, like the following, show capitalism to be more robust and likely to outlive those who see only progressive cultural and political decay.⁴

Labor's intraclass conflict, a source of capitalism's political vitality (and one of the mechanisms confining the welfare state), is curiously missing in studies of the capitalist political economy. This observation holds especially for the study of "class compromises" between the left and capitalist accommodationists that bring labor into government and policymaking. One school sympathetic to social democracy tends to depict labor, when it is successful, as an undifferentiated and unified bloc. Incentives for compromise with capital are specified as collective or broadly beneficial payoffs (growth, low unemployment, special programs) for the generalized short-run sacrifices of wage restraint.⁵ Capital, often depicted as comparatively divided and politically disadvantaged, is motivated to release political power in class compromises with labor for similarly undifferentiated and therefore weakly

specified payoffs. The model neglects to specify the distributional results of collaboration that pit union against union and make it look suspiciously like divide-and-rule by capitalists.⁶

Marxists on the other hand do not hesitate to focus on division. Their critiques of social democracy's use of state power to promote centralized capital-labor collaboration identify deep hierarchical conflicts of interest between leaders and the rank-and-file as a defining feature of social democratic "corporatism"—and a cause of its instability.⁷ However, they overlook intersectoral distributive conflict within the working class, which is conducted by leaders at odds with each other on behalf of distinct member groups. These material conflicts, too, can destabilize social democratic power and cross-class collaboration. But labor's intramural distributional conflicts can also activate the cross-class alliance making that helps social democracy. Intramural opponents to the alliances can be disarmed and material conflict neutralized by leaders wielding powerful ideological as well as coercive resources. The stability of Swedish social democracy from the 1930s onwards is an important case in point.⁸

To argue here for including intraclass distributional conflict in the comparative study of social democracy, I first analyze the logic of cross-class realignments that labor's internal conflicts over the welfare state engender. Then in the case studies I analyze events in the 1970s and 1980s in light of past alliances that helped secure Social Democratic parliamentary power in Sweden since the 1930s and in West German in the 1960s and 1970s. The case studies show that the big welfare state in these countries sowed the seeds of division in its most important constituency, the leadership of Social Democratic unions. In the 1980s, recent (Sweden) or incipient (West Germany) cross-class alliances against government employees' pay, security, and protection from market forces were accompanied by bitter conflict within labor movements' leadership corps. Normally reticent about internal squabbles, union leaders accused each other and Social Democratic leaders of nothing less than parasitism and treachery. Old labor movement taboos against airing disagreements on collective bargaining issues in public debate were defiantly violated. Opening divisions signaled opportunities for Social Democratic leaders to try refashioning tacit alliances with powerful employer interests that would help them consolidate or recapture parliamentary control. The terms of these cross-class settlements were clear: a halt to the growth of the welfare state, especially of government pay and employment, and even revamping of public sector employees' privileged immunity from disciplinary market forces.

I conclude with a discussion of the implications of labor's intraclass conflict both for capitalism and for social democracy. In response to doubts about the sufficiency of capitalism's political resources in the era of the welfare state, I argue that social democracy's successes in transforming capitalism are "self-limiting." Like the peasants' revolution in eighteenth century France, whose very success "tended to undermine the . . . solidarity that had made the revolution possible in the first place," the advanced welfare state can brake organized labor's forward momentum as a unified force behind government growth and antimarket principles of welfare state administration.⁹ Division fostered by welfare state growth, I argue, prepares the way for a powerful countervailing politics of capitalist defense.

Finally, on the implications for social democracy, the conventional logic of unity as the basis of power would lead one to predict that division within labor over the welfare state will weaken it in future parliamentary politics. My analysis of intraclass conflict and cross-class

alliances modifies both the conventional picture of labor's compromises with capital and any summary prediction that internal conflict—at least within politically unified labor movements like the Swedish and German—inevitably means political weakness.¹⁰ If the contradictions of the welfare state undermine social democracy's transformative prospects, they do not necessarily limit its more immediate political ones.

Labor's Conflicts and Alliances in the Welfare State

In much of the world organized labor has contributed to the success of reformist left-wing parties, thus to the growth of nationalized social, educational, and health services, and so to the employment of millions in the public sector. Private sector unions have also asserted public employees' associational rights and their claim to good pay and working standards. Government employment can tighten labor markets and improve private sector unions' bargaining power. Welfare's "safety nets" can save unions as well as workers from the injuries of unemployment. Only weakly constrained by market forces, the practices of a large public sector regarding pay, benefits, promotion, and job protection can be a strong normative and market force improving the conditions private employers must provide to attract and pacify labor.

But latent conflicts grow with expansion of the welfare state, for private sector unions have material cause to reduce the well-staffed, well-organized, and well-paid service state. Public financing is the private sector's loss. Highly progressive taxes can break the link between nominal and real disposable pay increases, since pay raises can also bring tax rate increases. Pay raises high enough to overcome the effects of "bracket creep" may bring so much inflation that real wages and/or employment suffer and may tend to push pay in the public sector up in step as well. Tax increases, inflation, or budget deficits follow, all potentially costly for workers in the private sector. High pay for comfortable jobs in the public sector may attract a skilled and productive work force away from industry where it is needed for quality and price competitiveness and for the expansion of shares in world markets to maintain employment levels as productivity steadily rises.

Economic stagnation or a crisis of competitiveness on one side and government growth on the other can turn latent conflicts within labor into open rivalry, making private sector unions available for external alliances. Zero-sum conflict among unions over shares of national income can disrupt previously stable relations within their confederations. Intramural unity and power balances, once stabilized by a state distribution of pay and benefits across unions,¹¹ is disturbed in crisis by tectonic shifts in supply and demand in domestic and international markets. And so follows a reappraisal of existing politicoeconomic alliances. In pursuit of their own political or economic gains, politicians and organized business groups can exploit the opening divisions.

These divisions concern structures of pay or other benefits and working conditions, and in particular their distribution across unions' jurisdictional boundaries. Distributional divisions are especially subject to political manipulation when different unions' bargaining power in their respective sectors rapidly diverges. Only under restrictive conditions (like full employment and unsegmented labor markets) is one vanguard union's independent bargaining success in setting wages, benefits, or working hours likely to boost automatically by activating market forces in

the same direction. Normally, however, and especially during crisis, a union can isolate itself politically if its bargaining success is not readily matched by others. In so doing it invites the formation of an antagonistic coalition of other unions with external interests.

The cross-class alliance of organizational and governmental interests against the vanguard union or unions may be informal, but none the less decisive for labor parties, which practically never achieve electoral or even parliamentary majorities.¹² Employers in alliance may retreat from active political opposition and quietly accept (or even favor) governments dominated or monopolized by Social Democrats. They may be willing to trust Social Democrats because of their leverage over labor confederations dominated by union factions that in turn have leverage over the vanguard. The tacit alliances also help Social Democrats maintain open lines of communication with centrist partners in cabinet or ad hoc legislative coalitions.

Union leaders can be tempted to join these politicoeconomic alliances to restrain the vanguard if the alternative of keeping up brings unemployment and sour relations with strong employers. The remaining alternative of falling behind means members and activists grow impatient with their leaders as they compare their contracts against those of unions luckily facing more forgiving markets and employers. For example, discontent with leadership may surface within restrained unions in internationally traded goods sectors by successful militancy in home or protected industries. Similarly caught between constrained employers and critical members, leaders of private sector unions may join alliances to hold back their public sector counterparts who face a softer employer front due to government vulnerability to strikes and ability to tax and borrow to meet payrolls.

Also, the bargaining success of one sector of labor can directly undermine the success of others. Unions negotiating high wages in primary or intermediate goods industries might raise costs and reduce ability to pay in finished goods. Similarly, high pay increases negotiated for the public sector may come out of other workers' paychecks; if profits suffer instead, employers resist granting raises. Private sector workers pay twice with absolute and relative earnings. Leaders of private sector unions inhibited by exposure to intense international competition—where employers can not turn pay into price increases—are likely to sympathize with private employers and politicians challenging the power of public employees.

In Sweden, for these and other reasons, employers and Social Democratic politicians formed an effective cross-class alliance with large private sector unions to reduce government deficits, relieve pressure for tax increases, and promote export competitiveness. The successful alliance against public sector unions probably improved the Social Democrats' medium-term prospects of holding power, relying as they did on minority control in the Riksdag after returning to government in 1982. This is not to say that a backlash of strikes and strike threats by public sector unions can not weaken the party, as they did by bringing on the government crisis of February 1990 and the early resignation of the finance minister who helped engineer the alliance. At this time, it remains to be seen how successfully a militant backlash from within the public sector can injure the Social Democrats in the long term.

“Pay Parasites” in the Labor Movement: Sweden in the 1980s

Long-simmering conflict within LO (*Landsorganisationen*), the blue collar Swedish trade

union confederation, between its public and private sector wings first came to a boil in the heat of stalled public sector pay negotiations. In September 1986, the leader of LO's Metalworkers' Union (*Metallindustriarbetareförbundet*, or Metall for short), attacked the confederation's two public sector unions for their "irresponsible" wage demands. "We have a gang of cuckoo chicks in the nest. Now that we've fed them, they're eating up the mother too," chairman Leif Blomberg wrote in Metall's magazine, which circulated at the LO congress in session. LO's State Employees' Union (*Statsanställdas Förbund*, SF) and its Municipal Workers' Union (*Svenska Kommunalarbetareförbundet*, SKAF) had recently rejected a mediated offer that Blomberg insisted was 3 percent too high compared to his own contracts. Leaders of the public sector unions were naturally outraged at Metall and its most outspoken ally, the Swedish Factory Workers' Union (*Svenska Fabriksarbetareförbundet*, or Fabriks). With members in chemicals, plastics, pharmaceuticals, and other export sectors, the leadership of Fabriks had declared in 1982 that it was time to "stop the pay parasites"—public sector and white collar workers who demand contract clauses guaranteeing increases to match wage drift for blue collar workers in the private sector.¹³

The private sector unions' attack on public sector pay enjoyed solid moral support from outside LO. Kjell Olof Feldt, the Social Democratic finance minister, reorganized SAV (*Statens Avtalsverk*), the agency responsible for negotiating central government pay, putting it under direct supervision of a "minister of pay" in the finance ministry, the tough and abrasive Bengt Johansson. In 1986, Feldt, Johansson, and SAV issued warnings that public pay settlements even at the level suggested by the independent government-appointed mediators would bring retribution in the form of either tax increases or personnel cutbacks or both.

Private sector employers confederated in SAF (*Svenska Arbetsgivareföreningen*) actively facilitated the union-party alliance against public sector unions. Capitalizing on conflict within LO, engineering employers in VF (*Verkstadsföreningen*) offered extra high increases to Metall in 1982 to entice the union away for the first time from the peak-level bargaining system developed in the 1950s. For reasons indicated below, by breaking up centralized bargaining employers helped reduce the relative pay growth of the public sector.¹⁴

This realignment of the mid 1980s confirmed predictions of a prominent expert from the employers' side who predicted approvingly in 1982 that future distributional problems "will probably tend to unite wage-earners against the public sector, not against corporate profits."¹⁵ LO's leadership probably has mixed feelings about the newly shaping alignment because it means a weakening of LO's central bargaining and political role.¹⁶ In public, the confederation has tried to appear neutral, and even sided with the public sector unions by criticizing the Social Democrats' and Metall's violation of the strong norm against public criticism of separate union demands, especially during ongoing negotiations. But in fact by 1986 official LO policy was advocating more than limits to the allocation of resources to the public sector. It also advocated a rethinking of the public sector's fundamental administrative principles and therefore change in the way it uses the resources it gets.¹⁷

The Realignment in Historical Perspective The realignment in response to the crisis of the 1980s followed two earlier institutionally secured cross-class alignments of interwar and postwar Sweden, set in motion by world depression in the first case and internationally

induced inflation in the second. All three alliances included Social Democratic governments and export-oriented employers dominant in SAF. All three brought changes in the structure of authority within LO (increasing centralization in the first two, decreasing in the third). Equally important, all three entailed pay-distributional settlements favoring the LO faction joining the alliance at the expense of other unions.¹⁸

The first realignment followed the depression era Social Democratic breakthrough to power. A left-center alliance with the Agrarian Party was made possible by their 1933 compromise package of deficit-financed public construction and farm price supports. It was followed in 1935 by a royal commission advocating public policy and industrial relations reforms promoting Swedish export capital. Next came the famous Saltsjöbaden agreement of 1938, a procedural “peace agreement” between LO and SAF that export-oriented employers in engineering had favored for years. Finally came revision of LO’s own statutes in 1941, which secured LO’s centralized control over the strike funds and tactics employed by its constituent unions, and therefore over their autonomous power to set wages far out of line with other unions in structurally weaker bargaining positions.

All four policy and institutional changes aimed in part to weaken one large and militant block of unions—in the building industry. Construction unions were a “constant thorn in export industry’s side” because building workers’ militancy and rising wages infected metalworkers with similar militancy and frustration with Metall’s leadership.¹⁹ Also, engineering had to compete for skilled craftsmen and laborers with the seasonal, trade-sheltered, and for these reasons well-paying construction industry. For export manufacturers concerned about price and delivery performance in world markets, plant building costs and completion problems associated with militancy in construction probably added to their motives. Metall, constrained by its industry’s vulnerability, stood to gain by controlling the construction unions via centralized LO control. The Social Democrats, finally, felt strong pressure from the Agrarian Party to end the rampant militancy (and a ten-month strike in 1933) in the building sector in exchange for support of the public housing projects which, after all, had to be built by construction workers paid out of government funds.²⁰

While Metall was an insider in the farmer-labor-export industry alliance of the 1930s, it opposed the realignment response to the inflationary, full employment economy of the 1950s. The new alliance brought peak-level centralization of collective bargaining, giving LO a degree of control exceeding even what it acquired in the 1930s. Centralized bargaining made possible Sweden’s famous “solidaristic wage policy,” which restrained metalworkers’ relatively high wages along with Metall’s bargaining autonomy in favor of the much weaker low pay unions in woodworking, textiles, garments, and agriculture. Profits in high-paying engineering benefited from solidaristic wage policy, while the Social Democratic government benefited from employers’ continued political quiescence. Combined threats of Social Democratic intervention and economywide lockouts by SAF in response to inflationary “free-for-all” wage rivalry had persuaded Metall’s leaders to submit to LO’s peak-level control. In addition, LO leaders forged broad-based support by granting solidaristic wage policy to low pay unions who otherwise would not have accepted peak-coordinated wage restraint. Metall’s leadership, at least initially, did not welcome the new institutional and distributional settlement favoring export employers in SAF and low pay unions in LO.²¹

The Recent Realignment Although Metall's leadership would come to accept and affirm LO's peak-level control and egalitarian wage policy in the 1960s and 1970s, latent discontent remained below the surface. In the meantime Social Democratic rule gave public sector workers the right to strike, and egalitarian wage policy in the private sector legitimated their efforts to achieve intersectoral pay parity, and even exceed it for lay pay groups. As the public sector grew, both labor and income were diverted from the private sector. Internal strains built until economic crisis in the early 1980s once again threw export-oriented employers and Metall into each others' arms, as in the 1930s. This time the shared opponent was different—not the building workers, but government employees. But now, unlike the past two alignments, the new distributional and institutional settlement brought more pay inequality and less centralization of union power in LO.

The Social Democratic government joined Metall and employers, especially the big export manufacturers in VF, in the new distributional alliance. Controlling payroll costs and increasing pay differentiation in the public sector was key to the government's efforts to reduce budget deficits. Also, by influencing the intra- and intersectoral pay structure the government wanted to help industry adapt to the hostile international economy: by reducing tax costs (for price competitiveness), to improve the supply of skilled labor and legitimate greater private sector pay differentiation (for productivity, flexibility, and quality competitiveness), and to reduce production and delivery interruptions caused by disruptive and infectious public sector militancy (for customer loyalty and world market shares).

The evidence suggests the new alliance succeeded in restructuring pay. Pay for manual workers in local government relative to industry reached a plateau in the early 1980s after increasing in the 1970s, but then fell rapidly from about 95 percent of the average industry wage to about 89 percent in 1985. Their counterparts in the central government reached their plateau in the late 1970s, falling from about 109 percent of the average industry wage in 1977 to 97 percent in 1985. Very few other LO unions slipped as much. Salaried government workers represented by unions outside LO and less loyal to the Social Democrats (and therefore more militant) defended themselves better, but after peaking around 1981 their pay fell from between one and four percentage points with respect to white collar personnel in private industry by 1986.²²

Success for the alliance can in part be accounted for by public-private employer collaboration initiated around 1980 by the nonsocialist coalition government. Cross-sector collaboration only intensified under the Social Democrats after their return to power, when the intergovernmental employer organization OAS (*Offentliga Arbetsgivares Samarbetsorgan*) coordinated strategies and objectives with SAF during the 1984 wage round.²³ In 1984, the Social Democratic government hoped that by holding back public sector pay agreements they could set the pattern for subsequent private sector agreements. The LO leadership joined in by supporting limits on the wage drift clauses in public contracts that compensated government workers for private sector pay drift (market-driven, extracontractual pay increases).

LO's own two public sector unions, like those in TCO, the white collar confederation, opposed all limits on drift compensation.²⁴ LO leaders took a stand against their own public sector affiliates in 1984 only after engineering employers had managed two years earlier to wean Metall from similar wage drift clauses. With an extra high offer, VF had bought Metall's defection from peak level bargaining conducted by LO and abstinence from the

automatic pay drift compensation clauses for its own members who did not benefit from wage drift. With the unitary front in defense of these automatic clauses broken, the rest of the unions were to lose theirs starting in 1986.

Although solidaristic wage policy lived on in the form of extra high average increases for low pay industries in the private sector, which SAF then conceded in order to buy off LO demands for pay drift guarantees,²⁵ the distribution of pay *within* industries and firms was no longer guaranteed in any way to be egalitarian. Intraindustry distribution remained to be negotiated in sectoral negotiations, when the unions were bound by a no strike clause in the peak level agreement. Employers thus regained the upper hand in bargaining at subpeak levels for the first time since the early 1970s.

By allowing for greater market determination of wage differentiation within and across industries, the 1986 agreements for the private sector helped deflate the public sector's moral claim to full intersectoral parity without regard to economic consequences. Consequently the two-year public sector settlements for 1986 and 1987 spelled the end of automatic adjustments to keep government pay upwardly drifting along with the private sector. During these negotiations conflict within LO between private and public sector unions came to a head (the "cuckoo" controversy), as Finance Minister Feldt openly threatened either tax increases or public sector layoffs, or both—a clear attempt to fuel the divisions between and within the unions.

The 1988 contracts brought increasing pay differentiation, but not as much as employers hoped. Finance Minister Feldt publicly opened ceremonies by playing off the unions against retirees and families with children, promising improvements for those groups only if unions held wage increases to 4 percent rather than the 11 percent being demanded by some, including the low pay public sector unions. He also explicitly rejected the idea that public sector pay should increase in lockstep with pay in the private sector. The alternative he threatened was the "dismal road" of unemployment, traveled elsewhere in the world, to bring inflationary wage rivalry and union militancy under control.²⁶

Without a fight, intimidated public sector unions accepted contract increases amounting to about 6 percent compared to up to 8 percent for the private sector.²⁷ For managing even that well they could thank local governments' acute need to match private sector pay in tight, shared labor markets. Morale, recruitment, and turnover crises festered in some of the most important sectors of the Swedish welfare state. Those affected most were women in moderate and low pay occupations who received considerable sympathy in the press: nurses, nurses aides, day care and preschool teachers, and social workers. Regional governments had recently begun scamping labor from each other and the private sector, bidding up nurses' benefits and bonuses to get around rigid nationwide pay standards.²⁸

Contract increases had to provide for these personnel needs without increasing total payrolls. Taking cues from the private sector, government employers therefore sought substantial flexibility for pay differentiation from department to department, region to region, and individual to individual. This allowed for high pay raises where labor market forces mandated them, even if *average* government pay failed to keep up with private sector pay. (Only limited movement in this direction had been made in 1986.) Despite his 1988 promise that "we can never abandon the solidaristic wage policy—it's the precondition for the trade union movement's survival," chairman Sigvard Marjasin of SKAF, LO's union of local government workers, was forced less than a week later to back down. The 1988

agreement he signed allowed for considerable departmental and regional pay differentiation geared to recruitment needs, especially of the health sector.²⁹

Dissemination of a draft party program for public debate by the Social Democrats the following year indicated how far the coalition of forces against public sector costs could lead. A key chapter of the document dealt with “renovation” of the public sector.³⁰ Tellingly, among the authors were three individuals with official or research backgrounds in Metall. None came from public sector unions. According to the draft, government employees were too protected by rigidly centralized, rule-bound personnel and service delivery practices at the expense of citizens as taxpayers and “users” of the welfare state. Public interests would be better served with more citizen choice and political oversight via comparative performance evaluation. Consequently, units in the welfare state bureaucracy should be subject to budgetary rewards and punishments according to performance and client loyalty. The draft program maintained that collective incentives, along with a more flexible promotion process and individually differentiated salary structure, are necessary to promote more cost-efficient government and check growing interest in privatization among local governments, business, and the public.

A reform of the welfare state initiated and promoted by private sector union interests can reinforce the cross-class comity that has so benefited Social Democrats in the past. Business quiescence was a normal condition since the 1930s, with temporary mobilizations that unnerved Social Democratic governments and sometimes (but not always) imposed immediate electoral costs.³¹ The new programmatic shift on the part of Social Democrats represents in part an attempt to assure themselves political quiescence from the right as the basis for enduring control of government.³² There is good reason to think they managed to renew the tacit coalition. According to Peter Wallenberg of Sweden’s largest financial empire, Sweden’s economic success in the 1980s can be accounted for by the “constructive attitude of Swedish labor.” Surveys of corporate executives find a substantial proportion are favorable to the Social Democratic Party, and even prefer its rule over the opposition.³³

“Treachery”: West Germany in the 1980s

In Sweden, problems of reducing government debt and adapting to international competition united Social Democrats with unions and employers in export sectors in a broad coalition against government workers’ share of national income and against the current distribution of government pay. In West Germany, economic crisis set in motion attempts at a similar refashioning of alliances, potentially suited to return the Social Democratic Party (SPD) to power. Led by an ambitious maverick in the SPD, the initiative played a number of popular themes, including reducing the relative pay of civil servants. But an intense struggle ensued within the labor movement, when in stark contrast to its Swedish counterpart the union of metalworkers rallied in defense of existing inter- and intrasectoral pay structures. By doing so, IG Metall (*Industriegewerkschaft Metall*) fought the revival of a union-party alliance with leanings to the political center and accommodationist approaches to private employers.

Latent distributional conflict within the German unions invited an ambitious politician to fashion a politically rewarding alliance against public sector unions. Oskar Lafontaine, premier in the Socialist Democratic government of the Saarland, proposed that salaried civil

servants abstain from pay compensation enjoyed by others for progressive worktime reduction. Guaranteed publicity because the 1988 nationwide public sector wage negotiations were underway, Lafontaine's proposal resonated with a common public hostility toward civil servants' high salaries, pensions, and job security. His ostensible aim was not to level pay for its own sake, but to finance additional public jobs when budget deficits spoke against other solutions to high unemployment. In other words, the civil servant was to pay the tab; the lower-paid government employee, even if fortunate enough to have a job, should not be called upon to do so.

Lafontaine, an ambitious protégé of Willy Brandt and strong contender for the party leadership and chancellorship should the SPD ever return to power, triggered a fierce intramural debate closely covered by the press and television. Particularly enraged was Franz Steinkühler, leader of Germany's enormous union of both blue and white collar workers in the steel, machinery, auto, and electronics industries. A relatively high pay union, IG Metall had been a leader in a campaign since 1978 for job creation through negotiated workweek reductions. A key demand of IG Metall's thirty-five hour workweek was "full pay compensation" or no simultaneous reductions in weekly earnings. Although Lafontaine only suggested relative, not real reductions, and only for civil servants, Steinkühler rushed to attack in the harshest of terms. Lafontaine's initiative, he said, was "like a stab in the back [*wie ein Dolchstoß*]." To propose worktime reduction without compensation during the wage round in progress was like throwing "the famous Austrian handgrenade that doesn't explode but has a terrible effect on morale."³⁴

Like leaders of other unions and the DGB (the German Trade Union Confederation), Steinkühler attacked Lafontaine for violating labor's taboo against mobilizing external public support for results unwanted by unions presently engaged in negotiations. He attacked on substantive grounds too, arguing that progressive taxation, not collective bargaining and differential wage restraint, was the suitable device for redistributing income within the working class, and that tax-financed job creation was more appropriate for creating jobs. If collective bargaining should in any way redistribute employment, only negotiated worktime reductions were appropriate. Lafontaine's progressive wage restraint for redistribution of income and jobs, as "socialism within one class," was to be rejected. Steinkühler thus denounced anything like Swedish solidaristic wage policy, following in the tradition of his predecessors.³⁵

IG Metall and Lafontaine in Historical Perspective Lafontaine touched sensitive nerves with his proposal. The acrimony he aroused can be understood only in light of the West German labor movement's postwar interest alliances and internal distributional conflict. In trying to advance himself and revive the SPD politically, Lafontaine threatened to recreate a previously successful cross-class alliance of union, employer, and party forces that had checked IG Metall's more radical influence in politics and collective bargaining for over twenty years. This alliance had helped make the SPD *koalitionsfähig*, or respectable company in coalitions in the 1960s and 1970s, and had supported the development of consensual and corporatistic relations among employers, unions, and government.³⁶ While this alliance ruled, IG Metall was eclipsed within the DGB by more conservative unions. Steinkühler's bellicose response was therefore a preemptive strike against a return of the alliance and IG Metall's return to weakness.

IG Metall has experienced two periods of relative dominance, one before its long period of weakness from about 1960 to 1984, and another since the mid 1980s. IG Metall's two periods of dominance in the labor movement appear, at least in time, closely associated with Social Democratic parliamentary weakness. In the immediate postwar period, under the leadership of Otto Brenner, IG Metall's domination in the labor confederation resulted in the DGB's endorsement of IG Metall's militant or "expansive wage policy" for redistributing income between labor and capital. The idea was that high wage increases would increase labor's share of national income and at the same time stimulate demand, growth, and employment. IG Metall economist Viktor Agartz, who introduced the notion, headed the DGB's research and policy institute.

But like employers and the postwar conservative government, the leadership of other important unions differed and hoped to reorient the DGB, in part to undermine IG Metall's ideological influence over militants in their own ranks. Among them were the Construction and Allied Workers' Union (*IG Bau-Steine-Erden*), the Union of Mining and Energy Workers (*IG Bergbau und Energie*), and at least two unions in the public sector, the Government and Transport Workers' Union (*Gewerkschaft öffentliche Dienste, Transport und Verkehr*, ÖTV) and the Union of Postal Employees (*Deutsche Postgewerkschaft*, DPG).

One reason they differed was that a militant IG Metall "had repeatedly broken union solidarity by dictating a tempo and program which most other unions simply could not follow."³⁷ Unemployment in construction and chronic structural decline in mining hindered IG Metall's union critics in the private sector. Also weak were the relatively low pay public sector unions in the face of a conservative government and high unemployment. The ÖTV and the DPG, unlike in later years, therefore supported the conservative mining and construction unions in their ambitions in the 1950s for the DGB to exercise some peak level "coordination" over member unions' bargaining strategies. DGB control in the hands of these conservative unions would check IG Metall's autonomy, wage militancy, and presumably relative pay.

While the conservative unions never succeeded in empowering the DGB with formal control over IG Metall's bargaining autonomy, they did acquire control over the DGB's programmatic positions by the early 1960s. The radical voice of IG Metall was muffled by the accommodationist faction that supported doctrines of productivity-oriented, "distributionally neutral," and "cost-neutral" wage policies that employers, the government, and its economic advisors advocated. Consequently, the conservative unions were at least able to prevent use of the confederation for strong moral and material backing of IG Metall to counteract the power of more tightly centralized and coordinated employers. With the DGB so neutralized, the SPD gained in attractiveness as a coalition partner with the employer-friendly FDP (*Freie Demokratische Partei*).

In spirit, then, the conservative unions endorsed the employer confederation (the *Bundesvereinigung der Deutschen Arbeitgeberverbände*, BDA) with its strategy of economywide standards for pay increases oriented to average productivity increases. These increases would generally stay below those for the engineering sector and so help to maintain profits and international competitiveness. With theirs and the DGB's passivity during IG Metall offensives, these unions implicitly backed the BDA and its strongest affiliate, *Gesamtmetall* (*Gesamtverband der Metallindustriellen Arbeitgeberverbände*) against IG Metall. IG Metall contracts would then become the pattern for the rest of industry, and the conservative unions could then boast to members of agreements equal to those gained by the powerful IG Metall.³⁸

An indicator of IG Metall's weakness in the 1960s was the replacement of IG Metall's Agartz by Bruno Gleitze as head of the DGB's research institute. Gleitze was the author of a plan for "collective capital formation," a major source of inspiration for LO's Rudolf Meidner, who authored a similar proposal for "wage earner funds." The Gleitze plan and later versions of collective capital formation that it spawned were the accommodationists' programmatic answer, adopted by the DGB, to the militant "expansive wage policy" of IG Metall. As IG Metall saw it, Gleitze's plan was a backdoor attempt to control its militancy and relative wages.

Gleitze cleverly appealed to the DGB unions wanting limits on IG Metall's militancy, for it dealt at least in principle with the same wealth concentration problem that IG Metall proposed to remedy with confrontational wage bargaining. According to IG Metall, profits secured by wage restraint and retained for self-financed investment only contributed to an advancing concentration of ownership and thus economic and political power. Gleitze countered that when disposable wages cut into profits one sees either price increases and an inflationary reinstatement of previous functional income distribution or disinvestment and unemployment. Instead of high wages, he proposed a tax on profits to capture a portion of value added for labor on top of productivity-linked pay increases. This share would be skimmed off into collective funds controlled by the unions. It would be kept in circulation as investment capital for socially and distributionally desirable economic development.³⁹

IG Metall saw collective capital formation as a way of legitimating restraint by making it seem distributionally progressive rather than regressive, thus broadening the ideological appeal of its opponents in the DGB. Ironically, IG Metall's most important allies in its vigorous opposition to collective capital formation in the 1970s were to be three unions in the public sector (ÖTV, DPG, and GdED, the railroad workers' union); the first two had once openly allied with IG Metall's detractors in the generally lower pay or structurally handicapped construction, mining, textile, garment, and food industries. By the mid 1970s, Social Democratic control of government, full employment, and growth of public sector union membership helped wages in the public sector catch up. Between 1970 and 1976, public sector pay rose by about 87 percent. The average increase for industry was only 77 percent.⁴⁰ Public sector unions could now sometimes match and even surpass IG Metall's successes, as in the 1974 strike, which even upset IG Metall's leadership, held at bay by the 1973 oil price shock. Thus, in 1975 the public sector unions departed from their 1950s policy by not endorsing a renewed effort at DGB-coordinated restraint, led by the low pay GTB (*Gewerkschaft Textil und Bekleidung*, the Textile and Garment Workers Union.)⁴¹

As IG Metall and now its public sector allies saw it, the 1970s idea of collective capital formation was a subtle challenge to autonomous militancy. The intense split within the DGB, uniting the unions in the two largest sectors (metals and government) against most of the rest had helped ensure that collective capital formation would die in 1974 before becoming a serious item on the legislative agenda, just as the split and stalemate had obstructed DGB "coordination" of IG Metall. Meanwhile employers benefited from the impasse within the DGB, whose net effect was to isolate IG Metall, undermine public support for its militancy, and weaken it against Gesamtmetall, its powerful opponent in the BDA. The balance of power within the DGB therefore helped the liberal FDP to accept a coalition with the SPD during the 1970s.⁴²

The Nascent Alliance and IG Metall's Defense against Lafontaine After the Social Democrats lost power in 1982, IG Metall recovered leadership in the DGB with the support of public sector unions. Together they easily held comfortable and growing majority control in the 1980s, approaching even the two-thirds majority necessary for reform of the DGB's rules and structure. Ernst Breit from Gewerkschaft Post, one of the allies, was elected DGB chairman in 1982 to replace the retiring Heinz-Oskar Vetter (Vetter had been a leader of *IG Bergbau und Energie*, the Miners' Union, a supporter of DGB coordination and collective capital formation). Indicative of IG Metall's leadership was the DGB's endorsement of a militant campaign for the thirty-five hour workweek as a remedy for double-digit unemployment, for which IG Metall, along with printers in *IG Druck und Papier* (now *IG Medien*), independently struck in 1984.

Up until that time, the conservative unions' nonconfrontational response to unemployment was negotiated, government-subsidized early retirement, which business did not strongly oppose. The conservative CDU/CSU-FDP government obliged with legislation, hoping this would take the wind out of IG Metall's sails.⁴³ Initially the tactic appeared successful in fostering deep divisions between IG Metall and the accommodationists, with Günter Döding of the low pay Food, Beverage, and Restaurant Industry Workers' Union (NGG) leading the faction for early retirement. IG Metall loudly agitated against early retirement in the DGB and public debate, hoping to mobilize pressures inside other unions for following in IG Metall's steps. The unwillingness of the other unions to keep the pace would hold IG Metall back in its campaign for a rapid reduction of the workweek and isolate it politically.

Strong pressure indeed built up inside accommodationist unions to follow IG Metall's lead. But instead of enlisting external political forces to hold IG Metall back, by the spring of 1988 even solidly conservative unions like IG Chemie, IG Bau, and the GTB chose to join rather than beat the vanguard. For one thing, it turned out that there were few remaining workers still eligible for early retirement. The NGG's Döding, one of the most prominent accommodationist opinion makers, began insisting in 1986 that early retirement and the reduced workweek were not mutually exclusive, but rather complementary approaches.⁴⁴

Thus, earlier distributional conflict within the DGB at IG Metall's expense and IG Metall's desire to protect a new and fragile unity behind workweek reduction help explain the intensity of Steinkühler's attack against Lafontaine and why other DGB unions opposed him with considerably less anger.⁴⁵ By endorsing differentiated wage restraint—if only for high-paid government employees as an act of solidarity with the unemployed—Lafontaine's proposal threatened to legitimize a distributional principle that could be wielded at the expense of IG Metall's ascendance in the DGB, its militant bargaining strategies, and maintenance of its members' relatively high wages.⁴⁶ It might therefore help revive the same kind of union coalition that once dominated the DGB and supported "coordination" and collective capital formation. This coalition included low pay unions and those compelled by strong employers and weak markets to let their members' relative pay slide.

Ideas about redistribution of wages, whether across or within industries, have always made IG Metall leaders nervous. Debates at IG Metall's congresses since the 1970s show that the large and heterogeneous union is perennially haunted by its own intramural conflicts over pay distribution. At times the union tries to raise pay for low pay members faster than for others, but most of the time it neglects leveling for other objectives, such as workweek reduction. The leadership therefore probably fears that proposals like Lafontaine's might

also arouse opposition within the union by providing low pay groups and their spokesmen the grounds for restraining wages of higher pay workers, including white collar members in IG Metall, for their own benefit.⁴⁷

These speculations about Steinkühler's fears of the class-splitting and cross-class alliance Lafontaine could force are bolstered by a striking similarity between Lafontaine's pronouncements and the employers' campaigns for *Flexibilisierung* in, among other things, the distribution of reduced working hours. In 1989, Lafontaine announced his support for allowing routine work on Saturday and Sunday, which to IG Metall (and its closest ally on the issue, IG Medien) wanted to keep free for family, community, and leisure.⁴⁸ In doing so, Lafontaine provocatively joined forces with the conservative *IG Chemie-Papier-Keramik* (IG Chemie, the Union of Chemical and Allied Industry Workers) in endorsing weekend work, a gesture of independence that sat well with centrist, swing voters hostile to "union" (meaning in particular IG Metall) control of the SPD agenda.

Hermann Rappe of IG Chemie was, along with Günter Döding of the NGG, a leader of the group of five DGB unions generally advocating nonconfrontational relations with employers and frequently challenging IG Metall's agenda.⁴⁹ Lafontaine probably saw Rappe as an approachable player in the alliance game whom he had to split off from IG Metall, despite Rappe's uncharacteristic support for Steinkühler's response to Lafontaine's "Austrian handgrenade." IG Chemie also had a reputation of antagonism to the ecology agenda that Lafontaine promoted. By siding with IG Chemie on the weekend work issue, he showed his recognition of the union's pivotal importance in the game of cross-class alliances.⁵⁰

To broaden his support, Lafontaine also toned down his antigrowth image and openly endorsed market-oriented rather than statist policies in the course of the decade. But even as early as 1985 he asserted, much like LO and Swedish Social Democrats, the need to "decentralize, debureaucratize, and democratize" welfare state administration.⁵¹ These are themes that have made him increasingly palatable to both industry and the FDP, even if his leadership in the ecology debate made him an uncertain friend.⁵² Lafontaine's strategy appeared to lie in patching together support from diverse groups by promising more with one hand than he threatened with the other. Of course, metal and government workers got the opposite treatment. Lafontaine borrowed popular elements from IG Metall's strategy against unemployment but attached new conditions pleasing to other potential supporters but unacceptable to IG Metall. The strategy promoted public perceptions of him as a figure unusually unintimidated by two powerful but politically isolated "labor aristocracies," making him look highly electable as a candidate for chancellor.⁵³

By lashing out against Lafontaine and temporarily preventing him from displacing party leader Hans-Jochen Vogel at the 1988 SPD conference,⁵⁴ IG Metall lined up behind its old public sector allies and their high pay members. Concern for unions and pay in the public sector added to fear for its own autonomy, militancy, and ultimately the relative pay of its own members. The desire to protect itself against a coalition of outsiders—unions, parties, and employers—was the same motive for criticizing DGB "coordination" and collective capital formation earlier. In other words, IG Metall fought Lafontaine's revival of an accommodationist cross-class coalition against IG Metall. The union opposed a contender for leadership of the party who, given a chance, was likely to form a government on terms threatening to IG Metall's recently recovered programmatic leadership within West

Germany's dominant labor confederation. If (plausibly it seems at the time this was written) Lafontaine's leadership is the SPD's only immediate chance at regaining power, IG Metall's success in obstructing Lafontaine's rise may come at the party's expense.

Metalworkers and the Cross-Class Alliances in Comparison

When he attacked the SPD's Oskar Lafontaine and defended the material interests of high pay government employees, IG Metall's Franz Steinkühler was trying to stall a cross-class political realignment in West Germany at the union's expense. In Sweden, by contrast, Metall's Leif Blomberg was part of just such a realignment against the public sector, which included engineering employers and Social Democratic politicians. In both cases, the two large unions of metalworkers were decisive players. They moved however in opposite directions. How can their differences be accounted for?

Both were motivated by the desire to control the inter- and intrasectoral pay structure to their benefit. Both shared, therefore, a desire to enhance their collective bargaining autonomy or power. Sweden's Metall (representing about 20 percent of LO's members) achieved this by agreeing with employers who wanted more decentralized collective bargaining; Germany's IG Metall (about 30 percent of the DGB) tried to protect its power against employers by neutralizing political forces that would strengthen its conservative opposition within the DGB and therefore demobilize a confederation only recently supportive of IG Metall's vanguard role.

Similar motives interacted with markedly different intersectoral trends in pay and working conditions to produce deviating alliance patterns. In Sweden, public sector pay had advanced much further with respect to the private sector, while in Germany rapid growth in relative pay in the early 1970s had already been reversed in the late 1970s by a conservative government. For Sweden's Metall, the prevailing interest lay in containing public sector wages and costs to stop the drain on private sector income and labor, which undermined their industry's ability to compete in world markets. IG Metall's dominant problem was the opposite one of ensuring that other unions like those in the public sector kept pace with its militancy, especially toward the shorter workweek, for fear of isolating itself politically. Second, the two countries differed dramatically in terms of public employment levels. In Germany, the public sector accounted for 15.8 percent of total employment in 1986; in Sweden, 36.6 percent. High taxes were therefore more of a concern for Swedish workers, who pay a larger share of their earnings in taxes than workers in any other OECD country.⁵⁵ Sweden's Metall thus had a stronger motivation to support an alliance against public sector costs and inefficiency.

For IG Metall in Germany, defense of the public sector amounted to self-defense against the same kind of coalition that imposed peak level centralization, a loss of autonomy, and relative pay stagnation on Sweden's Metall in the 1950s and 1960s. At that time in Sweden, low pay unions had joined the Social Democratic government and employers in forcing through peak centralization with egalitarian wage policy, or interindustrial leveling at the expense of metalworkers. Lafontaine's proposal, it will be recalled, threatened to legitimize the Swedish idea of extra pay restraint for high pay unions like IG Metall. The German unions potentially friendly to Lafontaine's threat against high earners in the public sector

tended also to be the same structurally weaker, low pay unions that had supported DGB coordination, collective capital formation, and early retirement as ways of restraining IG Metall. Their temptation to do so was (and is) probably strong. In 1984, blue collar workers in German engineering earned about 116 percent of what food industry workers did and 143 percent of what garment workers earned. In Sweden, engineering workers earned only 102 percent and 118 percent respectively.⁵⁶

The two unions' contrasting positions on public sector pay parallels another difference between them on the issue of collective capital formation. In Sweden, the metalworkers' union supported Rudolf Meidner's famous "wage earner funds," largely borrowed from the DGB's Bruno Gleitze,⁵⁷ since it offered justification for the wage restraint it had been compelled to exercise on behalf of the solidaristic policy of wage leveling across and within industries. Collective profit-sharing promised to skim off so-called excess profits (associated with restraint by high pay workers in high profit firms) that appeared responsible for disruptive wage drift and wildcat strikes in the 1970s. But the relatively high pay German metalworkers' union reacted vehemently against the other DGB unions' ambitions for collective capital formation. The leadership of IG Metall feared that collective profit-sharing would help solidify and empower a coalition of union and government support behind employers' efforts to contain IG Metall's militancy. Collective capital formation would improve the chances for the DGB to encroach on IG Metall's bargaining autonomy by providing an egalitarian justification for wage restraint.

To put it succinctly, Swedish metalworkers sought wage earner funds as compensation for a loss of autonomy and related wage restraint; German metalworkers opposed collective capital formation in defense of its militancy and autonomy because it lent egalitarian justification to the opposite. In both countries, "fund socialism" failed due to united business and conservative opponents who were never won over to the idea that its threats were outweighed by the advantages of the overall wage restraint it promised to foster. Intimidated by intense business opposition, Swedish Social Democrats passed a heavily watered-down version in the Riksdag. An unusual coalition of IG Metall and employers killed the issue in Germany. Ironically, the conservative unions could not count on the employer support needed for the distributional challenge against IG Metall, for they were simultaneously challenging the power and privileges of capital as well.⁵⁸

Conclusion: Labor Stands Divided

Even in comparison to their West German counterparts, workers in the Swedish welfare state are numerous and well-paid. For this reason, it is no surprise that private sector unions in Sweden are at this time leading advocates of containing and reforming the welfare state. And more immediately exposed and vulnerable to harsh international competition than their public sector counterparts, Swedish private sector unions like Metall and Fabriks share compelling economic and political interests in joining with outside groups interested in limiting the welfare state.

The Swedish case proves that capitalism's intellectuals like Joseph Schumpeter have fretted all too much about the decay of capitalism's political defenses. Echoing Max Weber, Schumpeter longed for politically robust and charismatic bourgeois leadership from the

ranks of the entrepreneurial class, which he thought modern capitalism destroys when it substitutes the corporate bureaucrat for the entrepreneur. Schumpeter may have been right in trusting oligopoly capitalism's indefinite economic vitality but was wrong in thinking that capitalism would not take care of itself politically in the postwar world.⁵⁹ For it seems that the politics of alliance formation, even when it includes the main organizational constituency of the welfare state, are part of its immune system. Leadership from a strong entrepreneurial class appears politically as well as economically dispensable. As a social basis for leadership, the allied officialdom of corporate capitalism, Social Democratic parties, and organized labor proves to be an effective substitute. The recent Swedish alliance led by export industry interests shows that national political processes set in motion by world market forces can check the forward movement of social democracy's international vanguards. Politically isolated, groups benefiting from the growth of the welfare state and opposing the alliance offer weak resistance.

Writing more recently from a different ideological vantage point, Claus Offe has argued that the state in capitalism responds to capitalism's changing needs, and therefore its own, by creating an extensive "decommodified" realm of production, the welfare state. On the other hand, he argues, the welfare state weakens capitalism by draining resources from the commodified sector and undermining it ideologically by diffusing values antithetical to possessive individualism—capitalism's "normative or moral infrastructure."⁶⁰ Offe's dialectics are more open ended than Schumpeter's and never quite guarantee the demise of capitalism. Rightly so, it seems, for in the very country where capitalism should have suffered the most ideological decay, Swedish Social Democrats lead the way with moves to impose competition, incentives, and other market-like disciplinary mechanisms on the public sector. This ideological reaction has come from within the modern welfare state's own traditional constituency. Unions representing workers in the private sector have not only accepted for themselves a partial return to less egalitarian pay and employment practices as recommended by competitive individualism. They are also leading in the effort to impose partial "recommodification" on the welfare state itself.

Oskar Lafontaine's similar ideas for West Germany⁶¹ suggest that, if Social Democrats manage to regain power, they might also reform the welfare state on social democracy's own terms, that is, without privatization and by upholding traditions of quality and equality in the provision of health, education, and welfare. If so, they will succeed only in alliance with outside pressures as they oppose their own constituents' relative income, bureaucratic unresponsiveness, and insulation from market discipline. This conclusion finds historical evidence in past labor politics in Sweden and West Germany, which show that social democracy's success measured in terms of parliamentary control is not necessarily foreclosed and may even be facilitated by intramural conflict.

"Labor-inclusionary" politics appear to result when labor movement factions are able to assert control over other unions on distributional terms suiting not only themselves, but also powerful business groups and adroit leftist politicians with a keen eye for shifting coalitional possibilities. Comparative case analysis showed that internal power and distributional conflicts within labor movements structure opportunities for class-splitting, cross-class alliances through which labor movements most effectively bring their power to bear in parliamentary politics. Labor has acquired power not only because of sheer numbers of votes or ideological unity, but because of internal distributional conflict that union leaders,

politicians, and business groups can exploit. In that manner, labor turns apparent organizational adversity into political advantage. Though it divides labor, the crisis of the welfare state is not necessarily a crisis for social democracy.

NOTES

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1. Gösta Esping-Andersen, *Politics against Markets: The Social Democratic Road to Power* (Princeton: Princeton University Press, 1985), argues a strong connection between the universalistic welfare state and the reproduction over time of social democracy's broad electoral base in a changing society.

2. Many writers on Social Democracy and corporatism make an empirical case that labor's organizational unity strengthens left parties. See especially David Cameron, "Social Democracy, Corporatism, Labour Quiescence, and the Representation of Economic Interest in Advanced Capitalist Society," in John H. Goldthorpe, ed., *Order and Conflict in Contemporary Capitalism* (Oxford: Clarendon Press, 1984).

3. See Max Weber, *Gesammelte politische Schriften*, 2nd ed. (Tübingen: J. C. B. Mohr, 1958); Joseph Schumpeter, *Capitalism, Socialism and Democracy* (New York: Harper & Brothers, 1942). For a more recent statement, see Daniel Bell, *The Cultural Contradictions of Capitalism* (New York: Basic Books, 1976).

4. On the contradictions of the welfare state, see also John Logue, "The Welfare State: Victim of Its Success?," *Daedalus*, 108 (1979), and "Will Success Spoil the Welfare State," *Dissent* (Winter 1985); Rudolf Klein, "The Welfare State: A Self-Inflicted Crisis?," *Political Quarterly*, 51 (1980); Claus Offe, *Contradictions of the Welfare State* (Cambridge, Mass.: The MIT Press, 1984); and Massimo Paci, "Long Waves in the Development of Welfare Systems," in Charles S. Maier, ed., *Changing Boundaries of the Political: Essays on the Evolving Balance between the State and Society, Public and Private in Europe* (Cambridge: Cambridge University Press, 1987).

5. Peter Lange speculates on how to deal with the obvious rational choice objections to this kind of model in "Unions, Workers, and Wage Regulation: The Rational Bases of Consent," in Goldthorpe, ed.

6. The following important works, among others on the foundations of social democracy, class alliances, and labor-inclusive corporatism, all neglect analysis of decisive labor divisions: Francis G. Castles, *The Social Democratic Image of Society* (London: Routledge & Kegan Paul, 1978); John Stephens, *The Transition from Capitalism to Socialism* (London: Macmillan, 1979); Peter Katzenstein, *Small States in World Markets: Industrial Politics in Europe* (Ithaca: Cornell University Press, 1985); Gregory M. Luebbert, "Social Foundations of Political Order in Interwar Europe," *World Politics*, 39 (July 1987). See also Esping-Andersen and Cameron. By contrast, Peter Gourevitch sometimes includes intra-class divisions of a different sort than analyzed here in *Politics in Hard Times: Comparative Responses to International Economic Crises* (Ithaca: Cornell University Press, 1986).

7. See for example Leo Panitch, "The Development of Corporatism in Liberal Democracies," *Comparative Political Studies*, 10 (April 1977); and "Trade Unions and the Capitalist State," *New Left Review*, 125 (January-February 1981). The argument need not be explicitly Marxist, of course. See Charles Sabel's excellent treatment of the issues in "The Internal Politics of Trade Unions," in Suzanne Berger, ed., *Organizing Interests in Western Europe: Pluralism, Corporatism, and the Transformation of Politics* (Cambridge: Cambridge University Press, 1981).

8. On this, see below. See also, in greater detail, Peter Swenson, *Fair Shares: Unions, Pay, and Politics in Sweden and West Germany* (Ithaca: Cornell University Press, 1989), pp. 31-70.

9. Theda Skocpol, *States and Social Revolutions* (Cambridge: Cambridge University Press, 1979), p. 127.

10. On the special and deeper problems of ideologically divided labor movements, see Miriam Golden, "Interest Representation, Party Systems, and the State: Italy in Comparative Perspective," *Comparative Politics*, 18 (April 1986).

11. This unity is cemented by consensual norms of distribution and collective bargaining arrangements that can enforce them against market disturbances. On this, see Swenson, *Fair Shares*, pp. 11-30 and 71-108. On wage norms, see Jon Elster, "Wage Bargaining and Social Norms," *Acta Sociologica*, 32 (1989).

12. See Adam Przeworski, "Social Democracy as a Historical Phenomenon," *New Left Review*, 122 (July-August 1980), and *Capitalism and Social Democracy* (Cambridge: Cambridge University Press, 1985).

13. *Dagens Nyheter*, Sept. 25, 1986; *Fabriksarbetaren*, 20 (December 8, 1982).

14. *SAFridningen*, Dec. 16, 1982; *Dagens Nyheter*, Sept. 22, Apr. 23, 1983.
15. Karol-Olof Faxén, "Wages, Prices and Taxes in the 1980s," in Bengt Rydén and Villy Bergström, eds., *Sweden: Choices for Economic and Social Policy in the 1980s* (London: Allen & Unwin, 1982), pp. 195–96.
16. Decentralization partially divides employers, too. Hans de Geer and Hans L. Zetterberg, *Mål, motiv och verksamhet: En SIFO-undersökning om delägarnas syn på Svenska Arbetsgivareföreningen och dess förbund* (Stockholm: SAF, 1987).
17. See LO's congress reports *Fackföreningsrörelsen och välfärdsstaten: Rapport till 1986 års LO-kongress från LOs utredning om den offentliga sektorn* (Stockholm: LO, 1986), and *Gemensamt ansvar för arbete: Rapport till 1986 års LO-kongress från LOs utredning om arbete* (Stockholm: LO, 1986).
18. The following draws on Swenson, *Fair Shares*, pp. 42–60, and differs markedly from Gourevitch's *Politics in Hard Times*, which occasionally argues the importance of labor divisions (especially union versus nonunion) in other domestic alliances and ignores divisions in Sweden altogether.
19. Sven Anders Söderpalm, *Direktörsklubben: Storindustrin i svensk politik under 1930- och 40-talet* (Stockholm: Zenit/Rabén & Sjögren, 1976), p. 21.
20. See Olle Nyman, *Svensk parlamentarism 1932–1936* (Uppsala: Almqvist & Wiksell, 1947); Feiwei Kupferberg, "Byggnadsstrejken 1933–34," and Hartmut Apitzsch, "Byggnadsbranschen: Produktionsförhållanden och organisationsstruktur," both in *Arkiv för studier i arbetarrörelsens historia*, 2 (1972); and Sven-Anders Söderpalm, *Arbetsgivarna och Saltsjöbadspolitiken* (Stockholm: SAF, 1980).
21. See Jörgen Ullenhag, *Den solidariska lönepolitiken i Sverige* (Stockholm: Läromedelsförlagen, 1971); Axel Hadenius, *Facklig organisationsutveckling* (Stockholm: Rabén & Sjögren, 1974).
22. Landsorganisationen, *Statistisk sammanställning av löneutveckling och lönestruktur: Lönepolitisk delrapport* (Stockholm: LO, 1987); for white collar pay, see Statiska Centralbyrån, *Statistisk årsbok* (years 1984 through 1988).
23. Björn Rosengren, "En unik samverkan," in Anders Broström, *Storkonflikten på den svenska arbetsmarknaden 1980* (Stockholm: Arbetslivscentrum, 1981), p. 69; Nils Elvander, *Den svenska modellen* (Stockholm: Almänna Förlaget, 1988), pp. 144–47. Peter Walters also notes the broad continuity between the Social Democratic government and its predecessors in efforts to reduce government expenditures in "Distributing Decline: Swedish Social Democrats and the Crisis of the Welfare State," *Government and Opposition*, 20 (Summer 1985), p. 366.
24. *Ibid.*, pp. 145, 147, and 150.
25. *Dagens Nyheter*, Oct. 22, 1986.
26. *Dagens Nyheter*, Jan. 12, 1988.
27. *Dagens Nyheter*, Feb. 23, Apr. 23, June 18, 1988. In 1985 the government showed its muscle and nerve by locking out 20,000 white collar (non-LO) public sector workers in response to a limited but unpopular strike.
28. *Dagens Nyheter*, Mar. 28, 1988.
29. *Dagens Nyheter*, Apr. 13, 18, 1988. The attack on rigid pay standardization in the public sector had begun in the late 1970s under bourgeois governments. But it gained full momentum only under the Social Democrats. On earlier developments, see Maivor Sjölund, *Statens kaka: Lönepolitik i förändring* (Stockholm: Allmänna Förlaget, 1987).
30. See Anna-Greta Leijon et al., *90-tals programmet: En debattbok om arbetarrörelsens viktigaste frågor under 90-talet* (Stockholm: Tidens Förlag, 1989). See also Casten von Otter, *Kan man rationalisera folkhemmet?* (Stockholm: LO, 1986). For an English version of the ideas, see Richard B. Saltman and Casten von Otter, "Re-vitalizing Public Health Care Systems: A Proposal for Public Competition in Sweden," *Health Policy*, 7 (February 1987).
31. In 1948, the Social Democrats appeared to have lost a large share of votes to the bourgeois parties after intense attacks from the right on their postwar planning and nationalization program. They managed to hold ground, however, probably by recovering votes lost to the Communists in the 1944 election. See Diane Sainsbury, *Swedish Social Democratic Ideology and Electoral Politics 1944–1948* (Stockholm: Almqvist & Wiksell International, 1980), and Leif Lewin, *Planhushållningsdebatten* (Stockholm: Almqvist & Wiksell, 1967), pp. 213–347. On VF's and SAF's role during this period and since then, see Söderpalm, *Direktörsklubben*, pp. 114–25, and Sven Ove Hansson, *SAF i politiken: En dokumentation av näringslivsorganisationernas opinionsbildning* (Stockholm: Tidens förlag, 1984), pp. 12–14.
32. For more on the conservative shift, see Jonas Pontusson, "Radicalization and Retreat in Swedish Social Democracy," *New Left Review*, 165 (1987).
33. A survey of 450 firms found 70 percent of managers (95 percent in the largest companies) favorable to the Social Democratic Party. While only 18 percent of the one hundred top executives favored a Social Democratic government,

39 percent believed the party to be better for business than the opposition. Henry Milner, *Sweden: Social Democracy in Practice* (Oxford: Oxford University Press, 1989), p. 137; *Inside Sweden*, 2 (May-June 1988).

34. *Frankfurter Allgemeine Zeitung*, Mar. 7, 1988.

35. Franz Steinkühler, "Angst vor den Freunden: Zerbricht das Bündnis von Gewerkschaften und Sozialdemokraten?," *Die Zeit*, Mar. 25, 1988, p. 13.

36. On these "accommodationist" unions' politics in postwar union-party-government relations, in contrast to IG Metall's, see Andrei S. Markovits, *The Politics of the West German Trade Unions: Strategies of Class and Interest Representation in Growth and Crisis* (Cambridge: Cambridge University Press, 1986), esp. pp. 83–157.

37. *Ibid.*, p. 90.

38. On the BDA and Gesamtmetall versus IG Metall, see Claus Noé, *Gebändigter Klassenkampf: Tarifautonomie in der Bundesrepublik Deutschland* (Berlin: Duncker & Humblot, 1970), pp. 49–54 and 256–60.

39. See Bruno Gleitze, ed., *Sozialkapital und Sozialfonds als Mittel der Vermögenspolitik*, WWI-Studie zur Wirtschaftsforschung no. 1, 2nd ed. (Cologne: WWI, 1969).

40. Gerhard Weiss, *Die ÖTV Politik und gesellschaftspolitische Konzeptionen der Gewerkschaft ÖTV von 1966 bis 1976* (Marburg: Verlag Arbeiterbewegung und Gesellschaftswissenschaft, 1978), p. 201; Projektgruppe Gewerkschaftsforschung, *Rahmenbedingungen der Tarifpolitik, Band 1: Gesamtwirtschaftliche Entwicklung und Organisationen der Tarifparteien* (Frankfurt, a. M.: Campus, 1979), p. 244.

41. Deutscher Gewerkschaftsbund, *Protokoll: 10. ordentlicher Bundeskongress 1975*, pp. 199, 324–25.

42. The FDP supported a conservative version of the DGB's Gleitze plan that gave distributional legitimation to wage restraint but left out union control of the capital funds and was therefore potentially acceptable to employers. See Wilfried Höhnen, "Zwanzig Jahre vermögenspolitische Diskussion," in Karl Heinz Pitz, ed., *Das Nein zur Vermögenspolitik* (Reinbek bei Hamburg: Rowohlt, 1974).

43. Wolfgang Spieker, "Verbände und Institutionen in der Arbeitszeitpolitik," in Hans Mayr and Hans Janssen, eds., *Perspektiven der Arbeitszeitverkürzung* (Cologne: Bund-Verlag, 1984), pp. 297–98.

44. See Günter Döding, *Die neuen Aufgaben der Gewerkschaften* (Stuttgart: Bonn Aktuell, 1986), p. 27.

45. *Frankfurter Allgemeine Zeitung*, Mar. 10, 1988. Lafontaine actually received support from the generally accommodationist ex-DGB chairman Heinz-Oskar Vetter. *Frankfurter Allgemeine Zeitung*, Mar. 8, 1988.

46. Responding to IG Metall's concerns, the DGB asserted that higher civil servants in the DBB, the Federation of German Civil Servants, should get just as large a pay increase as the DGB unions were getting in 1987. *Frankfurter Allgemeine Zeitung*, Jan. 21, 1987. The DGB leadership feared that extra pay restraint for high earners in the public sector "would set precedents in contract trends in other areas and would thereby encroach upon bargaining autonomy (of private sector unions)." (*Frankfurter Allgemeine Zeitung*, Apr. 23, 1988).

47. In the late 1970s, IG Metall chairman Loderer even prevented the distribution to union officials of a book on (and favorably disposed to) solidaristic wage policy, written by his own researcher, economist Hans-Adam Pfromm. The book, which included an analysis of Sweden, was *Solidarische Lohnpolitik: Zur wirtschaftlichen und sozialen Problematik tariflicher Lohnstrukturnivellierung* (Cologne: Europäische Verlagsanstalt, 1978).

48. On employers, see Bundesvereinigung der Deutschen Arbeitgeberverbände, *Zwanzig-Punkte-Programm: Für mehr Beschäftigung* (Cologne: BDA, 1985); Gesamtmetall, *Bericht der Geschäftsführung 1983–1985* (Cologne: Gesamtmetall, 1985), p. 114, Erich Ott, "Arbeitszeitflexibilisierung und Beschäftigungswirkung," in Hans Mayr and Hans Janssen eds., *Perspektiven der Arbeitszeitverkürzung* (Cologne: Bund Verlag, 1984), pp. 137–39; Arbeitsgruppe Alternative Wirtschaftspolitik, *35 Stunden sind genug! Abbau der Massenarbeitslosigkeit und Verbesserung der Arbeits- und Lebensbedingungen durch Arbeitszeitverkürzung* (Cologne: Pahl-Rugenstein, 1987), pp. 32–37.

49. In this regard they have replaced Georg Leber of IG Bau-Steine-Erden, the union of construction workers. See Christian Zentner, *Das Verhalten von Georg Leber—analysiert unter dem Aspekt seiner macht-politischen Bedeutung für die deutsche Gewerkschaftsbewegung und die Sozialdemokratische Partei Deutschlands* (Mainz: V. Hase & Koehler, 1966).

50. On Rappe vis-à-vis employers, Steinkühler, and Lafontaine, see *Frankfurter Allgemeine Zeitung*, Aug. 4, Dec. 29, 1988; *The German Tribune*, Aug. 6, 1989. For more on IG Chemie's swings and shifts, see Markovits, *The Politics of the West German Trade Unions*, pp. 267–326, and Swenson, *Fair Shares*, pp. 212–216.

51. Oskar Lafontaine, *Der andere Fortschritt: Verantwortung statt Verweigerung* (Hamburg: Hoffman & Campe, 1985), p. 109.

52. On Lafontaine vis-à-vis business and the FDP, see "Unternehmer sind auch Wähler: Ein Zeit-Gespräch mit Oskar Lafontaine über Wirtschaftspolitik und Gewerkschaften," *Die Zeit*, Sept. 23, 1988. See also *The German*

Tribune, Mar. 6, 1988; *Der Spiegel*, no. 41 (1988); *The Economist*, Mar. 19, 1988; *Der Spiegel*, Nov. 20, 1989; and *Der Tagesspiegel*, Aug. 15, 1989.

53. In September 1989, Lafontaine was more popular than SPD leader Hans-Jochen Vogel and was favored 49 percent to 41 percent over CDU chancellor Helmut Kohl for the future chancellorship. *Der Spiegel*, Sept. 25, 1989. Lafontaine cultivates an image as a daring thinker in three recent books, including the latest, *Die Gesellschaft der Zukunft* (Hamburg: Hoffmann und Campe Verlag, 1988).

54. "Boosts for Women and Vogel but Not for Lafontaine." *The German Tribune*, Sept. 11, 1988.

55. Walters, "Distributing Decline," p. 65. Employment figures from *Statistisches Jahrbuch 1987* and *Statistisk årsbok 1987*.

56. Swedish Employers' Confederation, *Wages and Total Labour Costs for Workers: International Survey 1974–1984* (Stockholm: SAF, 1986).

57. Meidner, "Deutsche Einflüsse auf die schwedische Debatte über überbetriebliche Vermögensbeteiligung," in Hans Jochen Vogel, Helmut Simon, and Adalbert Podlech, eds., *Die Freiheit des Anderen: Festschrift für Martin Hirsch* (Baden Baden: Nomos Verlagsgesellschaft, 1982).

58. For an analysis of the wage earner funds debate in both countries, see Swenson, *Fair Shares*, pp. 129–223.

59. In *Capitalism, Socialism and Democracy*, pp. 59–163. Schumpeter argued that capitalism could take care of itself economically (it would not collapse from its own crisis tendencies) but ultimately corroded its own political, cultural, and ideological foundations. See also Daniel Bell, *The Cultural Contradictions of Capitalism*, on the "abdication of the corporate class."

60. Claus Offe, "Theses on the Theory of the State," in *Contradictions of the Welfare State*, pp. 119–29. In contrast, Schumpeter maintained capitalism was politically strengthened by *precapitalist* culture and "protective social strata" and hurt by capitalist values.

61. Lafontaine, *Der andere Fortschritt*, pp. 103–13.