Labour / Le Travail

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Volume 63, Spring 2009

URI: https://id.erudit.org/iderudit/llt63re03

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Publisher(s)

Canadian Committee on Labour History

ISSN

0700-3862 (print)
1911-4842 (digital)

Explore this journal

Cite this document

Stevenson, P. (2009). The Political Economy of Inequality – Reformism or Socialism? *Labour / Le Travail*, *63*, 231–242.

REVIEW ESSAY / NOTE CRITIQUE

The Political Economy of Inequality – Reformism or Socialism?

Paul Stevenson

Jonas Pontusson, *Inequality and Prosperity: Social Europe vs. Liberal America* (Ithaca, NY: Cornell University Press 2005)

Jonas Pontusson is a political science professor at Princeton University who in the recent past has been known to critique social democracy, particularly in Sweden, from a socialist perspective.[1] However, the thrust of the book under review here is to provide an empirical and analytical rationale that social democratic regimes (especially those of the Nordic nations) have performed well in economic and social terms in the post-World War II era in comparison with other capitalist nations but especially in comparison with the neo-liberal United States. Indeed, some other forms of social welfare regimes in Western Europe have also done better than has the United States, thus setting up Pontusson's sub-title of "social Europe versus liberal America." It is an examination of what Pontusson refers to as "comparative political economy" with a focus on finding similarities, and particularly differences, among Western industrialized capitalist economies. Pontusson believes that while capitalism inevitably generates inequalities in the distributions of wealth and income, nonetheless, there can be a wide range among them in terms of how adversely the majority of their citizenries are affected. Neo-conservative, neo-liberal, moderate or centrist, welfare-state liberal, and social democratic governments can, and do, make some differences in how unequal economic inequality is.

In his comparative analysis, Pontusson has chosen to focus on economic indicators rather than on political (and social) indicators and analysis. In order to further such a presentation he has developed a typology which is as follows: smes (social market economies which encompass Germany, Austria,

1. "Behind and Beyond Social Democracy in Sweden," *New Left Review* 143 (1984), 69–96; and "Radicalization and Retreat in Swedish Social Democracy," *New Left Review* 165 (1987), 5–33.

Paul Stevenson, "The Political Economy of Inequality – Reformism or Socialism?," *Labour/Le Travail,* 63 (Spring 2009), 231–242.

Switzerland, Belgium, the Netherlands, Denmark, Sweden, Norway, and Finland); LMEs (liberal market economies which include the United States, Canada, Australia, Ireland, and the United Kingdom); and then certain "outliers" including France, Italy, and Japan. Many of his empirical comparisons utilize these categories but complexities arise when some of the outliers share characteristics with the SMEs – and when some of the SMEs or the LMEs are outliers themselves. Time and space could be spent dealing with these issues but that is not really my main focus here. What is important to note, at this juncture, is how Pontusson's typology is distinct from, but refers to, what has come to be the more conventional classification of Western welfare state regimes. In his 1990 book, Esping-Andersen discussed three "types" of welfare states (really three "clusters" of welfare states) which could be differentiated from one another: the social democratic, the liberal, and the conservative-corporate.[2] The first is occupied by the Nordic countries, the second by English-speaking nations with roots in the British Empire, and the third basically all of the rest. (The latter have been further broken down into "Catholic/Rudimentary" and "Achievement-Performance.") Pontusson recognizes his separate path and does attempt to provide an (overly brief) justification. What happens, in my estimation, is that the focus on differences among industrial capitalist nations and their respective social-economic performances (strengths and weaknesses) leads to a drift towards limited economic analysis and away from political and social analyses. Perhaps more importantly, by such a narrowing of focus the similarities among all these nations, which are rooted in the dynamics of the capitalist mode of production, largely get ignored.

Turning to some of these political and social issues for a moment, let me briefly identify the distinctions made among the three types of welfare states. This can best be accomplished with a quote by Julia O'Connor:

> The social democratic regime is characterized by universalism in social rights, a strong role for the state, and the integration of social and economic policy, which is reflected in a commitment to full employment. In contrast, in the liberal regime state intervention is clearly subordinate to the market, and there is a strong emphasis on income-and/or means-testing for access to benefits. Where universalism is applied it is universalism with a focus on equal opportunity. The conservative welfare state regime is characterized by the linkage of rights to class and status through a variety of social insurance schemes and the emphasis on the maintenance of the traditional family. The latter is reflected in the public provision of social services only when the family's ability to cope is exhausted.[3]

Social democratic regimes emphasize universal rights of citizenship, the decommodification of social services, the comprehensiveness of social services, and the emphasis on full employment. Citizens accessing such services are seen as having a (human) right to them and not because they are victims

2. Gosta Esping-Andersen, *Three Worlds of Capitalism* (Princeton, NJ 1990).

3. Julia O'Connor, "Social Justice, Social Citizenship, and the Welfare State, 1965–1995: Canada in Comparative Context," in Rick Helmes-Hayes and James Curtis, eds., *The Vertical Mosaic Revisited* (Toronto 1998), 180–231.

to be bailed out of their plight through the kindness of the state or private welfare agencies. What is lost in Pontusson's economistic approach is any reference to the nature of the state in Western democracies, i.e. to theories of the state. In short, does a ruling class rule? What does it do when it rules and how does it go about the process? In that regard, for Pontusson, even the classic Poulantzas-Miliband debate of decades ago is not worthy of addressing. Its relevance is captured in Miliband's following statement:

> The question does not … depend on the personnel of the state, or on the pressure which the capitalist class is able to bring upon it; the nature of the state is here determined by the nature and requirements of the mode of production. There are 'structural constraints' which no government, whatever its complexion, wishes, and promises, can ignore or evade. A capitalist economy has its own 'rationality' to which any government and state must sooner or later submit, and usually sooner.[4]

Pontusson does successfully show that governmental and social promotion of income redistribution and employment protection is quite compatible with economic efficiency, economic growth, and employment. Indeed, where government interference (intervention in an economy's activities) is (allegedly) less, such as in the United States, there is not a better economic performance and certainly not a more advantaged citizenry. In most instances, the more advanced Keynesian welfare states of the SMEs perform as well or better than the United States and the LMEs. LMEs do not "naturally" outperform SMEs and there is not an automatic tradeoff between growth and equality. What's more, social democratic regimes often have performed the best and they certainly, at the same time, have demonstrated greater equality in their income distributions and social-economic performances for their citizenry. They have demonstrated the lowest levels of poverty, including child poverty, the greatest parity in female to male income levels, and the highest levels of female politicians in their elected national legislatures. (I might add that recently, Norway has passed legislation that at least 40 percent of the boards of directors of large corporations must be female.)

Pontusson's findings regarding growth and equality, employment and equality, national systems of wage bargaining, and so on are all presented in a very detailed empirical and analytical manner. Pontusson uses correlational data (with control variables) and regression analysis to substantiate his claims considering as many possible alternative explanations as would reasonably be warranted. He never over-reaches his available data. For the less statistically well-versed he also offers graphs which illustrate his findings and what he is analyzing. Such a presentation is to be welcomed and most academics could take a real lesson from him here.

As part of his examination Pontusson addresses what has come to be known as "convergence" which, in the political science sense, refers to declines in social programs in welfare states (particularly in Western Europe) due to

4. Ralph Miliband, *Marxism and Politics* (London 1977), 72.

the evolution of European Union integration and the increase in globalization. Given these political-economic forces it was hypothesized that the more advanced welfare states would need to cut social programs and undermine other policies to be able to compete globally and/or get more-in-line with other European nations, particularly those in Southern Europe. The process was often described as a "race to the bottom." However, Pontusson has shown that such convergence has not occurred and that social democratic regimes in particular have been able to maintain their status as advanced welfare states. (I would also note that Norway, in particular, has also had the advantage of offshore oil revenues.) That said, Pontusson does note that SMEs and LMEs have experienced rising wage inequality.[5]

"Convergence" has historically meant something different in the discipline of sociology but that notion has direct relevance here as well. Many sociologists saw their discipline as deeply divided right from its beginnings in the 19th century and have argued that it polarized into the "industrial society" camp and the "capitalist society" camp. The former has argued that regardless of what type of a system a country industrialized under all industrialized economies will come to resemble one another in their main economic, political, and social institutions and operations. In short, industrialization leads to convergence, post-capitalism, mixed economies, and the Keynesian welfare state. The fundamental goals and values of socialism could be achieved within a market economy if the citizenry elected social democrats into government.[6]

The notion of the term "convergence" gets even a bit more messy when we introduce the perspective of socialists into the mix. Socialists, of course, do not accept the view that Western industrialized nations are no longer capitalist, that the modern corporation is no longer under the ownership and control of the capitalist class, and that the state in capitalist society can come under the control of egalitarian social democrats. However different 20th and 21st century capitalism is from its roots in earlier eras it still generates economic, political, and social inequalities as a result of its DNA so to speak. It follows that Western industrial capitalist economies should exhibit quite similar class structures and inequalities in the distributions of wealth and income. So the

5. An illustration of these developments can be found in Peter Gottschalk and Timothy Smeeding, "Cross-National Comparisons of Earnings and Income Inequality," *Journal of Economic Literature* 35 (1997), 633–687. Gottschalk and Smeeding found that basically all Western industrialized nations had experienced increased wage (earnings) inequality and increased household income inequality (gross and disposable) over the 1980s–early 1990s period. Nonetheless, the inequality increases had been less dramatic and less speedy in social democratic welfare states as compared to others, such as the United Kingdom and the United States.

6. A good and readable summary of the "industrial society versus the capitalist society" perspectives can be found in Anthony Giddens, *Sociology: A Brief but Critical Introduction*, Second Edition (New York 1987), 23–42. The essence of, and the basis for, this convergence notion can be found in John Kenneth Galbraith, *The New Industrial State* (Boston 1967).

notion of "convergence" generates various interpretations. First there are those who bemoan the race-to-the-bottom phenomenon and place the blame on free-trade agreements and globalization. Next there are those who see industrial societies increasingly resembling one another and mostly for the good (mixed economies, the welfare state, relatively moderate politics, an end to ideology, etc.). Finally, there are those who see capitalism as inevitably generating substantial and malignant inequalities reflected in all capitalist nations.

These perspectives and resultant interpretations (of data) have continually been brought into play over the post-World War II era not only among academics and social analysts but also among those involved in day-to-day political activities. Central to our discussion here are issues surrounding various forms of social inequalities – especially the inequalities of class, wealth, and income. As already noted, Pontusson challenges both the theories and "evidence" associated with neo-liberals who have argued that inequality is not a "bad thing" because it is necessary to motivate people in their daily and long-term economic activities. Indeed, neo-liberals are seen as stating not only that increased economic equality undermines economic efficiency and growth but also that more inequality may be needed to improve efficiency and growth. The result would be economically beneficial for everyone in that unemployment would drop and the standard of living would rise. Pontusson's book, with its numerous statistical presentations, clearly undermines, in a rather devastating manner, such neo-liberal beliefs.

Beyond neo-liberalism (with its beliefs and myths) there are, however, other important challenges that must be addressed in the area of economic inequality – which, in turn, get us back to some of the aspects of the forms of "convergence" alluded to earlier. How is the data surrounding economic inequalities in the Western industrialized nations to be viewed and analyzed? And what are the political and social implications and ramifications? It is here that Pontusson is on weaker ground.

We have a significant amount of comparative data regarding forms of economic inequality in Western nations which cover most of the post-World War II period. Indeed, this data was sufficient and instructive even before the LIS (Luxembourg Income Studies) was established. There is also not much dispute among analysts about the relative merits of this data, but there are significant differences in how this data is interpreted and analyzed. For my limited purposes here I will divide these analysts into welfare-state liberals/social democrats, 19th century social democrats ("evolutionary socialists"), and (leftwing) socialists. In my view, Pontusson, based on this book and other recent articles, is best situated in one of the first two camps and I will try to demonstrate why – and why that is problematical.

The earlier data on wealth and income distribution shows and maintains a consistent pattern. Income distributions (pre-tax, post-tax, etc.) show that social democratic regimes have more equal distributions than other Western

European nations, and that most of the latter tend to have slightly more equal distribution than do the LMEs.[7] Such relative positions are confirmed by Pontusson. Such a "rank order" also applies to what data we have regarding wealth distribution.[8] What is also of some interest is that former Eastern European nations tended to have more equal income distribution than Western European nations *including* the Nordic countries. Analysts of various theoretical stripes have attributed that to the absence of income from capitalist investments (stocks, bonds, etc.) in these former Eastern European states.[9]

As noted earlier by Gottschalk and Smeeding, among others, wage and income inequalities have been on the increase across Western nations. Gottschalk and Smeeding render a certain welfare-state liberal/social democratic interpretation to these (and by implication earlier) findings. Specifically, Gottschalk and Smeeding, while showing that these forms of economic inequality have increased, observe that the extent and speed of such increases have varied with social democratic regimes exhibiting less extensive and slower increases compared to other nations – particularly the United Kingdom and the United States.[10] Where some see similar (capitalistic) patterns, Gottschalk and Smeeding and their ilk emphasize the differences between what has been termed social democratic regimes and other forms of the Western welfare state. This is also particularly true of Jeremy Rifkin in his assessment as to why Western European nations formed, and have deepened, the European Union which apparently is "capturing the imagination of the world."[11] While

7. Illustrations of this can be found in S. M. Miller and Martin Rein, "Can Income Redistribution Work?," *Social Policy*, May/June, 1975, 3–18; Richard Scase, ed.,*Readings in the Swedish Class Structure* (Oxford 1976); Richard Scase, *Social Democracy in Capitalist Society: Working Class Politics in Britain and Sweden* (London 1977); World Bank, *World Development Report* (New York 1993), 297. Somewhat later: Michael O'Higgins, Gunther Schmaus and Geofrrey Stephenson, "Income Distribution and Redistribution: a Micro-data Analysis for Seven Countries," in Timothy M. Smeeding, Michael O'Higgins, and Lee Rainwater, *Poverty, Inequality and Income Distribution in Comparative Perspective* (New York 1990), 20–56.

8. Edward Wolff, "How the Pie is Sliced: America's Growing Concentration of Wealth," *The American Prospect*, November 30, 2002. Wealth distribution in Western capitalist nations is quite neglected by researchers and data for most countries is collected only infrequently except for the United States where it is collected quite regularly.

9. Martin Schnitzer, *Income Distribution* (New York 1974); Paul R. Gregory and Robert C. Stuart, *Soviet Economic Structure*, 2nd edition (New York 1974); Anthony B. Atkinson and John Micklewright, *Economic Transformation in Eastern Europe and the Distribution of Income* (New York 1992). This said I do want to note that income distributions remained quite unequal in both Western European and Eastern European nations. Other forms of inequality such as political, social, and cultural inequalities are not being addressed at this point. As already noted, and to be noted again, income and wealth inequalities have been on the increase.

10. In their rather lengthy article Gottschalk and Smeeding make absolutely no connection between the British and American dramatic increases in inequality and the governments of Margaret Thatcher and Ronald Reagan.

11. Jeremy Rifkin, *The European Dream: How Europe's Vision of the Future is Quietly Eclipsing*

Pontusson certainly cannot be placed into this camp, his analysis of his findings has moved him in that direction.

One of the factors which impacts one's perspective in these regards is a real awareness and appreciation of the fact that determinants of one's income often are "structural." The individual has little or no control over variables that determine their income and, thus, where one ends up on the income ladder. What readily available research has demonstrated over the years is that structural variables are more important in determining a person's income than other types of variables including what economists refer to as human capital variables. A prime example of the latter is educational level and educational credentials which are supposed to be largely in the control of the individual but which themselves seem to be seriously affected by structural variables such as parents' socio-economic background or social class. In industrial capitalist societies it is quite clear that structural variables are largely the result of capitalist class actions. The important structural variables include the ownership or non-ownership of income-generating property, size of employer, capital intensity, corporations' foreign involvement, social class, race, gender, region of the country, membership in a union, unemployment rate, age, and city size among others. Other variables have been shown to be linked to income levels and inequality but they consistently seem to be much less important.[12] Nonetheless, there are often complex interrelations between such variables and structural variables, e.g. personality or behavioural traits. What's important here is that Pontusson makes not even a passing reference to the relevance of all of these factors.

While certainly not totally ignored in Pontusson's work, the political culture and values of the citizenry of the nations under investigation are not seen as being that important. This cannot be said of someone like Rifkin who spends some time identifying social-political value differences between Americans and Western Europeans and analyzing why Europeans are fed up with nationalistic conflicts leading to endless wars. He cites surveys of both the young and adults in these regards and also notes that Canadians tended to fall somewhere in between.[13] Class and gender differences within and among the nations of the United States, Canada, Sweden, Norway, and Finland – which presumably have impacted respective governmental performances – have been thoroughly discussed in the work of Canadian sociologists Wallace Clement and John

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the American Dream (New York, 2004).

12. For some specific references in this regard see Paul Stevenson, "Globalization and Inequality: the Negative Consequences for Humanity," *Journal of Political and Military Sociology* 25 (1997), 373–9.

13. Rifkin, *The European Dream*, especially Chapter 1. Canadian-American social and political value differences can be found in Michael Adams, *Fire and Ice: The United States, Canada and The Myth of Converging Values* (Toronto, 2003).

Myles.[14] It would seem to me that a political scientist would be interested in what social and political forces impact upon, or "direct," the emergence and maintenance of different forms of the welfare state.

Pontusson does address the connection between social and political forces, in a certain fashion, when he argues that globalization has had little negative effect on the welfare states. He writes, "Pooling observations from our eighteen countries over the 1965–93 period and controlling for a range of other relevant variables, Swank finds that higher levels of international trade are associated with higher rather than lower levels of welfare spending." (198) However, he has identified that a nation's level of unionization, i.e. union density, does impact the strength or weakness of the welfare state and he notes that union density has been on the decline in Western industrialized nations. This becomes both confusing and germane because earlier in his book he refers to a study by sociologist Bruce Western (76) which related incarceration rates to unemployment rates among Western nations, and which, in effect, found that the exceptionally high incarceration rate of the United States leads to a significant underestimation of the true American unemployment rate. Western and Pontusson were employed at the same university at the time, i.e. Princeton, and Pontusson seems familiar with Western's research. Part of that research had indicated that union decline was related to growing economic openness ("globalization"), unemployment, pre-existing levels of unionization, the decentralization of collective bargaining (which Pontusson spends some time on in his book), and the electoral failure of social democratic parties.[15] Such connections become even more apparent given Pontusson's familiarity with Esping-Andersen's work over the years and an important examination by Esping-Andersen and van Kersbergen identified that it was a combination of union density *and* support for left-of-centre political parties which contributed to the rise and relative strength of social democratic regimes compared with other welfare states.

These and other issues raise all sorts of questions about what Pontusson leaves out of this important discussion and what he actually means by "political economy" and "comparative political economy." Near the beginning of his book Pontusson writes the following:

> The analytical perspective of this book draws on the tradition of comparative political economy within political science and sociology. The term "political economy" signals an interest in how politics and economics relate to each other, while "comparative" implies an interest in cross-national variation. More sharply, the analytical approach of comparative political economy is distinguished from that of economics by the importance that it assigns to institutions. It is only a slight caricature to say that economists theorize about the behavior of economic actors – firms, workers, and consumers – based on an abstract,

14. Wallace Clement and John Myles, *Relations of Ruling: Class and Gender in Postindustrial Societies* (Montreal and Kingston 1995).

15. Bruce Western, "A Comparative Study of Working-Class Disorganization: Union Decline in Eighteen Advanced Capitalist Countries," *American Sociological Review* 60, 2 (1995), 179–201.

> ahistorical conception of markets, and their theories are supposed to apply anywhere and everywhere. By contrast, political economists emphasize that market behavior is embedded in social institutions; indeed, markets are themselves institutions, which can be configured in different ways. (15)

While this description fits with what I have always understood about the political-economy approach I would add that I have always understood that such an approach viewed the world from a holistic angle which sees that world as a totality of interrelated parts. Certainly these parts can be focused on but the totality must always be borne in mind. What I have identified so far about Pontusson's work is that that totality has never been really addressed and only certain parts of the totality have been discussed – generally in isolation from substantial parts of the totality. Such a weakness further undermines Pontusson's work no matter what positive contributions, and there are many, he has made.

The totality of economic inequality not only would include an examination of its causes, something Pontusson doesn't really provide, but would also examine the consequences of inequality – something Pontusson doesn't even mention in passing. As noted, Pontusson does address the neo-liberal view that inequality plays an important role in better economic performance of an economy and he certainly shows that simply is not the case. However, the costs of inequality for a society are much broader and more substantial than simply noting that more equal societies can perform well in narrow economic terms. Research *in the social sciences*, over the past few decades, has continually shown that social-economic inequality has been linked to an endless number of social ills and social problems both within nations and cross-nationally. The measure of inequality has included social class (variously defined), socioeconomic status (SES), occupational status, wealth, and income. Other forms of inequality, controlling for those just mentioned, such as race and gender have their connections as well.

The most widely examined consequence linked endlessly to inequality has been a population's health and its mortality rates, including lifespan and infant mortality. The higher one's social-economic position the healthier are one's circumstances and the longer one's life. That said, those of higher social-economic position who live in more equal societies do better than those of similar class positions in more unequal societies.[16] Beyond these elements of health, we find that inequality is linked to unemployment (and subsequently to mortality, disease, and crime), incarceration rates, receipt of social assistance, per capita expenditures on education, student performance, homicide rates,

16. A good starting point to the boundless amount of research in this area would be Michael Marmot, "Inequalities in Health," *New England Journal of Medicine*, 345, 2, July 2001, 134–6; Marmot, "International Comparators and Poverty and Health in Europe," *British Medical Journal*, Nov. 2000, 1124–8; and Richard G. Wilkinson, *Mind the Gap: Hierarchy, Health and Human Evolution* (New Haven, 2001). These names, and the names of cited references, serve as a basis of access to numerous sources on this subject via the Internet.

violent crime rates, the costs of policing, political conflict, voting turnout, mental health, job satisfaction, and occupational health and safety.[17] These and other connections, or interrelations in society, have led to an increasing awareness that overall inequality may be even more important in dealing with social problems than are rates of poverty – even though there is great difficulty separating the two.

While various forms of inequality have always been linked to social ills, what has emerged over at least the last fifteen years is that inequality, particularly measured in terms of income inequality, has been strongly linked to all forms of social ills and has displayed a stronger relationship than has poverty. This has sparked the question as to why and much theoretical speculation and debate has resulted.[18] At the core of this discussion is a realization that everyone in society is aware daily of the (increasingly) substantial inequalities and inequities while most people have little dealings with "the poor" and/or the poor neighborhoods of their cities. The impact of inequality on the "disintegration" (and "demoralization"?) of one's community, the alienation or separation of members of a community from one another in all sorts of ways, and the "dog-eat-dog" relations among people as they compete for unequal rewards are all parts of this totality.

In this context, some returned to the views of American political scientist Robert Putnam in his book *Bowling Alone*.[19] Initially, Putnam was concerned about the quality of governance in American society and Americans' disengagement from politics, i.e. a decline in voting, in joining a political party, in participating in a political party, and so on – which he saw as flowing from a decline of Americans' participation in their society generally and that society's social institutions, e.g. churchgoing, union membership, parent-teacher organizations, volunteer organizations, socialization with neighbors, and an increasing distrust of fellow citizens. In short, there is a disintegration of community and what the French sociologist Pierre Bourdieu referred to as "social capital." In the briefest of terms "social capital" refers to features of social organization such as social networks, the connections within and between social networks, norms and social trust. A coordination and cooperation among the members of a community are established and maintained.[20]

17. Let me be clear, it is not the same to be saying that because some indicator of inequality has been identified as important in these connections that it is *the only* "causal" variable or *the most important* "causal" variable.

18. In my view, unlike some or many debates, this particular debate has featured many insights from all sides.

19. Robert Putnam, *Bowling Alone: America's Declining Social Capital* (New York 2000).

20. References dealing with theoretical and empirical debates and analysis now seem endless but the following are useful starting points: Pamela Paxton, "Social Capital and Democracy: An Interdependent Relationship," *American Sociological Review* 67 (2002), 254–277; Neil Pearce and George Davey Smith, "Is Social Capital the Key to Inequalities

The most readily apparent downsides to the notion and "theory" of social capital are displayed both at the micro and macro levels. People can form tight networks in social groups which have negative consequences for society with the easiest illustration being organized crime, juvenile gangs, and fascist political organizations. Smaller groups can find a basis for unity (real or imagined) leading to even more negative impacts. Furthermore, the notion at least implies, and is often made explicit by some of its advocates, that *all* community integration is a "good thing" and that we are all human beings pulling towards the same common goal. The latter position is problematical, at least for socialists, when the capitalist class and its hired guns argue that capitalist economic growth benefits everyone, i.e. a rising tide lifts all boats, and thus, capitalists and workers all benefit by pulling together. While neo-liberals can say they adhere to this position, it is welfare state liberals and social democrats who most often wear it as a mantra. Conflicts, especially antagonistic conflicts, only undermine the common good, and the notion of an absence of a harmony of interests is not acceptable. Nothing, of course, could be further from the truth. Capitalism is fraught with inherent contradictions with a central one being the irreconcilable conflict between capitalists and workers due to capitalist exploitation, alienation, and oppression of workers. The *community integration* of workers is at odds with the interests of capitalists and the continuance and maintenance of the capitalist mode of production. This is one important instance of what one actually means by "community integration" and reminds us of keeping in mind what we actually mean by "social capital." At one level, the concept can lead us in interesting directions and to interesting connections while at another level it can lead us in problematical or erroneous directions. Nonetheless, it seems important to make those connections that form the totality of comparative political economy.

While failing to address so many of these interconnections, which I believe to be central to "comparative political economy," Pontusson also pays no mention to other important ones which would be central to assessing the SMEs and the LMEs, and their various welfare states, i.e. what has industrial capitalism been up to historically and over the past few decades, much less currently. I have already alluded to Pontusson's ignoring the key question surrounding the state in capitalist society, generally and specifically. In addition,

in Health?," *American Journal of Public Health* 92, 1 (2003), 122–129; Samuel Bowles and Herbert Gintis, "Social Capital and Community Governance," *Economic Journal Symposium*, 2000; Andrew Postlewaite and Dan Silverman, "Social Isolation and Inequality," *Journal of Economic Inequality* 3 (2005), 243–262; Yaojun Li, Andrew Pickles and Mike Savage, "Social Capital and Social Trust in Britain," *European Sociological Review* 21, 2 (2005), 109–123; Tewodaj Mogues and Michael R. Carter, "Social Capital and the Reproduction of Economic Inequality in Polarized Societies," *Journal of Economic Inequality* 3 (2005), 193–219; Michael O'Connell,"Anti 'Social Capital': Civic Values versus Economic Equality in the EU," *European Sociological Review* 19, 3 (2003), 241–248; and Ichiro Kawachi, Bruce P. Kennedy, Kimberly Lochner and Deborah Prothrow-Smith, "Social Capital, Income Inequality, and Mortality," *American Journal of Public Health* 87, 9 (1997), 1491–8.

the role of capitalist imperialism, i.e. the essence of globalization, is nowhere to be seen or found. The SMEs and the LMEs have a long history of imperialism beyond simply the fruits of profit from colonialism and neo-colonialism. How have these industrial capitalist nations been affected by such long histories entailing the economic, the political, the cultural, and the militarism of imperialism? Nary a passing thought can be found in this work. And what Pontusson seems to advocate is that Western industrialized nations act more like the Nordic SMEs have acted, which would be undermined by these glaring gaps. Furthermore, would it have been or could it be possible for other SMEs and LMEs to do so? As an illustration, drawing on world systems theory here, the question needs to be asked: what has been, and is, the relative role of the Nordic nations in the world economy, bearing in mind that these four nations together do not add up to the population of Canada? Would the international financial community have allowed social democratic governments in Britain or France or (West) Germany to "get away with" some of the stuff social democratic governments in Sweden, Norway, Finland, and Denmark did, or tried to do, during periods of being in government? To be fair to Pontusson, not too many have addressed the issue in this manner.

Early in his book Pontusson states the following: "While all capitalist economies share certain basic characteristics, their institutional arrangements differ markedly, and these differences shape the choices economic actors make."(5) Then, on the next page he notes, "A central feature of the comparative political economy tradition is the idea of 'varieties of capitalism' or, in other words, the idea that the advanced capitalist countries cluster around a limited number of more or less coherent models of economic governance." Beyond the fact that Pontusson does not address such "institutionalized arrangements," and as a result, how nations' arrangements "differ markedly," the two statements can also be perceived as being inconsistent, or at least ambiguous, i.e. are there "marked differences" in the "varieties" of capitalism or are there "clusters around a limited number of more or less coherent models of economic governance?" The rest of Pontusson's book seems to indicate his support for the former view rather than the latter. He concludes that "… social democracy remains a coherent and viable alternative to market liberalism." (219) What I have tried to accomplish in this review is to suggest that welfare-state liberals and social democrats overemphasize the differences among "varieties of capitalism" and ignore the important similarities – which is a result of their having a narrow and empirically limited view of comparative political economy, and thus of the capitalist system. All facets of the interrelated totality of capitalism must be addressed, and while Pontusson cannot be blamed for not dealing with "everything" in one book he can be blamed for not providing an awareness of the other facets of this totality. Not only should the limits of market liberalism be identified but the limits of *all* "varieties of capitalism" should be. Otherwise, our future is to lie with some variety of capitalism with a human face, which is really a façade or a mask, i.e. another mystification.