

Cloward to the political weakness flowing from organisational disunity and ideological vacuity within the working class.

Piven and Cloward were able to represent the values of big business as alien to the democratic philosophy which lay behind the demands of the insurgent poor. Miliband could not rely upon any such implication. He had to accept that there was a close alignment between capitalism and the dominant values of British culture. By contrast, socialism was a misunderstood stranger at the gate.

Turning for a moment to Brittan and Friedman, they also have agreements and differences. Both believed the implementation of egalitarian policies by government was impracticable and, according to Friedman at least, wrong in principle. Both considered that increased stability and efficiency could be injected into capitalist democracy through constitutional reforms which changed the rules of the game. And both believed that success in enacting and implementing reform depended very largely upon the state of public opinion. A major difference between them was that Brittan was concerned about increased individualism being accompanied by a drift towards Hobbesian authoritarianism whereas for Friedman individualism was as American as apple pie. Cutting back government was like cleaning the rust off an old machine and getting it to work properly again.

The visions of the future embodied in the four approaches reflect not only varying ideological dispositions but also differences of national experience and political culture. From their two different perspectives, Friedman, Piven and Cloward all put their trust in the capacity of the people for political action. They focused upon different elements within the people – tax payers on the one hand and benefit recipients on the other. Nevertheless, the message was, in each case, that the people would arise and find the pathway to economic abundance. By contrast, neither Brittan nor Miliband displayed such confidence in the regenerative powers of the people. From their different viewpoints, they both saw before them the road to serfdom.

Who benefits?

Two concepts of property

Three great intellectual systems – those of Marx, Freud and Keynes – have dominated capitalist democracies during the period since the First World War. Popular versions of Marxism made everyone familiar with the idea that the struggle for economic advantage was the stuff of politics; in fact, of all life. It provided a warning, apparently exemplified in Russia, of what might happen if the people were not made satisfied. Freudianism – as developed by, for example, Lasswell or Riesman – undermined the model of the rational economic actor or citizen. However, it also raised hopes that with the help of psychology and the social sciences considerable possibilities for organised mass persuasion were open to business and government. The population could be ‘managed’.

Keynesianism responded to the state of mind induced by Marxianism and Freudianism. Keynes provided intellectual tools which could apparently be applied by government to shape the economic behaviour of the population. Properly applied Keynesian techniques would avoid the kind of disastrous economic failure which makes capitalists fear bankruptcy and governments worry about social unrest.

Since the First World War – but especially since the 1940s – there has been enough economic growth in both Britain and the United States for property ownership to be extended to a high proportion of the working population. By the 1950s an affluent working class was edging its way into private home ownership. Since then, enough overlap has developed between the interests of property and those of the people to take the political sting out of the issue. Or, more accurately, the venom has been transferred to complaints against ‘social security scroungers’ who spend the money earned by ‘hard-working tax-payers’. The propertyless are becoming marginalised. They provide scant material for a ‘new class war’. The capitalist system has become a less attractive target for the organised working-class; hence the disappointment of Laski and Miliband with the performance of British and American labour. Egalitarian

policies of the kind proposed in Britain by Crosland were actually felt as threatening by many working people.

Two concepts of property have been in competition with each other during the past seven or eight decades. One is that property is justified by the contribution it permits the owner to make to the goals of the society. For example, Laski argued that property rights should be justified according to their contribution to the performance of legitimate functions within the state. Ironically, his ideological opponent, Hayek, has justified individual property rights on similar grounds. The rich, even the idle rich, make a contribution to technical and cultural innovation within a society since they have resources available for experimentation.

Another view of property is that it is a prize to be fought for and exploited by the individual concerned for his or her own purposes. Schumpeter believed that the property rights of the industrialist in the business enterprise were ceasing to have this character. The decline of the entrepreneur was, in part, related to the increasingly intangible and impersonal character of this property. Carrying this analysis further, Galbraith suggested that the regime of the industrial capitalist had been succeeded by a new age of anonymous technocrats driven not by pecuniary motives but by their desire to advance the interests of the organisation. However, these same affluent technocrats enjoyed the possession of material things at home in their own private sphere. It is property in this latter sense which is becoming more widespread within capitalist democracy.

The idea of a fundamental conflict between the people and property – the skeleton Chamberlain rattled to frighten the House of Lords – has been undermined in two ways. First, the employment relation is typically regulated not by the direct commands of specific owners but by impersonal rules which are the object of constant negotiation. Second, a large proportion of the electorate are enjoying or expect to enjoy the satisfactions of property as a 'prize' – the house, the car and so on. There are national differences. In the United States cultural support for the feeling of being obliged to perform a socially useful function with your capital, or, as a surrogate, to stress the social worthiness of your gainful occupation, is stronger than in Britain. Sustained propaganda in the latter society about the virtues of enterprise during the 1980s have not produced any noticeable cultural change in this respect.

The shift of ideological focus away from the property/people relationship has been accompanied by increased attention to relations between the public and private spheres. The debate has concentrated on consumption patterns and the organisation of economic production. Deficiencies of investment in public goods (parks, schools, hospitals) have been blamed upon the undue influence of big business over government (Galbraith). By contrast, deficiencies of investment in private industry

have been blamed on the undue influence of government over big business (Friedman, following Hayek). Failure in both respects is measured in terms of the incapacity of the capitalist democracy to provide voters and consumers with the rewards they 'have a right' to expect. Taken together, the assumptions which lie behind these debates are worth exploring further because they derive from a model of capitalist democracy which would have appeared strange or perverted to the people discussed in part one.

Nostalgia and idealism

The argument can be taken in three stages. First, it is worth juxtaposing once more Laski and Hayek, contemporaries on the teaching staff at the London School of Economics but at first sight a long way apart in terms of ideas. In fact, they both stand apart from the other writers considered by virtue of their utter intellectual devotion to specific ideal schemes of the social order. In both cases, the ideal of liberty is central:

Tyranny flows easily from the accumulation of petty restrictions. It is important that each should have to prove its undeniable social necessity before it is admitted within the fabric of the law. We ought . . . to be critical of every proposal that asks for a surrender of liberty. Its enemies, we must remember, never admit that they are concerned to attack it; they always base their defence of their purpose upon other grounds.

The sentiments sound Hayekian. They actually come from Laski's *Liberty in the Modern State* (1930: 175).

Laski and Hayek both disliked the way the world was moving in the 1930s. Both looked back to a simpler, clearer world and explored ways of approximating it in the present. Laski wanted to recapture the amalgam of fulfilling individual activity and deep public involvement that Tocqueville had found in Jacksonian America. He designed a charter of principles and a constitution for such a society under conditions of urban industrial life in *The Grammar of Politics*. Like Tocqueville, he understood that the barrier standing in the way of his goal was the power of industrial capitalism.

Hayek performed an intellectual feat just as daring and just as not-quite-believable in his *The Constitution of Liberty* which managed to portray a vision of modern society without directly discussing the modern business corporation as a distinctive institution. Hayek's ideal was the kind of free and experimental civilisation, running on entrepreneurship and co-ordinated through the market, that had supposedly existed in the early American Republic. The value of learning through experience was as central to his schema as it was to Laski's. However, Hayek's bugbear

was not the modern form of capitalism but the modern form of political democracy, the 'socialist' (or centralising, planning) state. He had no confidence whatsoever in the capacity of planners to achieve civilised purposes. They could only destroy.

From manipulation to regulation

The second stage of the argument brings in Lasswell and Schumpeter. Compared to Laski and Hayek, these two were gritty realists. Schumpeter saw the drift of things was shutting down the world of the independent entrepreneur. Lasswell and he both realised power within democracies lay with powerful minorities. Participatory democracy was a sham. The voters were not controlling things from below. They were being manipulated from above. Schumpeter and Lasswell both thought in terms of an elitist model of capitalist democracy, as defined below:

The *elitist* model of capitalist democracy assumes that the public sphere is legitimately and quite overtly dominated by influential minorities – including organised political parties and pressure groups representing vested interests – who seek to advance their interests by applying persuasion to the government and/or the citizenry.

In fact, the elitist model is the manipulatory model made respectable and decked out in its Sunday suit. Two factors helped it come in from the cold. First, the increasingly effective organisation of trade unions as national pressure groups in both Britain and the United States which gave working people a feeling of having a place at the bargaining table. And second, the existence of fascist and communist polities which could be villified in order to heighten the sense of contrast with the system at home. Hayek was shrewd enough to point out the element of trickery in all this.

Lasswell and Schumpeter offered the professional services of their colleagues – political scientists and economists respectively – to help political leaders manage capitalist democracy now it had become legitimate to admit that effective guidance did not come from the people or the market. The adoption of Keynesian demand management within the elitist model helped to bring about another, closely related, ideological reversal.

In the early part of the century Hobson and Veblen had helped to lay the foundations for a model of hegemonic capitalist democracy which, to oversimplify, claimed that big business had achieved considerable political influence and was deluding and exploiting the people with the state's help (see p. 102). The model was taken up in the 1930s but the relationships between its component parts – big business, the state and the people – were altered. In the new, officially acceptable version of this model, the state regulated big business and with its cooperation was

able to produce economic rewards for the people. This was backed up by an extensive system of official propaganda. The model of regulatory capitalist democracy was born, although, as has been seen, it had been anticipated, in part, by Bryce:

The *regulatory* model of capitalist democracy assumes that the task of government is to use expert knowledge in order to minimise social tension and optimise economic growth. The object is to generate feelings of economic security (preferably prosperity) and psychological contentment among the population at large, especially those sections who are most closely connected to the current political establishment and those most capable of threatening the position of that establishment.

This is the point where we came in. In other words, it is with reference to this regulatory model that Galbraith and Friedman criticised the failure of governments to give voters and consumers the rewards they 'have a right' to expect.

Vice becomes virtue

In the third stage of the argument, Galbraith plays a role rather similar to Mill a century before. Mill had complained that the commercial middle class was acquiring too much influence in government and too much power over the people, imposing their narrow dogmas and infecting the population with a passion for trivia. He hoped to combat this trend by mobilising the intelligentsia in allegiance with the state bureaucracy. Galbraith, faced with the challenge of the large corporations and the affluent society, called upon the educational and scientific estate to redress the balance, armed with the techniques of modern economic management. Big business would be properly subordinated to the state. Like Mill, Galbraith was happy to slow down the pace of economic growth and was not averse to a little bit of socialism.

Crosland and Friedman wanted to tinker with the triad of state, business, people at different points. Crosland wished to use the state to create more equality among the British people. Friedman hoped by populist campaigning to persuade the American people to force the state to unhitch itself from big business.

Two contrasting developments of the model of regulatory capitalist democracy are implied by the ambitions of the writers just mentioned. Galbraith and Crosland favoured the compensatory model of capitalist democracy. Friedman (along with Hayek) wants a minimalist model to be implemented:

The *compensatory* model of capitalist democracy assumes that the

state will restructure the public sphere, intervene in the private sphere and rectify any imbalance between the two. As necessary, it will also reduce the relative degree of advantage enjoyed by the minority benefiting most from the unequal distribution of private property. In both respects, the state's actions are intended to provide rights and rewards which compensate for market failures and unjust patterns of economic distribution through the market.

The *minimalist* form of capitalist democracy assumes that the regulatory function of government will not involve compensatory activity (which is regarded as counter-productive for all involved) but will be restricted almost entirely to enforcing a body of law. The laws enforced by the state will maximise the freedom of private individuals within a stable environment thus optimising the chance for achieving the goals of minimum social tension and optimum growth as predicated in the regulatory model.

Piven and Cloward anticipated that the people (or at least the poor) would engage in conflict with big business through the medium of the state. In this way the state could be stopped from drifting towards a minimalist model and pushed back towards a compensatory model. Miliband believed that the model of hegemonic capitalist democracy continued to apply beneath the surface of the regulatory model whether in its simple form or in its compensatory and minimalist variants. The repressive potential of hegemonic capitalist democracy might, he thought, get worse as the capacity of the state to keep its promises or meet demands upon it was stretched beyond its limit. Brittan also bore witness to the authoritarian potential inherent in the regulatory model.

The distinctive models of mid twentieth-century capitalist democracy are built upon a legitimisation of the acknowledged vices of the nineteenth-century and early twentieth-century system. Acknowledged as vices, that is, by commentators at the time such as Tocqueville, Mill, Carnegie, Chamberlain, Bryce, Ostrogorski, Veblen and Hobson. The emphasis upon private affluence, the encouragement of passivity in the public sphere except for making an occasional choice between two or more sets of packaged policies, the wholesale organisation of political life through a party system, the systematic management of public opinion, and political appeals to the lowest pecuniary motives: that these values and practices should now be regarded as the essence of capitalist democracy rather than its perversion would presumably have horrified our predecessors.

Three phases of capitalist democracy

Ten types of capitalist democracy

In conclusion, it may be helpful to summarise in a relatively formal way the book's conclusions regarding the logic expressed in the sequence of models of capitalist democracy which have been encountered.

The nine models so far introduced are listed here with the addition of a further model whose significance will be explained later (see Diagram A, p. 194):

- 1 The *participatory* model of capitalist democracy assumes that individuals will invest their time and energy as fully in the public as in the private sphere and that private property will not provide the basis for domination by a powerful minority.
- 2 The *mediatory* model of capitalist democracy assumes that an educated and propertied minority will complement its dominance in the market with intelligent and humane leadership in the public sphere.
- 3 The *paternalistic* model of capitalist democracy assumes the priority of the private over the public sphere but recommends that the most successful business people should use their superior judgement and wealth to provide services to the community.
- 4 The *manipulatory* model assumes the improper and generally covert dominance of private interests, especially business people, within the public sphere. This influence is exercised partly through the promise of jobs and favours.
- 5 The model of *hegemonic* capitalist democracy assumes that the public sphere is managed by agents who use their relative autonomy to advance, directly or indirectly, the interests of capital at the expense of the interests of the people as a whole, especially the working class.
- 6 The *elitist* model of capitalist democracy assumes that the public sphere is legitimately and quite overtly dominated by influential minorities - including organised political parties and pressure