

On the Political Economy of Long-Run Trends in Strike Activity

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Outbursts of strike activity in many industrial societies during the late 1960s and early 1970s focused considerable attention on relations between labour, capital and the state in advanced capitalist systems and led to many inquiries into the sources of the 'new' labour militancy. The events of May–June 1968 in France, the 'hot autumn' of 1969 in Italy, and the nation-wide strikes of the coal miners in 1972 and 1974 in the United Kingdom (the first since the great General Strike of 1926) are the most dramatic examples, but sharp upturns in strike activity in Canada (1969, 1972), Finland (1971), the United States (1970) and smaller strike waves in other nations also contributed to the surge of interest in labour discontent.

Recent attempts to re-evaluate the potential of advanced industrial societies to generate severe social conflicts are perhaps a useful corrective to the dominant theoretical perspectives of post-war social science which has stressed the integration of the working class into the socioeconomic fabric of modern capitalist nations. Sociologists wrote of the *embourgeoisement* of blue-collar workers; political scientists and political sociologists argued about, but in the main subscribed to, the idea of 'the end of ideology'; and among industrial relations specialists the thesis of the 'withering away of the strike' (most prominently associated with the work of Arthur Ross and Paul Hartman) was widely accepted.

One of the aims of this article is to show that when industrial conflict is analysed over the long-run – i.e. is viewed in historical perspective – the thesis of a *general* withering away of the strike is at odds with the empirical evidence, and that the emphasis on a *new* labour militancy is to a great extent misplaced. The first section of the paper introduces a three-dimensional characterization of strike activity and analyses quantitative trends in the overall magnitude of industrial conflict in eleven nations since the turn of the century. The next part of the article presents my own theory of the long-run evolution of industrial conflict. Strike activity is viewed as one

* Massachusetts Institute of Technology and Center for Advanced Study in the Behavioral Sciences, Stanford, California. This article is a revised, abbreviated version of my longer monograph *Long-Run Trends in Strike Activity in Comparative Perspective* (Center for International Studies, Massachusetts Institute of Technology, 1976). The research was supported by the National Science Foundation. I am grateful to Nicholas Vasilatos and Marilyn Shapleigh for able research assistance on all phases of the project, to Suzanne Planchon and Agnes Page for expert manuscript typing, and to Frank Lerman, Andrew Martin, Charles Meyers, Stuart Scheingold, Michael Shalev, Theda Skocpol, Charles Tilly, Jürgen Westerstahl and members of the State and Capitalism seminar at Harvard University for comments on the earlier version. The story developed here is presented at greater length in my * Strikes: The Political Economy of Industrial Conflict in Western Industrial Societies* (Princeton University Press, forthcoming).
manifestation of persistent class-linked conflict over the distribution of the national product. I shall argue that trends in industrial conflict have been shaped primarily by changes in the political economy of distribution and not by cultural, sociological, or purely economic factors. The core of the argument is that major changes in the volume of industrial conflict during the twentieth century are explained largely by the effectiveness of social democratic and labour parties in socializing the consumption and final distribution of national income, thereby shifting the distributional struggle away from the private marketplace, where allocation takes place through collective bargaining and industrial conflict, to the public arena, where labour and capital compete through political negotiation and electoral mobilization. The concluding section of the article briefly reviews recent economic and political developments in highly developed welfare states, and speculates about the implications of trends in the public sector share of national income for political and industrial conflict over the distribution of the national product.

1. TWENTIETH CENTURY TRENDS IN AGGREGATE STRIKE ACTIVITY

Perhaps the most important comparative, quantitative investigation of strike activity is Ross and Hartman's Changing Patterns of Industrial Conflict. One of the principal conclusions of this influential empirical study was that industrial conflict had 'withered away' in the industrialized world during the twentieth century. Although Ross and Hartman acknowledged that the decline in strike activity was most pronounced in the Northern European countries – Denmark, Netherlands, United Kingdom, Germany, Norway and Sweden – they believed they had identified a general trend which by the 1950s was apparent in virtually all capitalist democracies: ‘There has been a pronounced decline in strike activity throughout the world. Mondays of idleness in the late 1950’s are fewer than in the late 1940’s or the late 1930’s, despite the increases in population and union membership.’ (Pp. 4–5.)

The analyses presented ahead will show that this conclusion is simply erroneous. It is true, of course, that the bloody, violent clashes between labour and capital which characterized the early union-recognition strikes are now rare and, in this sense, strikes have become more ‘civilized’. When viewed over the long run, however, it is also clear that the gross magnitude of strike activity exhibits no general secular decline: strike activity has increased in some nations, oscillated about a more or less constant average level (stationary mean) in a few countries, and declined by varying degrees in others.

Before looking at the empirical data in detail, however, it is necessary to present an explicit scheme for strike measurement. The International Labour Office compiles and publishes data on three basic components of industrial conflict that are supplied

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by the national labour ministries: the number of strikes, the number of workers involved (strikers) and the number of man-days lost in strike activity. Annual data on these components are reported for country-wide totals and for nine separate sectors of economic activity. Since this article is concerned with national, economy-wide trends, only the aggregate data are used in the analyses reported here.

Following the earlier, seminal work of Forcheimer, Knowles, and Goetz-Girey and the more recent work of Shorter and Tilly, the basic industrial conflict variables are used in conjunction with data on non-agricultural, civilian, wage and salary employment to form three theoretically distinct dimensions of strike activity: the average size of strikes, i.e. the number of workers involved per strike; the average duration of strikes, i.e. man-days lost per worker involved; and a size-adjusted measure of strike frequency, i.e. the number of strikes per thousand non-agricultural, civilian wage- and salary-workers. These dimensions can be defined as follows:

*Size.* Workers involved (strikers)/strikes.

*Duration.* Man-days lost/strikers.

*Frequency.* Strikes/civilian wage and salary workers (in thousands).

Each of these dimensions (defined per unit of time) is suitable for time-series and cross-national analysis. There is some advantage, however, in arraying them into a three-dimensional solid or cube depicting the typical profile or ‘shape’ of strike activity in a particular nation during a particular time period. Figure 1 displays two distinctive, hypothetical strike shapes.


4 Since strikes rarely occur in the agricultural sector (and those that do are not recorded with great accuracy), I have excluded agricultural workers from the labour force data of all nations except Italy, a country in which there has been substantial strike activity by farm labourers during most of the twentieth century. The military as well as small proprietors, entrepreneurs, rentiers, and other self-employed persons have also been excluded from the labour force data because they contribute little to aggregate strike activity but comprise a significant fraction of the work force in many nations and time periods. International and inter-temporal comparisons of industrial conflict are therefore facilitated by using the number of non-agricultural civilian wage and salary workers to adjust the strike statistics for differences in the size of the labour force.

5 Notice that strike duration is calculated from the available aggregate data by dividing total man-days lost by the total number of strikers, which yields a ‘weighted’ average duration (as opposed to a simple arithmetical average computed from individual disputes) – the weights being proportionate to the number of workers involved in the strike. For example, if \( w_1, w_2, \ldots, w_n \) are the number of workers involved in strikes \( 1, 2, \ldots, n \), and if \( d_1, d_2, \ldots, d_n \) are the corresponding durations of these strikes (in days), the number of man-days lost \( m_1, m_2, \ldots, m_n \) are the corresponding durations of these strikes (in days), the number of man-days lost \( m_1, m_2, \ldots, m_n = d_1 w_1 + d_2 w_2 + \ldots + d_n w_n \). The total number of man-days lost is \( M = m_1 + m_2 + \ldots + m_n \), and the total number of workers involved is \( W = w_1 + w_2 + \ldots + w_n \). The weighted average duration defined in the text is therefore

\[
\text{Duration} = \frac{M}{W} = \frac{d_1 w_1 + d_2 w_2 + \ldots + d_n w_n}{w_1 + w_2 + \ldots + w_n},
\]

where the weights are the number of workers involved in each dispute. The practical significance of this is that the duration measure is heavily influenced by large-scale strikes.
Although a great deal can be learned from the comparative, historical analysis of strike profiles and individual strike dimensions, what is needed for the purposes of this study is a single indicator of the overall magnitude of industrial conflict. The most suitable index of overall strike activity is a quantity akin to the physical concept of volume, which of course is simply the product of the three dimensions depicted in Fig. 1:

\[
\text{Strike volume} = \text{Frequency} \times \text{Duration} \times \text{Size}.
\]

\[
\text{Man-days lost per 1000 non-agricultural civilian employees} = \frac{\text{Strikes}}{\text{Non-agricultural civilian employees}} \times \frac{\text{Man-days involved}}{\text{Workers involved}} \times \frac{\text{Workers}}{\text{Strikes}}.
\]

Man-days lost from strikes per thousand non-agricultural civilian employees has both a theoretical justification (being the volume of a three-dimensional profile that characterizes strike activity at any time or place) and obvious intuitive appeal as a comprehensive index of industrial conflict. Indeed, most specialists have proposed man-days lost adjusted for size of labour force as the best single indicator of gross strike activity on \textit{a priori} grounds. Since it is built up from a nation’s overall strike profile, it allows inferences about long-run trends in strike activity that are not confounded by changes in a single conflict dimension.

Figure 2 reports time-series plots of strike volumes (man-days lost in strike activity per thousand non-agricultural civilian employees) during the twentieth century in eleven countries: Belgium, Canada, Denmark, Finland, France, Italy, the Nether-

\footnote{Shorter and Tilly, ‘The Shape of Strikes in France, 1830–1960’.}

\footnote{Notice, for example, the reduction in strike duration but not in strike volume between Figs. 1(a) and 1(b). By using the composite measure of ‘strike volume’, one avoids making spurious conclusions about trends in the gross magnitude of industrial conflict that can arise by focusing exclusively on one strike dimension and mistaking changes in it for changes in overall strike activity.}
lands, Norway, Sweden, the United Kingdom and the United States. The sample of nations includes all major Western industrial societies except Germany. The exact time range of the strike series vary by country according to the availability of the data; in some nations data on all components of strike activity were not collected systematically until the second quarter of the century; countries occupied by the Germans during the Second World War have gaps for the late 1930s and early 1940s; and for Italy there is a long gap corresponding to the period of Fascist repression of organized labour.

It is clear from the plots that in most countries strike activity exhibits great year-to-year fluctuation. Strike action normally fell sharply during major business contractions, and increased during periods of economic recovery. (Major depressions are identified on the plots in Fig. 2.) Although there are some exceptions to the pattern, widespread unemployment typically demoralized workers and their leaders, and led to great declines in union membership. The strikes that were called during depressions were usually desperate actions by unions in response to wage cuts and as often as not were provoked by management to weaken labour organizations. Industrial conflict also declined markedly in combatant (and some neutral) nations during the First and Second World Wars (cf. Fig. 2). In part this was due to legal prohibitions against war-time strikes, but more important was the voluntary commitment of unions in virtually all combatant countries to give maximum support to the war effort. (Such pledges were usually accompanied by government protection against attacks by capital on established labour organizations.) War-time strikes in most countries were sporadic, usually unauthorized by trade-union leaders, and very short-lived. Most nations experienced strike explosions towards the end or just after the end of the World Wars as labour sought to defend its war-time organizational gains, to resolve the shop-floor grievances that had accumulated over the long period of ‘discipline’, and to preserve real wages in the face of war-generated upward movements in prices.

A detailed analysis of these short-run movements in industrial conflict will be presented in another paper; here attention is focused on gross, long-run trends. Table 1 reports regression estimates of the average percentage change per year in strike volume and strike participation in each of the twelve countries. A variety of

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9 Germany was excluded from the sample of industrial societies from the outset of this project because the partitioning of the country makes long-run time-series analyses a problem.

10 Depressions are defined as periods in which unemployment increased and Gross National Product and industrial production decreased for two years in succession. The primary source used to identify depression periods was B. R. Mitchell, European Historical Statistics 1750-1970 (New York: Columbia University Press, 1975).
Depression

Belgium

Canada

Denmark

Finland

War/occupation

Socialists in
coronations

Socialists in
coronations

Socialist
government

Socialist
government

Sporadic

don'ts

Social democratic
government

Social democratic
government
Fig. 2. Strike volume in eleven nations, 1900–1972: cont. overleaf (Sources: see Hibbs, Strikes)
Fig. 2. Strike volume in eleven nations, 1900–1972 (cont. from pp. 158–9)
### TABLE 1

<table>
<thead>
<tr>
<th>Country</th>
<th>Average percentage change in strike volume per year (g)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>-3.50</td>
</tr>
<tr>
<td>(1927–40, 1945–72)</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>Negligible</td>
</tr>
<tr>
<td>(1901–72)</td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>-4.88</td>
</tr>
<tr>
<td>(1900–72)</td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>Negligible</td>
</tr>
<tr>
<td>(1907–41, 1945–72)</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>Negligible</td>
</tr>
<tr>
<td>(1900–35, 1946–72)</td>
<td></td>
</tr>
<tr>
<td>Italy*</td>
<td>+6.87</td>
</tr>
<tr>
<td>(1916–23, 1949–72)</td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>-10.15</td>
</tr>
<tr>
<td>(1913–40, 1946–72)</td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>-6.88</td>
</tr>
<tr>
<td>(1903–39, 1945–72)</td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>-9.65</td>
</tr>
<tr>
<td>(1903–72)</td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>-2.66</td>
</tr>
<tr>
<td>(1911–72)</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>Negligible</td>
</tr>
<tr>
<td>(1927–72)</td>
<td></td>
</tr>
</tbody>
</table>

* With the exception of Italy data on strikes are restricted to the non-agricultural sectors of economic activity.

Schemes for estimating the long-run strike trends were explored (including the conventional least-squares linear trend model and the Box–Jenkins ARMA trend model), but the most satisfactory proved to be the simple log trend (exponential) model.

\[
Y_t = Y_0 (1 + g)^t, \\
\log Y_t = \log Y_0 + t \log (1 + g),
\]

where \( Y \) denotes strike volume and \( g \) denotes the average annual percentage rate of change (reported in Table 1). The trend estimates in Table 1 merely summarize
what is apparent from visual inspection of the time-series plots of strike volumes in Fig. 2.

There simply is no evidence of a general decline or withering away of strike activity in industrial societies during the twentieth century. In five of the eleven countries – Canada, Finland, France, Italy and the United States – strike activity has either increased or fluctuated (often markedly) about a constant mean or equilibrium level. Industrial conflict has declined significantly in Belgium and the United Kingdom, but has decreased to truly negligible levels only in Denmark, the Netherlands, Norway and Sweden. Hence, the withering away of the strike is a rather limited phenomenon confined largely to the smaller democracies of Northern Europe. Moreover, to the extent that strike data are relevant in making judgements about the state of class relations, the long-run trend results cast considerable doubt on macro-sociological arguments about the integration of the working class into the social structure of advanced capitalist nations.

At the same time, however, historical trends in strike activity lead one to question the existence of the ‘new’ labour militancy, an assumption currently popular in many interpretations of contemporary industrial relations by social scientists. Most strike outbursts of the late 1960s and early 1970s simply do not represent significant departures from long-standing patterns in industrial conflict. The events of May–June 1968 in France must of course stand as an exception to this generalization. The 1968 strike wave was unquestionably the most severe in recorded French labour history\(^{11}\) (the strike volume of that year was nearly three times that of the great general strike of 1920) and it surely merits the hundreds of studies devoted to it.\(^{12}\) It should be recognized, however, that France has a long history of periodic strike explosions – for example, 1906, 1919–20, 1936, and 1947–48 – of which 1968 is the most dramatic example.\(^{13}\)

Recent up-turns in strike activity in other nations are just not exceptional when viewed from the perspective of the long-run record of labour relations. In Italy, the ‘hot autumn’ of 1969 represented the peak of that nation’s post-war industrial conflict, but Italian strike activity has fluctuated about a distinct upward trend since the early 1950s. The volume of strikes increased steadily over the 1966–72 period in the United Kingdom, but as I will show in another publication this departure from the modest level of post-war British industrial conflict is adequately explained by a fixed coefficients econometric model that accounts for most of the variation in strike activity since the 1930s.\(^{14}\) The 1966–72 upward trend, therefore, gives no firm support

\(^{11}\) Actually, the strike wave of 1968 in France was not recorded in the usual way at all; the figures for man-days lost shown in the French volume plot was derived from the careful unofficial calculations of M. Durand and Y. Harft, ‘Panorama statistique des grèves’, Sociologie du Travail, iv (1973), 356–75.


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to the idea of a new labour militancy. It is obvious from the time-series plots for the
remaining countries that recent movements in strike volume are quite consistent with
past patterns in strike activity, and thus do not require a search for unusual factors
or the development of special explanations.

The log trend analyses discussed earlier and reported in Table 1, quite clearly do
not yield a very satisfactory characterization of long-run trends in industrial conflict.
Although the trend coefficients are significant by conventional statistical criteria, the
log trend equations account for very little of the variation in strike volume and strike
participation. (R²'s are not reported in Table 1, but they were in the neighbourhood
of .20.) The reasons are apparent from the time-series plots. First, strike activity
fluctuates greatly about estimated trends or, in the trendless cases, about equilibrium
(mean) levels. Second, and for the purposes of this study more important, in nations
where industrial conflict has decreased substantially, the decline occurred suddenly
in the late 1930s - or just after the Second World War - rather than gradually by so
many per cent per year as the trend coefficients imply. For example, in Sweden, strike
volume does not drop off more or less continuously by 9 or 10 per cent per annum
from the early 1900s as the trend estimate in Table 1 suggests. On the contrary, the
withering away of the strike in Sweden is apparent only by the late 1930s, and is
particularly marked during the post-war era.¹⁵ Long-run changes in aggregate levels
of industrial conflict are therefore probably better summarized by contrasting pre-
and post-Second World War mean scores.

Figure 3 shows a histogram of inter-war (1918–38) and post-war (1944–72) average
strike volumes (man-days lost per thousand non-agricultural, civilian employees) for
the eleven countries. The strike-level means are given by the heights of the bars on
the vertical scale. For example, Norway's inter-war mean strike volume was over
2,000, whereas its post-war mean was only about 100. Canada's inter-war mean
volume was about 400; it's post-war mean was well over 500. The mean strike
volumes of other countries are read off the histogram in the same manner (see
Fig. 3 overleaf).

The histogram merely provides a graphic illustration of patterns identified in the
previous discussion of the time-series data. In the period between the World Wars,
Norway, Sweden, the United Kingdom, Denmark and the Netherlands had the
highest levels of industrial conflict in the Western world. By the end of the Second
World War, however, strike activity had declined dramatically in these nations - in

¹⁵ Figure 2 shows that the dramatic decline in strike activity in Sweden, as in other countries,
took place when the Social Democrats assumed political power. I return to this important point
ahead.
most cases to negligible levels. This contrasts sharply with the record for most of the other countries. Elsewhere industrial conflict has either oscillated about the same average level for approximately three-quarters of a century, or has actually increased somewhat during the post-war era.

2. INDUSTRIAL CONFLICT AND THE POLITICAL ECONOMY OF DISTRIBUTION

What explains the long-run patterns of strike trends summarized in Fig. 3? I hardly need mention that bearing on this question is an enormous literature on the evolution of class relations in industrial capitalist societies. However, the arguments are
familiar enough that I shall conserve space by not reviewing them here and proceed straightaway to a discussion of my own theory.\textsuperscript{16}

My principal assumption is that at the macro-theoretical level strikes are most usefully viewed as instruments of collective working-class action and that \textit{strike activity is one manifestation of an ongoing struggle for power between social classes over the distribution of resources, principally (though not exclusively) national income}. The core of the argument is that \textit{long-run changes in the volume of industrial conflict are largely explained by changes in the locus of the struggle over distribution.}\textsuperscript{17} Strike activity has declined dramatically in nations where Social Democratic or Labour parties assumed power in the 1930s or just after the Second World War and created the modern ‘welfare state’. In these countries an enormous fraction of the national income now passes through the public sector, and the ‘social wage’, in the form of collective consumption and personal transfers, looms large in relation to the private ‘market wage’ in determining the economic security and wellbeing of a great part of society. The \textit{political process} dominates the final allocation (though not necessarily the initial production) of the national product. Put somewhat differently, political competition and conflict between left-wing and right-wing parties in the electoral arena (the political marketplace) has to a great extent replaced industrial bargaining and conflict between labour and capital in the private sector (the economic marketplace) as the process shaping the final distribution of national income.\textsuperscript{18}

By comparison, in countries governed more or less continuously by bourgeois parties of the centre and right, the state budget or public economy remains comparatively small, the \textit{private market} continues to dominate the \textit{allocation} as well as the \textit{production} of resources, and labour’s economic wellbeing hinges primarily on market outcomes. The economic marketplace is therefore the primary locus of distributional conflict in these nations, and, consequently, the average level of strike activity has been relatively constant for three-quarters of a century or more.

The evidence in favour of this interpretation of long-run changes in the overall volume of industrial conflict is, I think, compelling. It is clear from the data presented in Figs. 2 and 3 that nations experiencing a sustained decline or withering away of

\textsuperscript{16} The classic summary and critical review of the sociological and industrial relations literature on strike activity is Eldridge, ‘Explanations of Strikes’. My longer monograph on which this article is based – \textit{Long-Run Trends in Strike Activity} – also reviews critically much of the relevant literature. The recent books by Geoffrey K. Ingham, \textit{ Strikes and Industrial Conflict: Britain and Scandinavia} (London: Macmillan, 1974) and Richard Hyman, \textit{ Strikes} (Glasgow: Fontana/Collins, 1975) cover similar ground in greater detail.

\textsuperscript{17} Cf. Shorter and Tilly, \textit{ Strikes in France 1830-1968}, especially Chaps. 1, 12 and 13; David Snyder and Charles Tilly, ‘Hardship and Collective Violence in France 1830 to 1960’, \textit{American Sociological Review}, \textit{xxxvii} (1972), 520–31; and especially Walter Korpi, ‘Industrial Relations in Sweden’, Swedish Institute for Social Research (August, 1975). Although I read Korpi’s unpublished paper after this article was drafted, the theory sketched here is in broad agreement with his analysis of the evolution of Swedish industrial relations. However, Korpi, Shorter and Tilly, and Snyder and Tilly attribute much more importance than I do to working-class political power \textit{per se}, as opposed to its instrumental consequences for the political economy of distribution. See the discussion ahead.

\textsuperscript{18} Perhaps it is more accurate to describe the process of public sector/welfare state distribution as a \textit{reshaping} or \textit{alteration} of market distributional outcomes.
strike activity during the post-war era are largely those where Social Democratic and Labour parties based on the working class and trade unions successfully mobilized mass political support in the electoral arena, gained control (or at least shared control) of the state, and sharply expanded the scope of collective consumption and distribution. This historical development in the political economy of distribution in these societies represented a massive shift of political power away from business interests and their middle-class allies to the 'organized working class'. Some idea of the close association between the evolution of strike activity and the shift of political power between the social classes is given by Fig. 4, which shows a scatterplot of the inter-war to post-war change in average strike volume and the inter-war to post-war change in the average percentage of cabinet (executive) posts held by Socialist, Labour, and Communist parties. (The years in which Socialist/Labour parties were continuously in power or alternated regularly in power with bourgeois parties are identified on the strike volume and participation plots in Fig. 2, pp. 158–60).

The variables in Fig. 4 clearly exhibit a strong linear association (the correlation is \(-0.96\)) at one extreme of the Figure lie the countries in which centre and right-wing

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19 The nations with the highest inter-war strike means (Norway, Sweden, the United Kingdom) have the largest absolute changes (declines) in strike volume and contribute heavily to the high
governments have ruled continuously throughout the twentieth century (the United States, Canada): at the other extreme lie the nations in which Social Democratic and Labour parties have dominated post-war governments (Norway and Sweden). Countries in which left-wing parties have shared or alternated in power with bourgeois parties during the post-war period fall in an intermediate position with respect to the decline in the volume of strikes.

What is crucial for explaining long-run trends in strike activity, however, is not the assumption of political power by Social Democratic parties per se, but rather the change in the locus of the distribution of the national income produced by the welfare state policies of Social Democratic regimes. By socializing the consumption and distribution (though typically not the production) of an enormous fraction of the national product, Social Democratic and Labour governments engineered a massive circumvention of the private market. The principal locus of the distribution of national income was shifted from the private sector, where property and capital interests enjoy a comparative advantage, to the public sector, where the political resources of the organized working class are more telling.

Although the public sector’s share of the GNP increased in virtually all countries during the post-war period, and early welfare state measures were in some cases introduced by the Right in order to retard the development of the labour movement (e.g. the social insurance legislation initiated by Bismark and Lloyd George), the most dramatic increases in public sector expenditure were primarily the result of Social Democratic and Labour Government policies. Consider the historical experience of the two cases that lie near the opposite ends of the range of variation in the political power of the working class and the extent of the public sector’s allocation of the national income – Sweden and the United States. Between 1938 and 1972, the fraction of the GNP passing through the public sector (exclusive of expenditures for defence and nationalized industries) in Sweden, which has been governed almost continuously by the Social Democrats since the early 1930s, grew from less than one fifth to almost a half; i.e. nearly tripled. In contrast, from 1938 to 1972 general, non-defence, government expenditure in the United States, which of course has never experienced socialist or labour party rule, increased from just under one fifth to only correlation in Fig. 4. However, the correlation between the proportional changes in mean strike volume and the change in leftist political power is almost as large; \( r = -0.88 \).

A discussion of the reasons underlying international differences in the electoral success and executive political power of Socialist, Labour, and Communist parties is beyond the scope of this article. It should be noted, however, that the ‘politicization’ of the strike is most pronounced in France and Italy, where the state is heavily involved in establishing wages and conditions of work in the private sector, and, also, where left-wing parties have commanded a sizeable share of the vote for thirty years or more but have been largely frozen out of positions of executive power. I return to this point ahead.

In the United Kingdom, for example, the public sector share of the GNP (exclusive of defence) expanded in three waves: (1) 1944–48, from less than 20 per cent to 35 per cent as a result of the post-war Labour government’s creation of the welfare state and nationalization; (2) 1964–68, from 35 per cent to 45 per cent, during the second post-war Labour government; and (although it is beyond the time frame of this study) (3) 1973–75, from 45 per cent to 55 per cent, as the third Labour government tried to deliver its side of the social contract. See the analysis in the *Economist*, 21 February 1976.
about a quarter of the GNP. The experience of other nations falls at various points within the bounds set by these polar cases.

Some empirical support for the historical model sketched here for long-run changes in the volume of strike activity is given in Fig. 5, which displays simple correlations between the growth of Social Democratic and Labour party power (percentage cabinet representation), the change in the locus of the distribution of national income (growth of the public sector's share of the GNP), and change in strike volume (man-days lost per thousand non-agricultural civilian employees) from the inter-war to post-war period in nine countries.  

Post-war levels of strike activity are also explained well by this highly abstracted model of the causal relations between working-class political power, the importance of the public sector for the allocation of national income, and the volume of strike activity. Figure 6 reports the simple correlations among the indicators, for eleven countries.  

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Fig. 5.

Fig. 6.

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22 I was unable to find data on general government expenditure in Belgium and Italy before the Second World War and so the correlations in Fig. 5 are based on nine rather than eleven countries. Sources of the government expenditure data were: Statistical Office of the United Nations, National Income Statistics (New York: United Nations, 1950), and Harry T. Oshima, 'Share of Government in G.N.P. for Various Countries', American Economic Review, LVII (1957), 381-90; OECD, National Accounts of OECD Countries 1961-1972 (Paris: OECD, 1974). Sources of the data for the other variables are given in earlier footnotes.

23 A subsequent empirical analysis testing rival explanations of the growth of the public sector's share of the GDP over the period 1960–74 in seventeen industrial democracies also supports the historical-causal sequence implied by the first half of Figs. 5 and 6. See David Cameron, 'Open Economies, Electoral Politics, and the Expansion of the Public Economy: A Comparative Analysis' (Yale University, mimeo).
Clearly, post-war levels as well as inter-war to post-war changes in aggregate strike activity vary inversely with the extent to which national income is ultimately distributed via the political process. In nations such as Denmark, Norway, the Netherlands and Sweden, where the public sector share of the GNP was by 1972 nearly 50 per cent, where the average tax rate for blue-collar workers was in the 30–35 per cent range, and where the marginal tax rate approached 60 per cent, the political arena is the key locus of distributional outcomes and, therefore, industrial conflict stands at comparatively low levels. By contrast, in countries with relatively high strike volumes (for example, Canada, Italy, and the United States), the fraction of the GNP passing through the public sector was on the order of 25 to 30 per cent by 1972, the average tax rate for manufacturing workers was 15 per cent or less, and the marginal tax rate was in the 23–28 per cent range. In these societies the bulk of the national income is allocated in the private sector and, therefore, the economic marketplace remains the most important arena of conflict over distributional outcomes.

My basic argument is summarized from a slightly different perspective in Table 2, which shows how the loci of distributional conflict and the character of strike activity vary by the degree of state economic intervention and the market orientation of the state’s politico-economic goals. In nations where state intervention is comparatively low (passive) and the market is supported, the private sector is the primary arena of conflict over distributional outcomes, ‘business unionism’ is the dominant orientation of organized labour, and strike activity is relatively high and has shown no tendency to decline over the long run. Canada and the United States are examples of this pattern. Strike activity also stands at comparatively high levels and shows no signs of declining in countries where the state has intervened actively in the labour market in order to support the market; i.e. has actively participated in setting private sector wages, hours and conditions of work without socializing the consumption and distribution of a very large fraction of the national income. The distinctive feature of industrial relations in societies falling in this category is the politicization of the strike. The state is an important actor in the system of industrial relations and, therefore, the strike is frequently used as a form of political action to exert pressure on the government, either to grant concessions to labour unilaterally or to coerce a favourable settlement from recalcitrant employers.  

\[24\] Notwithstanding the larger political visions of many left-wing trade-union leaders, most workers are probably mobilized for strike activity not by slogans about the workers’ seizure of political power but by narrower economic incentives usually associated with American ‘business unionism’. As Val Lorwin (The French Labor Movement (Cambridge, Mass.: Harvard University Press, 2nd printing, 1966), p. 215) put it in his study of French labour relations: ‘When they received wage adjustments, workers, including most union members, showed little determination to press for the institutional content of agreements about which their leaders talked’. Even the massive strikes of May–June 1968 in France (which were viewed largely as spontaneous ‘political’ events in many popular accounts) centred in the overwhelming majority of cases around traditional demands for wage increases and came to an end in the wake of sizeable wage concessions from the government and employers. See Durand and Harft, ‘Panorama statistique des grèves’, and George Ross, French Working Class Politics After May–June 1968: A New Working Class? (paper delivered at the annual meeting of the American Political Science Association at New Orleans in 1973).
<table>
<thead>
<tr>
<th>State political/economic goals (ideology)</th>
<th>State intervention</th>
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<td>Active (high)</td>
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<td>Market supporting (bourgeois)</td>
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<tr>
<td>Primary locus of distributional conflict: private sector (with state intervention)</td>
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<tr>
<td>Implications for strike activity:</td>
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<tr>
<td>'politicization' of the strike, little or no decline in strike volume</td>
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<tr>
<td>Exemplars: France, Italy</td>
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<tr>
<td>Long-run strike trend: negligible or upward</td>
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<tr>
<td>Post-war average strike volume: 670</td>
<td></td>
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<tr>
<td>Government revenue as % of GNP, 1972: 35.4%*</td>
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<tr>
<td>Average tax rate, 1972: 11%†</td>
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<tr>
<td>Market modifying (social democratic)</td>
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<tr>
<td>Primary locus of distributional conflict: public sector/political process</td>
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<td>Implications for strike activity:</td>
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<tr>
<td>'withering away' of the strike; displacement of distributive conflict to political marketplace</td>
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<tr>
<td>Exemplars: Denmark, Norway, Sweden</td>
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<tr>
<td>Long-run strike trend: downward from late 1930s</td>
<td></td>
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<tr>
<td>Post-war average strike volume: 103</td>
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<tr>
<td>Government revenue as % of GNP, 1972: 44.8%*</td>
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</tr>
<tr>
<td>Average tax rate, 1972: 31.3%†</td>
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* Excluding defence and state enterprises.
† Mean for manufacturing production workers with two children.
market-modifying policies has there been a massive displacement of conflict over
distributional issues to the electoral arena and, as a result, the ‘withering away’ of
the strike in the private marketplace. This historical configuration is of course best
illustrated by the experience of the Scandinavian social democracies.25

Although it is clear that the political arena becomes decisive for distributional
outcomes when the share of national income passing through the public sector
reaches great proportions, it may not be obvious why this should necessarily lead
(as historically it has) to a sharp decline in industrial conflict in the private
marketplace. Even if labour’s economic security and wellbeing depends to a large
extent on the ‘social’ or ‘political’ wage, why should trade unions give up struggling
over the ‘market’ wage? There are at least three (related) reasons.

First, for broad segments of welfare state societies, public consumption (collective
goods) and the social wage are simply acceptable, indeed preferable, substitutes for
private consumption and the market wage. The system of collective consumption and
distribution is after all the raison d’être of Social Democratic parties and their
electoral success has derived from its popular appeal.

Second, the high and steeply progressive tax system of welfare state societies means
that the marginal rate of taxation even for average-wage employees is high enough
to discourage great efforts being put into fights over nominal (money) market wage
increases. For example, Calmfors reports that by the early 1970s in Sweden rapid
inflation and high marginal tax rates (about 60 per cent for an average wage earner)
made it impossible for most wage earners to obtain any increase in post-tax real-
wage income from upward movements in nominal wage rates.26 Data for the late
196os in Great Britain analysed by Jackson, Turner and Wilkinson point to a similar
conclusion.27 Although I am not aware of comparable quantitative analyses for other
countries, the published data on marginal tax rates for average income workers in
industrial nations suggest that the disincentive has been equally strong in such
welfare states as Denmark, Norway and the Netherlands.28

Finally (and to some extent this is the prior point writ large), it simply was rational
for trade unions to commit scarce organizational resources to the arena of activity
likely to yield the highest marginal pay-off. After working-class based Social Demo-
cratic and Labour parties had mobilized enough support in one electoral arena to
assume political power and push through the welfare state, it made sense for organized
labour to seek to maximize its objectives (in particular, the economic wellbeing of its

25 Heady has argued that a similar configuration of factors underlies trade-union acceptance of
incomes policies. See Bruce W. Heady, ‘Trade Unions and National Wages Policies’,
26 In some situations investigated by Calmfors the tax system had perverse effects, i.e.
increases in money wages lead to decreases in after-tax real wages. See Lars Calmfors,
27 D. Jackson, H. A. Turner and Frank Wilkinson, Do Trade Unions Cause Inflation? (Cam-
bridge: Cambridge University Press, 1972). Actually, Jackson et al. find that very large increases
in money wages were necessary for workers to realize modest net-of-tax increases in real wages.
I return to this point in the next section.
constituency) in the political rather than the industrial marketplace. Put another way, the political marketplace and the private marketplace can be viewed as alternative arenas for the maximization of goals. Once the Social Democrats began to reshape fundamentally the political economy of distribution, the political process offered labour the greater marginal return on activity. Political pressure and bargaining was emphasized at the expense of industrial militancy, and strike activity in the market declined dramatically. 29

3. DISTRIBUTIONAL CONFLICT IN THE WELFARE STATE: RECENT DEVELOPMENTS AND SOME SPECULATIONS ABOUT THE FUTURE

A number of recent developments in advanced welfare state societies suggest that the assumptions upon which the central argument of this article rests are collapsing. Mass electoral opposition to further expansion of public expenditure has increased sharply in several welfare states; trade unions have pressed for, or acquiesced in, bargains with the state that reduce personal taxes in exchange for restraint in market wage bargaining; and, in Great Britain at least, strike activity may have increased as increasing numbers of workers have felt the bite of high direct taxation, and labour has fought to preserve accustomed rates of increase in net, real, market wages.

If people, and in particular the working class, continued to prefer public consumption and distribution to private consumption and allocation by the market, or at least were indifferent between the two, discontent with the political economy of the welfare state of the sort just identified should not arise. I suspect that such discontent among the working class has much to do with changes in the composition and inter-class redistributive impact of public consumption and transfers, but until more empirical work along these lines has been completed this remains a conjecture. 30 What is clear, however, is that once the public sector's share of the national product approaches 50 per cent or more, serious resistance to the further extension of the welfare state begins to appear even within the traditional political constituency of Social Democratic and Labour parties.

The evidence of working-class discontent with high taxes and public expenditure in the welfare state is worth reviewing at greater length. Contrary to my 'long-run' argument that industrial conflict declined in proportion to the success of Social Democratic and Labour parties in socializing the distribution of national income, two studies of labour militancy and wage bargaining in the United Kingdom argue that

29 Although most trade-union energy in the United States is still committed to private market activity, the process outlined in the text has occurred to a limited extent, though not enough to make a great impact on the volume of industrial conflict. As a result of labour's favourable experience with the Democratic party during and since the Roosevelt era, there has been a perceptible shift in the allocation of American trade unions' organizational resources toward the political arena.

30 Jackson, Turner and Wilkinson (Do Trade Unions Cause Inflation?) have already completed some suggestive research on the British case. They found that since the 1960s 'the combined effect of income movements and changes in tax policy was to increase post-tax inequality between earned incomes,' (p. 79) and that 'the ratio of benefits-received to taxes-paid was falling' (p. 83) for most employee and wage-earner households.
just the opposite has been true in recent years. Jackson, Turner and Wilkinson present evidence showing that when wage inflation pushed blue-collar workers into high direct-tax brackets for the first time in the mid-1960s, real net-of-tax market wages stagnated. As a result, they argue, the trade unions militantly pursued even higher money wage settlements which led to a sharp increase in Britain's strike rate. In other words, the expansion of public expenditure and increases in the rate of personal taxation brought on by the inflation of nominal wage levels reduced labour's net real wage and prompted greater militancy in market wage bargaining. Although I have detected no sign of Jackson et al.'s 'tax effect' in my own models of British strike fluctuations,\textsuperscript{31} Johnson and Timbrell's econometric study of post-war wage formation in Britain does report results consistent with this argument.\textsuperscript{32} Johnson and Timbrell conclude that labour's struggle to achieve net-of-tax real gains in market wages explains both the upturn in British strike activity and the escalation of wage inflation.\textsuperscript{33}

The argument connecting growth in social spending and in direct taxation to strike activity is controversial and the evidence appears to be limited to the British case. Perhaps more revealing are recent government-co-ordinated quasi-incomes policy bargains in Denmark, Great Britain, Norway and Sweden in which trade unions have tacitly agreed to exercise restraint in wage bargaining in return for reductions in personal taxation. One of the aims of these bargains is to increase net real personal income without incurring the inflationary pressures of large nominal wage settlements.

Some of the tax reductions have been fictitious; indirect taxes were raised (in Sweden and Great Britain for example) to compensate for the loss of direct tax revenue. But public spending and social benefits were also cut back. Although personal tax reductions were generally skewed to the advantage of low-wage earners, net market income has nonetheless increased at the expense of public consumption, subsidies and transfers. As a result outcomes in the private market have a greater impact on the final distribution of personal income. One might therefore interpret labour's participation in such incomes policy bargains as an implicit preference for strengthening the hand of the private market and weakening the impact of the state on the distributional process.\textsuperscript{34}

In the Scandinavian social democracies the sharpest challenge to the established system of public sector distribution has come not from strike action or quasi-incomes policy bargains involving reduced direct taxation and social expenditure, but rather from electoral mobilization by anti-welfare state, 'new bourgeois' flash political

\textsuperscript{31} See fn. 14.
\textsuperscript{33} The conclusion is controversial. For an alternative account of the recent wage explosion that does not rely on the private consumption/tax effect argument, see Douglas A. Hibbs, Jr., \textit{Trade Union Power, Labour Militancy and Wage Inflation: A Comparative Analysis} (Cambridge, Mass.: Center for International Studies, Massachusetts Institute of Technology, 1977).
\textsuperscript{34} The words 'might interpret' are used advisedly. There have been too many other constraints and complexities to support a firm inference about labour's revealed preference.
movements. The most dramatic example is the spectacular rise of Mogen Glistrup's Progress party in Denmark. Capitalizing on growing dissatisfaction with the performance and financial burdens of the welfare state, Glistrup's party burst upon the political scene just before the 1973 election and, running on a programme of drastic reductions in the state bureaucracy, social expenditure and taxation, became the second largest party in the Danish Folketing virtually overnight. The Progress party's success was a severe shock to what had been a very stable two-bloc Danish party system and subsequent governments of the left as well as of the right responded to the drift in public sentiment by reducing taxation and state expenditure.

A 'new bourgeois' flash political party, akin to the Glistrup movement in Denmark, also appeared in Norway in 1973. This new anti-welfare state party was organized by Anders Lange – an activist in the old right-wing movements of the 1930s – around a platform similar to Glistrup's, calling for a radical roll-back of public expenditure and taxation. Although 'Anders Lange's Party' (ALP) had neither the initial support nor the staying power of Glistrup's Progress party in Denmark, it did reflect considerable discontent with the established parties and the political economy of collective consumption and distribution over which they presided.

The archetype of the modern welfare state is Sweden. However, in contrast to the recent political experience of Denmark and Norway, the two-bloc Swedish party system has exhibited great stability. Sweden has not experienced a 'new bourgeois', anti-welfare state movement similar to the Glistrup phenomenon in Denmark or the smaller Anders Lange party in Norway. Undoubtedly this is because Sweden is the only highly developed welfare state in which the traditional bourgeois parties have been in opposition for the entire post-war era. Responsibility for growth of the bureaucracy, public expenditure and taxation, therefore, rests wholly with the Social Democrats. Consequently, the 'old bourgeois' party bloc stands as a viable alternative to the welfare state, and popular discontent with the system of collective consumption and distribution has been channelled through the established right-of-centre parties.

Survey evidence reported by Särlvik suggests that such discontent is widespread,


36 In September 1974, Prime Minister Paul Hartling's Agrarian–Liberal minority government introduced a 7 billion kroner cut in income taxes and government expenditure which was passed in parliament with the support of Radical Liberals, Conservatives, Centre Democrats, Christian People's party, Single Taxers, and some members of the Progress party. I am tempted to infer, without support from survey evidence, that the decline in 'new bourgeois' electoral support in the 1975 election was associated with this significant policy change. In any case, public sentiment continues to run strong against further extensions of the Danish welfare state: New York Times (28 September 1975) reports polls taken in 1975 indicating that 63 per cent of the public felt that the burden of taxation was excessive and that the welfare state had gone too far. The minority Social Democratic government, which assumed office after the 1975 election, acknowledged this by submitting a budget that further reduced social spending.

and has increased significantly in recent years. These survey results show that the proportion of the Swedish mass public advocating a reduction in social welfare benefits grew from 41 per cent to 60 per cent between 1968 and 1973. The growth of opposition to welfare policies was apparent among the supporters of all political parties, but was particularly pronounced among Social Democratic voters.

This 'shift to the right' on the social welfare issue coincided with a gradual (albeit small) erosion of electoral support for the socialist bloc, which began in 1970, continued into the 1973 election, and culminated in the first outright defeat of the Social Democrats in forty-four years in the September 1976 election.

The appearance of 'new bourgeois' flash political parties in Denmark and Norway, the decline of Social Democratic electoral support in Sweden, and survey data showing increased public hostility to high taxation and social spending, suggest that the political base of the welfare state is eroding. It is likely that inflation and economic stagnation, rather than discontent with the welfare state per se, played at least some part in the defeat of the Social Democrats in Sweden, the remarkable success of the Glistrup movement in Denmark, and was surely a major factor in the British Labour government's recent attempts to reduce public expenditures and divert resources to the private sector. Nonetheless, costs in the form of high levels of taxation have apparently begun to exceed perceived benefits from state transfers and collective consumption for a sizeable fraction of the working class in many welfare states. Perhaps it is not coincidental, then, that the most dramatic expression of popular opposition to public expenditure and taxation occurred in Denmark, where the average tax rate for manufacturing workers is the highest in the Western industrial world, and disposal income (inclusive of transfers) as a percentage of gross earnings, is the lowest.

It seems likely that developments in the political arenas of advanced welfare states will ensure that the levelling-off of the share of the national income passing through the public sector, already visible in Great Britain and the Scandinavian social democracies, will be long-lived. The share of national income allocated in the private market may even increase significantly, particularly if the distributional impact of a further growth in the public sector continues to be viewed as disadvantageous by a significant fraction of the politically dominant 'organized working class'. If the private sector's allocation of national income does increase appreciably in the welfare-state societies, then we are likely to observe a renaissance of industrial conflict (which now stands at negligible levels) as the economic marketplace regains some of its former importance as the locus of distributional outcomes.


39 As readers undoubtedly are aware, a bourgeois coalition led by the Centre party is now in power. It was inevitable that the Social Democrats would eventually lose an election; it is not possible to say without survey data to what extent their defeat at this time was due to the 'welfare state' issue. The expansion of nuclear power, economic stagnation, a trade-union plan to gradually 'expropriate' large firms, and the simple fact that the Social Democrats had been in power for so long, were also issues in the campaign.

40 I base this statement on data for manufacturing production workers with average incomes, reported in OECD, Revenue Statistics in OECD Member Countries 1965-1972 (Paris: OECD, 1973), Appendix, Tables 2, 3 and 6.