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Explaining the Decline of European Social Democracy: The Role of Structural Economic Change

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Abstract

Using a number of different quantitative measures, this article demonstrates that variations in the degree of social democratic decline in nine European countries can be viewed, in large measure, as a product of two structural economic changes: (a) the shift to smaller units of production; and (b) the growth of private non-industrial employment. The article explores several causal arguments linking these variables to social democratic decline, and marshalls Swedish and

British time series data to show that the distribution of manufacturing employment by production unit helps explain the rise as well as the decline of social democracy.

INTRODUCTION

At the core of comparative politics lies the challenge of explaining both common trajectories *and* variations across countries. Comparativists often shirk this challenge by focusing exclusively on the problem of explaining cross-national variations. When they rise to the challenge, they typically pursue a dualist strategy, seeking to explain commonalities in terms of one set of variables and variations in terms of different variables. While social-structural or economic-structural variables are frequently invoked to explain common trajectories, they are seldom seriously considered in the analysis of cross-national variations. Among students of advanced capitalist countries, the conventional view seems to be that the social and economic structures of these countries are essentially the same, and therefore cannot explain variations in political outcomes across countries (see Pontusson 1995 for examples and further discussion). Yet we know that advanced capitalist economies vary on a number of dimensions, such as the degree of export dependence, the sectoral composition of exports, the structure of ownership, the organization of firms, and the structure of employment and labor markets. The literature on industrial restructuring, often couched in terms of a transition to "post-Fordism," suggests that the extent and possibly the character of the structural changes that these economies have undergone over the last two decades varies as well. Whether such variations matter to the outcomes political scientists want to explain is an empirical question.

In a recent book of remarkable breadth, Kitschelt (1994) argues that the growth of service employment and "post-Fordist" forms of work organization have produced a new cleavage axis of politics, an authoritarian-libertarian axis cutting across the traditional Left-Right axis, and that this new axis represents a major challenge to traditional social democratic politics. Apparently assuming the economic changes behind this challenge to be constant across his cases, Kitschelt proceeds to explain the divergent electoral fortunes of social democratic parties in nine European countries in terms of their willingness and ability to appeal to new voter preferences, and to manage the tension between new and old politics. In a similar vein, Fox-Piven (1991:1) introduces a recent volume on labor parties in postindustrial societies by noting that while "the emerging postindustrial international economic order has generated problems for left parties everywhere," these parties have "fared quite differently," and argues that this has to do with differences in their ability to adapt to socio-economic change.

As Kitschelt and Fox-Piven both indicate, the decline of industrial employment and the decline of manual occupations as percentages of the total labor force do not provide very good predictors of the electoral performance of social democratic parties on a cross-national basis (cf. also Crewe 1991). However, it does not follow from these observations that employment conditions are no longer as salient to politics as they once were, for the relative decline of industrial employment (and with it, the decline of manual labor) constitutes but one dimension of the ongoing restructuring of advanced capitalist economies.

I shall argue here that the decline of European social democracy can be viewed, in some significant measure, as a product of two economic-structural changes: (1) the shift to smaller units of industrial production; and (2) the growth of private non-industrial employment. In most advanced capitalist countries, economies of scale served to promote the concentration of industrial employment in the first half of the twentieth century. Average manufacturing plant size and the proportion of the manufacturing labor force working in relatively large plants increased. Towards the end of the postwar boom, some time between 1965 and 1975, these trends were reversed, and a significant shift towards smaller units of industrial production has subsequently occurred. On theoretical grounds, the shift towards smaller units of industrial production might

be invoked to explain the decline of social democracy; the empirical question is whether these trends covary on a cross-national basis.

The decline of industrial employment fails to predict social democratic rollback primarily because of the resilience of Scandinavian social democracy in the face of rapid expansion of service employment. Outside Scandinavia, the expansion of service employment is indeed closely associated with social democratic rollback. What distinguishes the Scandinavian countries in this respect is the fact that the public sector has accounted for the expansion of service employment to a greater extent than elsewhere. However, there is no obvious reason to suppose that a shift of employment from agriculture to private services would affect the fortunes of social democracy. Thus the proportion of the total labor force in *private non-industrial employment* constitutes the most relevant measure of inter-sectoral employment shifts for a comparative analysis of the decline of European social democracy.

I expect these economic-structural variables to shed light on the rise as well as the decline of social democracy. In what follows, I will undertake three distinct analytical exercises designed to test and further specify their causal significance. First, I will marshal Swedish time series data, covering the period from 1913 to 1974, and a less complete British data set, covering the period from 1935 to 1992, to explore the relationship between the distribution of manufacturing employment by plant size and the mobilizational capacity of the labor movement, as measured by union density and the electoral performance of the Swedish Social Democratic Party and the British Labour Party.(1)

Secondly, I will propose a couple of indices of levels of social democratization in nine West European countries (Austria, Belgium, Denmark, Germany, the Netherlands, Norway, Sweden, Switzerland, and the U.K.) at certain points in time (1970, 1980, and 1990), and explore to what extent cross-national variations on these indices correlate with variations in the relative size of the private non-industrial labor force, the average size of manufacturing plants and, for a subset of four countries, the distribution of employment by plant size. While one of the indices of social democratization that I will propose measures the mobilizational strength of social democratic labor movements in terms of union density and electoral performance, the other index seeks to capture the extent to which social democratic policy priorities have prevailed in a particular country at a given point in time.(2)

Thirdly, I will develop measures of the extent of social democratic policy rollback as well as the decline of union and party strength in the same nine countries from 1980 to 1990, and explore to what extent industrial restructuring, as measured by change in average manufacturing plant size, and inter-sectoral employment shifts, as measured by growth of private non-industrial employment, correlate with my rollback measures.

It is a commonplace that a correlation does not constitute an explanation. I shall begin by positing some causal mechanisms whereby industrial organization and employment structure might plausibly affect political outcomes, and return to the problem of causality in the concluding discussion. In the end, my data do not enable us to discriminate among causal mechanisms with much precision. To do so would require more qualitative research, attending to historical sequences (cf. Rueschemeyer, Stephens and Stephens 1992:ch.2). The aim of this paper is not to settle the question of economic-structural determinants of the decline of European social democracy once and for all, let alone to provide a comprehensive account of the decline of European social democracy, but rather to set the stage for further research.

A few words about case selection are in order at this point. Two criteria were used to select the nine country cases identified above: (a) dominance of social democratic parties on the Left; and (b) close ties between social democratic parties and trade unions. In each of my nine cases, social

democracy was more or less coterminous with the Left in the postwar era, and the notion of a "labor-movement party" (Martin 1975) captures the organizational model of social democracy in its heyday. No other European country satisfies these specifications.

I conceive "social democracy" as a distinct historical configuration, and my analysis seeks to explain variations, over time and across countries, *within this configuration*. My nine cases represent the entire universe of cases rather than a sample, and I make no claim that the arguments advanced here apply beyond these cases.

Causal arguments

While the Marxist tradition suggests that working-class consciousness thrives in large units of production, and that capitalism paves the way for socialism not only by turning the vast majority of people into proletarians, but also by concentrating proletarians in ever larger units of production, the "micro foundations" of this argument have never, to my knowledge, been fully spelled out, nor has the argument been subjected to sustained empirical analysis.⁽³⁾ There are at least three different way in which a causal relationship between production unit size (or distribution of employment by unit size) and social democracy might be construed or, in other words, three distinct causal mechanisms that might be at work. One causal mechanism, apparently at the core of the Marxist argument, has to do with *worker consciousness*. Another mechanism has to do with the opportunities for unions to organize workers or the *relative costs of collective organization*. Thirdly, the structure of employment by unit size may be said to affect the salience of common worker interests relative to the particular interests of different categories of workers, a variable which we might refer to as the *relative homogeneity of worker interests*.⁽⁴⁾

The argument about worker consciousness holds that there is something about working conditions in large plants that makes workers more inclined to join unions, to vote for social democratic parties (or Left parties more generally), and to support policies that promote class-wide interests. As Auer and Fehr-Duda (1989) emphasize, the small-firm sector is, above all, characterized by heterogeneity, and one should be wary of generalizing about small firms and, by extension, about small plants. Nonetheless, two broad generalizations can be made with some confidence (cf. Ingham 1970): first, production in large plants tends to be characterized by greater capital intensity and technological interdependence than production in small plants; and, secondly, large plants tend to be more bureaucratic in their organization, and characterized by more impersonal relations between employees than small plants. For either or both reasons, the notion of a "worker collective" would seem to be more meaningful, and conflicts of interest between workers and employers more transparent in large plants.

The argument about relative costs of collective organization is most readily explicated in relation to Wallerstein's (1989) analysis of the determinants of union density in advanced capitalist countries. Wallerstein observes a close, negative correlation between the size of the total labor force and union density, and links these variables to each other by arguing that while the costs (to unions or current union members) of organizing a given number of workers is the same across countries, the benefits derived from this effort vary depending on what proportion of the total labor force that number of workers represents. Contrary to Wallerstein, I would expect that there are economies of scale in union organizing, and hence that industrial structure affects organizing costs. If unions have to commit a certain amount of resources to organize any one plant (or to maintain membership in any one plant), it will require a much greater commitment of resources to reach (maintain) the same level of union density in a situation where there are 1,000 plants with 100 workers each than in a situation where there are 100 plants with 1,000 workers each.

Based on this reasoning, I would hypothesize that variations in union density across industrial sectors and countries correlate with variations in the degree of plant concentration, as measured

by the largest 10 or 20 plants' share of employment in any one sector, and these plants' median share of employment across a representative sample of sectors. As we shall see, data availability precludes a strict test of this hypothesis.⁽⁵⁾ For the time being, suffice it to note that a number of studies show that union density varies by plant size within countries (see Loveman and Sengenberger 1990:39, Auer and Fehr-Duda 1989:30, and Goldfield 1987:149-152), and that Stephens (1991) reports a positive correlation between cross-national variations in union density and a different measure of economic concentration, roughly as strong as the correlation between union density and size of labor force reported by Wallerstein. I hasten to add that size of labor force and plant concentration ought not be conceived as competing variables. Quite the contrary, I would expect plant concentration of employment to be, in large measure, a negative function of the size of the labor force and domestic markets, i.e., that small countries have higher rates of plant concentration than large countries. In other words, my argument provides an alternative explanation of Wallerstein's empirical findings.

Though the two arguments are not mutually exclusive, the argument about ease of collective organization might be extended in such a way as to preempt the argument about worker consciousness. Workers in large plants may be more inclined to vote for Left parties and to support solidaristic policies than workers in small plants as a result of unionization rather than their working environment. By contrast, Crewe (1991:32-33) argues that the decline of large manufacturing plants has affected the political orientation of *union members* in the U.K., constituting a "critical factor" in the break-up of the "political ecology and culture that underpinned the traditional union-Labour electoral connection." According to Crewe, the political implications of the shift to smaller units of production can be seen not only in the much lower percentage of union members voting for the Labour Party in the South than in the North in the 1980s, but also in the results of union ballots on whether or not to retain political funds. In unions organizing traditional large-plant industries, such ballots won by much larger margins.

As for worker interests, finally, there are two distinct arguments that can be made, one concerning the relative homogeneity of worker within plants, and the other concerning the relative homogeneity of worker interests across plants. Marsden (1990:233) reports that in Britain "semi-skilled workers" accounted for 31.2% of the manual labor force in plants with less than 100 employees, and 52.4% in plants with more than 500 employees in 1980. The corresponding figures for "skilled workers" were 61.7% and 42.7%, with "unskilled workers" accounting for the remainder of the labor force. Small plants thus had a more bifurcated skill structure than large plants, and Auer and Fehr-Duda (1989:20-21) suggest that this holds true for other countries as well. Thus we might hypothesize that countries with comparatively large proportions of the labor force employed in small plants will have not only weaker, but less solidaristic labor movements, and that a shift to smaller units of production will exacerbate conflicts of interest among industrial workers.

In somewhat different vein, conflicts of interest between workers in small and large plants may be viewed as an obstacle to labor solidarity. Drawing on data from nine OECD countries, Loveman and Sengenberger (1990) show that small firms consistently pay lower wages than large firms. From this perspective, cross-national variations in labor solidarity are not to be explained in terms of average plant size or even the employment share of large plants, but rather the degree of labor-force bifurcation by plant size.

There can be little doubt that unions have traditionally played a crucial role in mobilizing electoral support for social democratic parties. Following Przeworski and Sprague (1986), I would expect social democratic parties in more unionized countries to face a less steep trade-off between working-class and middle-class electoral support, as the presence of strong unions should mitigate the losses of working-class support associated with broad, cross-class appeals. At

the same time, several of the arguments advanced above suggest that the political implications of industrial restructuring hinge not so much on how it affects union membership, but rather on how it affects what unions do. While local union organizations have become increasingly responsive to the interests of skilled workers, industrial reorganization has introduced a range of new issues, concerning technology and working conditions, that cannot be negotiated at the national level, and national politics appear to have become less relevant to union activities.

This observation bears not only on the inclination and ability of manufacturing unions to mobilize workers on behalf of social democratic parties and policies, but also on political relations between manufacturing and service-sector unions, and on the way in which the "labor movement" is perceived by non-union voters. The problem that industrial restructuring poses for social democratic parties seems to be two-fold: on the one hand, their traditional union allies do not deliver the votes of their membership to the extent that they once did; on the other hand, their ties to these unions have become an electoral liability for social democratic parties as non-union voters increasingly perceive unions as representative of particularistic interests.

The question of cross-class alliances brings us to the second part of my analysis, pertaining to the distribution of employment across broadly defined economic sectors (agriculture, industry, private services and public services). As indicated above, my basic hypothesis on this score is that social democratic strength is inversely related, across countries and over time, to the proportion of the total labor force in private non-industrial employment. This hypothesis rests on two propositions: (1) the labor force employed in private industry is more likely to belong to unions, to vote for social democratic parties, and to support social democratic policy priorities than the labor force employed in private agriculture or services; and (2) the labor force employed in public services is more likely to belong to unions, to vote for social democratic parties, and to support social democratic policy priorities than the labor force employed in private agriculture or services.

Both propositions strike me as rather self-evident. Very briefly, the first proposition would seem to be true for two basic reasons. First, manual workers account for a larger proportion of industrial employment than of service employment, and manual workers are more likely than white-collar employees to behave in the manner specified. Secondly, production units in the industrial sector are, on average, much larger than production units in agriculture and services, and so the causal effects of unit size and employment distribution by unit size again come into play here.(6)

There are several reasons to expect public-sector employees, white-collar as well as blue-collar, to be more inclined to behave in the specified manner than people working in agriculture or private services. In all countries, unionization rates tend to be higher than in the private sector than the public sector, presumably because public-sector employers have been less resistant to unionization than the private counterparts (cf. Clegg 1976). Moreover, public-sector employees benefit directly from social democratic priorities in terms of employment security, promotional opportunities and income. Beyond these obvious considerations, it may be that working conditions in the public sector are particularly conducive to support for social democracy. Perhaps certain types of public-sector work, especially in education, health, and social services, promote solidaristic values or attract people with such values. Though I have no empirical evidence to support this view, I would also expect that workplace units in the public sector are, on average, larger than workplace units in agriculture or private services. Once again, the hypothesis that private non-industrial employment is a source of social democratic weakness can be directly related to and partly viewed as derivative of the hypothesis that large units of production are a source of social democratic strength.

Swedish and British time series data

For Sweden and Britain, national statistical yearbooks provide data on the distribution of manufacturing employment by plant size that enable us to explore the relationship between changes in industrial organization and labor's mobilizational capacity over extended periods of time. The Swedish data covers the period 1913-1988. From 1920 onwards, the Swedish yearbook provides data in five-year intervals (1920, 1925, 1930, etc.), and from 1956 onwards, it provides these data on an annual basis. For the 1913-74 period, the data refer to the distribution of the manual labor force by plant size; from 1975 onwards, they refer to the distribution of total manufacturing employment (white-collar as well as blue-collar). Since this change yields measures of very different magnitude, my analysis will be restricted to the 1913-74 data. The British yearbook provides data for 1935, 1959, 1961, 1968, and most years in the 1970s and 1980s. As these data consistently refer to the distribution of total manufacturing employment by plant size, they are not directly comparable to the Swedish data for 1913-74.(7)

Both data sets enable us to calculate average plant size, but I prefer to use large plants' share of total employment as my measure of change in industrial organization ("large plants" being defined as plants with more than 500 workers or employees). This measure is less sensitive to changes in the size of the manufacturing labor force than average plant size, and also more relevant to the causal arguments advanced above.(8) Figures 1 and 2 show the evolution of the employment share of large plants in each country. In the Swedish case, the employment share of large plants increased rather steadily from 1925 until 1974, but then began to decline. In the British case, the decline of the employment share of large plants begins earlier (in the early 1970s), and assumes much more dramatic proportions.

Figure 1 *Employment in large plants (more than 500 workers/employees) as percentage of total manufacturing employment in Sweden, 1913-88*

Note: the figures for 1913-74 refer to manual workers; the figures for 1975-88 to all employees.

Source: *Statistisk Årsbok för Sverige* (Stockholm: Statistiska Centralbyrån).

Figure 2 *Employment in large plants (more than 500 employees) as percentage of total manufacturing employment in the U.K., 1935-91.4*

Source: *Annual Abstract of Statistics* (London: Central Statistical Office/HMSO).

Union density. Kjellberg (1983:269-279) provides figures on union density among manual workers in Sweden for 19 years included in the 1913-74 data set on employment distribution by plant size. For Britain, union membership data in the British *Annual Abstract of Statistics* enables us to calculate overall union density (union members as a percentage of the total labor force) for 13 years for which employment distribution data are available. To regress union density on employment shares using the Swedish data is problematic, for the values of both variable increase steadily over the time period covered, and exogenous common trends are likely to exist. This problem can be avoided by recalculating the data in terms of change from one data point to another, so that union density or large plants' employment share for any one year equals that year's figure minus the figure for the preceding observation. The coefficient of the regression of change in union density on change in large plants' employment share is 1.806 (standard error=0.528), and the R² of this regression is 42.3%.(9)

The problem of exogenous common trends is less acute for the British data set, because of the small number of observations prior to 1970, and the reversal of trends within the time period covered. In this case, it is more appropriate to analyze level relationships at each data point rather than change from one data point to the next. This exercise again yields a positive and

statistically significant association between union density and the employment share of large plants, but the association is weaker and less consistent than in the Swedish case: the regression coefficient is 0.547 (standard error=0.229), and the R² of the regression is 34.1%. As Figure 3 shows, the relationship between union density and the employment share of large plants actually changes over time in the British case. We can distinguish three different "regimes:" (1) from 1935 to 1959, the values of both variables increase along a regression line that resembles that for the Swedish 1913-74 data; (2) from 1968 to 1979, the employment share of large plants declines while union density increases (which is also true for Sweden after 1974); and (3) from 1979 to 1989, the values for both variables decline in tandem.

Figure 3 *Union density and large plants' share of manufacturing employment in the UK, 1935-89*

Note: Drawn by hand, the regression lines in this figure are strictly illustrative.

Not surprisingly, union density turns out to be sticky: the decline of the employment share of large plants does not immediately translate into decline of union density, and institutional arrangements associated with the "postwar settlement" mitigate the effects of the decline of plant size on union density. British time series data thus demonstrate that if there is indeed a causal relationship between these variables, causality must be running from changes in the distribution of employment by plant size to changes in union density, and not the other way around.

Electoral support. To correlate the distribution of employment by plant size with election results on as broad a basis as possible, I estimate large plants' employment shares for election years for which such data are not available on the assumption that any change over a multi-year period occurred in equal yearly increments. For the Swedish case, this procedure yields a total of 28 observations (including local government elections as well as parliamentary elections). For the British case, I estimate employment shares for missing election years since 1959 only (the distance between the 1935 and 1959 figures being very large, value-wise as well time-wise), yielding a total of 11 observations.

The regression of the British Labour Party's share of the national vote on the large plants' share of manufacturing employment has a coefficient of 0.607, the standard error of the coefficient equals 0.172, and R² equals 58.0%. For the Swedish data, the corresponding figures are 0.905, 0.158, and 55.9%.⁽¹⁰⁾ As Figure 4 shows, however, the Swedish data points fall into two very distinct clusters: pre-1935 and post-1935 elections. If we restrict the analysis to the latter (upper-right) cluster, there is no consistent pattern of association between the employment share of large plants and the vote share of the Social Democratic Party.

Figure 4 *Social Democrats' share of the national vote and large plants' share of manufacturing employment in Sweden, 1921-73*

In the Swedish case, the 1930s witnessed a massive electoral mobilization by the Left. The Social Democrats' share of the national vote peaked in the parliamentary election of 1940, but the combined share of the socialist parties increased through the Second World War (to reach an all-time record of 57.2% in the parliamentary election of 1944). This electoral mobilization coincided with a marked increase in the employment share of large plants--a trend which already begins in the first half of the 1920 (see Figure 1). While the employment share of large plants continued to rise, however, the Social Democrats' share of the vote tended to stagnate in the postwar period.

Korpi (1983) argues persuasively that non-socialist parties responded to the electoral gains of the Left in the 1930s and early 1940s by moving to the Left, and thus preempted further electoral gains by the Social Democrats. Though Korpi does not use the term, we might say that social

democratic hegemony weakens the relationship between industrial organization and electoral outcomes. In the absence of this effect, the relationship continues to hold in the British case (see Figure 5).⁽¹¹⁾

To summarize, Swedish and British time series data show that the employment share of large plants constitutes a reasonably strong predictor of union density, but a sharp decline in the employment share of large plants does not translate immediately, and perhaps never fully, into union density decline. Allowing for a "hegemony effect," the employment share of large plants also constitutes a reasonably strong predictor of the electoral performance of labor parties.

Figure 5 *Labour's share of the national vote and large plants' share of manufacturing employment in the UK, 1935-92*

Levels of social democratization

In this section, I propose to measure levels of social democratization in the nine countries identified earlier, and to explore whether cross-national variations in this regard correlate with variations in employment structure and industrial organization. As indicated above, I am interested in the extent to which social democratic policy priorities have prevailed in any given country as well as the mobilizational capacity of social democratic labor movements. The degree to which social democratic labor movements have been able to influence policy is likely to depend not only on their own mobilizational capacity, but also on alliance opportunities and favorable economic conditions. Analytically distinct, the two dimensions of social democratization are here treated separately.

Table 1 presents an index of social democratic mobilization derived by multiplying union density in a given year by the average share of the national vote received by social democratic parties over a time period more or less centered on the year in question (1970, 1980 and 1990), and dividing the product by 100.⁽¹²⁾ Thus the index encompasses a measure of labor's organizational strength as well as a measure of the electoral appeal of labor-affiliated parties. Table 2 presents a similarly constructed index of social democratic policy dominance. In this case, I have multiplied the employment rate (total employment as a percentage of the working-age population) by government spending as a percentage of GDP, and divided the product by 100.

Table 1. Social democratic mobilization vote share x union density 100

	1970	1980	1990	1980-90 change (ratios & ranks)
Austria	29.2	28.5	19.9	.70 (2)
Belgium	12.6	14.6	14.4	.99 (8)
Denmark	22.0	26.2	23.0	.88 (6)
Germany	13.5	15.2	11.6	.76 (5)
Netherlands	9.2	11.0	8.3	.75 (4)
Norway	23.0	22.6	21.1	.93 (7)
Sweden	32.3	34.3	34.5	1.01 (9)
Switzerland	7.0	7.3	5.2	.71 (3)
United Kingdom	20.4	19.1	12.7	.66 (1)

Sources and specifications: see Appendix 1.

Table 2. *Social democratic policy dominance* empl. rate x gov't spending 100

	1968	1980	1990
Austria	22.3	30.0	30.4
Belgium	19.7	37.5	33.2
Denmark	23.2	46.1	47.5
Germany	23.3	30.8	29.4
Netherlands	22.2	33.8	34.9
Norway	21.2	34.4	39.7
Sweden	25.8	49.6	49.2
Switzerland	16.0	22.5	23.9
United Kingdom	23.8	32.2	28.9

Note: Employment rate refers to total employment as a percentage of population between ages 15 and 64; government spending refers to current government expenditures as a percentage of GDP.

Source: OECD, *Economic Outlook: Historical Statistics*.

The rationale behind my index of policy dominance derives from Esping-Andersen's (1990) analysis. Conceding that social democratic political dominance does not provide a consistent predictor of cross-national variations in welfare spending, Esping-Andersen argues that social democracy matters primarily for other, more qualitative features of welfare-state development. In essence, social democratic welfare states are distinguished from conservative or christian democratic welfare states by their commitment to universality, their preference for the provision of public-sector services over transfer payments, and their promotion of labor force participation. Total government spending (current expenditures) would seem to provide a better measure of what is distinctive of social democratic welfare effort than social security expenditures, but more importantly, the issue of government spending must be related to the issue of labor force participation. Christian democratic welfare states resemble social democratic welfare states with respect to spending levels, but they do so, in large part, because they support a larger proportion of non-working adults. On the other hand, liberal welfare states, Esping-Andersen's third ideal type, are characterized by relatively high employment rates, but fall short of both social democratic and christian democratic welfare states with respect to government spending. In other words, it is the combination of high levels of government spending and high employment rates that distinguishes the policy regime associated with social democracy.

There is a positive correlation between social democratic mobilization and policy dominance as measured by these indices, but it is by no means perfect. In particular, the Austrian case stand out as anomalous: while the mobilizational strength of Austrian labor movement for 1970 and 1980 is comparable to that of the Scandinavian labor movements, its policy achievements are far more modest.⁽¹³⁾

Turning to economic-structural variables, Table 3 provides data on the proportion of the labor force working in private non-industrial enterprises (agriculture as well as services) at the three

points in time used to measure levels of social democratization in Tables 1 and 2. Table 4 presents the only plant size data based on cross-nationally consistent measurements that I have been able to locate. Taken from Pryor (1973), these data refer to average number of employees per manufacturing plant in some year between 1958 and 1966.

Table 3. *Private non-industrial employment as percentage of total employment*

	1968	1980	1990	change 1968-90
Austria	46.3	42.5	42.7	.92
Belgium	42.7	46.4	52.3	1.22
Denmark	47.4	41.2	42.1	.89
Germany	42.0	41.7	45.0	1.07
Netherlands	49.0	53.6	59.1	1.21
Norway	48.0	47.2	47.7	.99
Sweden	40.5	37.5	39.4	.97
Switzerland	45.8	51.2	54.1	1.18
United Kingdom	37.3	41.2	51.8	1.39

Note: The figures have been derived by subtracting government employment as a percentage of total employment from the sum of agricultural and service employment as a percentage of total employment. The change ratio is the product of dividing the 1990 figures by the 1968 figures.

Source: OECD, *Economic Outlook: Historical Statistics*.

Table 4. *Average number of employees per establishment in manufacturing establishments with more than 20 employees, late 1950s and early 1960s.*

	plant size	year
Austria	125	1963
Belgium	131	1962
Denmark	96	1958
Germany	141	1961
Netherlands	106	1962
Norway	92	1966
Sweden	107	1961
Switzerland	100	1965
United Kingdom	193	1958

Source: Frederic Pryor, *Property and Industrial Organization in Communist and Capitalist Nations* (Bloomington: Indiana University Press, 1973), 157.

Regressing my indices of social democratization in 1970 on private non-industrial employment in 1968 and Pryor's plant size data does not yield any statistically significant coefficients. However, private non-industrial employment turns out to be a reasonably strong predictor of levels of social democratization in 1980 and 1990. With mobilization as the dependent variable, the coefficient of this variable is -1.319 (standard error=0.389, $R^2=62.2\%$) for 1980, and -1.127 (standard error=0.295, $R^2=67.6\%$) for 1990. With policy dominance as the dependent variable, the corresponding figures are -0.905 (0.489, 32.8%), and -0.757 (0.412, 32.6%).

The increased salience of the employment variable would seem to reflect the shift of private non-industrial employment from agriculture to services. The literature inspired by Barrington Moore (e.g., Castles 1978, and Esping-Andersen 1985) suggests that the significance of a larger agricultural labor force for the prospects of social democracy very much depends on the organization of agriculture, which varies (or used to vary) a great deal across countries. Arguably, private service employment has more uniform consequences for social democracy.

A cursory examination of the data in Table 1 and 4 reveals why average manufacturing plant size does not provide any explanatory leverage on cross-national variations in levels of social democratization: three out of the top five countries on my index of social democratic mobilization (Sweden, Norway, and Denmark) rank at the bottom if the countries are arrayed according to average plant size. As Figure 5 illustrates, the Austrian case also diverges sharply from the linear association between average plant size and social democratic mobilization that pertains for the other five cases. When the index of social democratic policy dominance is plotted against Pryor's plant size data, the Scandinavian cases again end up in the upper-left corner, but their distinctiveness is less pronounced, and the Austrian case can no longer be characterized as an outlier.

Figure 6 *Levels of social democratic mobilization (1970) and average plant size (1958-66).*

Note: Drawn by hand, the regression lines in this figure are strictly illustrative.

The absence of any consistent cross-national association between average plant size and social democratization casts some doubt on the proposition that working conditions in large plants are conducive to working class consciousness or solidarity, but it is of little relevance to the other causal hypotheses advanced above. Again, the argument about favorable conditions for unionization, and collective action more broadly, hinges on plant concentration--a large proportion of the labor force working in a small number of plants--and there is no reason to suppose that plant concentration co-varies with average plant size. Quite the contrary, there is good reason to suspect that these variables are inversely related to each other, for we would expect average plant size to be positively correlated with the size of the domestic market, and plant concentration to be negatively correlated with the size of the domestic market or, more crudely, with country size. In Bain's (1966) data, Sweden stands out as the country with the lowest average plant size, but also the highest rate of plant concentration of employment. Not surprisingly, there is a fairly strong positive correlation between Pryor's average plant size figures and size of the total labor force in 1960 ($R^2=68.0\%$).

Table 5 provides the basis for a different approach to the question of level relationships. The table shows the distribution of employment by establishment size in four of my nine countries--Austria, Denmark, Germany, and Sweden--in the second half of the 1980s. Derived from national statistical publication, this data set is far from ideal. While the Danish and Swedish data pertain only to manufacturing industry, the Austrian data pertain to both industry and services. Also, the Danish data exclude plants with less than 6 employees. The former problem is somewhat mitigated by the fact that German data are available in both forms. If you wish, the German data provides a Rosetta Stone that enables us to compare the Scandinavian and Austrian

data in Table 5.

Table 5. *The distribution of employment by establishment size (in percent of total employment), late 1980s.a*

establishment size (employees)	industry only			industry & services	
	Sweden	Denmark	Germany	Germany	Austria
1-49 (b)	17.3	26.9	28.2	47.8	40.4
50-199	45.8	51.8	33.8	31.4	33.7
200-	36.9	21.4	38.1	20.8	25.9

a) 1987 for Germany, 1988 for Austria, and 1989 for Sweden and Denmark. Also note that Austrian data refer to "persons engaged" (including owners) while the other data refer to "employees."

b) Danish data exclude establishments with less than 6 employees.

Sources: *Statistical Abstract of Sweden*, (Stockholm, 1991), *Statistisk Årbog* (Copenhagen, 1991), *Statistisches Jahrbuch für die Bundesrepublik Deutschland* (Stuttgart, 1991), and *Statistisches Handbuch* (Vienna, 1991).

As we saw in Table 2, Austria falls far short of Denmark as well as Sweden on my index of social democratic policy dominance. For both 1980 and 1990, Austria's score on this index is very close to Germany's. For Austria and Germany alike, government spending as a percentage of GDP is significantly lower than for Denmark and Sweden, and so is the employment rate. With 82% of the working-age population employed, Sweden had the highest employment rate of these four indeed (indeed of all OECD countries) in 1985, followed by Denmark (81%), Germany (68%), and Austria (66%). These differences are primarily a function of variations in the female employment rate (the male/female differential being much smaller in Sweden and Denmark than in Germany and Austria). Also, Rowthorn's (1992) analysis shows that wage differentials among blue-collar workers are larger in Austria than in any other European OECD country, while Sweden and Denmark lead the OECD league on this score, and Germany ranks in the middle.⁽¹⁴⁾

Based on these observations, and disregarding labor's mobilizational capacity, Sweden ranks as the most social-democratized of the four countries in question, closely followed by Denmark. Germany turns out to be more social-democratized than Austria, but the main point is that there is a big gap between Sweden and Denmark, on the one hand, and Germany and Austria, on the other hand. Clearly, Pryor's data on average manufacturing plant size bears no relationship to this picture. What is more, large plants' share of manufacturing employment, shown in Table 5, does not correlate with levels of social democratization, for their share is smallest in Denmark. However, another feature of the distribution of employment shown in Table 5 does speak to the divergence of labor-market outcomes identified above: medium-sized plants account for a much smaller share of manufacturing employment in Germany than in Sweden and Denmark, and the same pattern of bifurcation that characterizes German industry data appears in the combined industry and services data for Austria as well as Germany. Along the lines suggested above, Swedish and Danish industrial structure might be said to have been more conducive to labor's pursuit of wage-levelling and other solidaristic policy goals than German and Austrian industrial structure.

Variations in the public sector's share of total employment in these four countries are also broadly consistent with variations in the extent of social democratization. According to the OECD, government employment accounted for 31.7% of total employment in Sweden in 1988, 30.5% in Denmark, 20.6% in Austria, and 15.1% in Germany. Needless to say, the public sector's employment share is closely related to government spending and the overall level of employment. Moreover, the Swedish experience suggests that public-sector employers are more inclined to accommodate solidaristic wage demands, and that this in turn puts pressure on private-sector employers to do so. While the public sector's employment share might be viewed as a consequence rather than a cause of social democratization, this is less obviously true for the patterns of employment distribution by plant size shown in Table 5. As Traxler (1992: 271) suggests, bifurcation is a long-standing characteristic of Austrian industrial structure, attributable to the nature and political auspices of industrialization.

In sum, the distribution of manufacturing employment by plant size and the public sector's share of total employment together provide a plausible explanation of levels of social democratization in Austria, Denmark, Germany and Sweden. The proportion of the total labor force working in private non-industrial employment constitutes a reasonably strong predictor of levels of social democratization in 1980 and 1990, but not in 1970, and average plant size provides no leverage on the problem of explaining levels of social democratization across all nine cases.

Social democratic rollback

We now turn to consider the extent to which the reorganization of manufacturing industry, measured by plant size data, and changes in overall employment structure shed light on cross-national variations in the extent of social democratic rollback since 1980. The most straightforward way to measure the decline of social democratic mobilizational capacity is to calculate the ratio of 1990 scores to 1980 scores on my mobilization index. The last column of Table 1 presents the results of this procedure, and also ranks the countries according to the extent of rollback. Ranked last, Sweden is the only country in which the mobilizational capacity of social democracy did not decline from the late 1970s to the late 1980s.

Applying the same procedure to the policy dominance index presented in Table 2 would not produce a satisfactory measure of social democratic policy rollback. As explained above, the policy dominance index is based on employment and government spending rates. While spending rates declined in 7 countries, employment rates actually increased in 8 of the 9 countries, and the offsetting effects that increases in the employment rate would have in such a rollback measure would be misleading for two reasons: first, there are inherent limits to expansion of employment, and increases in employment rates in the 1980s stand in an inverse relation to levels of employment in 1980; and, secondly, lower wages and neo-liberal austerity policies would seem to have been an important factor in bringing people into the labor force in the 1980s.

Table 6 measures the extent of cuts in governing spending in terms of the ratio of the government spending rate (current expenditures as a percentage of GDP) in 1990 to the rate in the year that the government spending reached its all-time high. By this measure, the rollback of social democratic policy priorities has been greatest in the U.K., and there has been no rollback at all in Norway. On the whole, variations among the nine countries are quite small.

Table 6. *The ratio of the rate of government spending in 1990 to the highest previous rate.*

country	ratio (rank)	peak year
Austria	.95 (5)	1987

Belgium	.88 (2)	1983
Denmark	.97 (6)	1983
Germany	.94 (4)	1982
Netherlands	.90 (3)	1983
Norway (a)	1.00 (9)	1989
Sweden	.97 (6)	1983
Switzerland	.98 (8)	1984
United Kingdom	.86 (1)	1982

a) 1990 data not available.

Source: OECD, *Economic Outlook: Historical Statistics*.

Table 7 provides an alternative measure of policy realignment since 1980. The table compares the average ratio of the rate of inflation to the rate of unemployment in the 1980s to the average ratio in the 1970s, the last column being the product of dividing the ratio for the 1980s by the ratio for the 1970s. While government policy alone does not determine rates of inflation and unemployment, this measure surely does capture a new political commitment to the fight against inflation, and a willingness to allow unemployment rates to rise. This shift in policy priorities is a universal one, but its extent varies significantly across countries. Sweden and, to a lesser extent, Norway stand out as the countries in which the fight against unemployment remained an important policy objective through the 1980s.

Table 7. *The ratio of inflation rates to unemployment rates in 1968-79 and 1980-90.*

	1968-79	1980-90	change (ratios & ranks)
Austria	3.63	1.15	.32 (5)
Belgium	1.67	.43	.26 (4)
Denmark	2.39	.80	.33 (6)
Germany	2.24	.43	.19 (2)
Netherlands	2.22	.29	.13 (1)
Norway	5.20	2.63	.51 (8)
Sweden	3.76	3.38	.90 (9)
Switzerland	12.00 (a)	5.83	.49 (7)
United Kingdom	3.52	.81	.23 (3)

a) 1975-79 only.

Note: The first two ratios are the products of dividing the average annual rate of growth of the consumer price index by the average annual rate of unemployment for each period. The change ratio in the last column is the product of dividing 1980-90 figures by 1968-79 figures.

Source: OECD, *Economic Outlook: Historical Statistics*.

Based on data reported in Appendix 1, Figure 7 shows that change in union density and electoral support for social democratic parties (again measured in terms of ratios) correlate closely in seven of the nine cases. Belgium and especially the Netherlands deviate from the general pattern in that social democratic parties have done relatively well electorally despite significant declines in union density. Kitschelt (1994) argues persuasively that the Belgian and Dutch parties did well in the 1980s because they distanced themselves from their traditional union allies and appealed to new left-libertarian sentiments within the electorate. My rollback index fails to capture this qualitative change, but my measures of policy rollback should pick it up. Combining measures of mobilization and policy rollback would involve too much loss of precision in the quantitative analysis, but I wish to emphasize that the decline of social democracy is a complex, multi-faceted phenomenon, which cannot be reduced to any single measure.

Figure 7 Change in votes share and change in unions density

Note: regression line without Belgium and the Netherlands

Regressing mobilization and policy rollback on levels of social democratization in 1970 and 1980 mostly yields statistically insignificant or very weak results. In only one of these (12) regressions (mobilization rollback on policy dominance in 1980) does the R² of the regression exceed 35%. By and large, the degree of rollback appears to vary independently of the degree of social democratization: it is not the case that the most social-democratized countries have been particularly prone to rollback nor that social democracy has been particularly resilient in these countries.

Turning to postulated independent variables, the last column of Table 3 (above) measures inter-sectoral employment shifts in terms of the ratio of the proportion of the total labor force working in private non-industrial employment 1990 to the corresponding figure for 1968. In all nine countries, the relative importance of private service employment increased over this period, but in four countries--the four countries most commonly associated with social democracy (Austria, Denmark, Norway and Sweden)--such increases were more than offset by the decline of agricultural employment. Table 8 shows the evolution of average manufacturing plant size (enterprise size in the Dutch case) from the early 1970s to the late 1980s. As specified in the notes to the table, the data derive from a number of different sources, and definitions vary from one case to another. Based on this table, we cannot compare average plant size but for each case, definitions are consistent over time, and so we *can* compare rates of change.(15)

Average plant size provides a meaningful way to capture the trajectory and rate of organizational change within manufacturing industry so long as we control for changes in the size of the manufacturing labor force (also reported in Table 7). The fact that the average size of British manufacturing plants declined by 61% from 1971 to 1988 seems incredible until we recognize that the size of the manufacturing labor force declined by 38% over the same period. To control for industrial contraction, I have regressed change in average plant size on change in the size of the labor force, and will here use the residuals of this regression (reported in the last column of Table 7), i.e., the variations in plant size change that are not accounted for by the regression of plant size change on labor force change, as my measure of industrial reorganization.(16)

Table 8. *Average number of employees (or persons engaged) per manufacturing establishment, 1970-90.*

early 1970s (a)	1979	late 1980s (b)	PS change early 70s -	labor force change	plant-size change
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					late 80s (ratios)	early 70s- late 80s (ratios)	residuals
Austria	96.9	94.9	67.9	.70	.90		-0.291
Belgium	34.2 (c)	32.8	30.3 (d)	.89	.69		0.139
Denmark	60.3	58.0	54.8	.91	.96		-0.150
Germany	86.9 (c)		71.9 (e)	.83	.82		-0.070
Netherlands	115.4 (f)		87.1	.76	.74		-0.048
Norway	42.0	43.8	44.2	1.05	.83		0.139
Sweden	68.3	82.6	84.2	1.23	.85		0.296
Switzerland	74.9	75.9	84.5	1.13	.79		0.265
United Kingdom	86.4	63.8	33.3	.39	.62		-0.281

a) 1971 unless otherwise noted.

b) 1988 unless otherwise noted.

c) 1973.

d) 1985.

e) 1989.

f) 1970.

g) 1987.

Further data specifications:

Sweden and Norway: Employees in establishments with more than 5 persons engaged.

Switzerland: Persons engaged in establishments subject to the Labor Law.

Belgium: Employees in all establishments (estimates derived from social security records).

FRG: Persons engaged in local units of enterprises with 20 or more persons engaged.

Denmark: Employees in establishments with more than 6 employees.

Netherlands: Employees in enterprises with more than 10 employees.

UK: Employees in all establishments.

Note: The data on labor force change (last column) derive from the same sources and are subject to the same specifications as the plant size data; i.e., they refer to change in the numerator used to calculate average plant size.

Sources:

FRG: *Statistisches Jahrbuch für die Bundesrepublik Deutschland* (Stuttgart: Metzler-Poeschel Verlag). 1975 and 1991.

Netherlands: *Statistical Yearbook of the Netherlands*, 1974 and 1991.

All others: *Yearbook of Industrial Statistics* (New York: United Nations), 1976, 1982 and 1989.

Mobilization rollback

As reported in Appendix 2 (regression 1), regressing mobilization rollback on plant-size change residuals and change in the proportion of the labor force in private non-industrial employment yields an R^2 of 50.3%. Industrial reorganization explains more of the variation on the dependent variable than inter-sectoral employment shifts, but both variables have a significant effect. As Figure 8 illustrates, Switzerland represents a very major outlier as far as the association between mobilization rollback and industrial reorganization is concerned. In the Swiss case, the trend towards larger units of production in manufacturing industry continued through the 1980s; yet Switzerland stands out as the country with the greatest relative loss of union membership as well as social democratic vote share from the late 1970s to the late 1980s. Without the Swiss case, the R^2 of the regression of mobilization rollback on plant-size change residuals and the growth of private non-industrial employment is 83.8%, and the plant-size variable is of far greater significance than the employment variable (see Appendix 2, regression 2).

Figure 8 Mobilization rollback and plant-size change residuals

Note: regression line without Switzerland.

Appendix 2 also reports the results of regressing change in union density and change in vote share on both plant-size change residuals and inter-sectoral employment shifts without the Swiss case (regressions 3-4). These results suggest that both economic-structural variables help explain change in union density, but inter-sectoral employment shifts provide no leverage whatsoever on change in vote shares. Cross-national variations in the decline of electoral support for social democratic parties are primarily a function of political variables: to the extent that patterns of economic restructuring matter to electoral change, they matter through their effects on political orientations among people employed in industry (e.g., skilled workers abandoning the British Labour Party).

Finally, it should be noted that this data set does not provide any support for the contention that the electoral effects of industrial reorganization are mediated by its effects on union density. Regressing change in vote share on plant-size change residuals and change in union density, with and without Switzerland, the coefficient for change in union density is not statistically significant. This should come as no surprise given the divergence of union density and electoral trends in the Belgian and Dutch cases (cf. Figure 7).

Policy rollback. For all nine cases, the R^2 of the regression of my measure of change in government spending rates on plant-size change residuals and inter-sectoral employment shifts is 75.3% (see Appendix 2, regression 5). With change in the trade-off between inflation and unemployment as the dependent variable, the same independent variables yield an R^2 of 59.3% (regression 6). In each of these regressions, both independent variables have statistically significant coefficients. Inter-sectoral employment shifts predict more of the cross-nations variations in expenditure cutbacks than do plant-size change residuals, but the reverse is the case for change in the trade-off between inflation and unemployment.

Changes in union density correlate fairly closely with both change in rates of government spending, and change in the trade-off of inflation to unemployment. When this variable is

introduced into multiple regressions, the effects of change in plant-size residuals on change in government spending rates more or less vanish, as do the effects of inter-sectoral employment shifts on change in the trade-off of inflation to unemployment (see Appendix 2, regressions 7-10). These results suggest that union density may be an important intervening variable in the relationship between economic-structural changes and policy rollback.

To summarize, industrial reorganization, as measured by plant-size change residuals, provides a very good predictor of cross-national variations in mobilization rollback if we ignore the Swiss case. (The theoretical framework set out above does not provide any ready explanation of Swiss exceptionalism, and to address this question would require further qualitative research). The effects of industrial reorganization on change in union density are greater than its effects on change in vote shares. The growth of private non-industrial employment also correlates with mobilization rollback, but its effects are smaller than the effects of industrial reorganization, and pertain entirely to changes in union density. Taken together, industrial reorganization and inter-sectoral employment shifts predict 60-75% of cross-national variations in policy rollback. Union density appears to be an important intervening variable between economic-structural changes and policy rollback.

Conclusion

Yet another summary of my empirical results would be redundant. Suffice it say that all three analytical exercises, drawing on different sources and types of data, suggest that there exists a consistent, patterned relationship between, on the one hand, industrial organization and employment structure and, on the other hand, the mobilizational capacity and policy influence of social democratic labor movements.

My analysis invites two kinds of objections concerning the causal mechanisms at work here. To begin with, a skeptical reader, especially a political scientist, might suspect that the causal arrows run in the opposite direction to that which I have posited; i.e., that social-democratization promotes industrial employment and/or public-service employment (hence less private non-industrial employment), and also promotes the concentration of manufacturing employment in larger units of production. Thus the decline of social democracy might be construed as a cause rather than an effect of industrial reorganization and inter-sectoral employment shifts or, more precisely, as a cause of cross-national variations in the extent of economic-structural change. Alternatively, a skeptical reader might suspect that the association between economic-structural variables and the decline of social democracy is due to the causal effects of some "lurking variable," such as, for instance, the integration of European economies. In other words, there might not be any direct causal relationship between the variables in my analysis.

The case for reverse causality is especially plausible as far as the relationship between social democracy and the inter-sectoral distribution of employment is concerned, for levels of social-democratization correlate quite closely with the size of the public sector. With respect to the relationship between industrial reorganization and decline of social democracy, one might well argue that mass unemployment as well as deregulation and other supply-side measures associated with the rise of conservative (neo-liberal) political forces have provided an economic environment particularly favorable to small business, the expansion of which has brought down average plant size. While there may be important feedback effects at work here, my data strongly suggest that changes in industrial organization deserve analytical primacy, and cannot be adequately explained as effects of political change.

As noted above, the Swedish time series data show that large plants' share of manufacturing employment began to rise in the 1920s, prior to the political ascendancy of social democracy in the 1930s. More decisively, the British time series data show that the decline of large plants'

employment share began a decade or so before the decline of union density. Table 8 also speaks to the question of timing: in the four cases of plant size decline for which there is data for 1979, the decline of average plant size already began in the 1970s, when social-democratization was still ongoing.

In a different vein, the argument for reverse causality might be tested by regressing economic-structural changes on levels of social democratization in 1970, for the argument would lead us to expect the greatest decline of plant size and growth of private non-industrial employment in countries where social democracy was weak to begin with. Regressing plant-size change residuals on my index of social democratic mobilization for 1970 does not yield any statistically significant results, and the association between plant-size change residuals and my index of policy dominance for 1970 is only barely significant (coefficient=0.028, standard error=0.028, $R^2=12.8\%$). Indeed, social democratic mobilization and policy dominance in 1970 also turn out to be poor predictors of the growth of private non-industrial employment (for mobilization, coefficient=-0.011, standard error=0.006, $R^2=34.3\%$, and for policy dominance, the coefficient is not statistically significant).

Turning to the question of lurking variables, this objection must first be distinguished from the observation that my analysis does not provide any explanation of cross-national variations in the extent of industrial reorganization or inter-sectoral employment shifts. To explain why average manufacturing plant size has declined more or less in different countries would require a careful analysis of the sectoral composition of manufacturing industry, and market pressures for change within particular industrial sectors (and sub-sectors). I would expect such an analysis to show that advanced capitalist economies differ in terms of their insertion into the world economy, and that changes in the dynamics of international competition therefore affect them differently (cf., e.g., Mjösset 1987), but I have not undertaken the research necessary to sustain this claim. While the preceding analysis of the political implications of economic restructuring invites an explanation of why the nature and extent of economic restructuring varies across countries, it does not require such an explanation.

The lurking-variable objection is not about the absence of an explanation of variations on the independent variable. Rather, the objection concerns the possibility that there is some unexamined variable(s) which independently explains the observed variations on both my dependent variable (decline of social democracy) and the variables that my analysis posits as independent variables (industrial reorganization and inter-sectoral employment shifts). It is impossible to respond to this objection without reference to specific lurking-variable candidates and, in a sense, the burden of proof, and causal argumentation, falls on the (imagined) objector.

As a crude test for lurking variables, I have calculated change in export dependence (exports as a percentage of GDP) from 1970 to 1990, and change in average annual (real-GDP) growth rates from 1968-79 to 1979-90 for my nine cases, and regressed my three dependent variables (mobilization rollback, public expenditure cuts, and change in the inflation-unemployment trade-off) on all possible combinations of one of these variables and one of my measures of economic-structural change (plant-size change residuals and inter-sectoral employment shifts).⁽¹⁷⁾ This exercise yields a total of 12 regressions, each with two independent variables. In none of these regressions does the inclusion of export dependence or growth significantly alter the correlations between my dependent and independent variables reported above. Moreover, the coefficient for the plant-size/employment variable is greater than the coefficient for the export/growth variable in all but one of these regressions (and the t-ratio is greater in all 12). In short, these crude measures of change in export dependence and economic performance have less predictive power than my economic-structural variables, and most certainly do not have the effects that one would expect a lurking variable to have.

In my own view, the most serious limitation of the preceding analysis has to do with the failure (due to data availability) to discriminate among different causal hypotheses linking plant-size considerations to political outcomes. My principal findings--that the employment share of large plants co-varies with social democratic strength over time, and that change in average plant size co-varies with social democratic rollback across countries--are consistent with any and all of the three causal mechanisms posited at the outset--worker consciousness, ease of collective organization, and relative homogeneity of worker interests. However, my analysis suggests a few additional observations on this score: (1) While union density constitutes an intervening variable between industrial reorganization and policy rollback, industrial organization has political effects independent of its effects on union density. (2) The degree of bifurcation of employment by plant size is an important variable in explaining levels of social-democratization on a cross national basis, and this finding supports the argument about relative homogeneity of worker interests. (3) The absence of any consistent relationship between average plant size and levels of social-democratization casts doubts on the argument about worker consciousness. (4) The comparative analysis of social democratic rollback indicates that the political effects of industrial reorganization manifest themselves rather quickly, certainly within the span of a decade, and this too casts doubts on the argument about worker consciousness, which rests on socialization and hence would seem to imply a significant time lag between industrial reorganization and political change. On these grounds, I am inclined to think that plant size and employment distribution by plant size matter to the politics of social democracy primarily through their effects on collective organization and the relative homogeneity of worker interests. Further, more qualitatively oriented research is clearly necessary to explore these causal linkages.

To return to my opening paragraphs, I do not wish to imply that strategic choices by unions and social democratic parties are of no consequence. The point of my analysis is simply that the challenges confronting social democratic labor movements in the current era of economic restructuring vary on a cross-national basis. To assess the significance of strategic choice requires that we control for such variations.

APPENDIX 1:

Union density and vote-share data

A) Employed union members as percentage of employed labor force.

	1970	1980	1990	1980-90
Austria		62.2	56.2	46.2
Belgium		45.5	55.9	51.2
Denmark		60.0	76.0	71.4
Germany		33.0	35.6	32.9
Netherlands		38.0	35.3	25.5
Norway		51.4	56.9	56.0
Sweden		67.7	79.7	82.5
Switzerland		30.1	30.7	26.6
United Kingdom		44.8	50.4	39.1

Source: OECD, *Employment Outlook* (July 1994), 184.

B) Average social democratic share of the popular vote in parliamentary elections.

	1965-71	1974-81	1985-92	late change
Austria	47.0	50.7	43.1	
Belgium	27.8	26.1	28.2	
Denmark	36.6	34.5	32.2	
Germany	41.0	42.8	35.3	
Netherlands	24.1	31.1	32.6	
Norway	44.8	39.8	37.6	
Sweden	47.7	43.0	41.8	
Switzerland	23.2	23.9	19.7	
United Kingdom	45.6	37.8	32.6	

Sources: *International Almanac of Electoral History*, ed. by Mackie and Rose, 3rd. ed. (Washington, D.C., 1991), and *The World Factbook 1993* (Washington, D.C.: CIA, 1993).

APPENDIX 2: Multiple Regression results

1) Mobilization rollback on plant-size change residuals and change in private non-industrial employment as percentage of total labor force (R²=50.3%)

variable	coefficient	stand error	t-ratio	prob
constant	1.1272	0.2435	4.45	0.0043
plant size	0.3589	0.1737	2.07	0.0843
employment	-0.2800	0.2295	-1.22	0.2683

2) Ditto without Switzerland (R²=83.8%):

constant	1.0259	0.1531	6.70	.00011
plant size	0.5497	0.1167	4.71	0.0053
employment	-0.1595	0.1405	-1.14	0.3076

3) Change in union density on plant-size change residuals and change in private non-industrial employment as percentage of total labor force without Switzerland (R²=70.4%):

constant	1.2118	0.1651	7.34	0.0007
plant size	0.3178	0.1258	2.53	0.0528
employment	-0.2876	0.1514	-1.90	0.1160

4) Change in social democratic vote share on plant-size change residuals and change in private non-industrial employment as percentage of total labor force without Switzerland (R²=43.5%):

constant	0.7683	0.1991	3.86	0.0119
plant size	0.2830	0.1517	1.87	0.1212
employment	0.1649	0.1826	0.903	0.4078

5) Change in rate of government spending on plant-size change residuals and change in private non-industrial employment as percentage of total labor force (R²=75.3%):

constant	1.1784	0.0649	18.2	0.0001
plant size	0.0842	0.0445	1.89	0.1073
employment	-0.2191	0.0588	-3.73	0.0098

6) Change in inflation-unemployment trade-off on plant-size change residuals and change in private non-industrial employment as percentage of total labor force (R²=59.3%):

constant	0.9637	0.4048	2.38	0.0547
plant size	0.6873	0.2773	2.48	0.0479
employment	-0.5400	0.3665	-1.47	0.1911

7) Change in rate of government spending on plant-size change residuals and change in union density (R²=37.6%):

constant	0.7057	0.1714	4.12	0.0062
plant size	0.0223	0.0878	0.254	0.8080
employment	0.2627	0.1924	1..37	0.2210

8) Change in rate of government spending on change in private non-industrial employment as percentage of total labor force and change in union density (R²=64.6%):

constant	1.0386	0.1959	5.30	0.0018
plant size	-01854	0.0858	-2.16	0.0739
employment	0.11602	0.1422	0.816	0.4457

9) Change in inflation-unemployment trade-off on plant-size change residuals and change in union density (R²=62.2%):

constant	-0.7039	0.6482	-1.09	0.3192
plant size	0.3813	0.3320	1.15	0.2945
employment	1.2134	0.7274	1.67	0.1464

10) Change in inflation-unemployment trade-off on change in private non-industrial employment as percentage of total labor force and change in union density (R²=53.9%):

constant	-1.1401	1.085	-1.05	0.3340
plant size	-0.0024	0.4752	-0.005	0.9962
employment	1.7077	0.7877	2.17	0.0733

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FOOTNOTES

(1) These are the only two cases for which I have been able to locate adequate time series data on the distribution of manufacturing employment by plant size. Unless otherwise noted, the "plant data" employed below actually refer to "establishments," sometimes also called "manufacturing units." An establishment is defined as a single location of production facilities, and may consist of several "plants," "factories" or "workplaces."

(2) I do not use policy measures in the analysis of Swedish and British time-series data because such measures (e.g., employment rates) are not readily available for the period prior to 1960.

(3) See Ingham (1970:15) and Goldfield (1987:150) for references to Marx and Lenin.

(4) In each of these formulations, the term "wage-earners" might be substituted for "workers." For the most part, the following analysis is oblivious to the distinction between blue-collar (manual) and white-collar (non-manual) employment.

(5) See Bain (1966:ch.3) for a model of how to estimate plant concentration rates, and empirical results for seven OECD countries (Canada, France, Italy, Japan, Sweden, the U.S. and the U.K.) in the late 1950s. Regressing 1960 union density data reported by Goldfield (1987:16) on Bain's concentration rates for yields a positive and statistically significant coefficient, but the association between these variables is not very consistent ($R^2=18.3\%$). As Canada represents a major outlier in this regression (without it, $R^2=58.4\%$), it may be that a larger sample would

yield results more consistent with the finding that union density correlates strongly with plant size on a national basis.

(6) For most countries, establishment size data for services simply do not exist, but the German data in Table 5 below support this argument.

(7) Also, the Swedish data include all plants while the British data excludes plants with less than 11 employees.

(8) In both cases, the evolution of average plant size follow the same general pattern as the evolution of employment share of large plants. Regressing average plant size on large plants' employment share yields an R2 of 57.4% using Swedish (1913-74) data, and 83.9% using British data.

(9) The R2 of the regression of union density on the employment share of large plants is 95.0%. The "statistically challenged" reader might appreciate a few words about the meaning of regression results at this point. The important thing to understand is that the coefficient is a measure of the *strength* of the relationship between two variables, and R2 is a measure of the *consistency* of the relationship. The coefficient refers to the unit increase of the y-variable associated with a one-unit increase of the x-variable, and thus describes the slope of the regression line. R2 represents the amount of the variation on the y-variable that is explained by the regression of the y-variable on the x-variable(s), and tells us about the spread of observations around the regression line. A weak relationship (a coefficient of low value) may be very consistent (a high R2 value). Following conventional usage, a relationship between two variables is here described as "statistically insignificant" if the value of the coefficient is lower than the value of the standard error of the coefficient (i.e., a "t-ratio" of less than 1).

(10) Data on vote shares from Korpi (1983:237) and Krieger (1992:71).

(11) See Pontusson (1988) for further discussion of Sweden as a case of reformist labor hegemony, and the contrast with the U.K.

(12) The time periods used to calculate average vote shares (1965-71, 1974-81, and 1985-92) were selected so as to encompass at least two elections for each country. Average vote share over several elections is used because the outcome of any given elections is influenced by a host of particularistic factors. Union density is a far less volatile statistic. The last column of Table 1 (and Table 3 below) should be ignored for the time being. See Appendix 1 for the vote-share and union density data used to calculate the mobilization index.

(13) Regressing policy dominance on mobilization yields an R2 of 46.2% for 1970, 50.1% for 1980, and 72.2% for 1990. The high R2 value for 1990 is attributable to the decline of the mobilizational capacity of the Austrian labor movement in the 1980s (see below).

(14) See Pontusson (1994) for further discussion, figures and references.

(15) As noted above (footnote 8), there is a fairly close correlation between average plant size and the employment share of large plants in the Swedish and British time series data.

(16) In everyone of the regressions reported below, the association between social democratic rollback and decline of average plant size is stronger and more consistent if we use "raw" plant size data rather than residuals.

(17) As with my other variables, change in export dependence is here measured as the ratio of exports as percentage of GDP in 1990 to exports as percentage of GDP in 1970, and change in growth rates is measured as the ratio of the average annual growth rate in 1979-90 to the

corresponding figure for 1968-79 (all data from OECD, *Economic Outlook: Historical Statistics*).