

The Welfare State Reader

Second Edition

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The Power Resources Model

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Walter Korpi argues that most modern social scientific accounts of social structure and change have relied upon one of three models: a 'pluralist-industrial' model which emphasizes the emergence in developed industrial societies of a plurality of competing interests and social groupings whose relations are mediated through largely consensual societal institutions; a 'Marxist-Leninist' model which insists that Western societies are still essentially riven by those forms of class struggle originally identified by Marx and in which the state acts in the interests of capital; and a neo-corporatist account in which certain (economically defined) interests have privileged access to the state and in which collective action is negotiated at an elite level between the state and these privileged social actors. Here he offers his own alternative account of a 'power resources model'. (Eds)

Power Resources

The stability implied in the pluralist industrial model of society rests on the assumption that the distribution of power resources between various groups and collectivities in the capitalist democracies is potentially equal. Schmitter's assumption of relative stability of neo-corporatist arrangements appears to imply an unequal yet fairly stable distribution of power resources. The Leninist interpretation of Marx similarly implies an unequal but stable power distribution in the capitalist democracies. Such assumptions must be questioned. One way of elucidating the distribution of power is to analyse what instruments and resources of power different groups and collectivities in society have at their disposal in the interaction which takes place between them over long periods of time.

What, then, are power resources? Power resources are characteristics which provide actors – individuals or collectivities – with the ability to punish or reward other actors. These resources can be described in terms of a variety of dimensions. Power resources can thus vary with regard to domain, which refers to the number of people who are receptive to the particular type of rewards and penalties. They can also differ in terms of scope – the various kinds of situation in which they can be used. A third important dimension is the degree of scarcity of a power resource of a particular type. Furthermore, power resources can vary in terms of centrality; i.e. they can be more or less essential to people in their daily lives. They also differ with regard to how easily they are convertible into other resources. The extent to which a power resource can be concentrated is a crucial dimension. Of relevance are also the costs involved in using a power resource and in its mobilization, i.e. in making it ready for use. Power resources can furthermore differ in the extent to which they can be used to initiate action or are limited to responses to actions by others.

It is important to realize that power resources need not be used or activated in order to have consequences for the actions of other people. An actor with the ability to reward or punish need thus not always do so to influence others. Since every activation of power resources entails costs, it actually lies in the interests of power holders to increase efficiency in the deployment of power resources. This can be achieved through what we may call the investment of power resources. Thus, power resources can be invested through the creation of structures for decision-making and conflict regulation, whereby decisions can be made on a routine basis and in accordance with given principles. Investments of power resources can be made in institutions for conflict resolution such as laws, ordinances and bureaucracies, in technologies, in community and national planning, and in the dissemination of ideologies.

Some types of power resource can be described as basic in the sense that they in themselves provide the capacity to reward or to punish other actors. Through processes of investment, from basic power resources actors can derive new types of power resource. These derived power resources, however, ultimately depend on the basic power resources for their effectiveness. The distinction between basic and derived power resources is not easy to make but appears fruitful. It indicates, for instance, that power resources such as ideologies can be seen as ultimately based on resources which provide the capability to apply positive or negative sanctions.

Let us now look briefly at the characteristics of some of the more important basic power resources in Western societies. Among resources familiar to students of power, means of violence have traditionally been considered important. In terms of the aforementioned dimensions, means of violence have a large domain, wide scope and high concentration potential, as well

as a relatively high convertibility. Although the legitimate use of violence is typically reserved for the state, resources for violence are not scarce. Their essential drawback is the high costs associated with their use.

Two types of power resource are central and their dimensions important for the theoretical controversy between pluralists and Marxist social scientists. The first type of power resource consists of capital and control over the means of production. The second type is what economists often call 'human capital', i.e. labour power, education and occupational skills. The pluralist approach assumes that persons possessing control over capital and the means of production do not have appreciably greater power resources at their disposal than persons with only human capital. Yet in terms of the aforementioned dimensions, capital and control over the means of production are power resources which differ drastically from human capital, making parity between them extremely problematic.

As power resources, capital and the means of production have a large domain, wide scope and high concentration potential, as well as high scarcity and convertibility. The costs involved in mobilizing and using these resources are relatively low. Furthermore, control over the means of production has high centrality, since it affects people's livelihood. Capital is also typically used to initiate action.

When regarded as a power resource, human capital is characterized by serious limitations. Usually it has a fairly small domain and narrow scope. Since everybody has some of it, human capital is generally not a highly scarce resource. Where labour power is offered on the labour market, its value depends on demand from capital, and its ability to initiate action is limited. Human capital has low convertibility and a low concentration potential. In an era of mass education, formal training beyond a certain level can at times yield diminishing returns. To be effective, the human capital of various individuals and groups must therefore be co-ordinated on a broad basis. This requires investments in organizations for collective action and hence fairly large mobilization costs.

In Western countries, most human capital is utilized in the labour market. Economists often discuss the labour market as one of supply and demand where commodities are bought and sold. But human labour power is a very special commodity, since it is inseparable from its owner. Thus it cannot be sold; that would be slave trade. Labour can be hired only for a certain time, and the buyer acquires the right to make use of the seller's labour capacity during hours of work. Once the employment contract has been concluded, the owner of human capital cannot shed it like an overcoat but must deliver his labour power at the workplace, and on the job must personally subordinate himself to the directives of management. Thus the system of wage labour creates relationships of authority and subordination among people and the basis for a division into classes.

The possibility of increasing the effectiveness of the power resources of individuals through collective action provides a rational explanation for the origin of unions to promote the interests of wage-earners in disputes with employers. It also offers an explanation of why wage-earners organize themselves into political parties. As the growth of 'juristic persons' and corporate actors during the past centuries indicates, other actors also have organized for collective action to increase the efficiency of their power resources. Alongside capital and control over the means of production, organizations to co-ordinate wage-earners' actions – primarily trade unions and political parties – belong to the strategically important power resources in the capitalist democracies.

Are, then, either of these types of strategic power resources – on the one hand control over capital and the means of production, and on the other hand control over human capital co-ordinated through the organizations of wage-earners – dominant in the capitalist democracies? Let us look more closely at the clearest confrontation between them, viz. at the workplace. Control over the means of production forms the basis of management's right of command over labour. It is capital which hires labour, not labour which hires capital. The subordination of labour is, however, a matter of degree inasmuch as the prerogatives of the representatives of capital have been restricted by legislation and by collective bargaining, the effectiveness of which in turn is influenced by the market situation. The prerogatives of management still confirm that, in terms of power resources, the wage-earners in these societies are in a position of inferiority *vis-à-vis* capital. The maintenance of a system of authority and subordination based on control over the means of production is a major problem confronting the dominant groups in the capitalist democracies.

I agree with the pluralist view on power distribution in the capitalist democracies to the extent that in these societies power is probably more widely shared than in other contemporary societies with different political and economic systems. However, I object to the next and crucial step in pluralist thought: that the assumed equal opportunities to mobilize power has generated a distribution of power resources in these societies that is sufficiently equal to no longer warrant our attention. If we view the development of wage-earners' collective organizations as essential for the effectiveness with which their 'human capital' can be applied in the conflicts of interest with capital, it appears evident that the distribution of power resources in Western societies can vary considerably over time as well as between countries. Once we drop the assumptions of the distribution of power resources implicit in the pluralist, neo-corporatist and neo-Leninist models, a host of interesting questions concerning distributive processes, social consciousness and patterns of conflict, as well as institutional functioning and stability, come to the fore.

Social Change

In Western societies variations in the difference in power resources between labour and business interests, along with their allied groups, can be expected to have a variety of consequences. This difference can influence:

- 1 the distributive processes in the society;
- 2 the social consciousness of the citizens;
- 3 the level and patterns of conflicts in the society; and
- 4 the shaping and functioning of social institutions.

The processes of distribution in society can be viewed as exchange relations where, for example, the right to control labour power is exchanged for wages. These exchanges, however, need be neither in accordance with principles of equity nor mutually balanced. Instead, we must assume that the distribution of power resources influences the outcomes of the exchange processes and consequently the degree of inequality in society. Stronger groups thus will often get the 'lion's share' of what is to be distributed. Power resources, which can be regarded as stocks of values, thus influence the flow of values between individuals and collectivities.

But the distribution of power resources is also critical for the social consciousness and levels of aspiration of citizens as well as for the way in which they define their interests. Perceptions of what is just, fair and reasonable *vis-à-vis* other groups of citizens are largely dependent upon the power relations between these groups. Weak groups often learn, or are taught to accept, circumstances which stronger groups would consider unjust. Strong actors also tend to develop more long-range definitions of their interests than weaker groups.

The distribution of power resources is of major importance for the levels and patterns of conflict in society. Even if a weak group feels that an exchange relationship is unjust, the group may have to accept the terms of exchange because it lacks better alternatives and opposition may lead to reprisals of various kinds. But when the power resources of actors increase, they can offer resistance in situations which they previously had to accept. They can also attempt to change conditions which they find unjust. The distribution of power resources and its changes thus influences the levels of conflicts in society. Since changes in the distribution of power resources also affect the alternatives for action open to the actors, they can be expected to influence the actors' strategies of conflict and thus the pattern of conflict between them.

From this perspective, changes in the distribution of power resources between different collectivities or classes can thus be assumed to be of central importance for social change. Such changes will affect the levels of aspiration of the actors and their capacity to maintain or to change

existing social structures. Social change can be expected to emerge from various types of bargaining, but will sometimes involve manifest conflicts. Since open conflicts are costly to all parties, it is in the interests of the actors to limit their length and frequency. Through settlements following bargaining and/or manifest conflicts, the terms of exchange between the parties are thus moulded.

Where parties are involved in long-term interactions, settlements between them generally tend to involve different types of compromise. Such compromises may lead to the creation of new social institutions or changes in the functioning of existing institutions. Social institutions and arrangements related, for example, to processes of distribution and decision-making can thus be seen as outcomes of recurrent conflicts of interest, where the parties concerned have invested their power resources in order to secure favourable outcomes. Such institutions thus need not be viewed as neutral or objective arrangements for conflict resolution. Instead, the ways in which they were created and function reflect the distribution of power in society. When the distribution of power resources is altered, the form and functioning of such institutions and arrangements are also likely to change.

The distribution of power resources between the major collectivities or classes in society will thus shape people's actions in a variety of ways. These actions, in turn, will affect social structure as well as the distribution of power. A continuous interplay between human action and the structure of society arises. The approach outlined here comes close to the perspective of Marx, according to which structural change is the result of people, through co-operation or conflict, seeking solutions to what they define as important social problems. The definitions of social problems are, however, not objectively given but depend largely on the distribution of power resources in society. The alternative solutions considered and ultimately chosen are also affected by the power distribution.

In this perspective the state can be conceived of as a set of institutional structures which have emerged in the struggles between classes and interest groups in a society. The crucial aspect of this set of institutions is that they determine the ways in which decision-making on behalf of the whole society can legitimately be made and enforced. The state must not, however, be seen as an actor in itself, or as a pure instrument to be used by whichever group that has it under its control. While the institutional structures and the state can be used to affect, for example, distributive processes in the society, these structures also affect the way in which power resources can be mobilized and are, in turn, affected by the use of power resources.

Conflicts of interest between different groups or collectivities continuously generate bargaining, manifest conflicts and settlements. At some points, however, the settlements are the outcomes of important changes

in the distribution of power resources and are of such a nature that they significantly affect institutional arrangements and strategies of conflict for long periods of time. In connection with such settlements or 'historical compromises', the patterns and conceptions of 'normal politics' change.

In the capitalist countries, the acceptance of the wage-earners' right to organize in unions and parties and to participate in political decision-making via universal and equal suffrage are examples of such historical settlements. The winning of political democracy was the result of a decrease in the disadvantage of working-class power resources brought about through organization and often through alliances with middle-class groups. It limited the legitimate use of means of repression by the state and opened up legitimate avenues for the citizens to participate in the decision-making of state organs. In many Western countries, the historical settlements concerning political democracy came around the First World War. These institutional changes significantly affected the patterns of interest conflicts in the years to come.

Societal Bargaining

With the exception of setbacks in countries like Italy, Germany and Spain, during the inter-war period the strength of the unions and working-class parties increased in the Western nations. In the period after the Second World War this trend has by and large continued. Through increasing levels of organization the wage-earners have considerably strengthened their bargaining position in the distributive conflicts in the capitalist democracies. This has affected strategies of conflict and patterns of institutional arrangements. It is my hypothesis that the tripartite 'neo-corporatist' institutional arrangements largely reflect the compromises and settlements generated by the decreasing differences in the distribution of power resources between wage-earners and representatives of capital and allied groups in these countries. The decreasing disadvantage in wage-earner power resources has generated institutional arrangements and practices in reaching settlements involving major interest groups, which we can describe as 'societal bargaining'. The notion of bargaining implies that the outcome of the interaction cannot be predetermined.

The choice of the term 'societal bargaining' to describe arrangements and practices which others have termed 'corporatism' is made not only to avoid a word which many have found hard to swallow. In my view, societal bargaining of the tripartite type that was developed in some countries of Western Europe during the postwar period clearly differs from traditional corporatist arrangements. It is therefore misleading to regard the two as more or less functional equivalents in the way several writers on neo-corporatism have done.

Traditional state corporatism, for example in Italy, Germany and Spain, must be seen as a successful attack on the working class and its organizations in a situation where the power gap between classes was very large. State corporatism was used to widen that gap. The institutional arrangements of societal bargaining, however, have come about in situations where the disadvantage in power resources of the wage-earners is much smaller than where the traditional 'state corporatist' solutions have been practised. Societal bargaining involving the organizations of the wage-earners must, by and large, be seen as reflecting an increasingly strongly organized working class. Whether societal bargaining benefits the wage-earners or not is an empirical question, which cannot be settled through definitions. We must assume, instead, that its long-term as well as the short-term outcomes can vary and are dependent on the distribution of power resources between the parties. From the power resource perspective the institutional arrangements of societal bargaining (i.e. the 'neo-corporatist' institutions) appear as intervening variables between, on the one hand, the distribution of power resources in society and, on the other hand, the pattern and outcome of distributive conflicts.

The spread of societal bargaining in Western nations during the postwar period is the result of an important shift in the lines separating decision-making through markets and politics. Since the breakthrough of political democracy, the relative importance of these two forms of decision-making has been largely dependent on the contest between two different types of power resource: the (at least in principle) equally distributed political resources, and the highly unequally distributed power resources in the markets. By using their votes, wage-earners have been able to encroach upon and to limit the sphere of operations of the markets, where they are more often at a disadvantage. An example of the shift from markets towards politics is the decision-making determining levels of unemployment. Where Keynesian ideas have been accepted, the level of unemployment has come to be seen as a responsibility of the political authorities, and no longer to be left only to market processes. Also, distributive processes have been affected, for example through social policy and taxation.

A Democratic Class Struggle?

I have suggested above that, in the capitalist democracies, it is fruitful to view politics as an expression of a democratic class struggle, i.e. a struggle in which class, socio-economic cleavages and the distribution of power resources play central roles. In contemporary social science, this view will be challenged from different directions. From a pluralist point of view the primacy which this interpretation gives to class cleavages will be questioned. While accepting the importance of class, those who lean towards

the Leninist interpretation of Marxism tend to argue that the major organized interest groups, which presently are the main actors in these conflicts, do not actually represent the interests of the working class. Many writers on neo-corporatism also share such a view. Let us look briefly at the concepts concerned and the counter-arguments made.

The class concept is of relevance, *inter alia*, in attempts to explain social conflict, the distribution of goods and social change. This concept should therefore sensitize us to the many fissures and rents in the social fabric, which may become cleavages delineating the bases upon which citizens will organize themselves into collective action in the conflicts of interest in society. According to my reading of Marx and Weber, the two dominant figures in the theory of class, they both view the class concept in this perspective. Marx no less than Weber recognized a multitude of potential cleavages on the basis of which citizens can combine themselves for collective action. The two differ, however, in the relative importance which they ascribe to different types of bases of cleavage.

Marx assumed that, in the long run, the conflicts of interest rooted in the sphere of production and especially in the economic organization of production would come to dominate over the other potential cleavages, such as those based on market resources and status. Contrary to what is often assumed, the class theory of Marx is not a one-factor theory. Its basic hypothesis is instead that, among the multitude of lines of cleavage and conflicts of interest, the relative importance of those arising from the economic organization of production will increase in the long run.

Weber, however, places class, market resources and status on an equal footing as potential bases for cleavages and assumes that over time their importance will tend to oscillate. The class theory of Weber has also often been misinterpreted, not least by those who regard him as their intellectual standard-bearer. Weber explicitly argued that power must be seen as the generic concept of social stratification, the threefold expressions of which are class, status and party. Yet, pluralist writers have often conceived of power as a separate 'dimension' of social stratification, parallel to, but not included in, 'class' and 'status'. In contrast to Weber's stress on power as the basic independent variable behind social stratification, pluralist writers have therefore tended to conceive of power as restricted to the realm of the political order. While Weber saw 'property' and 'the lack of property' as the basic characteristics of all class situations, the institution of property has received scant attention in pluralist and functionalist analyses of industrial societies.

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The Marxian hypothesis that, in the development of capitalism, the relative importance of class will increase at the expense of other possible bases of

cleavages has been attacked by generations of social scientists. A recent challenger, Frank Parkin, develops a self-professed bourgeois critique, based on a neo-Weberian approach to stratification which puts power and conflict in a central place. In contrast to the Marxian class theory, which he interprets to be a one-factor theory of distributive conflict, focused exclusively on the positions in the productive system, Parkin argues for a multi-dimensional approach where control over productive resources, race, ethnicity, religion, sex and so on are viewed as equally important bases for cleavages and the formation of conflict groups. Against the background of developments during the 1960s and 1970s, for example in Northern Ireland, Belgium and the United States, Parkin maintains that, in contrast to Marxian predictions, not class but rather 'racial, ethnic, and religious conflicts have moved towards the centre of the political stage in many industrial societies', and that therefore 'any general model of class and stratification that does not fully incorporate this fact must forfeit all credibility'.¹ Parkin thus explicitly denies the primary role of the sphere of production as a basis for conflict of interest.

Another challenge to the centrality of class in modern Western societies has been made by students of electoral behaviour, who have analysed the relative importance of different bases for party cleavages. While some of them stress the importance of socio-economic factors, others argue that religion and language are more important. Thus in a study of party choice in Belgium, Canada, the Netherlands and South Africa, Lijphart comes to the following conclusions: 'Social class is clearly no more than a secondary and subsidiary influence on party choice, and it can become a factor of importance only in the absence of potent rivals such as religion and language.'²

It goes without saying that language, religion and race are easily and frequently seen as introducing a communality of interests and therefore often become bases for collective action. In fact, language and religion are so important bases of cleavages that over the centuries they have helped to generate decision-making units, i.e. states, which tend to be more or less homogenous with respect to these characteristics. Class divisions, on the contrary, occur within decision-making units. In this sense, then, cleavages based on language, religion and ethnicity can be seen as primary to class.

However, a different picture emerges when we look at the cleavages within the present nation-states. Parkin's claim that race, language and religion are of equal or greater importance than the sphere of production in generating social cleavages in industrial society appears to be based on the extent to which different cleavages have generated open or violent conflicts. This, however, is a rather superficial reading of the evidence. While conflicts based on religion, race, ethnicity and also on environmental issues clearly have been the most violent ones during these decades, this fact tells us little about the importance of different cleavages as bases of collective action, which is what is here in question. The power distribution approach outlined above

indicates that the extent of manifest conflicts primarily reflects changes in the distribution of power resources between groups or collectivities.

To evaluate the relative importance of different bases of cleavages, we must primarily look not only at the violent conflicts, dramatic as they may be, but also at the more institutionalized conflicts and, above all, at the extent to which these cleavages have served as bases for organizations of interest. In this perspective class organizations in the sphere of production, i.e. unions and employers' (or business) organizations, emerge in the central roles. These organizations have been the key participants in the societal bargaining which has emerged in the Western nations during the postwar period. Only rarely have religious or ethnic groups figured in such contexts. Socio-economic cleavages also remain central bases for the party structures in most Western nations.

As indicated above, many neo-corporatist writers have assumed a major 'goal-displacement' within the organizations purporting to represent the interests of the working class. In neo-corporatism these organizations are assumed to serve largely the interests of the organizational leaderships and to control their members on behalf of the dominant groups in society. Schmitter assumes that this holds for labour unions while, for example, Panitch and Jessop acquit unions and place social democratic parties in the central controlling roles.

While 'goal displacement' within interest organizations is a clear possibility, it is an empirical question to what extent this has occurred in the wage-earner organizations. Assuming rational actors, a high level of voluntary union membership and party support can support the assumption that the union or party furthers the interests of the actors as perceived by them. The claim that unions in the Western nations have largely ceased to represent the interests of their members appears difficult to substantiate. In view of the fact that union members have daily opportunities to evaluate the consequences of leadership decisions at the place of work, such an assumption strikes me as rather absurd.

As far as the left parties are concerned, the variations between them would appear to be greater. Since they are rooted largely in the continuum of social stratification, political parties have a more flexible basis than unions, which reflect class divisions. Therefore goal displacements may occur more easily in left parties than in labour unions. The policy which a left party comes to represent when in government is affected by many factors, and such a party may come to choose a strategy which severely compromises working-class interests. The extent to which this has occurred probably varies considerably between countries. If we assume that unions tend to represent working-class interests more closely than the parties on the left, the closeness of the relationship between a left party and the union movement can be seen as one indicator of the type of policy which the party stands for.

My general hypothesis is that the presence of reformist socialist parties in the government can bring public policies closer to wage-earner interests. Also in this context, the distribution of power resources in society is of crucial importance. In the tripartite societal bargaining between the state, labour and capital, the distribution of power resources and the political composition of the government can affect the pattern of coalition formation in this triad and the outcomes of the bargaining. The smaller the disadvantage in power resources of the labour movement and the stronger the left party hold over the government, the more likely are state representatives to side with labour in the tripartite bargaining. Accordingly, the compromises resulting from societal bargaining can be expected to be more to the favour of wage-earners. There are considerable differences in the power position of the wage-earners between the Western nations.

Notes

From W. Korpi, *The Democratic Class Struggle*, London, Routledge and Kegan Paul, 1983, pp. 14-25.

- 1 F. Parkin, *Marxism and Class Theory*, New York, Columbia University Press, 1979.
- 2 A. Lijphart, 'Language, Religion, Class and Party Choice', in R. Rose, *Electoral Participation*, Beverly Hills, CA, Sage, 1980.