olutionaries have seen anarchists as enemies who needed to be defeated. There have been a number of anarchist revolutions: the Paris Commune in 1871, the Ukraine in 1917 (soon swept aside by the rival Bolshevik Marxist revolutionaries), and Spain in the 1930s. All these attempts were soon crushed, illustrating what is perhaps the biggest problem faced by anarchists: hierarchical states are so much better at organizing military force than are anarchies. Thus no anarchists have ever had the chance to organize a large-scale, modern society. The real legacy of anarchism may be in its demonstration that voluntary cooperation is a way to organize the resolution of many problems in human societies – even if the anarchist programme cannot show how to organize large scale and complex societies in their entirety. This demonstration is echoed in contemporary work on resource management. Ostrom (1990), though not an anarchist, argues that communities of resource users can sometimes govern their own affairs and regulate access to a resource such as a fishery or water for irrigation without any help from any formal government. We will discuss such cases further in Chapter 11. Anarchist ideas about spontaneous cooperation also find echoes in some of the new forms of cooperative governance we will discuss in Chapter 6 (though practitioners and analysts of these new forms do not acknowledge anarchist antecedents).

Liberal Democracy

We now take a closer look at the emergence and condition of the currently most important state form – liberal democracy. Two sets of principles long stood in tension with each other, liberalism's limited state with a carefully demarcated constitutional order, and democracy's majority rule and free elections, with removal of privilege and inequality. It was only in the nineteenth century that it seemed democracy did not have to be the enemy of liberalism. Today, we can define a liberal democracy as a political system where:

- Periodic elections determine how the legislature is constituted and who shall hold the executive power of government. There should be free and fair competition among candidates and political parties. This is the 'democracy' part of the concept.
- Fundamental civil liberties are protected by law and constitutional safeguards, while legal enactments and rules are equally and impartially enforced by an independent judiciary and legal system. This is the 'liberal' part of the concept.
- The constitution specifies the powers of particular public offices and branches of government and the relations between them.

Both the 'liberal' and the 'democracy' aspects have to be present for liberal democracy to exist. Elected government without the protection of civil liberties can be tyrannical – for example, by allowing a larger ethnic group to suppress the political freedoms of smaller ethnic groupings, as happened in many Southern states of the United States for a century after the formal abolition of slavery. Having an impartial legal system and protection of rights, without free elections can create a relatively open society and allow a capitalist economy to flourish, as in contemporary Singapore. But without elections through which people can change the composition of their government without fear of government action against them, such a society is not democratic.

This ease of definition is not to suggest, however, that liberal democracies are without tensions and problems. Indeed, the rest of this book is about the questions and conflicts that remain. As a prelude to this analysis, we examine how liberal democracy reached global ascendancy. Then we outline variations in the way liberal democracies arrange representation, and the ways they organize social and economic life.

The development of liberal democracy

For most of their history, the two principles of liberalism and democracy were thought to point in different directions. Of the two principles, democracy is the older. It began in ancient Athens with the reforms of Cleisthenes in 508–507 BCE (Grofman 1993), which created what we might now call direct democracy. Key decisions were made by an assembly that all the citizens were entitled to attend. But the Athenian citizenry or *demos* actually constituted only around 15 per cent of the city state's total population – because women, slaves, men without property and 'metics' who lacked the necessary ancestry were all excluded. Office holders were not elected, but instead selected by lot, to serve for a limited period. Such random selection still persists today in the way that juries are chosen for court cases, and it has recently been revived in practices associated with deliberative democracy (see Chapter 9).

Elections were also held in various assemblies that shared power in a complex fashion within the Roman Republic (509–27 BCE). Membership in each of the assemblies was restricted – most severely in the Senate, normally the most powerful of the assemblies. Rome was an aristocratic republic rather than a democracy. With the demise of the Roman Republic amid civil war and the victory of Octavian (Augustus Caesar), election to office on the part of even a small subset of the citizens went into abeyance in Europe for over a thousand years. In medieval times elections did appear in that otherwise most authori-

tarian of institutions, the Catholic Church, when monasteries would sometimes elect their abbot and convents their mother superior. The College of Cardinals also used a demanding unanimity voting system to choose the Pope.

For many centuries, no political thinker would describe himself or herself as a democrat – with the very occasional exception, such as the Leveller faction in the parliamentary army in the English civil war in the 1640s, which was soon brutally repressed. When in the aftermath of the conflict Thomas Hobbes wanted to belittle his opponents who supported the cause of Parliament against the king, he described them as 'democratical gentlemen' pursuing treason and instigating civil war (Hobbes 1969). If ever heard at all in political discourse, 'democracy' was a term of abuse:

> As it entered the eighteenth century, democracy was still very much a pariah word. Only the most insouciant and incorrigible dissidents . . . could take their political stand upon it, even clandestinely or amongst intimates. Anyone who chose to do so placed themselves far beyond the borders of political life, at the outer limits of the intellectual lives of virtually all their contemporaries. (Dunn 2005: 71)

Matters only began to change at the end of the eighteenth century, with the French and American revolutions. In the early 1790s the radical Jacobin faction of the French revolutionaries, notably Maximilien Robespierre, began to use 'democracy' in a positive fashion to denote the unmediated (and as it turned out unrestricted) implementation of the 'will' of the people. The revolutionary Babeuf declared in 1790, shortly before his execution:

> If the People are the Sovereign, they should exercise as much sovereignty as they absolutely can themselves . . . To accomplish what you have to do and can do yourself, use representation on the fewest possible occasions and be nearly always your own representative. (Quoted in Dunn 2005: 230)

But the excesses of the revolutionary radicals, involving the execution of many real and imagined opponents, helped reinforce democracy's bad name, and with the overthrow of the Jacobins and the rapid transformation of revolutionary France into Napoleon Bonaparte's empire, modern democracy at first looked no more stable than its ancient predecessors.

The key innovation that the French revolutionaries did not adopt but which eventually enabled democracy to become feasible in large modern societies was the idea of *representation*. In 1792 in *The Rights of Man*, the radical English theorist and activist Thomas Paine proposed 'ingrafting representation upon democracy'. Over the next century representative democracy became the dominant form in both theory and practice. Robert Dahl (1989: 28–30) considers this development central to what he calls 'the second transformation of democracy' (the first having been the invention of democracy in Ancient Greece).

On the other side of the Atlantic, a state was devised that initially featured plenty of representation but not a great deal of democracy. The American revolution produced what is now recognized as the world's oldest liberal democratic state, but its founders certainly did not think they were designing a democracy. James Madison, whose influence on the US Constitution was felt most strongly, insisted that the Constitution would establish a republic but not a democracy. To Madison, democracy was a byword for chaos and instability resulting from unchecked citizen control. In *The Federalist 10* (published in 1787) he wrote: '[D]emocracies have ever been spectacles of turbulence and contention; have ever been found incompatible with personal security or the rights of property, and have in general been as short in their lives as they have been violent in their deaths'. The US constitution did institute elections on a national scale for the House of Representatives alone, and state legislatures were also elected. However, the franchise was restricted to male property holders and slaves, black slavery itself persisted until 1865. Women and poor men were excluded from the vote. Moreover, the checks and balances specified in the constitution were designed to guard against an excess of democracy. Senators were originally appointed by state legislatures rather than directly elected by the people, as were the members of each state's Electoral College that chose the President. An unelected Supreme Court was given power to assess and overrule Acts of Congress as unconstitutional.

Only in the early nineteenth century did democracy cease to be a negative term in American political discourse. Accompanying the populist, anti-elitist approach to politics that Andrew Jackson rode to the Presidency in 1828 was a contrast drawn between 'the democracy' (the ordinary people) and 'the plutocracy' (the very rich and powerful) (Hanson 1989: 78–9). This usage still retained democracy's anti-elitist connotations. Only very gradually thereafter were these radical associations diminished. With time the US republic became more democratic. In the nineteenth century states gradually opened the choice of Electoral College members to popular vote, so that today they are ciphers for each state's winning majority of voters. The direct election of senators was made nationally uniform by constitutional amendment in 1913. Democratization was further advanced by full suffrage for

women in 1920, the gradual abolition of property qualifications for the vote, and the abolition in the 1960s of tests designed to exclude African Americans from the franchise in Southern states in particular. However, ingenious mechanisms to restrict African-American voting in the South could still be found in the twenty-first century. These mechanisms arguably proved decisive in ensuring that Florida delivered a (contested) majority of votes to George W. Bush in 2000, thus handing him the Presidency.

Progress in other countries now considered the trailblazers of liberal democracy was no faster. In Britain, Parliament in the seventeenth century still had to struggle for its survival against a monarch (Charles I) asserting his divine right to govern unchecked. As of 2008 the UK Parliament's upper chamber, the House of Lords, remains completely unelected, although its powers have shrunk greatly with time. The House of Commons was long elected on the basis of an extremely narrow franchise. Voting rights were first extended to a large group of male citizens holding substantial property in the Great Reform Act of 1832, but the last 40 per cent of adult males only gained the vote in 1918. Equal votes for women in the UK came in 1928. But of course in the whole British empire, spanning at this time a quarter of the world's land mass, only the (white) metropolitan population and those in (white) self-governing dominions had the vote. And when the last major UK colony, Hong Kong, was handed over to China in 1992, its citizens still did not have full democratic rights. In Switzerland, often regarded as one of the world's model democracies, women gained the vote only in 1972, while in Australia aborigines' standing as citizens on a par with other Australians was confirmed only in 1967.

In the long period while democracy was in the doldrums, **liberalism** was in very gradual ascendant. The core ideas of liberalism are that government must be regulated by a constitution, and that all full members of society have rights that protect them against each other and against arbitrary government. Key rights are private property, freedom of contract, freedom of thought (especially in matters of religion), freedom of expression and of association, and rights to due process in the legal system. The ascent of liberalism began in 1215 when Magna Carta was signed by King John of England and his barons. Magna Carta limited the powers of the king and established some rudimentary civil rights – though these rights did not extend very far beyond the privileged classes. In 1649 King Charles I was tried and executed for the crime of waging war on his own people – a key event in the rise of liberalism, because it confirmed that there are rules which even kings had to follow. The political convulsions of seventeenth century Britain culminated in the 'Glorious Revolution' of 1688 to1689 ('glorious' to the winners and their successors). King James II was overthrown on suspicion of wanting to return England to Catholicism, and replaced by a constitutional monarchy in which political power was shifted away from the monarch and toward the legislature. The freedom of religion, under law (except of course for Catholics) was established in 1689. The revolution's key intellectual defender was John Locke, widely regarded as the main founder of liberal political philosophy. In Britain and elsewhere, the subsequent rise of liberalism went hand-in-hand with the rise of capitalism, for a political philosophy that stressed individual rights (especially private property rights) helped loosen the inherited legacy of feudal social obligations that restricted the flow of labour and capital.

It is quite possible for a state to be liberal without being especially democratic. A highly centralized regime might well choose to grant all kinds of individual rights – for instance, to facilitate economic growth that would benefit the regime. In practice, early liberal governments featured a highly restricted voting franchise, and a distribution of power that was quite oligarchical, conducing to rule by the aristocratic or wealthy few. Well into the nineteenth century, with the French revolution's lessons in mind, liberal political philosophers still feared that democracy would lead to mob rule and wholesale violation of the individual rights necessary for the functioning of liberal society. In 1859 John Stuart Mill wrote darkly of 'the tyranny of the majority'. In many respects Mill was among the most progressive and democratic of nineteenth century liberals. He favoured the emancipation of women and democratic elections, but proposed devices such as weighted voting in order to restrict the power of the masses. And when it came to the British Empire, he had no qualms in asserting that 'despotism is a legitimate mode of government in dealing with barbarians, provided the end be their improvement' (ironically in Chapter 1 of his book *On Liberty*).

The gradual expansion of the franchise generally showed that the fears of Mill and other nineteenth century liberals were groundless (except when majorities and minorities were permanently defined on an ethnic or religious basis). At most, the newly enfranchised poor used their vote to support social democratic parties that proposed moderate redistribution of income and wealth. But liberal hostility to democracy persisted to the end of the twentieth century. The political scientist William Riker (1982a) wrote approvingly of 'liberalism *against* populism' and praised the many 'defects' of representative politics that prevented any unmediated implementation of the popular will. In 1975 Crozier, Huntington and Watanuki in a famous report to the Trilateral Commission spoke of a crisis of democracy in which too many groups were making too many demands on the state, threatening overload and collapse. For the United States, Milton and Rose Friedman (1984) pro-

posed the centralization of power in a strong presidency to stop people organizing into groups to demand that resources be redistributed in their direction by government, which the Friedmans thought was ruining the market economy. Some of Milton Friedman's students found a laboratory for liberal authoritarianism under the notorious military dictatorship of General Pinochet in Chile in the late 1970s and 1980s. Pinochet's government implemented rights only to protect private property, freedom of contract, and unrestricted private markets, while vigorously suppressing civil and political rights.

In short, the combined liberal democratic idea that all citizens of a state should jointly and equally determine its affairs via voting in elections, and should have equal civil and political rights including legal and constitutional protections, remains a novel and precarious accomplishment. From 1900 to the 1960s liberal democracies never numbered more than 24 countries at any one time, and for long periods in the twentieth century the number of liberal democracies dropped below 10. A low point was reached in 1942, with almost all of Europe (except for the UK, Ireland, Sweden and Switzerland) controlled by dictatorships.

The victory of the western democracies in World War II, followed by de-colonization of European empires in the 1950s and 1960s, increased the number of liberal democracies. However, liberal democracy generally did not flourish in the former colonies, with the important exception of India. Liberal democracy as a universal model did not really take off until the mid 1970s, when Spain, Portugal and Greece removed their dictatorships. In the 1980s and 1990s most Latin American countries did the same, while from around 1987 South Korea and Taiwan also began to move beyond military and authoritarian control. After the fall of the Berlin Wall in 1989 and subsequent collapse of the Soviet Union, most of the states in central and Eastern Europe moved toward liberal democracy (though with some authoritarian resistance). In 1994 South Africa abandoned its racist apartheid regime in favour of an exemplary liberal constitution and popular elections.

As we write this book liberal democracy is the dominant state form in Europe, North and South America, Australasia, the South Pacific, India, Japan, Korea, Taiwan, South Africa, plus a few outposts elsewhere. Other parts of the world such as Southeast Asia have witnessed some gradual movement in a democratic direction, amid many setbacks. Even China, while strongly resisting liberal democracy, has recognized the need to create consultative forums in government, and has undertaken experiments at the local level that allowed a measure of citizen participation. While not allowing any competition for the Communist Party or much in the way of civil and political rights, China has moved to establish the private property rights that help define liberalism, and provided some spaces for limited political and intellectual debate.

Quite where to draw the line between functioning liberal democracies and other sorts of states can be controversial. A number of countries, notably Russia after the election of President Vladimir Putin in 2000, combine apparently competitive elections with strong central control over what opposition is allowed, and very imperfect protections of human rights. Russian security forces, provoked by terrorist attacks, have ignored human rights in internal colonies such as Chechnya. Russia under Putin was actually what Carothers (2002: 12–13) calls a 'dominant power system', ruled by elites that manipulate the political system so that they cannot be defeated in elections. Under President Yeltsin in the 1990s, Russia was in Zakaria's (2003) terms an 'illiberal democracy', featuring competitive elections, but with no constraints on what election winners can do. Yeltsin himself preferred to rule by decree. Illiberal democracies have no constitutional constraints on the power of rulers, little accountability between elections and little respect for human rights. Illiberal democracy therefore resembles 'competitive authoritarianism' (Levitsky and Way 2002). Examples can be found in other post-Soviet countries, in Iran, the Palestinian Authority, in Latin America and in Africa. Looking at the world in 2006 through American eyes, the non-governmental organization Freedom House classified 89 countries as 'free' (i.e., liberal democratic), 58 as 'partially free' and 45 as 'not free' (www.freedomhouse.org/uploads/pdf/charts 2006.pdf).

For some observers, Islam's preoccupations with authoritarian or theocratic government since the religion's founding period (around 660 CE), the Islamic world appear the most problematic area for liberal democracy. But even here it should be noted that a majority of the world's 1.4 billion Moslems now lives in democratic countries – notably in India, Indonesia, Turkey and the more controversial case of Iran, where electoral democracy is compromised by the power of a theocratic religious establishment. (Bangladesh has been mostly democratic in terms of elections and civilian rule, but has proved susceptible to dynastic politics and occasional suspension of elections, while Pakistan has experienced only brief interludes of competitive elections amid successive military coups.) It is actually the Arab part of the Islamic world that is most resistant to democracy. As we write, competitive elections in the Arab world occur only in Lebanon and the Palestinian Authority (which is not yet a state according to our earlier definition). Sub-Saharan Africa is also a problematic region for liberal democracy, with the exception of South Africa (though even South Africa lacks an opposition party with any chance of winning national

elections). While liberal democratic constitutions sometimes appear on paper, and competitive elections sometimes occur in African states, dictatorship or civil war are generally not very far away.

Within the world system, liberal democracies have a key advantage over other states in that they seem almost never go to war with one another (Russett 1993). Thus with the spread of liberal democracy war between states ought to decline. This is the essence of the 'democratic peace' thesis, first proposed by the philosopher Immanuel Kant over 200 years ago (though Kant spoke of 'republics' rather than 'democracies'). Quite why this should be the case is a matter of some dispute among international relations scholars. Certainly the costs of making war are high for leaders and voters in liberal democracies. The voting population can easily punish leaders if they launch into a war that proves misconceived and costly. And democratic leaders have to justify the war morally to their electorate to begin with, while dictators do not.

Yet these internal political constraints on democratic leaders have not stopped liberal democracies gratuitously initiating wars against non-democracies. Consider for example the invasion of Iraq by US and British forces in 2003, ostensibly undertaken to remove 'weapons of mass destruction' that proved not to exist. Liberal democracies have also initiated war or escalated conflicts with other democracies that are not liberal. Think for example of Israeli military actions against Lebanon and Palestinian-controlled Gaza in 2006, or the bombing campaign against Serbia in 1999 over Kosovo, undertaken by NATO, an alliance of liberal democracies. Most liberal democracies have existed only in the late twentieth century, and they have generally been in strategic alliance with the dominant Western powers that are themselves liberal democracies. So it is perhaps no surprise that wars between liberal democracies have been rare. The much more recent spread of liberal democracy well beyond the West means that the democratic peace thesis will face tougher tests, though so far it is holding up reasonably well.

Institutional variations among liberal democracies

The institutional arrangements of liberal democratic states vary considerably along four dimensions:

(1) *Electoral systems.* Different voting systems produce very different sorts of popular control in a democracy. Governments can be elected with the support of as few as 35 per cent of voters in some systems or of a very strong majority in others. The former outcome is possible under the simplest and crudest voting system, *plurality rule* (sometimes called first-past-the-post) used in the United States, United Kingdom, and British-influenced countries. Here candidates stand in particular areas (such as congressional districts in the United States, or constituencies in the United Kingdom), where voters, in that area, elect a single winner based on the largest number of votes. If there are multiple candidates this winning number can fall well short of 50 per cent. There is no mechanism for ensuring that the overall distribution of seats in the legislature reflects the pattern of votes in the country as a whole. In a famous proposition originated by Maurice Duverger (1955), plurality rule is expected to produce two-party systems. Duverger's 'law' was once advanced as the closest thing that political science has to a universal scientific law (see Riker 1982b). But this claimed association now holds perfectly only in the United States. Everywhere else, even in the UK, the number of significant political parties in plurality systems is at least three, sometimes more. In India, the world's largest liberal democracy, plurality voting now yields a very diverse multi-party system.

The main alternative kind of voting system is *proportional representation* (*PR*) where parties' seats in the legislature more or less match their shares of the votes in the electorate. Proportional representation usually produces a larger number of parties, and means that most governments are coalitions of several parties. Most liberal democracies (even sub-national units in the UK) now use some kind of PR, which comes in varied forms. They mostly rely on electing several legislators in larger constituencies, so that parties secure seats in the legislature in proportion to their total votes in the electorate as a whole.

There are also a number of hybrid systems. France uses run-off ballots among the top candidates from a multi-party election. Italy has used different PR and non-PR systems designed to give extra parliamentary seats to the most successful party or coalition and thus ensure a working government majority, as opposed to very close results that make governments unstable. Turkey and Russia use PR systems but with parties required to win a very high minimum national vote share (7 or 10 per cent) before they can take seats in the legislature. This measure is designed to guard against party fragmentation and protect large parties' vote shares, but it does so only at the cost of considerable (and in Russia massive) disproportionality. We will pay closer attention to electoral systems in Chapter 7.

(2) *Executive and legislature.* In a liberal democracy the legislature must be elected. But in full *presidential systems* (such as the US) a

president is directly elected by popular vote to serve as both head of the executive branch and head of government, while the legislature is elected separately. The US Congress is almost unique in not being controlled at all by the executive. In pure *parliamentary systems* (such as the UK, Australia, Germany, and many others), ministers are appointed from the legislature, usually from the largest party or coalition. The Prime Minister is normally the leader of the largest party in parliament, and can head the government only as long as he or she retains majority support therein. In hybrid systems (some Latin America countries, France and South Korea) there is both a directly elected president with executive powers, *and* a government of ministers headed by a premier appointed from and responsible to the elected legislature.

(3) *Centralization and decentralization.* In the few remaining *unitary states* (such as Japan, Israel and New Zealand) a central government dominates revenue-raising and spending and its powers dwarf those of local or municipal governments. At the other end of the spectrum are *federal states* where there is both a national government and regional (or state-level, or provincial) governments (as in the US, Canada, Australia, Germany, and Spain). Their relative powers are carefully specified in the constitution. The trend in Western Europe has been strongly in the direction of more quasi-federal and decentralized internal arrangements. Even the United Kingdom has moved in the direction of asymmetric federalism, as elected governments in Scotland, Wales, Northern Ireland and London (but not England) share power with the Westminster government that runs UK policy-making. Similarly, previously centralized Bonapartist countries (like France, Italy and Spain) have moved towards multi-tiered governance systems. In the European Union a unique form of quasi-federalism has developed between the member states (which are no longer termed 'nation states') and the EU's powerful central institutions (the European Council, European Commission, European Parliament, and European Court of Justice).

(4) *The role of the legal system.* In all liberal democracies judges must be independent of politicians' control. But in some countries featuring *parliamentary sovereignty* (such as Britain and New Zealand) there was no supreme court capable of striking down decisions made by the legislature, although the UK has now moved in that direction. In other systems (especially presidential and hybrid ones) a *constitutional court* has the power to declare both legislation and executive decisions unconstitutional. The American Supreme Court represents judicial review of government in its strongest form. The United States is unique in the degree to which many major political issues end up as legal issues, thus reinforcing the 'liberal' as opposed to the 'democratic' aspect of its political system. A much weaker constitutional court exists in France. In the European Union the European Court of Justice has begun to act as a constitutional court, while a separate European Court of Human Rights helps protect civil liberties in member countries.

Changing functions of liberal democratic states

A final dimension of variation among states, and among liberal democratic states in particular, concerns what exactly states do, their functions and how they relate to the social and economic systems of the societies they govern. Here the conflicts between the liberal push to define state powers narrowly and the democratic push to use political power to address social inequalities remains strongest, and most clearly shapes the state's core priorities.

The early modern state operated in an insecure external environment and in the days before capitalist market economies. It had three core priorities: to maintain order internally (prevent civil conflict); to compete externally with other states; and to raise the revenues necessary for these first two activities (Skocpol 1979). These can be termed the order, security and revenue imperatives. Revenue was generally raised from taxation – which was often resisted by those from whom it was sought. A state unable to collect taxation could encounter deep trouble, especially in the face of enhanced external threats. If a state cares *only* about maximizing the revenues it raises then it is what Levi (1988) calls a 'predatory state' that may even undertake the impoverishment of its own society to fill its own coffers. Recent examples are not hard to find, especially in Africa, of dictators who have amassed massive personal wealth even as average incomes in their societies declined. But most states that want to maximize revenue will find that impoverishment is not a good idea, for two reasons. The first is the violent resistance it can provoke. The second is that there is a more effective way to increase revenue in the long run.

With time and the development of capitalism, state officials found that there was a less painful way to secure additional revenues. By promoting economic growth in the capitalist market economy, total revenues from taxation could increase even as rates of taxation remained constant. Thus grew what can be called the economic priority of government, or what Marxists would call the 'accumulation' imperative (see Chapter 4). Capitalist economies developed at different times in different countries, beginning in the seventeenth century with what is

now the Netherlands, followed by Britain. Today, this economic imperative has become the foremost priority of most states – or at least those prosperous states that have escaped the threat of invasion by other states, or severe civil conflict. A prosperous capitalist economy requires a range of rights instrumental to the protection of private property – which was a major boost in creating liberal states, for liberalism is defined by its stress on a range of rights. Given that the core interests of business and the state now coalesced around the promotion of the conditions for economic growth, corporate leaders could enter into government from which they had been excluded when the state was dominated by absolute monarchy, landed aristocracy, and the church. Thus did the state become the *capitalist* state.

Capitalist market economies are however a mixed blessing for the state. They can generate wealth, but they are also subject to boom and bust cycles, and the associated political instability can threaten internal order. Karl Marx and his successors on the socialist and communist left long believed that this instability would necessarily culminate in a social revolution by the working class (see Chapter 4). Developed capitalist states mostly managed to avoid this fate by cushioning the blows felt by those at the lower end of the income and employment security scales. This key change was accomplished through welfare state programmes such as unemployment insurance, social security and pensions. Marxists had a name for this too, terming it the 'legitimation' function (Offe 1984), because the welfare state helped to legitimate the capitalist political economy in the eyes of the social groups that otherwise stood to suffer most from its associated instabilities. The development of welfare states meant that democratic socialist parties and union leaders, the main political representatives of the organized working class, could be accommodated within a democratic state, because their interests now coincided with one of its core priorities. The political and social stabilization thus achieved made the welfare state critical in immunizing liberal democracies against Marxist revolution, and so preserving capitalism. So the welfare state is still a kind of capitalist state.

The modern liberal state therefore has five key functions, summarized in Table 1.2, which may often stand in tension with one another. The conflict between the economic growth and welfare priorities is stressed by market liberals, who see the taxation necessary to finance the welfare state as a major drag on economic growth, and welfare itself as constituting a disincentive to the hard work on which a dynamic growing economy relies (see Chapter 5). In subsequent chapters we will explore possible additions to this set of core imperatives.

The trend for liberal democratic states to add functions and extend their reach into more areas of social life has always been controversial.

Table 1.2 *The evolving core priorities of the state*

Period	*Key functions (cumulative)*
Early modern state	Providing external security Maintaining internal order Raising revenue
Capitalist state	Promoting economic growth
Welfare state	Legitimating the political economy and societal arrangements as a whole through providing income security and social provisions (health care, education, etc.)

The late nineteenth century liberal democratic capitalist states in Europe and North America mostly limited themselves to external defence, maintaining internal law and order, collecting taxation, underpinning markets with a legal system, and undertaking limited public works. But they also turned a blind eye to extremes of poverty and social inequality. The rise of the welfare state meant that government got involved in a range of social programmes, developed most comprehensively in the Scandinavian countries where around 60 per cent of GDP is now allocated by governments, as opposed to around half this level in the US or Japan. Governments also came to play increasingly large roles in funding and operating public education systems – seen as an economic necessity even by most market liberals.

The path to the mixed capitalist-welfare state was followed most smoothly in western Europe. Especially between 1945 and 1976 the state in many countries grew steadily larger in terms of budgets and personnel. Military arms races associated with the Cold War also played a part in the growth of government in the US, alongside a growth in welfare and educational spending, and increasing regulation of the market economy. A counter-attack strongly influenced by market liberal ideology and responding to a perceived crisis of excessive demands upon the state, saw some shedding of functions and personnel by governments in developed Western states during the 1980s and 1990s. But outside the most advanced industrial economies, welfare provision still remains patchy or poor. Many states (including long-lived liberal democracies like India) still have poorly developed capitalist economies, and weak to non-existent welfare systems for the mass of their populations.

Conclusion

The state remains central to modern political processes. Laws or regulations may be remade to ban or restrict activities; state budgets may be enlarged and resources requisitioned in taxes; existing public facilities may be closed or government subsidies redirected to other groups and interests; or wars or crises may erupt. But state processes equally lie at the heart of positive changes to promote economic development, to create hope for people to escape from or alleviate poverty, and to oversee general improvements in living standards. The state's involvement in virtually all political processes accounts for the frequently high intensity of the conflicts associated with it. There are many ways in which a different majority at the ballot box, a change in the relative influence of interest groups, the arrival in power of a new political leadership, or a shifting balance of influence in international relations may reconfigure the state and so change people's conditions and life prospects.

Part I

The Classical Theories

For much of the twentieth century the configuration of theories of the state was much simpler than it is today. Four classical theories competed for the attention of scholars, students, activists and political leaders. Though all four theories have since run into problems, they still set the basic terms of reference for all theories of the state, and the liberal democratic state in particular. And all still gain some support, however qualified that support might be, and however much it might have shrunk over time. Even when a particular theory seems to be in the doldrums, its supporters can still hope for a comeback. Thus an understanding of these four classical theories – pluralism, elite theory, Marxism and market liberalism – is essential for anyone who wishes to understand how liberal democratic states work, as well as come to grips with the nuances of contemporary accounts of how states can, do, and should operate.

Pluralism as analysed in Chapter 2 stresses the multiple influences within and upon policy making, and in particular the role played by diverse organized interest groups, though it does not ignore other influences, such as that of ordinary voters in elections. Relevant groups might include labour unions, business associations and organizations campaigning for social justice, environmental, religious or conservative values. Pluralists explain policy making and the operations of the state in terms of the interaction of multiple forces. They also believe this diversity is a good way to organize government and policy, and so support mechanisms for dispersing power.

Elite theorists as addressed in Chapter 3 believe that all this talk of pluralist multiplicity is a sham: that in reality the state and society are controlled by a single, unified elite. In the first half of the twentieth century most elite theorists defended elite dominance. In the mid twentieth century elite theory was adopted by radical critics of the liberal democratic state, who sought to expose and criticize the role of elites, especially economic elites.

Marxists, discussed in Chapter 4, believe that in the end politics reduces to economics, so that the dominant economic class is also the