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Flexible markets, stable societies?

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for the Study of Societies

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Abstract

The dissolution of the standard employment relationship since the 1970s has been paralleled by a destabilization of family relations. The paper, which is a slightly revised version of a plenary lecture at the 2008 Meeting of the German Sociological Association, discusses possible connections between the rise of more flexible labor market and family structures, and explores how they might tie in with the declining birth rate. The co-evolution of labor markets and family relations can be explained by both the attractions and the constraints of free markets. The current shift toward a new social policy aimed at increasing fertility is presented as an example of how expanding market relations and the uncertainty to which they give rise in personal life cause demands for state intervention. The logic seems remarkably similar to that of the current banking crisis, where the liberation of financial markets from traditional constraints and the progressive commodification of money have ultimately issued in irresistible pressures on the state to step in and restore the social commons of stable expectations and mutual confidence. In both cases, and perhaps generally, capitalism seems to imply a need for a public power capable of creating substitutes for social relations invaded by market relations and as a consequence losing their capacity to perform some of their previous functions.

Zusammenfassung

Parallel zum Niedergang des Normalarbeitsverhältnisses seit den Siebzigerjahren haben auch die familiären Beziehungen an institutioneller Verbindlichkeit verloren. Das Papier – die leicht überarbeitete Fassung eines Plenarvortrags beim 34. Deutschen Soziologentag im Oktober 2008 – diskutiert mögliche Zusammenhänge zwischen der Flexibilisierung von Arbeitsmärkten und Familienstrukturen und setzt diese in Beziehung zu der gleichzeitig gesunkenen Geburtenrate. Als Ursache der Koevolution von Arbeitsmärkten und Familienbeziehungen kommen sowohl die Attraktivität freier Märkte als auch die von ihnen ausgehenden wirtschaftlichen Zwänge in Frage. Der gegenwärtige Übergang zu einer neuen, auf Hebung der Geburtenrate zielenden Sozialpolitik ist ein Beispiel, wie die Expansion von Marktbeziehungen und die von ihr ausgehende Unsicherheit auch der persönlichen Lebensverhältnisse Forderungen nach staatlicher Intervention nach sich zieht. Die Logik ist dieselbe wie in der Bankenkrise, wo die Befreiung der Kapitalmärkte von traditionellen Beschränkungen und die zunehmende Kommodifizierung des Geldes den Staat gezwungen haben, mit öffentlichen Mitteln stabile Erwartungen und gegenseitiges Vertrauen wiederherzustellen. In beiden Fällen, und wahrscheinlich generell, erzeugt Kapitalismus ein Bedürfnis nach staatlicher Ersatzbeschaffung für soziale Beziehungen, die als Folge ihrer Vermarktung ihre ursprünglichen Funktionen nicht mehr zu erfüllen vermögen.

Flexible markets, stable societies?

How much economic uncertainty is compatible with social stability? How much social stability is required for economic uncertainty to be sustainable? These are no minor questions: they refer to the extent to which free markets must be contained, or embedded, to function and be acceptable to human beings. Both markets and, in particular, human beings require stable social relations. Free, or “self-regulating,” markets, however, imply fluctuating relative prices. Relative prices, however, determine the life chances and the sustainability of the ways of life of those who produce or otherwise depend on traded commodities. This applies in particular in markets for labor. Where relative prices of labor are allowed to fluctuate freely, wage structures are continuously upset, wages may shift rapidly or disappear, skills may become unmarketable without notice, and individuals will be under constant pressure to adjust their lives and their concepts of worth and value to unpredictably changing external conditions – even though what they need most are societies that sustain stable identities and identifications, support reliable commitments and trust, and make possible long-term investments in lasting social bonds. This is why Polanyi saw labor as an essentially imperfect, “fictitious” commodity, and markets as grinding “satanic mills” destructive of the very sort of social relations without which, he believed, human beings were unable to live and markets unable to function (Polanyi 1957 [1944]).

The organized capitalism of the 1950s and 1960s was an international response to the social devastations that were widely perceived at the time to have been caused by the unfettered operation of self-regulating markets in the 1920s and 1930s. The political economy of Fordism or Keynesianism, terms that were used almost interchangeably, was deliberately designed to reconcile capitalism with social stability. It allowed for a newly settled way of life for the generations that had been through the Great Depression and the Second World War. At its center was a regime of social rights, generated by democratic politics, that was to take precedence over the mechanisms of the market: rights to a minimum level of income, freedom from poverty, a modicum of social and economic equality, equal access to education, and social security in periods of unemployment, illness, and in old age. Re-establishment of a capitalist political economy was made conditional on capitalism allowing itself to be tailored to the needs of social communities, as perceived at the time. Governments remodeled their states into machineries specializing in the provision of steady employment and stable wages, capable supposedly of moving jobs to workers rather than vice versa, evening out the business cycle, securing industrial peace, safeguarding worker rights at the workplace, building up and running giant national infrastructures to facilitate economic progress, and starting *grands projets* of all sorts to stimulate technological innovation. Moreover, collective agreements negotiated by strong unions, with complementary social security systems,

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supported an established family structure with a gendered division of labor that was sustained by a family wage for a single income earner, partly allowing and partly constraining women to remain in the household and defend family life against the commodifying and rationalizing pressures of the market.

Table 1 Employment and social security

| | Rate of economic activity | | Covered by social insurance | Unemployed |
|------|---------------------------|-------|--|------------|
| | All | Women | In percent of economically active population | |
| 1970 | 65.8 | 45.9 | ? | 0.4 |
| 1975 | 64.3 | 46.4 | 74.5 | 2.3 |
| 1980 | 65.2 | 48.3 | 75.1 | 1.7 |
| 1985 | 61.1 | 47.0 | 68.9 | 6.7 |
| 1990 | 66.3 | 53.8 | 70.9 | 4.5 |
| 1995 | 64.6 | 55.1 | 71.4 | 7.9 |
| 2000 | 65.4 | 57.7 | 66.2 | 7.4 |
| 2005 | 65.4 | 59.5 | 60.6 | 10.6 |
| 2006 | 67.1 | 61.4 | 61.1 | 9.8 |
| 2007 | 68.9 | 63.1 | 61.5 | 8.3 |

1990 and earlier: West Germany only.

As is well known, by the 1970s, the Fordist promises of economic and social security and stability could no longer be kept, or in any case began to be gradually withdrawn. Increasingly, employers and governments urged workers and unions no longer to insist, in an ever more competitive world, on what now was denounced as the “rigidities” of a defunct old regime, and concede more “flexibility” – in employment and deployment, skill structures, wages and wage structures, working time, and just about every other aspect of the employment relationship. Rather than continue to demand security, workers were asked to take more risks and accept more responsibility, sharing in the risks and responsibilities of employers struggling hard to defend their “competitiveness” in increasingly global markets. Step by step, the standard employment relationship, as it had come to be called, of the Fordist era was being dismantled. The process has taken time, extending over more than two decades, and is still under way. Moreover, it progressed and progresses along different trajectories in different countries, although in its core it is the same everywhere in that it makes workers respond faster to market changes; bear a growing share of the costs of structural adjustment; accept more regional, occupational and in particular downward mobility, as imposed by more stringent standards of what is called *Zumutbarkeit* in German (that which can be expected of or imposed on someone); submit to “lifelong learning” and feel responsible for their own “employability”; give up security for “flexicurity,” which means accepting spells of unemployment hoped to be short due to effective support by the government employment agency; agree to increasing shares of pay being commuted into bonuses dependent on individual and collective performance; understand that there can be no family wage any more as employers can no longer pay for two when employing just one; and generally lead a flexible life attuned to the twists and turns of ever more rapidly changing international markets, as opposed to a stable life sheltered from the vagaries and volatilities of fluctuating relative prices.

In Germany, the departure from the standard employment relationship and the Fordist institutional and social structure started late and advanced only slowly. Overall rates of participation in paid employment continued to decline until the mid-1980s, due to a social security system which allowed for high rates of early retirement, and female participation rates remained low, partially as a result of high wages earned by male breadwinners (Table 1). It was not until the end of the century that participation rates picked up, among women by eight percentage points between 1995 and 2007, and among the population as a whole by more than four percentage points. Especially since the Schröder and post-Schröder reforms, a growing number of people have been entering the labor market, undoubtedly pushed in large part by cuts in unemployment benefits and more restrictive definitions of which types of jobs were considered acceptable (*Zumutbarkeit*). Other contributing factors probably include a decade of declining real wages leading to more women taking up employment to supplement the household income. The effect was an increase in so-called atypical employment, which includes both part-time employment (*Teilzeit*) and low-wage employment below the social security threshold (*geringfügige Beschäftigung*; Table 2). During the ten years from 1997 to 2007, the share of atypical employment, mostly of women, in total employment grew by no less than eight percentage points, from 17.5 to 25.5 percent. As female employment increased, average working time for women decreased faster than for men (Table 3), again in particular after 1995, and average hours per employee declined sharply, confirming that female employment continues to be in large part atypical or casual employment. There are also strong indications that the stability of employment declined significantly during the 1990s, especially among workers with low skills, although exact data are hard to come by (Erlinghagen 2006). This trend has probably been reinforced by the increase in atypical employment in the middle of the present decade. Moreover, the percentage of labor market participants covered by social security declined by ten percentage points in the twelve years from 1995 to 2007 (Table 1).

Table 2 Atypical employment, in percent of total employment

| | Part-time ^a | Marginal ^a | Temporary ^a | Total |
|------|------------------------|-----------------------|------------------------|-------|
| 1997 | 11.7 | 4.5 | 6.3 | 17.5 |
| 1999 | 13.0 | 5.9 | 7.4 | 19.7 |
| 2001 | 13.9 | 6.1 | 7.0 | 20.1 |
| 2003 | 15.3 | 6.7 | 6.8 | 21.2 |
| 2005 | 16.2 | 8.4 | 8.3 | 23.4 |
| 2007 | 16.4 | 9.2 | 8.8 | 25.5 |

a Multiple counts possible.

Source: Statistisches Bundesamt, September 2008: Atypische Beschäftigung auf dem deutschen Arbeitsmarkt. Wiesbaden.

The slow but accelerating decomposition of the Fordist standard employment relationship and the growing flexibility of labor markets obviously entailed greater risks and higher uncertainty for labor market participants, in particular blue-collar workers. The question with which I started was how long a process like this can continue, and what sort of stabilizing intervention might be required to make more flexible markets for

labor both economically viable and socially acceptable. Before I move on to this, however, I note that the decline in employment stability during the past three decades has been accompanied by an apparently even more dramatic decline of traditional family structures. In fact, the historical transition to what may well be referred to as more flexible families alongside more flexible employment seems to have started earlier than the transformation of the employment system, at least in Germany, where the postwar labor market regime lasted longer than elsewhere. For example, in parallel with growing labor market flexibility the number of marriages per year has declined almost continuously since 1970 while divorce rates have doubled, both relative to the population and to existing marriages. Also, the relationship between new marriages and separations per year fell from almost six new marriages per divorce to less than two over 35 years (Table 4). At the same time, the number of couples living together without being married (non-marital unions) increased by no less than a factor of seven between 1978 and 2005, and the number of non-married couples with children rose twice as fast, by a factor of 15, in the same period. Even more remarkably, in 2005 almost 30 percent of newborn children were born to unmarried parents, while at the beginning of the 1970s this figure had been less than six percent.

Table 3 Total hours worked and average working hours, 1970–2005

| | Total hours worked (in billions) | Average yearly working hours per worker | Average weekly working hours | |
|------|-------------------------------------|---|------------------------------|-------|
| | | | Men | Women |
| 1970 | 52.3 | 1,955 | 45.2 | 39.2 |
| 1975 | 47.4 | 1,794 | 42.2 | 35.9 |
| 1980 | 48.0 | 1,750 | 42.4 | 35.2 |
| 1985 | 46.1 | 1,695 | 41.4 | 34.4 |
| 1990 | 48.0 | 1,611 | 40.7 | 31.9 |
| 1995 | 57.7 | 1,534 | 40.8 | 33.1 |
| 2000 | 57.7 | 1,473 | 40.6 | 29.8 |
| 2005 | 55.8 | 1,437 | 38.1 | 26.9 |

1990 and earlier: West Germany only

The dissolution of the Fordist social order, in other words, extended not just to the institutions of the labor market but also to the social structure that such institutions had supposedly been set up to support. Whatever else the data on marriage, divorce, non-marital unions and single and non-married parenthood may say, they indicate an emergent pattern of exchange in personal and family life that is much looser and, indeed, much more “flexible” than the traditional pattern of the 1950s and 1960s – a movement, as it were, from a petty-bourgeois to a petty-bohémien way of life among broad segments of the population. Mutual commitments appear to have become weaker, or in any case less binding and obligatory, with an increased possibility and in fact probability of exit making them inherently less reliable. In other words, with the arrival of the post-Fordist family, the same de-institutionalization that is associated with flexible labor markets seems to have taken place in people’s personal lives, forcing individuals to live with much less economic and, very likely, emotional security than in the more settled past. As an indicator of how much the horizon of predictability in private life has

shrunk, one may look at birthrates, given that children represent the longest possible commitment human beings can make, and the most difficult to renounce. While in 1965, there were still 17.4 newborn children per 1,000 inhabitants, in 2005 that number had steeply declined to 8.3, that is to less than half (Table 6).

Table 4 Marriages and divorces, 1970–2005

| | New marriages per 10,000 inhabitants | Divorces | | Ratio of new marriages per divorce |
|------|---|---------------------------|----------------------------------|--|
| | | Per 10,000 inhabitants | Per 10,000 existing marriages | |
| 1970 | 72.9 | 12.6 | 50.9 | 5.8 |
| 1975 | 62.7 | 17.3 | 67.4 | 3.6 |
| 1980 | 58.8 | 15.6 | 61.3 | 3.8 |
| 1985 | 59.8 | 21.0 | 86.1 | 2.9 |
| 1990 | 65.8 | 19.4 | 81.0 | 3.4 |
| 1995 | 52.6 | 20.7 | 86.8 | 2.5 |
| 2000 | 50.9 | 23.7 | 101.3 | 2.2 |
| 2005 | 47.1 | 24.5 | 108.8 | 1.9 |

1990 and earlier: West Germany only.

Source: Statistisches Bundesamt, own calculations.

How is the coincidence of the spread of uncertain exchanges in labor markets and in civil life to be accounted for? *Two narratives*, contradictory at first glance, can be and are being told on the subject, one based on the *attractions* of markets, the other on their *pressures and constraints*. The first, liberationist, narrative considers and accepts increased uncertainty as a price of progress toward greater personal freedom. The exit of women from traditional family life into paid employment is regarded as an overdue rejection of a repressive pre-modern institution and way of life. Sure enough, women's entry into the labor market, and with it into personal independence ("emancipation"), had to be achieved against the resistance of the Fordist labor market regime, which was at base a male construct dependent on female domesticity and subservience. Actually, rigid labor markets and rigid family structures were birds of a feather, just as free markets for labor are an essential condition of personal liberty. Especially in countries like Germany, where traditional labor market institutions were more resilient than elsewhere, it took time for the growing female labor supply to wear down the institutional barriers against employment expansion inherent in the family wage system and a social security regime based on the model of a single male breadwinner. Even in Germany, however, rigid institutions protecting the historical prerogative of males to sell their labor power for money, and with it the established family system and its gendered division of labor, finally had to give. Today growing labor market flexibility enables women to have ever better access to waged employment, increasingly on the same conditions as men. Obviously, flexible labor markets that are open to all cannot offer the same sort of security and stability as the labor markets of Fordism, nor will they pay one worker to feed two people. But this is a price worth paying, and in any case it is up to individuals' inventiveness to protect themselves from the new uncertainties, supported hopefully by a reformed social policy designed to fit the needs of a non-gendered workforce and society.

Compare this to the market pressure narrative, which goes roughly as follows. Beginning in the 1970s, stagnant real wages and rising unemployment compelled households to supply more labor to the market to defend their accustomed standard of living. Eroding social protections against commodification of labor and declining efficacy of social rights, caused by intensified competition in product markets and mounting political counter-offensives by employers, exposed workers and their families to rising market uncertainties. As a result, they found themselves forced to supplement single-earner incomes by women taking up employment, part-time where it was available, as a second-best response to the economic problems caused by accelerating industrial restructuring. As an alternative to the emerging one-and-a-half jobs family functioning as an improvised private addition to the public social security system, formation of stable family relations was postponed or abandoned altogether as a lack of economic security impeded entry into a settled life. One result was and continues to be a growing number of single mothers living near the poverty line. Indeed, having children, especially more than one or two, became the single most important cause of poverty, of individuals as well as families. Small wonder, then, that the birthrate continued to decline, long after effective methods of birth control had first become available on a broad scale in the late 1960s. By the end of the century, rising costs of social assistance forced reforms of the welfare state and the labor market regime to push the unemployed, including single mothers, back into employment. Improving market access for “outsiders,” in turn, required that institutional protections of “insiders” were disabled at least in part, intensifying the spreading sense of uncertainty about the future. As opportunities for all sorts of “atypical,” flexible employment proliferated, so did the pressures on the standard employment relationship at the center of the employment regime. Unlike in the liberationist story, that is to say, where market participation clears the way to a desirable social life, in the economic pressure scenario markets are imposed rather than sought, with market uncertainties undermining the formation of stable social commitments or thwarting them in the first place, as the system of social rights invented in the postwar period to protect society from commodification gives way under the impact of marketization.

Table 5 Family relations of children, parents and couples

| | Single parents, in 1,000s (a) | Unmarried couples with children, in 1,000s (b) | Sum of (a) and (b) in percent of all families with children | Non-marital births in percent of all births | Unmarried couples in percent of all couples |
|------|-------------------------------------|---|--|---|---|
| 1970 | ? | ? | ? | 5.5 | ? |
| 1975 | ? | ? | ? | 6.1 | ? |
| 1980 | 1,465 ^a | 51 ^a | 13.9 ^a | 7.6 | 2.3 ^a |
| 1985 | 1,690 | 70 | 16.9 | 9.4 | 4.7 |
| 1990 | 1,715 | 107 | 17.1 | 10.5 | 6.3 |
| 1995 | 2,266 ^b | 475 ^b | 21.0 ^b | 16.1 | 9.2 ^b |
| 2000 | 2,347 | 621 | 23.1 | 23.4 | 10.7 |
| 2005 | 2,572 | 770 | 26.6 | 29.2 | 12.8 |

a 1978;

b 1996; 1990 and earlier: West Germany only.

Source: Statistisches Bundesamt, own calculations.

Of course, there are several ways in which the two stories may be compatible. For example, while the liberationist narrative probably applies at the top end of the social spectrum, the market pressure account is likely to reflect conditions at the bottom. Obviously, to what extent people are able to live with or even enjoy the uncertainty of market exchanges differs by social class. What may be a welcome adventure for one – the exodus from the rigid Fordist family into flexible markets – may be an unpleasant economic necessity for the other. The better one is placed in the pyramid of stratification, the more skills and the more access to family and other connections one is likely to have on which to draw in making market opportunities out of market constraints. Indeed, in the experience of the middle class, human capital is a perfect substitute for social rights – which, incidentally, may be why reformers of the welfare state can expect to persuade the public that education can serve as a panacea to any discomfort brought by liberalization.

Another way in which the two narratives may be reconciled is if one takes the liberationist account to be an ideological representation of the structural constraints described by the market pressure account. While ideologies do reflect reality, they do so selectively in ways that make it appear ideal or inevitable, and in this sense provide it with a positive meaning. Ideologies, like the glorifying representation of the flexible life and of the freedom and opportunity that come with it, may become hegemonic if the image they project of the real world or its future prospects appears plausible and attractive to those who dominate public discourse. By becoming hegemonic, an ideological worldview

Table 6 Births per 1,000 inhabitants, total fertility rate, 1970–2005

| | Births per 1,000 inhabitants | Total fertility rate |
|------|---------------------------------|----------------------|
| 1970 | 13.4 | 2.02 |
| 1975 | 10.0 | 1.45 |
| 1980 | 11.0 | 1.44 |
| 1985 | 10.5 | 1.28 |
| 1990 | 11.4 | 1.45 |
| 1995 | 9.4 | 1.25 |
| 2000 | 9.3 | 1.38 |
| 2005 | 8.3 | 1.34 |

1990 and earlier: West Germany only.

Source: Statistisches Bundesamt.

turns into a socially obligatory way of perceiving the world and speaking about as well as acting within it. In this way, what may start out as market pressure on households struggling to defend their living standards may gradually translate into a social duty to seek paid employment and accept the outcomes of market transactions as by and large fair reflections of individual effort and ability, in compliance with a general cultural expectation that people should greet the inevitable with enthusiasm and respond to necessity in good spirit. Roughly along these lines, the requirement of an expanded supply of labor by households to the market, for both capitalist growth and the continued viability of the welfare state, seems to have met with an emergent willingness of people

not just to live with rising market uncertainty but also to make do with considerably less stability and more uncertainty in their civil life as well.

How exactly market expansion and the increasing de-institutionalization of family life are connected is far from well understood, in part certainly because of a thicket of taboos and rules of political correctness that impede unbiased inquiry. Firmly held personal beliefs clash under conditions of high moral uncertainty, in culture wars that have far-reaching implications for powerful economic interests and motives. As in particular the American example reminds us, it is not just the market, but also the welfare state that must be considered in this context, adding to the subject's economic, political and moral complexities. For example, where formal institutionalization of family relations carries with it obligations to mutual assistance that replace entitlements to social security benefits, modern welfare states may entail economic incentives not to enter into formalized family bonds. This holds especially if increasingly flexible labor markets offer individuals little certainty that they will always be able to support an unemployed spouse or a family with children. If two individuals combined can draw more social assistance than one married couple, social policies create sound economic reasons not to enter into institutionalized family relations. One remembers that the first cohabiting couples in Germany after the war were pensioners, where the woman was unwilling to give up her war widow's pension. Another case in point is the explosive growth of the number of *Bedarfgemeinschaften* (households) after the enactment of *Hartz IV* (a major reform of unemployment benefits and social assistance in 2005), when young people moved out of their parents' homes in order to be entitled to draw social assistance as individuals, while couples living together moved into different apartments, or pretended to have done so. Much more research seems needed on how employment patterns, welfare state policies and family relations interact, and I will not and cannot go into details here.

In any case, for present purposes it is enough to note that market expansion, in particular the liberalization of labor markets and the re-commodification of labor, were accompanied and facilitated by a broad and astonishingly successful effort at popular re-education, a cultural revolution teaching people to regard flexibility and uncertainty as individual challenges – as opportunities not just for economic prosperity but also for personal growth – rather than as violations of collectively achieved social rights.¹ In the process it appears that living with market uncertainties is much more tolerable for human beings, or can be imposed on them with much less coercion, than might have been expected only a few decades earlier. Obviously the range of humanly feasible ways of life, or lifestyles, is a good deal broader than was believed in the middle of the twentieth century, and the limits to marketization can be pushed back much further than conservative radicals like Polanyi would have thought. Clearly Polanyi would have been surprised about the extent to which people in advanced capitalist societies proved

1 Of course the battle is far from over, as documented in Germany by the pockets of resistance organized by the new left-wing party, *Die Linke*.

willing – or accepted being economically and culturally compelled – to adapt to both an economic process and a social structure as devoid of stability and as much exposed to contingent fluctuation as today's labor markets. In hindsight, it seems extraordinary how functional needs and cultural values developed in parallel, giving rise to an increasingly normatively obligatory pattern of social life in line with the requirements of an expanding market economy in general and of increased female labor market participation in particular: a pattern that includes cultural and structural individualization, hard work and conspicuous consumption as signatures of social belonging and individual achievement, high regional and occupational mobility, penetration of work deep into the private sphere, stringent rationalization of family life to fit the needs of flexible work arrangements, a willingness to live with and excel in the management of persistent time pressures (Schor 1992), more short-term modes of social integration and personal and professional identity formation (Sennett 1998), and generally growing uncertainty and unpredictability of personal circumstances, both at work and at home.

Clearly, the newly evolving relationship between markets and social structures is not without contradictions. The culture of marketization has its own discontents, like any other culture. A minor example is the current conflict between an employment policy of "activation," which includes a requirement for workers to travel long distances between their places of residence and of work, and the abolishment of tax benefits for commuters.² Another, more important case in point is the tension between female labor market participation and the political expectation, inevitable for fiscal reasons, that families will bear the main share of the growing burden of care for the aged. While this has yet to come to the fore as a policy issue, what is already very much visible is the decline in the rate of fertility. For a number of years now there has been a growing consensus, even among "conservative" parties like the CDU, that flexible family structures and employment patterns force the state to take responsibility for child rearing if children are what government perceives to be in the public interest. This is because both at the bottom and at the top of society, families and individuals are becoming too busy pursuing the attractions or coping with the uncertainties of markets to take upon themselves the additional burden of bringing up enough children to secure the reproduction of the society. Here as elsewhere, the ironic twist is that market expansion, in response to both the rewards and the pressures of markets, creates costs that fall on public policy to cover. At least this applies in a country like Germany, where even middle-class families today expect the state to provide for replacement of foregone income and for free childcare, so as to make possible, as a public responsibility, the equal participation of men and women in the labor market.

In fact, an important development in response to the advancing commodification of labor is the appearance on the horizon of an entirely new kind of social policy, one that

2 Where both partners of a couple, married or not, are in paid employment, as is socially expected, and have to travel to work in different directions, changing the place of residence is not an option.

seems surprisingly acceptable across the political spectrum although it penetrates deeply into the social fabric. With growing economic uncertainty, due to the demise of the family wage and the arrival of flexible employment relations as well as family structures, and in the face of rising economic opportunity costs of having children, there seems to be broad agreement that government intervention is required to compensate for the decline in economic and social stability and its negative effect on fertility that come with market expansion. State provision of free childcare, higher child allowances, a new family allowance for parents of newborn children, increased child supplements to social assistance and other benefits are currently about to transform child raising from a private to a public responsibility, well into the middle classes.³ The underlying consensus seems to be that if the state wants children although families can or will no longer produce them, the production of children is for the state to provide for. Remarkably, what is called family policy is the only area of public policy whose budget has grown in recent years and is scheduled to grow further. Moreover, it seems to be largely exempt from distributive conflict in that costly income replacement programs for middle-class parents holding two jobs, with considerable upward redistribution effects, are apparently beyond political contention – not just in the centrist, Continental welfare state of Germany but also in a deeply social-democratic country like Sweden.

In conclusion, it would appear that in both accounts of the co-evolution of flexible labor markets and of de-institutionalized patterns of family life – the market opportunities as well as the market pressures account – marketization causes gaps in social structures and gives rise to collective dysfunctions that must be repaired at public expense. Here as elsewhere, while private profit requires subsidization by a public infrastructure, the private problems caused by its pursuit need to be fixed by social policy. The logic seems remarkably similar to that of the current banking crisis, where the liberation of financial markets from traditional constraints and the progressive commodification of money have ultimately issued in irresistible pressures on the state to step in and restore with its specific means the social commons of stable expectations and mutual confidence. In both cases, and perhaps generally, capitalism seems to imply a need for a public power capable of creating substitutes for social relations invaded by market relations and as a consequence becoming unable to perform some of their previous functions. There is of course no guarantee that such work of social reconstruction can always be done. Even where something is considered “functionally necessary” by social theorists or social agents, this does not mean that the political will and the economic resources can in fact be mobilized to procure it. In the case of family policy filling the gap caused by the destruction of traditional family relations due to the attractions and pressures of markets, the problem is for an already overburdened and indeed highly indebted welfare state to divert the necessary funds from other commitments. Whether this will in fact be possible is an entirely open question that I cannot address here.

3 In countries like Iceland and Sweden, this is already by and large reality. In the United States, the hectic life of middle-class single parents and two-earner families is made possible by low-wage service workers, mostly immigrants, and a general commercialization of family life, as a functional alternative to public support in Europe (Hochschild 2003).

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