

Chapter 2

Efficiency and Democracy: Reconstructing the Foundations of a Troubled Relationship

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1. Introduction

Advanced modern societies are widely seen to be confronted with fundamental difficulties when it comes to reconciling the two goals of *efficiency* and *democratic self-determination*. As Blühdorn indicates in the previous chapter and has discussed in much more detail elsewhere (Blühdorn 2007a), democratic approaches and principles are in many contexts not particularly efficient, and efficient approaches are oftentimes not particularly democratic. Hence, the two goals of democracy and efficiency may appear to be incompatible with each other, and there seems to be a trade-off between them. Yet, as Blühdorn also points out, both efficiency and democracy have been conceptualised in the literature in many different ways, and hence the claim that the two goals are mutually exclusive is generalising and simplistic. A more nuanced understanding of the democracy-efficiency relationship can, arguably, be achieved if the term efficiency is not understood, following a functionalist logic, as *system* efficiency, but related to core ideas in economic theory on how to create socio-economic welfare. In the present chapter, I will connect the notion of efficiency to the imperatives of socio-economic welfare production, not least because this is in line with the main political debate about the alleged tension between economic imperatives and democratic self-determination.

My main argument is that if we understand democracy in ways which are based on similar conceptual perspectives – and on the same ideological orientations – that we discover in welfare theory, the main trade-offs are not between democracy and efficiency, *per se*, but between and within the different perspectives on efficiency and democracy.

In order to systematize different perspectives on efficiency and democracy I start with the assumption that both, the *third transformation of democracy* (Dahl 1989, 1994; Blühdorn 2007b) and the *third industrial revolution* are characterized by what has been called a *second* or *reflexive modernization*. As discussed in the previous chapter, reflexive modernization refers to a

second and much more radical process of disembedding social subjects (individuals, collectives) and objects (goods and meanings) from natural or traditional contexts. It undermines even those elements of society which represented the foundations of first or traditional modernization: especially the autonomous and authentic self and the territorially bounded and sovereign nation state (Beck et al. 2003).

Within welfare theory we can detect two understandings of welfare which represent typically modernist concepts. They will be briefly scrutinized under the headings of *use-value* and *exchange-value*. Furthermore, there are two concepts of welfare which reflect the socio-economic transformations and challenges of reflexive modernity. They can be captured by the notions of *change-value* and *sign-value*. Similarly, two traditionally modern perspectives of democratic self-determination (*input* and *output*) can be separated from two perspectives which focus on the fundamental contingencies of political systems in reflexive modernity: first, the definition and demarcation of the *demos*; and second, the acceptance of politics as problem-solver and identity provider. Both aspects can be expressed in terms of an *in/out* distinction.

The analysis will proceed as follows: First, I will scrutinize the four concepts of welfare. Next, I will lay out four perspectives on democracy. For every perspective on welfare and democracy I will highlight the core assumptions which guide these perspectives and also scrutinize the main ideological disputes. In the final section I will provide evidence for my main argument by showing how each one of the perspectives on welfare is conceptually related – and thus fully compatible with – one particular perspective on democracy.

2. Conceptions of and prescriptions for socio-economic welfare

How do we understand and measure social welfare? And what is necessary for a productive allocation of scarce resources to create and enhance social welfare? Over time, economic thought has produced quite different answers to these basic questions. In the following I will briefly scrutinize four distinct approaches. Two modernist conceptions will be presented under the headings of *use-value* and *exchange-value* since these notions capture very nicely the underlying understandings of socio-economic value on which modern welfare theories are grounded. In contrast, the two conceptions which are closely connected to the current *third industrial revolution* are labelled *change-value* and *sign-value*. In addition to sketching the meaning of each of these, the main ideological cleavage will be indicated for every approach.

Use-value

The concept of use-value is used in Marxist theory to express the assumption that there exists an objective or intrinsic value of a good. This enables it to satisfy a human need or want. Marxists employ the concept of use-value to criticize the destruction of the social nature of society through the commodification of goods. Early non-Marxist welfare theory did not begin with assuming the objective value of products. Instead it focused upon the belief in objective human needs and argued that the satisfaction of these needs could be measured in absolute terms. From such a perspective there is an objective welfare function for a society. A logical consequence is that the overall welfare of a society can be enhanced by the redistribution of goods to those who need it most (Cooper and Rappoport 1984).

Another strand of early welfare theory focused more on the production or supply side of the economic process and generated a set of standard prescriptions for the intervention of a regulatory state. State regulation was necessary to correct market failures because negative and positive externalities would not lead the market to a socially optimal production level or structure (Musgrave 1999; Besley and Coate 1999:1). A necessary condition for market correcting activities geared towards enhancing the overall welfare of a society is state control over the socio-economic system. A strong central state with enough information and power to control not only the socio-economic system within its boundaries, but also the flows across boundaries was seen as a necessary precondition to effectively enhance social welfare (Scharpf 1999: 27, 35-6).

The central ideological cleavage within this objectivist and functionalist perspective on welfare is whether the state should only reduce (or internalise) externalities in order to make the most effective use of resources in the production process (the *ordo-liberal* position), or whether the state should also redistribute income in order to effectively satisfy an objective demand (the *socialist* position). In both cases, the adequate concept to evaluate the quality of a policy or a system is its *effectiveness* (goal-attainment).

Exchange-value

The notion of exchange-value points to the dominant perceptions of values in modern market societies in which a monetary price, reflecting the relationship between supply and demand, is used to express the value of a good. It is not objective needs but subjective preferences that determine the demand for a good. The supply is not reflecting the absolute costs of producing the good, but is based upon the *marginal* calculations of producers (marginal revenue =

marginal costs). In marginal analysis the value of goods is no longer based upon an absolute measure but on an input/output ratio. *Efficiency* rather than effectiveness becomes the corresponding criterion for evaluation.

The central precondition to stimulating efficient provision of goods and services is securing consumer choice through competition on the supply side. Accordingly, the central mechanisms to enhance social welfare are market mechanisms like competition and contracting, which secure an optimal coupling of supply and demand in respect to private and public goods and services. Public institutions should not only fight private cartels but the public sector itself should be differentiated into a polycentric and competitive system. Territorial differentiation (decentralization) allows for *voting with the feet*, while functional differentiation between service production and service provision (out-sourcing) allows collective consumption units like municipalities to choose among different service providers (e.g. Oakerson 1999).

The central ideological cleavage within the exchange-value or efficiency framework of welfare theory is whether competition and contracting really allows people to choose among a variety of goods and services (varying in respect to quality and price) according to their (different) preferences, or whether it primarily leads to reduced costs, and in consequence to reduced quality and reduced investments ('race to the bottom' thesis). The critics argue for policies which restrict the price-oriented competition and favour public investment in production factors (like knowledge of human resources) which increase exchange value. They prefer to enhance efficiency by focusing on higher quality rather than on reduced costs.

Change-value

At the end of the 1990s *innovation* was becoming one of the most central buzz-words in public discourses. This did not happen by accident but reflects the transformational stage of the economy in the contexts of the *third industrial revolution* with enlarged continental and global markets. Within such a transformational period *newness* and *change* has attained value in itself. They indicate the ability of a system (private companies or public entities like nation states or regions) to be at the forefront of the transformation process and to adapt to new challenges. Since many sectors of the new economy are characterized by the logic of *the winner takes it all*, being able to move first is key to securing the competitive advantage.

The new logic of value creation and welfare production can best be captured by the term *change-value*. In the information economy 'the main source of productivity is the capacity to generate and process *new* information' (Castells 1989: 351; emphasis added). As a result of these new challenges we

are witnessing a renewed interest in the Austrian School of economic thought, where *entrepreneurship* and the ability to create *new combinations*, together with *creative destruction* (Schumpeter) are becoming more important than equilibrium-oriented neo-classical economic models (Castells 1996).

Welfare enhancement under the conditions of change-value is characterized by new contingencies. New technologies and markets open up new frontiers for production and supply, on the one hand, and for consumption and demand, on the other. For better or worse, it is not the past or current performance of a company or country that determines the calculations and evaluations but the *prospects* and expectations for the future. Not only a strong orientation towards the future (entailing freedom from legacy) but also openness for new forms of organization are seen as prerequisites for innovative businesses and communities.

As a consequence, (un-)learning and risk-taking are important preconditions for enhancing change-value and welfare. Related policy strategies focus on these two preconditions but with quite different priorities. One main dispute is among those who advocate strengthening *social capital*, which allows cooperation and learning on the basis of strong ties and trust. This strategy is embedded in local milieus. In contrast, others argue for the nurturing of *creative capital*. Creative capital is a contrasting strategy because it is based on loose ties, tolerance and global networks (Castells 1996: 36; Florida 2002; Kujath 2005; Straubhaar and Geyer 2005).

Sign-value

The *third industrial revolution* is commonly conceptualised as a transformation from an industry-based to an information-based economy. Within the information-based economy communication and knowledge are taking centre stage in the processes of value creation. The information, communication and advertising industries are already playing major roles in the economies of western countries (Castells 1996). In a socio-economic environment which is characterized by the centrality of communication and an overflow of information, specific signs such as trade-marks or brands are serving as devices for orientation in the market place and beyond.

In critical theory the fusion of culture and capitalism has been primarily interpreted as commodification. It is perceived as the subordination of culture under the logic of capital accumulation. The capital system uses advertising and marketing to manipulate the consciousness of the individual and create a consumer society. In a consumer society, goods do not function anymore as satisfiers of needs and (authentic) wants, but primarily as communicators of

meanings. Individuals gain fundamental modes of gratification by consumption. Hence, marketers and advertisers generate systems of meanings, prestige, and identity by attributing certain lifestyles, symbolic values and pleasures to their goods. These meanings are not very strongly connected to the actual goods but much more to the brand or trade-mark of the producer. In semiotic terms this means that value is attached to the signifier (the sign) and not to the signified (the referent, the actual good). This *sign-value* is taking centre stage not only in determining the value of goods but also in influencing the (stock market) valuation of companies.

Lash and Urry (1994) have pointed to the fact that it is not only the cognitive meaning of a sign which is important, but even more its aesthetic dimension. More recently, the emotional aspect of identity creation and activation has received more attention. The body itself has taken centre stage in the attempts to receive attention, to attract others, and to serve as a sign. The notion of a consumer society is therefore not really capturing the central element of a society based on sign-values since it is no longer the process of consuming goods which is the paradigmatic activity. Instead, sign-values are closely connected to the notion of an experience society (*Erlebnisgesellschaft*). This is a society in which individuals are searching for opportunities to express themselves, and where the interactive processes of image creation and social recognition are taking centre stage (Schulze 1992; also compare Blühdorn's discussion of *liquid identity* in the previous chapter). In this context the individual is neither an autonomous Subject nor an externally determined Object, but rather someone who is more or less able to create a recognised image or identity by combining individual strength and current cultural trends.

This leads to two conclusions which go beyond the commodification thesis of traditional critical theory: Sign-values are truly social (cultural/communicative) constructions which cannot be controlled by one (type of) actor. Even large multinational companies cannot rely upon their tremendous marketing machinery to sell their branded products. They use trendscouts and differentiated strategies to adapt to specific cultural environments and new cultural trends. Furthermore, not only companies need to attach interesting meanings and attractive images to their goods but also individual, collective and corporate actors must invest much more in *face-work* (Goffman) and image creation. The image of city-regions and nations are important assets in the global competition for capital investment and for the creative class (Florida 2002). Not only companies have renamed themselves in order to sound attractive in many languages and to take front places in stock-market listings, but also regions have realized the importance of sign-values. In Germany this has led, for example, to the renaming of the region formerly known as *Mittlerer Neckar* into *Region Stuttgart*. It has also triggered a fierce race to get officially recognized as a *European metropolitan region*.

To sum up, new contingencies which arise from the decoupling of signs (signifiers) and material goods (signified) in late-modern times force all social actors – including political communities – to invest in *performative* actions and to present an image which is able to attract attention from others and to which positive meanings or feelings are attributed. Within this framework public policy can concentrate on the supply side or on the demand side of the economy. In the first case, it focuses on attracting capital investment and creative people mainly through external marketing. In the second case, it tries to activate internal consumption by stimulating a positive public mood or atmosphere through symbolic politics and media campaigns.

The different perspectives on welfare production are summarised in Figure 2.1. In the following section I will demonstrate that understandings of democracy can be differentiated in a manner similar to the distinction of these approaches to socio-economic values and welfare.

Figure 2.1: Perspectives on welfare production

	First Modernity		Reflexive Modernity	
Value	Use-Value	Exchange-Value	Change-Value	Sign-Value
Criterion for Evaluation	Effectiveness (Goal-Attainment)	Efficiency (Input-Output-Ratio)	Creativity (Innovation)	Attractiveness (Image-Attribution)
Preconditions	Comprehensive Control	Competitive Contracting	New Combinations	Cultural Constructions
Ideological Cleavages	Regulation <i>versus</i> Redistribution	Low Cost <i>versus</i> High Quality	Trust <i>versus</i> Tolerance	Attract Investors <i>versus</i> Activate Inhabitants

3. Concepts of and prescriptions for democracy

Probably the most widely cited definition of democracy is Abraham Lincoln’s *government of the people, by the people, and for the people* which he formulated in his Gettysburg address in 1863. It is therefore amazing that this threefold definition has not been used more profoundly as a basis for democratic theory. Those analysts who have used this definition as a starting point for reasoning about democracy have usually focused on only two of its elements, paying very little attention to the first and arguably most fundamental element. One typical example is Fritz Scharpf’s distinction between output-oriented legitimisation and input-oriented legitimisation which has been widely used in recent years. By developing this distinction he refers explicitly to Abraham Lincoln’s threefold characterization of democracy (Scharpf

1998: 85). Scharpf claims that within national democracies the first element – the *nation* as a pre-constitutional political community – can be regarded as given, so that democratic theory can concentrate on the other two elements (Scharpf 1998: 85). Whereas this might have been correct at that time when he first suggested this distinction (Scharpf 1970), thirty years later narrowing down the debate to two dimensions is certainly no longer adequate.

As indicated in the previous chapter, we are currently witnessing three major transformations which distinguish contemporary societies from those at the height of traditional or first modernity. This poses challenges for democratic self-determination and brings about a situation where neither *input* nor *output* are the central category. Instead, the more fundamental questions of *being in* and *being out* are, arguably, taking centre stage in the search for democratic legitimacy:

First, the end of the Westphalian system of sovereign nation states is characterized by the erosion of a clear-cut locus of political decision-making and governance. Polycentric political systems emerge through the decentralization and unbundling of the state (e.g. regionalization, reliance on independent agencies, quangos; Pollitt and Talbot 2004; Hooghe and Marks 2003; Maggetti in this volume). The monopoly of the state to produce and provide public goods is also evaporating. The boundary between the public and the private is being redrawn and perforated at the same time. At the beginning of the 21st Century we are witnessing a trend towards privatization and deregulation of what has been seen as public service during the 20th Century. This trend is reversing the expansion of the public sector which was characteristic at the turn of the 20th Century. Additionally, and alternatively, public-private-partnerships, calls for *co-production* and the rise of the so-called Third Sector are blurring the boundary between the public and the private sector. At the same time, the boundaries between the main political units of traditional modernity, i.e. the nation states, are getting perforated by international regimes and multi-level systems allowing for more transnational interaction. In sum, the nation state is losing its natural monopoly, and its hierarchical position and structure as a problem-solver and primary identity provider. Instead, in a *polycentric system* of governance various and overlapping (public, private and mixed) institutions of governance compete more or less intensively for recognition, loyalty, compliance and contributions of individual, collective and corporate actors.

Second, it is not only the single locus of decision-making that is evaporating, but the link between the people and government(s) is becoming looser. In the information society an electronic multi-media system has emerged as the most important transmitter between citizens and government(s). It is pushing more structured and organized channels of interest formation and transportation (parties, interest organizations and associations) to the sidelines and is transforming their structures and processes (e.g. Meyer 2002).

And third, the very basis and starting point of democratic self-determination, the people, is becoming contingent. Naturalness, stability and rather clear-cut and exclusive boundaries of the *demos*, which were taken for granted in the Westphalian container system of nation states, are eroding. Demographics and migration pose serious challenges for the integration, stabilisation and reproduction of social and political communities.

I will argue below that these changes have shifted the first element of Lincoln's definition of democracy, i.e. *government of the people*, into the centre of theoretical and practical controversies about democratic self-determination. Before I scrutinize the corresponding perspectives on democracy I will first briefly describe the core elements of the two traditionally modern perspectives on democracy.

Output (government for the people)

For a productive debate about the relationship between democracy and efficiency (understood as welfare enhancement) it is especially important to re-establish the conceptual distinction between an output-oriented concept of democratic self-determination and the concepts of value or welfare generation. In his search for sources of legitimacy for the European Union, Fritz Scharpf (1998, 1999) has mixed up these two aspects. In defining input- and output-oriented strategies for democratic legitimacy he is reinterpreting David Easton's systems theoretical approach about sources of support for political systems. Easton (1965, 1975) distinguished between social demands brought to the political system (input) and the ability of the political system to satisfy these demands (output). Furthermore, he distinguished between the specific support for a political system depending on short-term output and the diffuse support. Diffuse support refers to trust in the long-term capabilities of the system to produce satisfying output, and a fundamental belief in the legitimacy of the political system.

Scharpf, by contrast, does not only fuse output and legitimacy but he also narrows down the understanding of output to enhancing common welfare. '[T]he output perspective emphasizes government *for the people*. Political choices are legitimate if and because they effectively promote the common welfare of the constituency in question' (Scharpf 1999: 6). 'Government *for the people* derives legitimacy from its capacity to solve problems requiring collective solutions because they could not be solved through individual action, through market exchange or through voluntary cooperation in civil society' (Scharpf 1999: 11). Whereas in Easton's concept of output there is no specification of the social demands which should be satisfied by the output of the political system, Scharpf confines the necessary output of a political sys-

tem to enhancing collective welfare. This not only forecloses other social demands on the political system (e.g. equality) but also accepts only one (a social-democratic/collectivist) approach within the output-framework on democracy. Before discussing the different ideological approaches within the output-framework, the basic element of a general output-oriented understanding of democracy should be restated: it is the capability of a political system to make sure that the will of the people is really fulfilled.

Within such a framework we can distinguish a collectivist and an individualist ideology. They start with quite different understandings of the will of the people and, accordingly, they propose different preconditions for fulfilling the will of the people. Collectivist approaches argue that in order to implement the common will of the people the political system must be able to control the socio-economic system. Ideally, this presupposes a sovereign and centrally integrated government which is able to control socio-economic processes within and beyond its borders. In complex and differentiated societies, where resources are dispersed among private and public collective actors, corporatism and policy networks have been necessary extensions to the central state. They enable better control of the socio-economic processes (Scharpf 1999: 13-21).

When he first introduced his output-oriented perspectives on democratic legitimacy, Fritz Scharpf recognized that quite different concepts of output-oriented theories of democracy exist (Scharpf 1970: 21/22). Liberal theorists have argued for a system of checks and balances and for a compound republic exactly because they wanted to reduce the opportunities of the political system (the popular majority) to control society. This was to secure the autonomy or liberty of the individual or of minorities (e.g. Ostrom 1987). In addition constitutionalist approaches to democratic theory focus upon limiting politics in order to secure basic values and individual rights (the will of individual people) (Held 2006: 56-94).

The dualism between collectivist and individualist conceptualisations of democratic self-determination dominated the 19th and the beginning of the 20th Century and resulted in a sharp division between socialist and liberal countries after WWII. After the break-down of the communist block, the various compromises between the antagonistic ideologies which had been established in Western democracies came under threat. Social Democrats like Scharpf see the danger in the reduced steering capacity of national governments, and argue that a strengthening of governmental steering capacities (on various levels) is necessary to restore the legitimacy of democratic systems (Scharpf 1999).

Input (government by the people)

The ideas and concepts which dominated the public and theoretical discourse on democracy during the second half of the 20th Century within Western countries are all strongly input-oriented (Held 2006: 125-257). The input-oriented perspective on democracy is connected to Lincoln's notion of *government by the people* and focuses on the structures and processes that translate social demand into political decisions. 'Political choices are legitimate if and because they reflect the *will of the people* – that is, if they can be derived from the authentic preferences of community members' (Scharpf 1999: 6). The second transformation of democracy, according to Dahl, changed the dominant mode of transforming the will of the people into political decisions from direct forms to representative forms (Dahl 1989).

As with the output-perspective, the input-perspective does not include just one set of shared prescriptions for gaining democratic legitimacy. The dominant approach in thinking about inputs in representative parliamentary democracies can be called an *aggregative* concept (Dryzek 2000). Within such an approach, authentic, exogenously determined, and rather stable individual preferences or clear-cut group interests are the sources from which a social demand is formed. The basic concern of this approach is how these preferences and interests should be taken into account in the political process. They concentrate on formal procedures of interest aggregation and voting. An uncontested requirement is that there is competition between different parties, representatives and policy alternatives (Downs 1957; Dahl 1967).

A first alternative concept within the input-oriented perspective on democracy questioned the individualistic foundations of Anglo-Saxon concepts and revealed other modes of interest aggregation and decision-making. Since Arendt Lijphart's path-breaking study of the political system of the Netherlands (Lijphart 1975), the distinction between majoritarian government and consensus government has become the most influential typology for comparing modern democracies (Lijphart 1999). Whereas majoritarian government seems to adequately describe rather homogeneous societies and corresponds to liberal-universalistic philosophies, the features of consensus government emerged in societies where socio-cultural cleavages are more congruent and not cross-cutting. Furthermore, the principles of consensus government correspond to the philosophy of multi-culturalism.

In recent years, two further alternatives have come to question other assumptions of the formal aggregative model of representative democracy. First, proponents of *deliberative* or *discursive democracy* (Bohman and Rehg 1997; Dryzek 2000) do not assume that there are fixed preferences of individuals or groups. Instead, they postulate that perceptions (of their interests) of people and politicians are shaped by political processes and discourses. They concentrate on the communicative processes of interest formation and

transformation. Their main prescription is a communication system which is open for different voices, perspectives and arguments which in turn allow for individual reflection and learning. Second, advocates of *associative democracy* (Hirst 1994) and *participatory democracy* (Held 2006: 209-216) do not only question the starting points, but also the transmitters and targets of inputs into the process of democratic self-determination. They stress the role of voluntary associations. These are to act as both reflective transmitters of inputs into parliamentary decision-making, as well as a means for the democratic self-governance of a civil society. In this way the spread of democratic mechanisms goes beyond the modern state organizations.

In sum, while aggregative concepts see the legitimacy of the political system enhanced if the input (a pre-existing demand) is taken into account in the political process, the second group focuses more on constitutive processes like the transformation of inputs into a collectively acceptable demand or on the democratization of institutions (which have formerly only been seen as transmitters of interests towards political loci of decision-making) in order to make them legitimate targets of political decision-making and bearers of democratic self-determination in itself.¹

Whereas the latter concepts have questioned major cornerstones of modernist thinking about democratic self-determination (individualism and instrumental rationality), they have to be taken one step further in order to capture the fundamental challenges which current Western democracies face. It is not just the amount of political output or the nature of social input in processes of democratic self-determination (the policy dimension) that are challenging modern democracy. Rather the very bases of polities and politics are becoming contingent. This puts the very concepts of democratic self-determination and its institutions at the forefront of political controversies.

In/Out I (government of the people)

The first in/out-oriented perspective on democracy focuses on the increasingly salient issue of inclusion and exclusion. The central point of reference in Lincoln's definition of democracy, *the people* itself, or the *boundaries of the demos* take centre-stage in this perspective.

One of the most important aspects of the second transformation of democracy is the fact that the transformation from direct democracy towards representative democracy has been accompanied by a – fiercely contested –

¹ Proposals for a stronger role of direct or semi-direct democratic procedures (e.g. referenda and initiatives) are going beyond the representative parliamentary character of modern democracies but they stay firmly within the input-oriented perspective. These (semi-)direct procedures are either believed to guarantee a more 'correct' aggregation of the will of the people or they are supposed to trigger a broader deliberation about political issues.

expansion of the demos to include all adults who live within the territory of the nation state (Held 2006: 94). For a while, the struggles about the formal inclusion of people into the demos seemed to be settled and the controversies focused on how to reach a full and fair representation of the will of the included people in the decision-making process (the input-perspective). Currently, this is changing again because the *naturalness* of the people is being questioned again. The modern solutions to the boundary problem – the demos is conceptually equalised with the nation and political membership is provided to all adult humans on the territory of the nation state – no longer holds. Two challenges in particular should be given attention.

Migration is undermining the naturalness and the stability of individual membership in a political community (citizenship). In contrast to earlier migration flows, the processes of emigration and immigration are not characterised by a clear-cut transplantation from one place to another. Instead of individual assimilation into the existing community, the situation (especially in metropolitan areas) is characterised by growing trans-national communities with ties to their current host country/city and ties to the place they come from (Smith 2005). Especially the (non-)acceptance of dual citizenship is a fundamental issue within this perspective on democratic self-determination because it undermines the exclusivity and integrity of *a people* (Faist 2004). The empirical salience of this aspect has already become very obvious. In Germany, the mobilisation of Christian Democrats against a government proposal for dual citizenship led in 1999 to a power shift in the second chamber, the *Bundesrat*. This meant *de facto* the end of the red-green project because the room for manoeuvre available to the red-green coalition was drastically reduced (Hell 2005). In the Netherlands, quarrels about incorrect information provided in the naturalisation procedure of a famous immigrant politician, Aryan Hirsi Ali, resulted in 2006 in the collapse of the governing coalition. In the United States, the issue of immigrant rights also led in the spring of 2006 to the largest demonstrations the country had witnessed in 30 years.

Demographic changes and imbalances in the generational structure of the population have led to new challenges regarding the ‘reproduction’ the people in many developed countries. The demographic changes are leading to new political cleavages between generations since older people more and more dominate the aggregative processes of political decision-making. Younger people, in particular, see this as a threat which endangers the opportunities of the political system to produce future-oriented policies. This in turn might reduce the reproduction of the population even more. As a response, we are witnessing political initiatives to expand citizen rights to young people and children (represented by their parents). In sum, also with regard to age the modern boundaries of the demos are no longer sacrosanct.

Two ideological approaches provide different solutions to the challenges which are accompanying the renewed contingency of the boundaries of the

demos. A conservative approach would focus on rules and policies which secure the reproduction of the native people. Accordingly, controlling the inflow of foreigners in order to defend a coherent culture is an important means to provide a feeling of security and for social integration (Huntington 2004; Renshon 2004). Such a feeling of security in turn seems to be necessary to enhance the confidence of the people into the future which has a major influence on the birth rate. Progressives and liberals would not only balance the goal of reproduction of the people with individual rights (of migrants) but also accept and even advocate cultural transformation and differentiation. It is not cultural coherence, internal integration and security, but creative combinations (creolization) and connectivity (integration into the external world) that are seen as necessary means for a successful reproduction of the people (Turner 2000; Carens 2001; Benhabib 2004; Bauböck 2005).

In/Out II (government of the people)

The second in/output-oriented perspective on democracy puts a question mark on the most fundamental aspect of Lincoln's characterization of democracy as '*government of the people*'. Its assumptions – that there exists one single point of political decision-making and problem-solving as well as rather stable links between the people and the (single) government – are becoming contingent because of the transformations towards a polycentric system of governance and towards a mediatised society which have been scrutinized above.

The strong poly-centricity of the political system is taking competitive elements to a more fundamental level. It is no longer only the competition between politicians, parties and interest groups which secures the representation of particular interests at the (single) locus of decision-making. Instead various forms/organizations of governance are competing with each other for being an important locus of decision-making. And not only the various levels and functional segments of the political-administrative system have to fight for competences and recognition, but the political-administrative system as a whole is challenged (by other sub-systems such as the economic and cultural systems) in its role as problem-solver and identity provider. Many issues which during the 20th Century were accepted without question as public tasks are now up for debate again (especially network services like transportation and telecommunication but also issues as central as security). They are being handed over to private companies or technocratic regulatory agencies. This has been described as a process of depoliticisation (e.g. Boggs 2000; Burnham 2001; Buller and Flinders 2005; Blühdorn 2007b), but this kind of criticism can be traced back to the Frankfurt School (e.g. Marcuse 1964). If we take seriously the notion that 'politicisation is the realisation that established

social norms, practices and relations are contingent rather than sacrosanct' (Blühdorn 2007b: 313) – in contrast to the view that politicisation means that the political system is responsible for the solution of social problems/for the delivery of services – then we have to acknowledge that today we are witnessing an unprecedented extent of politicisation (Greven 1999). The In/Out-perspective on democracy highlights the paradoxical situation that political self-determination currently means that the people can choose whether or not they want politics/the public sector to be the method of collective decision-making and implementation. This 'choice' is, however, strongly influenced by a second transformation which makes the link between the people and the government(s) even more contingent. In order to fully grasp the meaning of this first in/out-perspective on democracy we have to turn to the role of the electronic media.

The electronic media radicalises and, at the same time, makes more obvious that intermediate organizations do not function as *neutral transmitters* of individual preferences into the political system, but shape political demands (preferences) and political supply (programs, public products) themselves. Whereas this has been the case with parties, interest organizations and formal rules of aggregation as well, the speed of information processing and the overflow of information which are characteristic for an electronic multimedia society make preferences and political agendas much more unstable. Traditional patterns for political orientation (especially the ideological continuum between left-right) are eroding. Instead, the electronic media system has its own selection criteria for filtering the flow of information between governments and people, and its own logic of orientation. Both elements (selection and orientation) are shaped primarily by an *economy of attention* which characterises the internal functioning of the electronic multimedia system (Meyer 2003; Nolte 2005). Since this economy of attention favours personalities in comparison to programs, form (staging) in contrast to content (solutions to social problems), the increasing influence of the electronic media system on the political system can also be seen as a process of depoliticisation or as the emergence of *pseudo-politics* (Falter 2002; Meyer 2002; Elchardus 2002). It can be described as a process that reveals new and more fundamental contingencies. In addition to the traditional political struggles for right responses to social demand (the aspect of substantive appropriateness) awareness of a – logically prior – decision regarding whether a demand is being recognised as relevant or not (the aspect of salience) is becoming more pertinent. Seen from this perspective, the rise of the media society makes us more aware that democratic politics is not only about the *right response* and the *correct reflection* of a social demand (output- and input-perspective). It is also, and more fundamentally, about the *recognition of relevance* – and not only of social demands but also of (public, private or mixed) *supply*.

In a society where public discourse is shaped by the logic of the mass media and where a plurality of modes and institutions of governance exists, each individual government has to strive to be present and prominent in public awareness ('in'). Furthermore, they need to avoid blame ('out') in order to be recognised and respected as an important focal point for decision-making, problem-solving and identity provision. Figure 2.2 summarises the different perspectives on democratic legitimacy.

Figure 2.2: Perspectives on democratic legitimacy

	First Modernity		Reflexive Modernity	
Legitimacy	Output	Input	In/Out I	In/Out II
Governmentfor the people	..by the people	..of the people	..of the people
Criterion for Evaluation	Fulfilment of the will of the people	Full/fair reflection of the will of the people	Future existence/consistence of the people	Recognition of relevance by the people
Preconditions	Political Control/Control of Politics	Competition/Deliberation	Connected Populations	Productivity/Prominence
Ideological Cleavages	Collective <i>versus</i> Individual Self-Determination	Aggregative <i>versus</i> Associative Procedures	Coherent <i>versus</i> Creative Cultures/Identities	Actual <i>versus</i> Cultural Performance

Realising the empirical relevance of such an in/out-perspective on democracy is just a first step. As in all other perspectives, different normative approaches exist regarding how to enhance democratic self-determination and legitimacy under these conditions. Rationalist approaches concentrate on the regulation of the media industry. They aim to make sure that the electronic media system functions as an open and fair provider of information about the actual problem-solving and preference-satisfying *performance* of various forms of governance. This enables people to compare and make informed choices. Cultural approaches, in contrast, are much more concerned with the public recognition of the relevance of politics and of the political system. They concentrate on the capabilities of politics to stage successful *symbolic performances* in order to compete with other social systems for the attention of the people and for being a relevant point of reference for the identity formation of the people. Furthermore, a major issue of cultural approaches is the coupling between symbolic performances and actual socio-economic problems or objective social demands (e.g. Meyer et al. 2000; Siller and Pitz. 2000).

4. Conclusion: Efficiency and democracy – corresponding transformations rather than trade-offs

The previous sections have made clear that there is not one single perspective on efficiency (understood as welfare provision) or on democracy. If there appears to be a trade-off between these two political goals, this is most commonly because understandings of democracy and efficiency are being related to each other which are not based on the same conceptual perspective and/or ideological approach. For example, we can follow the social-democratic assumption that in order to enhance efficiency (welfare) we need to have strongly integrated and capable government institutions. If we relate this perspective on efficiency not with a similar output-oriented concept of democracy (where democratic self-determination is translated into the capacity of the political system to control the socio-economic system) but, instead, with input-oriented concepts where the aggregation and/or constitution of particular interests through various modes of participation and discussion takes centre stage, it cannot come as a surprise that we discover trade-offs.

But if we systematically distinguish the different approaches to welfare production and those to democratic self-determination, we discover not only striking similarities between the corresponding modernist concepts, but also similar transformations towards reflexive modernity.

Both, the *use-value* concept of welfare and the *output-oriented* perspective on democracy are based on an objectivist-functionalist ontology. They assume that an objective welfare function or an objective political will of individuals and collectives exists. Control is a precondition for enhancing welfare either through redistribution or through the regulation of externalities. Different forms of control are also necessary for democratic self-determination since only political control of the socio-economic system makes sure that the political will of a collective entity can really be fulfilled and institutionalized control of the government secures individual autonomy.

The concept of *exchange-value* and the *input-oriented* perspective on democracy, in turn, add and focus on the input-side of welfare production and democratic legitimisation. The inputs are either production factors or political preferences. There are different normative assumptions about how much these inputs are stable or constructed within a social process. Those who assume stable inputs see competition as the central means for efficient allocation of scarce resources or as means for efficient aggregation of preferences. Those who assume flexible inputs argue for investments and/or institutions which enhance the quality of the inputs through education or deliberation.

Both, the concept of *change-value* and the *first in/out-oriented* perspective on democracy (in which the definition and the demarcation of the demos are taking centre-stage) are not concerned any more with the processes and

effects within a system but with the boundaries and the temporal stability of the system in general. An orientation towards the future and openness towards the external world are seen as necessary preconditions for business organizations as well as for economic and political communities. Nevertheless, there are strong disputes about the extent to which a break with the past and openness for external ideas, investment and individuals are necessary for stimulating innovation and for connecting and integrating people.

Finally, the concept of *sign-value* and the *second in/out*-perspective on democracy (which highlights the need of governments to get recognized in a poly-centric and mediatised society) are both starting from the assumption that there are no natural or unquestionable starting points and no stable and unidirectional links any more: neither between the signifiers (meanings) and the signified (objects), the authentic needs/wants and the articulated demands, the material production factors and the supply; nor between the principals (the people) and the agents (the government or the political system), the factual performance of actors or systems as problem-solvers and the perceived performance measured in their popularity. All these links are not only getting multi-directional, they are getting contingent. In a world of information-overload and fundamental insecurity, gaining attention and recognition as well as creating attractive images and atmospheres is not only important for stimulating economic growth and social welfare but also for maintaining democratic legitimacy. Whether actual or symbolic performances are more important for these purposes is a matter for further discussion.

We should be aware that neither socio-economic welfare nor democratic self-determination can be enhanced if we do not recognise the new frontiers and focal-points in both fields. The contingencies of a de-materialised economy and a de-bordered polity produce new contingencies and new challenges for politics to gain and maintain public support and legitimacy. Hence, contrary to much academic writing about the relationship between efficiency and democracy, the main problem is not a fundamental trade-off between democracy and efficiency. Instead, the problem is that the debate about the *third transformation of democracy* is *lagging much behind* our understanding of the *third industrial revolution*. As long as we evaluate the current forms of governance and the current political processes with criteria based on outdated understandings of democracy we are not only undermining the legitimacy of politics and the political system. It might well be that democracy in itself is devalued if we are not able to adjust our understandings and normative prescriptions in a similar way as economic theory has been able to do with welfare theory.

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