CHAPTER TWENTY-TWO

Theories and Practices of Neocorporatism

Wolfgang Streeck and Lane Kenworthy

The modern territorial state and the capitalist market economy superseded a political-economic order that consisted of a plethora of corporate communities endowed with traditional rights and obligations, such as churches, estates, cities, and guilds. Organized collectivities of all sorts, more or less closely related to the economic division of labor, regulated cooperation and competition among their members and negotiated their relations with each other. While themselves changing under the impact of modernization, they often resisted the rise of territorial bureaucratic rule and the spread of market relations, sometimes well into the twentieth century. But ultimately they proved unable to prevent the victory of the state form of political organization and of the self-regulating market as the dominant site of economic exchange. Modern liberalism, both political and economic, in turn aimed at abolishing all forms of intermediary organization that intervene between the individual and the state or the market. In the end, however, it failed to eliminate collectivism and had to accommodate itself to both political faction and economic cooperation.

Twenty-first-century political communities are all organized by territorial nation-states. But these had to learn to incorporate organized collectivities and elements of a collective-associative order in their different configurations of bureaucratic hierarchy and free markets. Variation among modern types of government, between the utopian extremes of anarcho-syndicalism and Rousseauian radical liberalism, rotates around the relationship between territorial and associative rule (Table 22.1). In the Ständestaat (state of estates) conceived in the constitutional debates of nineteenth-century Germany as a conservative alternative to liberal democracy, territorial rule is exercised by delegates of corporate groups, which are the principal constituents of the state. Later, in the twentieth century, dictatorial state rule often used state-instituted corporate bodies as transmission belts of a governing party; this is what Schmitter (1974) referred to as “state corporatism.” In European postwar democracies, by comparison, territorial rule, which now took place through parliamentary representation, shared the public space with social groups organized on a more voluntary basis and entitled to various forms of collective participation and self-government, provided they recognized the primacy of parliamentary democracy. This, in essence, is what the literature is called in “neocorporatism” or “liberal corporatism” (Schmitter, 1974; Lehmbruch, 1977). Finally, in more strictly liberal political systems, organized groups are tolerated by the constitutional order on condition that they limit themselves to lobbying the parliament and refrain from claiming rights, however circumscribed, to authoritative decision making. As a type of governance, this configuration of
Table 22.1. Type of Government as a Result of Interaction Between Territorial State and Associative Order

<table>
<thead>
<tr>
<th>Territorial State</th>
<th>Type of Government</th>
<th>Associative Order</th>
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<tr>
<td>Does not exist</td>
<td>Anarcho-Syndicalism</td>
<td>Prevents state formation</td>
</tr>
<tr>
<td>Constituted by associations</td>
<td>Guild Socialism</td>
<td></td>
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<tr>
<td>Controls associations</td>
<td>Ständestaat</td>
<td>Controls territorial rule</td>
</tr>
<tr>
<td>Sharing public space with</td>
<td>State Corporatism</td>
<td>Constituted by the state</td>
</tr>
<tr>
<td>associations</td>
<td>Liberal Corporatism</td>
<td>Group self-government under parliamentary democracy</td>
</tr>
<tr>
<td>Tolerates associations</td>
<td>Neocorporatism</td>
<td></td>
</tr>
<tr>
<td>Outlaws associations</td>
<td>Pluralism</td>
<td>Parliamentary lobby</td>
</tr>
<tr>
<td></td>
<td>Radical Liberalism</td>
<td>Does not exist</td>
</tr>
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territorial state and associative order is here referred to as "pluralism" (Schmitter, 1974). Our discussion is divided into five sections. The first describes the origins of neocorporatism and its conceptualization in political thought, and the second does the same for the early post-World War II period. The third section addresses the distinction between corporatism and pluralism and then discusses corporatist organizational structure, concertation, and private-interest government. Section 4 reviews theory and research on the impact of corporatism on economic performance. In the fifth section we address current tendencies that undermine democratic corporatism.

CORPORATISM AND THE POLITICAL CONSTITUTION OF MODERN SOCIETY

In the French Revolution, modern politics began as a revolt against a political order that recognized people, not as individuals, but only as members of established social groups. The revolution abolished the estates and postulated a direct, unmediated relationship between citizens and a state conceived as a republic of individuals. A law passed by the Assembly in 1791 — the Loi le Chapelier, named after its author — declared illegal any intermediary organization that represented subsections of the citizenry and thereby interfered with its direct relationship with the state.

In the spirit of thinkers such as Rousseau (1964) and Madison (1973), nineteenth-century liberalism remained suspicious of collective organization below the nation-state, holding on to an atomistic image of political life in which autonomous individuals were the only legitimate constituents of the political order. Subnational collectivism of all sorts, including religious organization, was suspected of diverting loyalty from the national state and was seen as a threat to both political unity and individual liberty. Similarly, in the emerging capitalist market economy, collective organization and cooperation were perceived as conspiracy against free competition. Not surprisingly, the political and economic strands of liberal anticolonivism easily blended into each other.

When faced with political or economic organization among its citizenry, the liberal state felt called upon to suppress factionalism or conspiracy in restraint of trade. However, state intervention in the name of political unity, individual freedom and economic liberty, to safeguard the proper individualism of the republic and of the marketplace, may have paradoxical implications. A political doctrine that relies on a strong state to make society fit its premises borders on totalitarianism. In societies in which collectivism and factionalism are deeply rooted, enforcement by a strong state of a liberal political and
economic constitution may require considerable repression. Not only may this infringe on the very liberty it is claimed to protect, but it may also become too demanding on the state and result in an overturn not just of the government, but of the republic as well.

The paradoxes of liberalism become particularly obvious where collective organization is related to social class. Working class collectivism in nineteenth-century Europe was partly a remnant of premodern feudal society. But it also offered protection against a liberal economy that subjected sellers of labor power to the same self-regulating markets as owners of capital. Trade unions and mass parties enabled the working class to take advantage of freedom of contract and of democracy and share in the benefits of the new order (Marshall, 1964). That they interfered with the free play of market forces and intervened between the individual and the state mattered less for them.

A state attacking working class organization in the name of either political individualism or free labor markets risked being perceived by a sizeable number of its citizens as an instrument of class rule. As the nineteenth century went on, then, the question became how to accommodate organized collectivities in a liberal polity and free-market economy. Apparently national societies were too large and too heterogeneous for the state to be their only focus of social integration and political loyalty – just as the market was too anonymous and unpredictable for individuals, especially those who had nothing to sell but their labor power, to have confidence in it without additional protection. The stubborn persistence of collectivism inside the nation-state and the market indicated that the Rousseauian program of atomistic republicanism was in need of amendment.

If factions were unavoidable, and rooting them out was either impossible or possible only at the price of liberty or domestic peace, what status to assign to them in a modern political order? In Germany and the countries where German intellectual influence was strong, Hegel’s Philosophy of Right (1983 [1820]), which described corporate associations – Korporationen – as the “second moral root” of the state alongside the family, was read by some as a call for a return from egalitarian parliamentarism to a corporatist state of estates. Thus Adam Mueller (1922 [1809]) developed for Metternich the concept of a Klassenstaat (class state) in which organized groups would jointly regulate production and coordinate their interests through negotiations, in ways radically different from French liberalism and Adam Smith’s market economy. Although this never became more than a constitutional blueprint, it later provided the background for a search for a synthesis between liberal and traditional elements of political order. Given that countries like Germany had not gone through a radical–liberal Jacobine revolution, the inclusion in the modern state of group-based forms of nonmajoritarian governance seemed less paradoxical there than in France, where this required the overthrow of a revolutionary tradition (Lehmbruch, 2001).

By the end of the nineteenth century, the liberal program was challenged by various sorts of collectivism in the name of a need for social reconstruction after what was widely regarded as a failure of the “liberal experiment” (Polanyi, 1944). To the European Right, a corporatist Ständestaat remained an alternative to liberal democracy well into the interwar period of the twentieth century. Corporatist thinking deplored the disorder and social conflict brought about by party competition and the market economy. Catholic social doctrine, in its attempt to limit the power of the national state with its liberal–secular tendencies in general, and its antagonism toward Roman Catholic “internationalism” in particular, favored political representation on the basis of professional groups, sometimes with and sometimes without independent trade unions. It also insisted on the “natural” right of subnational, or prenational, social groups to an autonomous conduct of their affairs, mainly in defense of Catholic charities and schools against being absorbed in compulsory national social security and educational systems. In countries with a significant Catholic community, this issued in a constitutional
principle of "subsidiarity," under which the state must refrain from activities that smaller social entities can perform by themselves and indeed is obliged to help them independently to govern their affairs.

More radical corporatists proposed to resolve the social and economic crises of modernity by compulsory organization of society along the lines of industrial sectors and producer groups, which were to serve as the modern equivalents of the guilds and estates of the past. Joint organization of workers and employers as "producers" in "vertical" sectoral corporations was to put an end to class conflict and replace it with cooperation in production. Represented by hierarchical organizational structures, the relations of cooperation, competition, and exchange that made up the industrial economy were to be returned to political control. Mussolini in Italy, Franco in Spain, and Salazar in Portugal conceived of the political organization of the corporatist state as reflecting the organic structure of society and its economic organization, thus providing for superior governability in the national interest compared to the conflict and disorder caused by the abstract formalism of parliamentary democracy and by the vagaries of free markets. Whereas traditional corporatists had called upon organized groups to limit the power of the modern state, the state corporatism of the twentieth century tried to use corporatist organization as an instrument of state rule.

Antiparliamentarism was not confined to the Right, and neither was the idea of a political and economic order based on corporate associations instead of individuals (Table 22.1). Syndicalism, anarcho-syndicalism, guild socialism and similar movements, which survived in different strength in a number of countries until World War II, strove for a polity of self-governing "producer groups" that had neither place nor need for capitalists, state bureaucrats, parliaments, and political parties. Workers councils — Räte in German and Soviets in Russian — freely elected and easily recalled by their constituents, the "associated producers," were to take the place of both the market and the state. Councils were to plan the economy democratically from below, overcome the "anarchy of the market" by con-
sensually adjusting production to the needs of society, end the extraction of surplus value, and as a result make organized repression by a bureaucratic state apparatus unnecessary. Left syndicalist corporatism shared with the corporatism of the Right its collectivism and its rejection of the liberal state and the market economy, while it differed from it in its anticapitalism, antinationalism, and antistatism, as well as in its progressive culture and politics (Korsch, 1969 [1922]).

Why did both Left and Right versions of a corporatist political order fail to become a viable alternative to the modern nation-state? One reason was that a polity based on organized producer groups tended to be incompatible with the social and economic dynamism of a modern economy and society. As Max Weber (1964:221 ff.; 2002 [1918]) had already pointed out, a Ständestaat presupposes a static social structure that makes it possible to assign each individual to one of a small number of broad but still internally homogeneous social categories. The more dynamic a society becomes, Weber argued, the more frequently individuals have to be reassigned, new categories created and others abolished, while the total number of groups would be continuously rising with growing functional differentiation. A polity modeled after the group structure of a modern society would therefore be ultimately unmanageable. Similarly, economic corporatism, such as syndicalism or any other form of "producer-based democracy," would be governed by producer conservatism resisting adjustment of production to changing demand. Ultimately it must amount to a dictatorship of producers over consumers, acceptable only in a world of stable technology and static, traditionalist demand for a narrow range of elementary products and services. Indeed in the real world, no corporatist order, whether rightist or leftist, ever survived for more than a few years. In the Soviet Union as well as in the right-wing corporatist regimes of the interwar period, the councils and syndicates that were supposed to be the ultimate authority soon came under the control of a dictatorial state party sufficiently detached from the social structure to override static group interests.
Theories and Practices of Neocorporatism

in the name of economic progress or military mobilization. What on the surface remained a corporatist constitution soon became a facade for dictatorial state rule.

An alternative to liberalism on the one hand and syndicalism, the Standestaat, and state corporatism on the other were attempts to accommodate organized groups in liberal democratic polities and find some form of coexistence of territorially and functionally based political representation. In the United States in particular, but to differing degrees also in the other Anglo–American countries, this involved recognition of organized collectivities as interest groups, with constitutional rights to lobby the democratically elected parliament. “Pluralist” admission of organized interests was conditional on acceptance by the latter of a strict division between themselves and state authority. To prevent organized interests from “capturing” the state, membership in them had to be strictly voluntary and their organizations preferably small, specialized, internally homogeneous, democratic, and in constant competition with each other and with other organizations undertaking to represent the same interests (Truman, 1951).

In Continental Europe by comparison, Roman Catholic and social democratic traditions merged to give rise to various forms of “sharing public spaces” between states and organized social groups (Crouch, 1993). Subnational communities that the rising nation–state had been unable or unwilling to break up were conceded semipublic authority to make binding claims for and enter into commitments on behalf of their members, in exchange for coordinating their core activities with the government. Social groups that were allowed various forms of self-government in the public domain, typically under de facto obligatory if not compulsory membership, included churches, farmers, unions, employers, small business, and the liberal professions. The resulting blurring of the boundary between the state and civil society involved a delicate balance between individualism and collectivism, individual rights and group rights, and competition and cooperation. The integration of organized groups into both liberal parliamentary democracy and the market economy reached its high point in a number of European countries after World War II. In the 1970s, it came to be referred to as neocorporatism or liberal corporatism.

One of the first to provide a coherent rationale for a liberal corporatist political order was the French sociologist Emile Durkheim (1858–1917). In the Preface to the 1902 second edition of his Division of Labor in Society (1893) titled “Some Notes on Occupational Groups”– Durkheim reminded the reader of the main result of his investigation, namely that the progressive functional differentiation of modern society is a source of both disorder and order, of anarchy and anomaly as well as of social integration. Anomy, according to Durkheim, is caused by the rise of “industrial society” and the increasing importance in social life of a highly differentiated economy, whereas integration may result from mutual interdependence of actors specializing on different activities. For interdependence to result in cooperation, however, mutual trust is required, which in turn presupposes reliable rules. These a liberal state cannot on its own provide: “Economic life, because it is specialized and grows more specialized every day, escapes (the state's) competence and . . . action” (Durkheim, 1964 [1893]:5). This is no longer so if “professional associations” organized to reflect the structure of economic relations are charged with elaborating the general rules made by the state to fit their special circumstances (Durkheim, 1964 [1893]:25). Corporate associations are also optimally suited to enforce professional codes of conduct, provide mutual assistance, regulate professional training, and so on. “A society,” Durkheim concluded, “composed of an infinite number of unorganized individuals, that a hypertrophied state is forced to oppress and contain, constitutes a terrible sociological monstrosity . . . A nation can be maintained only if, between the state and the individual, there is intercalated a whole series of secondary groups near enough to the individuals to attract them strongly in their sphere of action and, in this way, drag them into the general torrent of social life . . .” (Durkheim, 1964 [1893]:28).
The "postwar settlement" in the European countries under American influence after 1945 was a successful attempt to reconcile a capitalist economy with mass democracy and prevent a return of the political and social divisions that had destabilized Europe in the inter-war period. Central to it was the neocorporatist inclusion of worker collectivism in the liberalized political economies of the reconstructed European nation-states. Like in World War I, labor inclusion was prefigured by wartime policies of national unity. It was also a consequence of the leading role of the Left in antifascist resistance movements, the collaboration of traditional elites with right-wing governments or the German occupation, and the presence of a communist alternative to capitalism in Eastern Europe. Where the institutionalization of national systems of industrial relations involved the extension of collective rights to organized labor at the level of the national polity, it followed the model of other nonmajoritarian constitutional provisions in countries whose cohesion depended on protection of ethnic or religious groups from being overruled by natural majorities ("consciational democracies"; Lehmann, 1974; Lijphart, 1984; Rokkan, 1966).

The incorporation of labor in postwar democratic capitalism as a separately organized group — unlike the vertical corporations of state corporatism that also included capitalists — had developed out of the institution of "free collective bargaining." Rooted in nineteenth-century Britain, free collective bargaining emerged where states recognized their inability to suppress the collective action and organization of workers, short of civil war with uncertain event. Where trade unions, like British craft unions in the mid-eighteenth century, were prepared to pursue their interests primarily in the economic sphere, governments were happy to abstain from direct intervention in a class conflict they found difficult if not impossible to pacify. Instead they let unions and employers set the terms of employment between themselves, increasingly under legal immunities, protection, and even facilitation. As T. H. Marshall (1964) pointed out, collective industrial agreements could be regarded by governments as economic contracts negotiated in the market, and thus as an outflow of civil rights rather than as coercion by illegitimate political force. Whereas private compulsion would have challenged the territorial state's monopoly of force, private contracts were in a liberal order properly left to themselves.

Free collective bargaining became widely established immediately after World War I, only to be eliminated again in the 1920s and 1930s in many countries in the name of national unity, individual liberty, free competition, economic planning, or all of the above. Its worldwide return after 1945 was part of the complex political compromise that was the postwar settlement. Using different legal instruments, democratic states exempted unions from conspiracy and anticartel laws and accepted national collective wage bargaining as a major element of the machinery of public economic policy. In return, unions in the tradition of social democratic reformism recognized private property, free markets and the primacy of parliamentary democracy, limiting themselves to the direct pursuit of economic goals through collective bargaining and to the indirect pursuit of political goals through lobbying the parliament and supporting sympathetic political parties. Whereas government refrained from direct intervention in wage setting — let alone enforcing free price formation in the labor market — unions gave up previous ambitions to put themselves in the place of the government or the state, in exchange for being recognized as legitimate co-governors of the emerging postwar democratic welfare state. The successful integration of the trade union movement in the liberal political order was indicated by its gradual abandonment of the political strike and its more or less explicit concession to use the strike only for economic purposes.

Although the legal and political forms in which free collective bargaining became institutionalized differed between countries, from the perspective of the state the new group rights were granted on condition that they were
Theories and Practices of Neocorporatism

responsibly exercised. Unions, for their part, insisted that their autonomy in representing their members was not derived from the state, but reflected rights that preceded the modern state and its constitution. Even for more reformist unions, conceiving of free collective bargaining as a conditional privilege granted by the state was no more than legal fiction. In their view, collective bargaining ultimately resulted, not from the state, but from the capacity of workers collectively to withdraw their labor and bring the economy to a halt. Generally in neocorporatist arrangements, whether collective rights are original or delegated by the state often was deliberately left open to avoid conflict.

What exactly the status of unions was in the postwar settlement — part of the state, or “state in the state” — was not just a legal subtlety. In most European countries, responsible behavior of unions in collective bargaining could not effectively be enforced on them by hierarchical means. As states had to respect free collective bargaining — for constitutional reasons, for reasons of political expediency, or both — union responsiveness to the needs of national economic policy became a matter, not of authority, but of political exchange (Pizzorno, 1978), in which government paid for union cooperation with a wide range of political side payments. The stability of the postwar political economy thus depended on a precarious give-and-take between government, business, and the organized economic interests of the working class, in which social and political integration were purchased by the provision of material benefits rather than enforced by coercive state authority.

Postwar democratic corporatism involved the inclusion of organized labor not only at the workplace, but also in national politics. Also, the “corporations” on which neocorporatism is based are not large firms — as the concept might suggest especially to speakers of American English — but intermediary associations of groups of individuals or firms in similar positions and, as a consequence, potentially competing with one another. Reference to the Japanese case as one of “corporatism without labor” (Pempel and Tsunakawa, 1979) is therefore to be qualified in two respects at least. First, with the abortive general strike of 1949 and the firm establishment of enterprise unionism in the 1950s, Japanese trade unionism had become effectively eliminated as a national political force. Second, inclusion of labor at the enterprise level only, although it is inclusion in “corporations” and may also give rise to extensive labor-management cooperation, is not corporatism as it is not based on associations capable of suspending market competition. It is therefore better referred to as enterprise paternalism (Streeck, 2001).

In Western postwar democracies, unions that used their autonomy responsibly became recognized, in practice if not in law, as performing a public function that the liberal democratic state found difficult to perform: the creation of social order and the provision of social peace at the workplace. With time, what had originally been a struggle for power between workers associations and the modern state could thus be redefined, in a Durkheimian way, as a matter of an efficient allocation of functions between private and public organizations together governing the public domain. To compensate unions for wage and political moderation, states granted them legal privileges and institutional guarantees, again to different degrees and in different ways in different countries. Unions were also invited to share in a wide range of economic policies in tripartite arrangements that included them together with employers and the government, making trade unionism part of the public policy machinery and of the implicit constitution of postwar democracy. In this way, organized collectivism of the working class became integrated in liberal democracy and the market economy, conditional on its political and economic moderation as well as on the ability of the reconstituted nation-state to provide for material prosperity and organizational support.

NEOCORPORATISM: ORGANIZATIONAL STRUCTURE AND POLITICAL FUNCTIONS

In the 1970s, political science and sociology discovered neocorporatism as a European anomaly
from the perspective of what had in the meantime become a predominantly American, pluralist theory of interest politics. Authoritarian state corporatism of the Portuguese and Spanish sort, and various Latin American dictatorships modeled after it, were still around. They provided the backdrop for the observation that in many, now perfectly democratic, European countries, interest groups were organized and behaved in ways reminiscent of corporatist systems. Research on interest-group corporatism in liberal democratic polities centered on two subjects in particular: on the organizational structure of interest groups and on the way these were made to act in line with more general, public interests. A central topic became the relationship between, on the one hand, the organization of group interests in established intermediary associations (the structural aspect of neocorporatism) and, on the other, the political coordination between interest associations and the state (the functional aspect; Lehmbruch and Schmitter, 1982).

As a system of interest organization, democratic neocorporatism has been conveniently described in relation to interest-group pluralism, sometimes as its polar, ideal—typical opposite and sometimes as a variant of it (Hicks and Esping-Andersen, this volume). In structural terms, pluralist theory most commonly conceives of interest politics as free competition among a variety of organizations in a market for political representation, whereas in corporatist systems selected organizations enjoy a representational monopoly. Organizational autonomy under pluralism contrasts with direct or indirect state intervention in the internal affairs and the structural makeup of interest organizations under corporatism, favoring members over leaders or leaders over members depending on who is expected to be more reasonable from the perspective of state policy.

With respect to function, under pluralism organized interests are tamed by competition and the primacy of public legislation, whereas corporatism depends on political incentives and sanctions to make interest groups cooperate with public purposes. Unlike the sharp division in liberal democratic theory between hierarchical state authority and the voluntary organization of civil society, corporatist theory and practice blur the boundary between state and society as the state shares authority with private interest associations, using the latter as agents of public policy by coordinating their behavior or delegating public functions and decisions to them. In a corporatist context, private interest representation thus shades into public governance. In the pluralist view, organized interests are relegated to the input side of the political process, where they may have a right to be heard before decisions are made. Under corporatism, by comparison, social interests participate not only in the making of binding decisions but also in their implementation. As corporatist associations assume responsibility for the compliance of their members with public policies, they help the state overcome inherent limits of legal regulation and direct intervention.

The pluralism—corporatism distinction may be read either as one between two types of government or between the ideal world of liberal theory and the real world. It is often taken to signify the extreme ends of a continuum on which extant regimes of interest politics in liberal democracies can be located. Whereas originally there was a tendency to classify entire societies, or polities, in terms of their being more or less corporatist, later on the discussion became more subtle and allowed for different sectors in a society to be differently corporatist in their organization and policy making ("macro" vs. "meso" corporatism; Cawson, 1985). The same applied at the regional level where corporatist governance arrangements and practices were claimed to have emerged without the support of the national state. Moreover, in addition to the coexistence of different types of state-society relations in a given country, it was realized that even interest groups that were organized in a corporatist fashion sometimes relied on pluralist pressure tactics in pursuit of their objectives, or used pluralist and corporatist strategies simultaneously. Vice versa, interest groups were found to behave responsibly and cooperate with state policies even in the absence of corporatist organizational structures. Over time, research also
Theories and Practices of Neocorporatism

begun to extend to organized groups representing less vested interests than unions and business associations, such as charities and social movements concerned with issues like the environment. These, too, were studied in terms of the more or less pluralist or corporatist character of their structures and relations with the state.

As to the functional aspects of corporatist arrangements, it is helpful to distinguish between concertation and self-government. Concertation refers to efforts by national governments to make unions and employers exercise their right to free collective bargaining in such a way that it is not at odds with national economic objectives; it turns collective bargaining and its agents into instruments of macroeconomic management coordinated between the state and organized social groups that command independent political capacities. The principal example is tripartite incomes policies, first under Keynesianism and, in the 1990s, in national employment pacts. Concertation achieves moderation of wage demands through extended or “generalized” political exchange, offering unions in particular a variety of material or institutional concessions to make them behave “in concert” with government policies.

Self-government, by comparison, involves diverse forms of collective participation of organized groups in public policy at the national or subnational level. It may result from accommodation by the state of powerful group interests or from technically expedient devolution of state functions to organized civil society. It may also result from social groups cooperatively producing collective goods for themselves that state and market fail to provide, or from any mixture of the above. Collective self-government, with varying degrees of state facilitation and legal formalization, may relieve the state from demands for regulation or services that it would find difficult to satisfy, but it also may amount to particularistic capture of public authority. It can therefore be analyzed from both a power and a problem-solving perspective. Self-government is often found in the cooperative – “third” – sector of the economy where groups operating between the hierarchy of the state and commercial markets provide themselves with collective goods, or where – like at the regional level – hierarchical state authority is not present. Generally, whereas concertation regulates the relationship – the terms of exchange – between economic groups differently located in the economic division of labor, self-government involves cooperation between competitors in pursuit of common objectives, sometimes on the basis of explicit bipartite agreements with the state. Whereas concertation serves to contain distributional conflict, self-government mobilizes the economic benefits of cooperation.

Unlike pluralism, democratic corporatism lacks a coherent normative justification. The memories of antidemocratic, authoritarian state corporatism linger on and make corporatist ideas suspect. Catholic advocacy of the subsidiarity principle carries with it a traditional communitarianism that conflicts with the modernist and statist tradition of social democracy. Leftist support for collective bargaining, in turn, is often accompanied by fears of loss of union autonomy due to incorporation in government economic policy, and by rejection of “class collaboration.” Social democratic hopes for state intervention to bring about greater equality also stand in the way of unambiguous support for corporatism. Liberals eschew corporatism for its anticompetitive, monopolistic institutions and its inherent collectivism. Conservatives, often together with the republican Left, fear for the unity and integrity of the state. Whereas the former associate corporatism with a “trade union state,” the latter are afraid of state capture by special sectoral or business interests using privileged institutional positions to block majority decisions. Democratic theory warns of a “cartel of elites” rendering the parliament powerless, while economic theory deplores the rent-seeking and the allocative inefficiency allegedly caused by suspension of competitive markets. Fears of a totalitarian state takeover of civil society exist alongside fears of the conflicts inherent in the latter tearing apart the state or making it subservient to democratically illegitimate special interests.

In the following subsections we first discuss neocorporatist organization, that is, the structural...
dimension of corporatism. Following this we turn to the functional aspects of neocorporatism, addressing concertation and self-government in turn.

Structure: Organization

Regarding structure, neocorporatist interest organization differs from its pluralist counterpart in that collective interests are organized in few rather than many organizations, which are broad instead of narrow in their domain and centralized and broadly based instead of specialized and fragmented (Schmitter, 1974). Interest differences between constituent groups are as much as possible internalized in encompassing organizations, and the management of interest diversity becomes in large part a matter of the internal politics of associations instead of the public political process. Charging associational leaders with the aggregation and transformation of diverse special interests into more broadly defined common, adjusted interests, corporatist organization allows them considerable discretion in selecting which interests to represent and act upon as those of their members. Corporatist associations can therefore be seen as active producers instead of mere purveyors of collective interests.

Corporatist organizational form affects the substance of collective interests in a variety of ways. The higher discretion enjoyed by the leaders of encompassing associations enables them to observe technical considerations in addition to political ones. Technical perspectives are injected in the internal deliberations of associations, especially by professional experts based in staff departments that smaller organizations cannot afford. Experts are crucial in defining collective goals more instrumentally, making them more acceptable to the organization's interlocutors (more "moderate") and thus more likely to be accomplished (more "realistic"). Leadership autonomy also makes it possible for corporatist associations to take a long-term view of collective goals and postpone the gratification of demands, for example, in the hope of expanding the resources available for distribution. This enables associations to enter into stable relations of "generalized political exchange," where present concessions may be traded for as yet undetermined and legally not enforceable future rewards. It is these and similar processes of interest definition and adjustment that distinguish corporatist interest intermediation from pluralist interest representation and indicate the transformation of a pluralist interest group into an intermediary organization.

The rise of interest intermediation may in part be attributed to internal factors, such as the interests of professional staff in safe jobs, career advancement, and acceptance by a larger professional community. This mechanism figures prominently already in the writings of Max Weber (1964:841ff.) and Robert Michels (1989 [1911/1925]). Staff interests represent the economics of organization, such as the need to protect past investment in collective action capacities by regularizing the existence of the organization. In addition, the literature on neocorporatism also points to external factors contributing to what Schmitter and Streeck (1999 [1982]) call organizational development, in particular incentives held out and supports provided by the state and other interlocutors. The reason why the latter might favor corporatist intermediation over pluralist representation is the political moderation they can expect to come with large size, encompassingness, professionalization, organizational continuity, and centralization. Large and stable organizations not only develop powerful interests in their own survival that militate against political adventures, but they can also negotiate on a broader range of issues, which increases the variety of possible package deals. Moreover, as Mancur Olson (1982) has explained, encompassing organizations internalize not only a diversity of special interests but also much of the damage they do if they stray too far from the general interest.

There are several inducements and supports the state and other actors can offer interest groups to persuade them to assume corporatist organizational forms. To help overcome pluralist fragmentation, interlocutors may talk only to organizations that exceed a certain size or qualify as majority representative of their
constituency. Privileged access strengthens the position of the leadership in relation to the members, as these cannot hope to be effectively represented if they join a competing organization. Elimination of competition may also contribute to political moderation as it relieves leaders of the need to outbid each other in militant demands potentially more appealing to the membership than moderate policies. Interlocutors furthermore may provide associations with material support, to enable them to build a strong bureaucracy and offer their members “outside inducements” (Olson, 1971) — services that unlike their political achievements they can withhold from nonmembers to increase the appeal of membership.

External support for organizational development and political moderation may include tacit or open assistance in recruiting or retaining members, which can take a variety of forms from moral suasion to compulsory membership (like in Chambers of Commerce and Industry in some Continental European countries). Assistance with recruitment helps associations deal with the “free rider” problems that increase as their policies become more compatible with general, public policies. Here in particular neocorporatist interest organization becomes reminiscent of traditional corporatism, also because organizational assistance may be accompanied by — more or less subtle — intervention in an association’s internal process, in the name of associational democracy or political moderation. Unlike state corporatism, however, intermediary organizations in liberal democracies remain ultimately free to refuse cooperation with the government, regardless of the extent to which the state may help them with their organizational problems.

In a simplified model, the organizational dynamics of intermediary organizations derives from their simultaneous involvement in two environments, the social group from which they draw their members (membership environment) and the collective actors in relation to which they represent these (influence environment; Figure 22.1). The two environments are governed by different “logics” (Schmitter and Streeck, 1999 [1982]). Interaction between an interest organization and its constituents is shaped by the interest perceptions and demands of the latter, by the willingness of the members to comply with decisions made on their behalf, by the means available to the organization for controlling its members, and by the collective benefits and outside inducements the organization has to offer. Together these constitute an organization’s logic of membership. The interaction between an interest organization and its interlocutors is governed by the demands the organization makes on the latter, the support it has to offer to them, the compromises it is willing and able to negotiate, and the extent to which it can “deliver” its constituents — as well as by the constraints and opportunities inherent in the relevant political institutions, especially for the establishment of lasting relations of political exchange, the concessions offered to the organization, and the degree to which the organization is granted privileged access and status. This interaction reflects the organization’s logic of influence.

As the demands made on intermediary organizations by their members and interlocutors may be contradictory, their leaders typically confront difficult choices. Interest representation in a pluralist mode is controlled by the logic of membership and emphasizes the authentic representation of members’ interest perceptions and articulated demands. Political influence, however, often depends on a capacity to moderate and compromise member demands, and so may a stable supply of organizational resources. However, if interest associations adapt to the logic of influence, they are drawn away from their members and into their target environment, in the process assuming corporatist traits. For example, whereas the logic of membership speaks for the formation of homogeneous and, by implication, small (“pluralist”) organizations, the logic of influence tends to place a premium on interest organizations being broadly based and representing more general instead of highly special interests. To build lasting relations of political exchange with their interlocutors and thereby enhance their own stability and security, interest organizations may have to acquire organizational characteristics that make...
it more difficult for them to procure legitimacy for themselves under the logic of membership. In fact, intermediary organizations that become too distant from their members and too closely involved in the logic of influence may turn into extended arms of the government (i.e., into quasi-governmental agencies) or become representatives of interests opposed to those of their constituents ("yellow unions").

Striking a balance between member-responsive but weakly organized, fragmented, and competitive pluralism on the one hand and corporatist institutionalization in their target environment on the other is the central political and organizational problem of neocorporatist interest intermediation. Successful intermediation requires stable relations of exchange with environments subject to different and sometimes contradictory logics of action; in a sense it may be seen as arbitrage between markets for membership and influence. Pluralist interest representation transforms the interest perceptions of its clients into political demands and extracts concessions from its interlocutors to provide its constituents with collective benefits (Figure 22.1). Neocorporatist interest intermediation in addition exchanges member discipline for organizational privileges under the logic of influence, and private governance for member compliance under the logic of membership. In this it uses the compliance of its members as a resource in its dealings with its interlocutors, just as it relies on its organizational privileges in turning its constituents into members, trying to keep an equal distance between the different dictates of the logics of membership and influence by drawing on one to stay clear of the other.
Function: Concertation

The literature on national neocorporatist "concertation" reached a first peak in the late 1970s and early 1980s. It focused on the management of national economies after the wave of worker militancy in the late 1960s and the oil shocks of 1973 and 1979 (Cameron, 1984; Crouch, 1985; Katzenstein, 1985; Lange and Garrett, 1985; Pizzorno, 1979; Scharpf, 1987; Schmidt, 1982). The issue was what government and employers could do to make unions that had become stronger than ever moderate their wage demands in the context of a negotiated incomes policy, where statutory incomes policies were impossible for constitutional, technical, or political reasons. Tripartite national policies agreed between government, employers, and unions were to safeguard macroeconomic objectives such as low inflation, low unemployment, a stable exchange rate, and high growth while respecting the right of unions and employers to free collective bargaining. Neocorporatist concertation efforts reflected a Keynesian political economy in which full employment was a responsibility of the government that it had to live up to if it wanted to survive politically, and for which it had in principle the necessary tools available in the form of fiscal and monetary intervention. Politically guaranteed full employment, however, increased union bargaining power and thereby gave rise to inflation, unless unions could be persuaded not to use their bargaining power to the fullest.

The neocorporatist literature of the time identified a variety of concessions governments and employers offered to unions in tripartite package deals, including tax relief for low-income earners, more progressive income taxes, improved pension benefits, active labor market policies, increased educational spending, growth-promoting infrastructural investment, expanded rights to workplace representation, and organizational security. Comparative research explored whether countries that succeeded in negotiating tripartite national agreements performed better economically than liberal or pluralist countries with more adversarial institutions and practices. Research also tried to specify the conditions under which tripartite deals were achieved, such as the political complexion of the national government, the degree of independence of the central bank, or the size of the country. Much attention was paid to the organizational structure of unions and employer associations, especially whether they conformed to a corporatist pattern or not and whether concertation and cooperation between the state and organized groups was possible also with a more fragmented and pluralist structure of industrial relations.

For a while, neocorporatist concertation seemed a generally applicable recipe for the joint management of a Keynesian political economy by a democratic state and independently organized social interests. It soon turned out, however, that concertation was difficult to transport to countries like the United Kingdom with traditionally fragmented and adversarial interest groups. Moreover, the concessions that had to be made to unions became more expensive with time and more often than not only moved inflation forward into the future or caused an accumulation of public debt. Not least, unions frequently failed to deliver on their promises of wage moderation as they came under pressure from their members. In other cases, cooperative unions suffered a loss of confidence on the part of their constituents, which ultimately forced them to withdraw from concertation.

In the early 1980s, the neocorporatist governments of the United States and Great Britain proved that labor–exclusive monetarist methods of bringing down inflation were not only effective but also politically sustainable, even though they involved high rates of unemployment. As inflation rates in OECD countries declined and converged at a historic low, research on corporatism shifted from incomes policy and demand management to collective infrastructures, like support for vocational training and technological innovation, that both free markets and state hierarchies seemed to have difficulty providing on their own. Again the question was whether corporatist organization of social groups and cooperation between them and the state resulted in better economic performance than a pluralist separation of state and society that left the
economy to the free play of market forces. Although requisite organizational forms remained an issue, most of the research on “supply-side corporatism” looked at subnational regional, sectoral, or workplace-level institutions promoting cooperation between state and society or between competitors, rather than the national arrangements and macroeconomic policies that had been at the center of early research on corporatism (Streeck, 1984, 1992).

Research on national incomes policies revived in the 1990s in the context of efforts of European governments to bring down persistent unemployment and meet the strict criteria for accession to European Monetary Union (Pochet and Fajertag, 2000). National employment and stability pacts were proposed and negotiated that aimed at bringing union wage-setting behavior in line with the imperatives of a monetarist macroeconomic policy and the need, resulting not least from the neocorporatist bargaining of the 1970s, to consolidate public budgets (Ebbinghaus and Hassel, 2000). Pacts also involved sometimes far-reaching reforms of social security (Baccaro, 2002). Union cooperation with governments seemed to depend on a variety of factors. Unlike in the 1970s, however, governments of the Left were not significantly more successful than conservative governments in negotiating national pacts. Moreover, whether the organizational structure of national unions was corporatist or not seemed to be largely irrelevant (Regini, 2000).

Function: Self-Government

Much of the political science literature of the 1980s was concerned with the limits of state intervention and of the problem-solving capacity of governments. Whereas traditionally attention had focused on the input side of political systems, it now shifted to the technical difficulties facing legislators and state bureaucracies on the output side: for example, in fine-tuning policies to meet increasingly differentiated needs and in ensuring that programs were correctly implemented. In Europe it was in the context of rising disillusion with social democratic pretensions at political planning — the end of the “planning euphoria” of the 1960s and 1970s — that debates began to revolve around a need for Staatsentlastung, or relief of the state from an overgrown policy agenda (Scharpf, 1992).

Perceptions of state failure coincided with a tendency in Western societies at the time toward privatization of state activities and deregulation of markets. The latter was based on an emerging presumption that a free play of market forces was better suited to resolve complex issues of allocation and production than state intervention. There were also, however, attempts to develop an alternative response to the deficiencies of state intervention, one that avoided the risk of market failure succeeding state failure. In this context, a variety of forms of collective participation in policy making were rediscovered that extended far beyond collective bargaining and the concertation of incomes policies. Some involved an explicit delegation of governance functions to parapublic institutions and agencies offering opportunities for participation to affected social groups. Others licensed organized groups to regulate matters of common interest themselves and free from state interference.

Like incomes policy, the incorporation of interest groups in public policy making may be explained in terms of both power politics and functional expediency. From the former perspective, institutions of self-government are a concession of the state to the independent power of social groups and are therefore liable to turn into private bridgeheads in the public sphere. From a functional or policy perspective, self-government increases a society’s problem-solving capacity as it makes for a better interface and more efficient cooperation between state and civil society — in a Durkheimian sense drawing on subgroup solidarity as a public resource and mobilizing the productivity advantages of cooperation between competitors. Rather than imposing its policies on society from above or turning them over to the market, a state in a neocorporatist system governs in part through negotiations with and devolution to organized social groups, using them for public policy functions they are better able to perform than a public bureaucracy.
Theories and Practices of Neocorporatism

Taking off from the literature on concertation, the writings in the 1980s on neocorporatist devolution of governance to organized civil society emphasized the potential contribution of interest associations to social order (Streeck and Schmitter, 1985). Especially in European countries with corporatist or Catholic traditions, interest associations were observed to share in public responsibility in policy sectors such as product standardization, quality control and certification, vocational training, environmental regulation, research and development, and welfare provision. Here, group interests as defined and acted upon by firmly institutionalized associations seemed to be compatible with general, public interests, so that associations could be given both autonomy and authority. Arrangements of this sort were often bilateral, involving the state and a particular organized group; they involved groups with ideal interests, such as churches or new social movements, no less than economic interests like those of farmers or of firms in particular sectors; and they tended to be concerned with market regulation or the supply of services or infrastructural facilities, rather than with the management of demand.

Group self-government through associations – the “public use of private organized interests” (Streeck and Schmitter, 1985) – enriches the repertoire of the state and expands the toolkit of governance. Public recognition and organizational support are to transform pluralist interest groups into disciplined “private interest governments,” both inducing and enabling them to define the interests of their members with a view to their compatibility with the public interest. By enlisting the support of associational self-interest, the state mobilizes expert information that it would be unable to build and maintain itself. As association members usually have more confidence in their representatives than in state bureaucrats, private interest government also tends to have fewer problems of legitimacy and greater powers of persuasion than direct state regulation.

Self-governance also benefits the involved associations. By assuming responsibility for regulating the behavior of their members, associations achieve institutionalization in the public sphere and gain in status and security. They and their members may also prefer self-regulation over potentially heavy-handed state intervention. Groups may furthermore be afraid of incompetence on the part of state bureaucracies, making it unpredictably more costly to be policed by them than by themselves. Governments, for their part, must be able to identify situations when the organized private interest of a social group can be made compatible with the public interest of society. They also must have at their disposal organizational incentives and material compensations by which to move group interests close enough to the public interest for the independent pursuit of the former to contribute to the latter. In particular, states must find ways to prevent a decay of self-government through “agency capture” by rent-seeking interest groups and to ensure that the power of organized interests can for the practical purposes of public policy be treated as devolved and delegated public power, even if it is in fact not derived from the state. Domesticating group interests in this way requires, among other things, reserve state capacity enabling the government credibly to threaten direct intervention in case self-government fails to meet its public responsibilities.

Moving beyond narrower concepts of private interest government through associations, the mainly American literature on “associative democracy” explores decentralization of decision making to local actors and facilitation of cooperation between them as an alternative to centralized state intervention (Cohen and Rogers, 1995; Cohen and Sabel, 1997). With corporatist theory, this literature shares an emphasis on self-organization below and within the state performing functions of rule making and collective goods production that liberal states cannot satisfactorily perform. Informed mainly by research on regional economies drawing on informal social capital for better economic performance (Trigilia, 1990), theories of associative democracy attribute less significance than the corporatist literature to formal organizational structures. Instead they rely mostly on the cultivation of informal social relations between a
variety of local actors united in a search for comparative advantage in competition with other regional economies.

THE ECONOMIC EFFECTS OF CORPORATISM

A substantial part of the empirical research on neocorporatism since the late 1970s has consisted of quantitative comparative analysis of corporatism's economic impact. Numerous attempts have been made to score the eighteen or so most affluent OECD countries on a corporatism scale (for detailed discussion see Kenworthy, 2001; Kenworthy and Kittel, 2002). Early measures focused on interest group structure, of which there are three chief dimensions: representational coverage (e.g., union density), organizational centralization, and organizational concentration. Since roughly the mid-1980s, measures of concertation have played a more prominent role. These have focused primarily on the degree of centralization or coordination of wage setting. Fewer attempts have been made to measure interest-group participation in public policy in general — that is, apart from wage setting. Many researchers have created composite corporatism measures that combine information about various aspects of interest-group structure and/or concertation.

Research on the economic effects of corporatism has focused chiefly on macroeconomic performance, especially unemployment and inflation. Most heavily studied has been the impact of centralized or coordinated wage setting. Three causal mechanisms have been hypothesized.

First, centralized or coordinated wage setting may yield low unemployment or inflation by engendering wage restraint. The general logic is simple, although specific applications can be complex (Franzese, 1999; OECD, 1997). If employees bargain aggressively for high wage increases, employers can do five main things in response: raise productivity, raise prices, reduce profits paid out to investors, reduce investment, and/or reduce the number of employees. When wages are bargained separately for individual firms, none of these responses will necessarily have an adverse short-term effect on employment or inflation-adjusted wages, which are the principal concerns of union negotiators. For instance, if a firm raises prices, this is likely to have little impact on the living standard of its workers. Even if the firm chooses to reduce employment, those laid off should be able to find work elsewhere as long as wage increases and layoffs are not generalized throughout the economy. Thus, where bargaining is decentralized and uncoordinated, there is an incentive for unions to pursue a strategy of wage militancy.

By contrast, if wage negotiations cover a large share of the workforce, union bargainers can be reasonably sure that a large wage increase will have an adverse impact on their members. When firms representing a sizable share of the economy raise prices, the resulting inflation offsets or nullifies the wage gains of most workers. Similarly, if layoffs are economy-wide, employment opportunities will diminish. Centralized or coordinated wage setting thus generates an incentive for wage moderation, as interest groups are forced by their size and structure to internalize the negative impact of aggressive bargaining.

Many researchers have assumed a linear relationship between wage-setting centralization or coordination and wage restraint. However, some have proposed that the effect is hump-shaped, with high and low levels of centralization best at generating labor cost restraint (Calmfors and Driffield, 1988). Others contend that corporatist wage setting yields superior performance outcomes only in combination with particular types or levels of central bank independence (Hall and Franzese, 1998), leftist government (Lange and Garrett, 1985), unionization (Kittel, 1999), or public sector unionization (Garrett and Way, 1999). Still others hypothesize that the effect is both hump-shaped and interactive with central bank independence or the monetary regime (Cukierman and Lippi, 1999; Iversen, 1999).

One glaring weakness of research in this area is the limited empirical investigation of the assumed causal mechanism. Only a handful of studies have actually examined the relationship between wage setting and labor cost developments (Bruno and Sachs, 1985; Kenworthy,
Theories and Practices of Neocorporatism

1996, 2002; Layard et al., 1991; OECD, 1997; Traxler et al., 2001; Traxler and Kittel, 2000). Most have looked only at the statistical correlation between wage setting and macroeconomic performance and have simply presumed that the link between wage setting and labor cost restraint, and also between labor cost restraint and performance outcomes, is as hypothesized.

A second potential link between corporatist wage setting and unemployment is economic growth. One of the outcomes of centralized or coordinated wage determination, achieved either informally or explicitly in corporatist pacts, may be greater investment, which in turn tends to spur more rapid growth of economic output (Lange and Garrett, 1985). Faster growth, in turn, increases employment.

A third hypothesized link is government policy. Policy orientations are seen as a key determinant of cross-country differences in unemployment. Policy makers in countries with centralized or coordinated wage setting are likely to feel more confident than their counterparts in countries with fragmented bargaining that labor cost increases will be moderate. Thus, they should tend to worry less about wage-push inflation. This may increase their willingness to adopt an expansive monetary or fiscal policy, an active labor market policy, or other policies that reduce unemployment. By contrast, policy makers in nations with less coordinated wage arrangements may feel compelled to resort to higher levels of unemployment in order to keep inflation in check (Hall and Franzese, 1998; Kenworthy, 1996; Soskice, 1990).

Although much of the research on the impact of corporatism on economic performance centers on wage setting, some studies have emphasized union participation in economic policy making. Unions desire low unemployment. The more input unions have in economic policy decisions, the more likely it would seem that government policies will give priority to fighting unemployment (Compston, 1997). To the extent that the respective policies are effective, the result should be lower rates of joblessness.

Although there are some dissenting findings (OECD, 1997; Smith, 1992; Therborn, 1987; Western, 2001), most studies have discovered an association between corporatist wage setting and low unemployment or inflation in the 1970s and 1980s (Bruno and Sachs, 1985; Calmfors and Driffill, 1988; Cameron, 1984; Garrett, 1998; Hall and Franzese, 1998; Hicks and Kenworthy, 1998; Iversen, 1999; Janoski, McGill, and Tinsley, 1997; Kenworthy, 1996, 2002; Layard, Nickell, and Jackman, 1991; Scharpf, 1991 [1987]; Soskice, 1990; Traxler et al., 2001). In the 1990s, however, inflation rates converged across affluent OECD nations, and restrictive monetary policy coupled with growing employer leverage led to substantial wage restraint in traditionally noncentralized and uncoordinated countries such as Canada, France, the United Kingdom, and the United States. Consequently, at least one recent study finds no effect of corporatist wage arrangements on unemployment in the 1990s (Kenworthy, 2002).

Empirical analyses of the macroeconomic impact of interest-group participation in policy making have been considerably less common, but findings have tended to be favorable, even into the 1990s (Compston, 1997; Kenworthy, 2002; Traxler et al., 2001).

The bulk of research on the effects of corporatism has dealt with macroeconomic performance, but a number of studies suggest that its impact may be no less important, and perhaps more so, for the distribution and redistribution of income. Unions tend to prefer smaller pay differentials, and centralized or coordinated wage setting increases unions' leverage over the wage structure. Because differentials are more transparent if wages are set simultaneously and collectively for a large share of the workforce, centralization may reinforce union preferences for low pay differentials. Furthermore, low pay inequality may be one of the things unions ask from employers in exchange for pay restraint. Empirical findings have tended to yield strong support for the hypothesis that corporatist wage setting is associated with lower pay inequality (Alderson and Nielsen, 2002; Iversen, 1999; OECD, 1997; Rowthorn, 1992; Rueda and Pontusson, 2000; Wallerstein, 1999).

There also is reason to expect a link between corporatism and the redistributive efforts of government. Unions may demand more
generous redistributive programs in exchange for wage moderation, and regularized participation by unions in the policy-making process may heighten their influence. Here, too, there is empirical support in the literature (Hicks, 1999: chap. 6; Hicks and Kenworthy, 1998; Hicks and Swank, 1992; Swank and Martin, 2001), though it is difficult to disentangle the impact of concertation from that of related factors such as social democratic government.

**THE FUTURE OF NEOCORPORATISM**

In the span of two decades, corporatism was hailed as an effective model of governance in affluent countries (Katzenstein, 1985; Schmitter, 1981), dismissed as irrelevant in an era of internationalization and restructuring (Ferner and Hyman, 1998:xii), and rediscovered by policy makers and scholars as a potentially superior way of managing rapid economic and political change (Auer, 2000; Hassel and Ebbinghaus, 2000; Pochet and Fajertag, 1997; Regini, 2000; Visser and Hemerijck, 1997). What lies ahead? The future of neocorporatism is bound up with the ongoing transformation of social structure on the one hand and of the nation-state on the other. Social groups in advanced societies, certainly the producer groups of the industrial age, have become less cohesive and more difficult to organize into centralized, monopolistic, and hierarchical associations. For example, with the decline of Fordist industrial organization and Keynesian economic policy and the growing prominence of the service sector, unionization has fallen almost everywhere and the degree of union centralization has declined in many countries (Traxler et al., 2001; Western, 1997). Generally social structures today seem to generate less stable group identities and give rise to more individualistic perceptions of interest that may make an encompassing association’s “logic of membership” intractable. Moreover, the producer groups that formed the principal constituency of postwar democratic corporatism are shrinking in size while other groups with distinct political interests have emerged, such as women or immigrants, who are not well represented within traditional corporatist arrangements.

The nation-state, once the opponent and later the sponsor of organized group interests, is being transformed by economic and social internationalization. Exactly to what effect is, however, far from clear. Heightened capital mobility has rendered firms less dependent on the domestic institutions of any one country, increased the desire of employers for flexibility of labor and labor costs, and impaired the capacity of governments to deliver on political deals. The breakdown of centralized wage bargaining in Sweden in the early 1980s, and the elimination of formal interest-group representation on the boards of several public agencies in the early 1990s, are frequently cited as an example for the decline of labor-inclusive democratic corporatism in its historical connection with Keynesianism and the social democratic welfare state.

On the other hand, observers have expressed skepticism about the degree to which globalization is likely to alter national institutional structures and policy choices (Berger and Dore, 1996; Garrett, 1998; Hollingsworth and Streeck, 1994; Kitschelt et al., 1999). Nonmarket institutions can offer competitive advantages to firms that may outweigh their costs. Quantitative analyses by Traxler et al. (2001) suggest little if any convergence in interest-group organization, wage-setting arrangements, and interest-group participation through the late 1990s. However, they do find evidence of a trend toward “organized decentralization” of wage bargaining, whereby wages are set largely at the sectoral level but coordinated informally across sectors (see also Iversen, 1999; Thelen, 2001). Meanwhile, neocorporatist pacts dealing with issues such as wage restraint and labor market and social security reform have played a prominent role in the Netherlands and Ireland – two countries widely viewed as European economic success stories over the past decade. Similar pacts have been forged or renewed in Norway, Finland, Belgium, and Italy (Auer, 2000; Hassel and Ebbinghaus, 2000; Molina and Rhodes, 2002; Pochet and Fajertag, 1997; Regini, 2000; Visser and Hemerijck, 1997).
Generally, changes in the capacities of the nation-state in the course of internationalization seem to have different and partly contradictory consequences for neocorporatism. Where national states lose control to international markets, they become unable to underwrite tripartite bargains, in which case a decline in state capacities is associated with a decline in associational capacities. At the same time, where governments can no longer keep capital captive, they may depend on organized groups to create institutional conditions and infrastructures attractive to investors. Also, states that come under international pressure to balance their budgets, like the member states of the European Union, may need the cooperation of still powerful trade unions for institutional reform and wage restraint. In such instances, state weakness may enhance rather than diminish the role and power of associations.

On the other hand, most nation-states today have embarked on a strategy of liberalizing their economies. Liberalization implies a greater role for markets and regulatory authorities, at the expense of both discretionary state intervention and corporatist bargaining. In part liberalization responds to pressures exerted by internationalization for increased competitiveness and openness of national economies; the latter may require replacement of corporatist self-government, for example of financial markets, with more transparent and internationally accountable state regulation. There also, however, may be domestic reasons for liberalization, among them certain long-term effects of neocorporatism after its peak twenty years ago. These include overblown social security systems, rigid labor markets, high and persistent unemployment, a widening gap between a shrinking group of well-represented insiders and a growing group of disenfranchised outsiders, and the defense by trade unions of a social policy and labor market regime that reflects the social structures and economic conditions of the 1970s rather than of the present. Especially in countries where trade unions and, to an extent, employers use their institutional position to veto change, governments have felt challenged to limit the influence of corporatist interest groups and replace self-government with more publicly accountable state control. In this they have followed a spreading liberal discourse that suspects any form of organized collectivism of particularistic rent-seeking and places its hope on a strong state recreating free markets and defending them against interference by "distributional coalitions" (Olson, 1982).

Although internationalization may make national states part with neocorporatism, it may simultaneously open up new opportunities for group self-government by "nongovernmental organizations" in state-free international settings. Prospects for a transnational renaissance of prenational corporatism are, however, uncertain. Group cohesion beyond the nation-state tends to be weak. Also, the very absence of state authority that might empower organized groups deprives them of institutional support. (In addition it makes it impossible to hold them accountable to a public interest.) Internationally there are only few organized groups capable of making binding rules for themselves, not to mention correcting international market outcomes by negotiated redistribution. Other than competing states, the main actors in the international arena are large firms, increasingly transnational in character, with ample resources to pursue their interests individually, unconstrained by union or government pressure forcing them into international class solidarity, and indeed with a growing capacity to extricate themselves from associative governance at the national level (Streeck, 1997).

Where there is something resembling neocorporatist interest intermediation above the nation-state, it seems heavily dependent on the sponsorship of international organizations like the European Union. In its effort to develop statelike properties, the European Union has long cultivated a substructure of organized interests from which it hopes to draw increased legitimacy. But although the European Union attracts a great deal of lobbying, this is far from concealing in a corporatist system. Most of it continues to be nationally based, as national interest organizations hesitate to transfer authority to their European peak associations. Although
the European Commission relies and indeed depends greatly on information and expertise furnished by organized interests, devolution of decision-making powers to organized interests is rare. Nor has the “social dialogue” between the Commission, the European trade union confederation, and European business developed into tripartite concertation, mostly because national actors, including national governments, jealously defend their autonomy. All in all, even in the European Union international interest-group politics is as a rule far more pluralist than in national systems (Streeck and Schmitter, 1991).

The same holds for corporatist arrangements at the regional level within and, sometimes, across national borders. Much of the literature on “industrial districts” stresses the commonality of interests held by workers, employers and policy makers in a number of subnational areas, and the advantages of negotiated decision making in pursuit of those interests. Yet the long-term sustainability of such arrangements is open to question. Regions, not being states, are unable to insert coercive power in the voluntary relations between their citizens. In particular, they may lack the capacity to provide the kind of support required to transform unstable, voluntaristic, pluralistic interest groups into mature ones capable of attending to the larger sectoral, regional, or national interest. For example, regionally based unionism would have to do without external sources of associational monopoly, without authoritative stabilization of bargaining arenas, and without recourse to a public sphere balancing the manifold advantages employers enjoy in the marketplace.

If the twentieth century that witnessed the ascendancy of the modern nation-state was “still the century of corporatism” (Schmitter, 1974), the same may not be true for the postnational twenty-first century.